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1  
January 5, 1944  
9:25 a.m.

HMJr: Hello.

Operator: Mr. Pehle is not in yet but he is expected any moment. Should he call you?

HMJr: Who's there?

Operator: His secretary.

HMJr: Let me talk to her.

Operator: There you are.

HMJr: Hello.

Mrs. Taylor: Hello.

HMJr: This is Mr. Morgenthau.

T: Yes.

HMJr: Mr. Pehle was to send me over last night an up-to-the-minute review of the question of getting Jewish children out of France.

T: Yes.

HMJr: And the last memorandum I had was August 4th, and he said there were some corrections and he was sending it over here. Well, I haven't got it.

T: Is that the one that was to go to Mrs. Klotz the first thing this morning?

HMJr: Yes.

T: Well, that was sent to her last night and Mr. Bell's secretary took it to hand to you. I'll call her and ask her to hand it right to you.

HMJr: Will you -- Mr. Bell's Secretary?

T: Yes, D. W. Bell.

HMJr: Would you do that, please?

T: Yes, I'll call right away.

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HMJr: I thank you.

T: Good bye.

*Handwritten scribble*

January 5, 1944  
9:30 a.m.

GROUP

- Present: Mr. Bell
- Mr. Gaston
- Mr. Paul
- Mr. Sullivan
- Mr. White
- Mr. Thompson
- Mr. Blough
- Mr. Haas
- Mr. O'Connell
- Mr. Hannegan
- Mrs. Klotz
- Mr. Gamble
- Mr. Surrey

H.M.JR: Good morning. Is Mr. Paul sick?

MR. O'CONNELL: He told me yesterday afternoon that he wouldn't be in this morning, and I haven't seen him yet. I don't know whether he is ill or not.

MR. BELL: He is supposed to make a speech, I think, tomorrow.

MR. O'CONNELL: Day after tomorrow.

MR. GASTON: He is leaving tomorrow evening, I think.

MR. O'CONNELL: When he left yesterday, he did not intend to be in here this morning. He didn't tell me why.

MR. WHITE: In fact, now that I think of it, I think that sending it in a memorandum form is perfectly all right, because the President can always say, "I am merely sending you what our Finance Minister has recommended to me, and I don't think it should be changed."

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H.M.JR: We had a funny one happen about ten days ago; the President asked me to let him know about a loan to China. That was the very first thing he did the first day he got back. Sunday we fixed one up and gave it to him, a little memorandum which gave him the reason why we shouldn't make one, but what we could do.

Well, he said he liked it, and he said he would send it. A week passed, and he didn't send it. He sent my memorandum just as it was written, with just a friendly note at the beginning and at the end.

Late last night I got a letter from Cordell Hull saying he had received a memorandum from the President saying, "Please send this cable." He didn't ask him for his comment. It was a page and a half about why it shouldn't be sent, and not to tell the Chinese they couldn't have a loan.

So I called him up and said that if he wanted to do that, he could tell it to the President, but I wouldn't.

He said, "All right, we will send it--send it around tomorrow morning."

Now, I got a copy of the President's Monday afternoon. I got a letter from Cordell Hull late Tuesday. He sends it around here Wednesday, and it will go maybe sometime today.

This thing--have you all read this thing by our friend Mr. Knutson?

MR. GASTON: Yes.

H.M.JR: We will start with Herbert.

(Mr. Paul entered the conference.)

MR. PAUL: We have been having a conference at my house this morning.

H.M.JR: Your assistant here said you were not coming to the office this morning.

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MR. PAUL: Well, we changed that on account of something that came up last night.

H.M.JR: Was it something that had to do with the Treasury this morning?

MR. PAUL: Yes. Well, it is that big loan matter.

H.M.JR: Loan?

MR. WHITE: Oh, I see.

MR. PAUL: I don't know how much you want me to say.

MR. WHITE: It is a matter we are taking up at three o'clock today, three-thirty today.

H.M.JR: What is that?

MR. WHITE: Discussion of that loan. It has nothing to do with taxes; it is an entirely different matter. It is a legal matter.

H.M.JR: (Gestures) What is the purpose?

MR. WHITE: What is all this secrecy about? Aren't we down for three-thirty?

H.M.JR: On Russia?

MR. PAUL: That is what we have been conferring about this morning.

H.M.JR: Well, it is no secret.

MR. PAUL: Well, I didn't know. I was told it was very secret.

H.M.JR: I didn't say that.

MR. PAUL: You didn't tell me; somebody else impressed that on me.

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MR. WHITE: We didn't know whether it was or wasn't.

MRS. KLOTZ: It is best to say nothing.

H.M.JR: As far as I am concerned, there is no mystery. After talking with Donald Nelson--I mean, coming back and saying that the one thing that the Russians wanted was up to ten billion dollars of goods from America, so while Harry was away, I got some of his boys together and told them to please go to work and make a study of the world trade and see what we could do.

MR. WHITE: I think some of us were misled or misinformed. All right.

H.M.JR: But there is nothing secret. God, you fellows!

MR. WHITE: I didn't quite get it that way. Had I known that--I thought it was something else. I thought it originated in a different way.

H.M.JR: No. I figured that when the President came back from Teheran that would be the first thing he would take up; instead, he took up the Chinese matter. I hope you people believe me. (Laughter)

MR. WHITE: All I can say is, we have been misinformed. We will start from the beginning. O.K.

H.M.JR: What were you told?

MR. WHITE: I don't know whether I was exactly told this or this was inferred. I thought that the first thing the President said when he came back was to work this out and do it quickly. I thought it was a Presidential request to you, which he took up with you the moment he came back. That is the way I got it. I didn't get it from you; I got it secondhand.

H.M.JR: The President never mentioned it. This was Morgenthau trying to be forehanded.

MR. PAUL: Anyway, we have been talking about that matter this morning.

H.M.JR: All right.

Well, what I got the group together for--and I have Hannegan outside. I don't know whether you have had a chance to read Knutson's article?

MR. PAUL: Yes.

H.M.JR: I wanted advice. Believe me, getting information out of the Treasury is something when there is no one to give it.

MR. GASTON: I don't know whether we ought to say anything about it at the moment or not. I look at it as a threat to the Treasury, "If you don't be good, this is what we can do to you."

They are angered at what we have had to say about the tax bill and renegotiation. And now here he is publicly threatening to strip the Treasury Department of one of its principal functions if the Treasury doesn't behave itself. It has some precedent, of course.

MR. PAUL: It has a good deal more significance from one standpoint.

MR. GASTON: The Canadians have separate departments, the Department of Inland Revenue, which is purely an administrative collection agency, and it is entirely distinct from the Department of Finance, which shapes and recommends fiscal policy.

MR. BLOUGH: Both have Ministers in the Cabinet, however.

MR. GASTON: And both have members in the Cabinet, yes. That makes two separate departments.

MR. BLOUGH: And they don't get along very well together.

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MR. GASTON: The British system is somewhat similar. I don't think they are very logical systems. I think he makes some statements about using the tax mechanism to threaten to punish people.

MR. SULLIVAN: That is the part you can't overlook.

MR. GASTON: That is the part I think we ought to reply on in some way.

MR. PAUL: You must remember that Stam has undoubtedly had a great deal to do with it. He has probably been maneuvering behind the scenes and talking with Knutson.

You must also have in mind that there are some people in the Bureau--I don't think this is true of Hannegan at all--who are in sympathy with Stam.

MR. GASTON: I think there is some sort of an answer, as John mentions, to using the threat of tax reprisal to influence--to persecute people.

(Mr. Gamble entered the conference.)

MR. GASTON: I think we probably ought to call on Knutson to let us know of any instances he knows of of that sort, and tell him that we don't know of any such instances.

MR. SULLIVAN: The language is this: "The separation of the two agencies would take politics out of the operation and enforcement of our tax laws, prevent the Administration from using the threat of unwarranted investigation of income tax returns as an instrument of punishment or of duress, and permit the Bureau to be of much greater service to Congress."

MR. WHITE: I think the thing should be ignored, except for that statement. But I think there should go forward a public letter or letter that will be made public on that one point, and ignore everything else, what evidence or instances he would have of any duress of that character having been used. If you are able to

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get a reply from him that there hasn't been any, then you are taking the one point away from him that you want to take away from him, and I think the rest can be safely ignored publicly.

Whether it should be ignored at the Congressional level depends on the judgment of men as to how much talking there is around there. But Knutson, after all, is not very representative.

MR. GASTON: They are dealing here with a constant.

MR. PAUL: Shouldn't we have Surrey in on a conference like this?

(The Secretary requests that Mr. Surrey attend the conference.)

MR. GASTON: They are dealing with something here which is within the constitutional prerogatives of Congress to make reorganization by legislation. The Department is set up by legislation; it can be split by legislation. Up until the time when they ask our opinion, probably we would just be sticking our necks out to offer any opinion on the subject to Congress, but this statement here does require some notice. He should be asked to supply any instances. We don't know of any. If he knows of any, we would like to hear about them.

MR. WHITE: There are a lot of good arguments that one could give, just arguments, for not separating the two Bureaus, but this is certainly not the time to do that, I shouldn't think.

H.M.JR: I have a suggestion, too.

Stop squirming. What have you got?

MR. O'CONNELL: I don't understand why the Department should take any notice of this at all. You have a statement in the press by a ranking Republican member of the Ways and Means Committee in a political year. It seems

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to me you shouldn't pay any attention unless you are asked. "Why, it is just nonsense," is the answer to a press conference.

MR. WHITE: They are accusing the Treasury of using duress.

MR. O'CONNELL: We have nothing but an invitation to a squabble by a dope.

MR. GASTON: As to the main burden, I agree with you.

H.M.JR: Mr. O'Connell, I think that is a highly partisan remark!

MR. SULLIVAN: Don't worry, he looks like a gnome, but he is more than half fox, that Knutson.

MR. BLOUGH: He doesn't actually say that the Administration is using the threat of unwarranted investigation of income taxes. He just says it will prevent them from using--

MR. WHITE: But if you can get him to say we haven't used it in the past--

MR. GASTON: If you can get him to say that Mellon did it and Morgenthau didn't, that would be very good.

MR. WHITE: It is probably true.

MR. O'CONNELL: That is a real definition of an optimist.

(Mr. Surrey entered the conference.)

H.M.JR: Surrey, how do you think the Treasury should handle this statement of Knutson's? I go on the assumption you have read it.

MR. SURREY: I have read it. I don't think I have formed any definite conclusions on it.

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H.M.JR: Think out loud.

MR. SURREY: Well, basically, he is just dead wrong, and it is for political reasons. I don't think he would want it or anybody would really want this who knew anything about the tax field. I think most informed tax people would not want the Bureau divorced from the Treasury Department. I think on the whole, in the last years, the Treasury, as far as its dealings with taxpayers and tax attorneys are concerned, has been better than the Bureau of Internal Revenue.

MR. SULLIVAN: In what way?

MR. SURREY: It has, I think, a more objective attitude toward matters, simply because it isn't involved in the day-to-day handling of cases.

MR. GASTON: Less bureaucratic?

MR. WHITE: Why argue the merits as to whether Internal Revenue should be with the Treasury at this point?

MR. PAUL: The question here is whether we should say anything.

(Mr. Hannegan entered the conference.)

H.M.JR: Good morning. We are discussing Knutson's letter this morning. We thought we would get the benefit of your non-political advice, because most of the people around here say it is purely political. We want an unbiased opinion.

MR. SURREY: It is purely political and Stam is also involved in it. It deals with the Chief of Staff of the Joint Committee.

H.M.JR: It mentions him?

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MR. SURREY: No, but I think he is involved in it. He has told me that there is something coming off in 1944 which we won't like.

MR. WHITE: It must be the election.

MR. BELL: Mr. Parkinson, our friend, President of the Equitable Life Insurance Company, made a speech, I think, three or four months ago, in which he advocated this separation of Internal Revenue from the Treasury, and I am not so sure that Ruml didn't follow it with a speech, also. I have a faint recollection that Ruml did make such a statement. I am sure that Parkinson made a speech on it.

MR. BLOUGH: Brookings Institute three or four years ago issued a study in which it recommended a separation of the Bureau and the Treasury.

MR. BELL: That was Daniel Selko. Nobody paid any attention to it.

H.M.JR: May I say something? I don't think Mr. Knutson would have made that statement unless there had been a conference with Republican leaders, or Mr. Spangler had been consulted--whatever their steering committee is.

I don't think he would have made it unless they had counted noses and were pretty sure they had the votes, both of the Republican and Democratic--

MR. SULLIVAN: That was my reaction.

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H.M.JR: This isn't any just trial balloon. They have got a well-organized machine. They make these things - I mean, they watch the President like a hawk and all these things - I think it is like a chess game. They are plotted. I don't think you can say it is Stam, or this or that person. I think you are right up against the National Republican Committee, and this is an important move. I don't think you can brush the thing off lightly.

Now, I would like to make a suggestion, not on the question of the Bureau, but on the question of this innuendo, and that is that we ask whoever this year's chairman of the Joint Committee on Taxation is to convene this thing and that we would like Knutson in at that time before the Joint Committee on Taxation.

MR. SULLIVAN: That is a corker.

H.M.JR: To place his evidence that we have used this Bureau in any way unfittingly, and give us half a chance to answer it. Let this be an open hearing.

MR. SULLIVAN: Swell!

H.M.JR: See? That we would like to have, by page and paragraph, anything that the Treasury has done. Here is the ranking Republican member; here is the Committee. All right, lay the facts before him.

MR. SULLIVAN: And he is a member of the Committee.

H.M.JR: Yes.

MR. WHITE: I think they can make much more out of that forum, even though they haven't anything to go on, than they could in a letter. A letter is in writing. It cannot be too long. They have to meet the issue as you would phrase it. But you let those fellows get up there and ask questions, and each take turns, and each help the other out - they can make nothing seem like a whole lot by the very innuendoes in their questions.

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They are smart that way, and I think to give them a forum would not be quite as desirable as getting in a letter. If it weren't possible to ask them to reply in a letter, then a forum would be the next best thing. But I think as against a letter, I would be a little bit afraid of a public hearing.

H.M.JR: I am not afraid of it.

MR. WHITE: I am not afraid that they have any facts, but they don't need much facts.

MR. GASTON: I have a good deal of sympathy with what Harry says. They won't necessarily confine themselves to questions of misuse of our investigative powers to threaten and oppress them; what they do is get all of the taxpayers in the country to stir up a lot of smoke and general complaint, and lead off into a thousand directions.

MR. WHITE: And look at the play it will get in the papers.

MR. GASTON: A Field Day of attack on the Treasury.

MR. BELL: One hundred and forty million taxpayers; you can certainly get a lot, too, to put in complaints.

MR. O'CONNELL: What could we assume the next move would be if we did nothing?

H.M.JR: Introduce a bill.

MR. PAUL: It spoke, in this article, of the possibility of putting it in this bill.

MR. WHITE: Look, they hope the Republicans do get in. They certainly aren't going to divorce the two during the Republican Administration. A bill wouldn't be passed until the middle of the year. It wouldn't go into effect until toward the end of the year. Don't they believe they are going to be elected?

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MR. PAUL: They are talking about putting it in this bill.

MR. WHITE: For what purpose, because they really want to separate it, or want the thing discussed?

MR. SURREY: I don't think any Republican Secretary would stand for it. Knutson, I know, goes off without consulting a lot of people. You may be perfectly right in this situation, because there is always an outside chance he went off on his own. He doesn't always carry his Republican members.

H.M.JR: To answer Harry, if the Republicans got in they could perfectly well say, "We will do this now, but as soon as we get back in, we will put the two together again."

MR. WHITE: Even with politics being what they are, that is a pretty difficult thing to get away with, publicly.

H.M.JR: You would be surprised what they will get away with if they get in.

MR. WHITE: That is why they won't want them separated.

H.M.JR: Mr. Hannegan, you have heard all this illuminating conversation. What is your own idea?

MR. HANNEGAN: It is all kind of new to me. I know nothing about it other than reading the article in the newspaper, and things that just come to me, hearsay or gossip. You want my general idea of it?

H.M.JR: Yes, and if you have any good gossip, let's have it.

MR. HANNEGAN: Well, of course, I was over before the House Committee after I was here - the fourth day after I was here - and they wanted to have Tim Mooney,

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and myself, and Doc Atkeson, express our views on some matters which were matters of policy, and we told them that those were matters for the Treasury to decide. We weren't a policy-making group. So I think Knutson, particularly, said, "Well, now, we know that you are going to make that statement, but we want to get your own views. We don't want the views of the Treasury; we like to get it from you people over at Internal Revenue. Can't you just write up some suggestions and give them to us direct?"

Of course, Stam was staying in the background and told them no, that that wasn't the practice. I just know, of my own knowledge, that he did at that time make a statement which indicated that he had some feeling against the policy that was pursued here.

But I would gather - and I can't put my finger on it - that there probably is some definite movement to try to divorce the Internal Revenue Bureau from the Treasury, that they might make a sincere effort. But it seems to me we ought to be able to find that out.

We ought to have some contact in the Ways and Means Committee among the Republicans and the Democrats to find out whether you should pay any further attention to it, or what steps you should pursue.

He starts off in his article in the newspaper - the first two or three paragraphs are all purely political.

MR. PAUL: The trouble is that most of them are away now, Bob.

MR. HANNEGAN: Ought to be able to find out in a hurry just whether there has been any conference. You ought to be able to find out from the Republicans whether there has been any conference, whether the Republican National Committee is going to get behind a concentrated effort.

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MR. WHITE: But what he says will be picked up and repeated in all places looking for things to pick on. I think the matter ought to be picked up at once either through a meeting or a letter, but I don't think it can wait until discussions go on, because it will spread over the country, in my judgment, rather hurriedly. I notice the Washington Post gave it on the front page.

MR. PAUL: The Times did.

MR. SULLIVAN: Too good a spread for just a casual release.

H.M.JR: The Tribune put it on the front page.

MR. BLOUGH: Not necessarily, John. This is a dull time and almost any tax story can get publicity. Everybody is at home. Knutson is in the habit of shooting his mouth off. That may be a plot, but not necessarily.

MR. GASTON: It is worth the play without any plot behind it at all, I can assure you of that. The ranking Republican member of the Ways and Means Committee comes out with a fundamental Government reorganization proposal. It is worth a first-page play in anybody's newspaper. But I can't conceive of any agreement of Republicans on the Committee, and Democrats, to support anything of this kind, and permit it to come out as a partisan proposal. If it were something that was actually likely to go across, it would be much more likely to come from one of the Democrats.

H.M.JR: No, they wouldn't do it. I disagree with you. It just depends on how sore the Democrats are at us. If they are as sore as they seem to be, they might perfectly well say to Knutson, "Go ahead, and we will go along. Actually, we can't do that, openly."

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MR. GASTON: If we were to make any public reply to the major proposal, it would be along this line: "I am not going to be deterred from protecting the interest of the taxpayer against the war profiteer and others by any threat to split the Treasury Department." But I don't think the time is here for that sort of statement yet, because that is what this obviously is: "You fellows better behave yourselves and pipe down now, or this is what we can do to you."

MR. WHITE: But that has got to wait, it seems to me, for a reply to a more serious charge by a member of the Committee most concerned with that matter. To be sure, it isn't a direct charge, but the wall is very thin between the direct charge and the implication.

MR. SULLIVAN: Just as close as you can get.

H.M.JR: Paul, is there any way you can do what Hannegan suggests - find out?

MR. PAUL: I don't know, because I don't know which members are here. There are certain people with whom our relationships are pretty good. For instance, of course, there is Cooper, but I don't think he is back yet. There is Robertson, there is Carlson, there is Woodruff - he is a Republican.

MR. BELL: Dewey.

MR. PAUL: No, I don't think--

MR. SURREY: We wouldn't know. They don't like him very well, the others.

MR. BELL: Mr. Secretary, is there any objection to having Doughton and George and Barkley and McCormack in a conference in your office, asking them two questions: One, do you have to pay any attention to this suggestion from Knutson; and two, should you write him a letter, in view of the implications, and ask him to give us the cases?

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H.M.JR: Unfortunately, I don't think I could get the four of them together, but what I would suggest, unless it is too obvious, the last time I talked to Doughton he asked why I never saw him. I could call up Doughton and ask him to come down and have lunch with me, unless it seemed too obvious.

MR. HANNEGAN: I think this article that was in the Post, the first two or three paragraphs would indicate his action is purely political, and I think, rather than for you to take any step at all, the answer now would be first to find out whether there is a united effort on the part of Democrats and Republicans to go ahead with this. If there isn't, I wouldn't lend any more importance, or dignify it by any effort on your part.

H.M.JR: Do you see any reason why I shouldn't have Doughton here?

MR. PAUL: No, I don't see any, do you?

MR. HANNEGAN: I wouldn't have him. They would think that you were so concerned about it you were sending for him. He ought to send for you and tell you. He ought to find out about it. We ought to be able to get it in some other way.

MR. BLOUGH: What you ought to do is get Doughton down here to talk about renegotiation. I understand Doughton, from some press comments, is not hostile to the Treasury approach on renegotiation.

H.M.JR: If I called him up today, he would say--

MR. WHITE: I don't think, Mr. Secretary, you ought to be in on any discussions. It shouldn't reach that high. It should be somebody else who should make inquiries. Part of this is done just to needle you and put you on notice. They think they have had initial success. They will follow it up. I am inclined to think it should be forwarded down.

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MR. PAUL: There is a good deal in what Harry says.

H.M.JR: Will you take on to find out from some Democrats or Republicans who are in town?

MR. PAUL: I will try. I don't know how many are in town.

H.M.JR: Will you make the effort?

MR. PAUL: Oh, sure; I will try that.

H.M.JR: After all, you are my contact with the Committee.

MR. PAUL: I just want you to understand that we may not be able to find out anything for two or three days, because our best contacts may not be here. I would just as soon go right to Knutson.

H.M.JR: I am giving you the task. You undertake it. Let me know, will you? Then we will see.

That is all I have got.

MR. WHITE: The Russian delegation is coming at ten o'clock. Will you excuse me?

H.M.JR: Go ahead.

January 5, 1944  
10:10 a.m.

DRAFT OF LETTER TO THE PRESIDENT--COMPULSORY SAVINGS

Present: Mr. Bell  
Mrs. Klotz

H.M.JR: I want to say something. Do I want to indicate this draft hasn't reached him yet and I want to get it across to him before it is too late? (Refers to rough draft of letter to the President, copy attached.)

MR. BELL: I thought this was sort of putting in a word that you wanted to see him before.

H.M.JR: All right. Then I say, "As you know, you and I--"

MR. BELL: The difficulty is that he put in the Budget sixteen billion dollars of taxes or savings, or both.

H.M.JR: "... you and I have been--"

MR. BELL: Strike out "As you know."

H.M.JR: Yes, "You and I have been publicly opposed to a program of compulsory savings for some time," see? That doesn't date it.

MR. BELL: Yes.

H.M.JR: "And as far as I know, we still are."

MR. BELL: Well, you can say, "I am still opposed to it, and as far as I know, you are."

H.M.JR: No, "And as far as I know, we still are," or, "As far as I know, you still are."

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MRS. KLOTZ: That is better. "We are, and as far as I know, you still are."

MR. BELL: No, I said, "I am still opposed to it; and as far as I know, you are, too." That is better, isn't it?

H.M.JR: Yes. "I think we have demonstrated our ability to raise the necessary funds with which to finance this war through voluntary means."

MR. BELL: As long as we have used "we" there, maybe we should say, "I think the Treasury has demonstrated its ability to raise--" you have "we" back there.

H.M.JR: I would say, "The people of the United States have demonstrated that they could finance this war through voluntary means."

MR. BELL: "I think we have demonstrated our ability to raise the necessary funds with which to finance this war through voluntary means."

H.M.JR: All right. Can't you say--

MR. BELL: I think we have shown--

H.M.JR: ... "I think we have demonstrated beyond any doubt our ability to raise the necessary funds with which to finance this war through voluntary means"? I would underline voluntary.

"Before you make a decision on this matter, then--" I won't say it that way.

MR. BELL: "Adverse"?

H.M.JR: No, I would simply say--

MR. BELL: "I should like to have an opportunity to discuss this matter with you, if you contemplate--"

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H.M.JR: Don't take this down, but, "I am going on the assumption that your position in favor of the voluntary method of raising money is as it always has been. I would appreciate it if you would transmit that information to the Director of the Budget so that that will be included in your message."

I don't want to write it, "Before you make your decision;" but, "I want to go just on the assumption that you are for it." On the latter part I want to say, "On the assumption that you are for the voluntary method--"

MR. BELL: ... "that you are still in favor of the voluntary method of raising funds, I would appreciate it--"

H.M.JR: ... "if you would transmit your views on this."

MR. BELL: ... "If you will advise."

"On the assumption that you are still in favor of the voluntary method of raising funds, I would appreciate it if you will transmit your views," or, "such views."

H.M.JR: ... "if you would advise the Director of the Budget to that effect."

MR. BELL: That is better, I think.

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H.M.JR: Now how does it sound?

MR. BELL: "On the assumption that you are still in favor of the voluntary method of raising funds, I would appreciate the full advice of the Director to this effect."

MRS. KLOTZ: Flat.

H.M.JR: I don't want to make that part seem too important. If you make it too important, he will say, "What is Henry worrying about again? I have always been for the voluntary plan. Why should he assume I will change?"

I mean, I don't want to get excited about it. I don't want to get him excited. I think he will say, "Sure, I am for that."

MR. BELL: The thing that worries me a little is that the Budget people, I am sure, have assumed that some time in the past the President has been in favor of compulsory savings and they put in the Budget Message, "I repeat my previous recommendation"--

H.M.JR: But you know the last couple of years the Budget people have had certain things in their preliminary draft-- he said, "I never saw it; I know nothing about it." What do we care what they assume?

MR. BELL: No, but he has had in his Budget Message taxes and savings.

H.M.JR: Well, we can assume that this is what he has been for for the last nine months - ten months. I don't date it.

MR. BELL: Do you want that last sentence in regarding the Fourth War Loan - "I know that you appreciate the importance of this matter in view of the Fourth War Loan"?

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H.M.JR: Yes. Look, Dan, this I think is the most effective way to get him to act. I'm not thinking whether I am being fair to the Bureau of the Budget.

MR. BELL: I am not thinking of that, either. It is a question in my mind as to whether the President has come out for enforced savings.

H.M.JR: No.

MR. BELL: Whether you can interpret his past Budget Message as being in favor. I know he came out publicly and in press conferences, one time.

H.M.JR: Then we corrected it.

MR. BELL: Said he was in favor - a nice press conference.

H.M.JR: If you are bothering your intellect or your conscience, let me do that worrying.

MR. BELL: That doesn't bother me, no.

H.M.JR: Now, look; the worst they can say is that they can throw the thing back and the President says, "Well, I have changed."

MR. BELL: Maybe it is a good way of putting it. Kind of puts it on his doorstep, though it may not be strictly accurate according to his own feelings in the past on the matter.

H.M.JR: I am conscious of that.

MR. BELL: That was what was worrying me a little.

H.M.JR: I am being a little bit smooth.

MR. BELL: Naive.

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H.M.JR: Yes, naive. I am saying that "The President has always been for this thing. I don't know why you have changed. I haven't been advised."

MR. BELL: All right; let's try it. I am inclined to think something ought to go, because I don't think the Budget has gone this long without the President having seen a draft of it.

H.M.JR: You may be wrong. The only thing I wouldn't say - if you say you don't think it would be effective with the President--

MR. BELL: No, I think the President will take notice of this. I think he will think twice before he puts it in. I think he would consult you before he let's it go in.

H.M.JR: I am not asking to be consulted.

MR. BELL: No, but I think he would.

H.M.JR: O.K.

Dear Mr. President:

The Bureau of the Budget has submitted to the Treasury its first draft of the proposed Budget Message which will probably go to Congress the middle of next week. This Budget Message contains the recommendation that Congress provide legislation instituting a program of compulsory savings. As you know, I was opposed to such a program last year, and I am still opposed to it. I think we have demonstrated our ability to raise the necessary funds with which to finance this war through voluntary means.

Before you make a decision on this matter I should like to have an opportunity to discuss it with you. I know that you appreciate its importance in view of the Fourth War Loan Drive which will commence on January 18th.

Faithfully yours,

January 5, 1944  
10:30 a.m.

DEFERMENTS

Present: Mr. Gaston  
Mr. Thompson

MR. THOMPSON: These are all pre-Pearl Harbor cases - men married with families, and occupying key positions for which we can find no replacements.

H.M.JR: Do you want to go from this to the Doyle matter? I have got from now until eleven.

MR. THOMPSON: Yes. Joe Jordan and Mrs. Doyle would sit in on that.

(The Secretary asks Mr. Fitzgerald to notify Mrs. Doyle and Joe Jordan of a 10:45 meeting in the Secretary's office.)

MR. THOMPSON: Ted Wilson is not feeling very well this morning.

H.M.JR: Charles Woyler, Jr., off-set pressman, thirty-eight hundred. He is thirty-three years old, one child, pre-Pearl Harbor.

That is O.K.

(The Secretary signed the deferment application of Charles Woyler, Jr.)

MR. THOMPSON: That is a type of position you just can't fill.

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H.M.JR: The next is Robert M. Williams. He is a physicist, Bureau of Engraving, married, one child - pre-Pearl Harbor. He is engaged in research work in connection with production, U.S. securities, Allied military currency.

I didn't know we had physicists over there.

MR. THOMPSON: Just this one.

MR. GASTON: He makes laboratory tests.

H.M.JR: O.K. (The Secretary signed the deferment application of Robert M. Williams.)

Whatever happened on the request for deferment of Fred Smith?

MR. THOMPSON: That was approved. The Review Committee turned it down. I had to go and fight them. They reversed themselves and the local board approved.

H.M.JR: Which does it go to first?

MR. THOMPSON: The Review Committee. If they disapprove it, why then it doesn't go to the local board.

H.M.JR: Who is the Review Committee?

MR. THOMPSON: Mr. Barnett is Mr. McNutt's Director of Personnel. He is Chairman of the Board. Colonel Fitzpatrick, with Colonel Hershey and Mr. Vipond of the Civil Service Committee as the third member. They turned it down. But when they turned it down, Barnett was absent, I found. Colonel Fitzpatrick - well, Ickes stated the type he is; he is a screw-ball. Colonel Fitzpatrick and Vipond acted on it and turned it down. So when Barnett got back, we had them reconsider it and they approved it. So the local board sent us word they had approved it. It is all settled.

H.M.JR: The local board went along?

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MR. THOMPSON: Went right along. Well, when the Review Committee approves a case, if the local board doesn't go along, then we have to appeal it to the President. A local board cannot induct a man while the appeal is pending.

H.M.JR: How long did I ask for in this case?

MR. THOMPSON: You asked for the regular six months.

H.M.JR: I see.

Frank Gasparro, Jr., engraver, married, one child, pre-Pearl Harbor father. He makes designs for coins, models and supervises, and so forth.

MR. THOMPSON: He is rather young, but it took us a year to find him.

H.M.JR: He is thirty-four.

MR. THOMPSON: If we lose him now, we will never replace him again for the duration.

(The Secretary signed the deferment application of Frank Gasparro, Jr.)

H.M.JR: William Shulenberger, Jr. He is thirty-four with two children, seven and a half and two. That makes him pre-Pearl Harbor. He passes on the validity of signatures, enforcement of U.S. Treasury Department obligations. He furnishes court testimony for Secret Service.

MR. THOMPSON: He is in the Treasurer's Office.

MR. GASTON: Alwyn Cole's assistant.

(The Secretary signed the deferment application of William Shulenberger, Jr.)

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H.M.JR: Paul McDonald, Chief of Recruitment and Placement. He is thirty-three and has four children. He initiates plans and formulates recruiting and placement policies for the Treasury; also serves as the Department liaison officer of Civil Service.

MR. THOMPSON: He is Chief of the Recruitment Division in Ted Wilson's organization. We have nobody to take his place. He is doing a wonderful job, now, in recruiting throughout the whole United States and getting people to come to Washington. He has people out in the field all the time, dragging the people into Washington. He is very efficient and very capable. Just nobody can replace him.

I felt that is perhaps a borderline case, but in view of his large family--

H.M.JR: Well, you know, while they can have radio producers sitting up at Yale University - twenty-two years old - and here is a man with four children--

MR. THOMPSON: It doesn't look right to me.

(The Secretary signed the deferment application of Paul McDonald.)

H.M.JR: Why a woman couldn't do a job like that, I would like to know.

MR. THOMPSON: If you could get them and train them. He has some good women working under him.

H.M.JR: That is all wrong. I mean, as long as he is in the Army, I am glad to get that boy, but it seems to me--

MR. THOMPSON: Oh, I thought you meant Mr. McDonald.

MR. GASTON: No, the Secretary is talking about this fellow we are borrowing from Yale.

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H.M.JR: Vaughn B. Ferguson, Chief of Classification Section, thirty-three, one child, pre-Pearl Harbor father.

What about this fellow?

MR. THOMPSON: We had a man named Falstitch, who was given a commission in the Navy. He is now in charge of their classification and Ferguson has taken his job. We have nobody behind Ferguson when he goes. He is a departmental classification officer.

H.M.JR: This must be my soft day, today.

(The Secretary signed deferment application of Vaughn B. Ferguson.)

H.M.JR: Walter Frese, Special Assistant to the Fiscal Assistant Secretary, thirty-seven, two children. He represents the Fiscal Assistant in connection--

MR. THOMPSON: Dan Bell asked to have that done. Frese is working with Bill Heffelfinger. He is just a very valuable man.

H.M.JR: He is in 3-A, anyway.

MR. THOMPSON: He is almost 3-B. They are abolishing the 3-A.

(The Secretary signed deferment application of walter Frese.)

H.M.JR: Adrian H. Ash, Internal Revenue Agent, thirty-seven, one child, pre-Pearl Harbor.

MR. THOMPSON: There have been several deferments. He is a very valuable man.

H.M.JR: How old is he?

MR. THOMPSON: Thirty-seven.

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MR. GASTON: He is right on the borderline.

MR. THOMPSON: I think he only has three months to go.

(The Secretary signed deferment application of Adrian H. Ash.)

H.M.JR: Roy W. Hann. He is thirty-six, Income Tax Division Office, Collector of Internal Revenue, Oklahoma. He supervises work and has comprehensive knowledge of the law - thirty-six and two children.

MR. THOMPSON: The Commissioner has made very few recommendations considering the big Bureau he has. These are key men. Since they are abolishing 3-A--

H.M.JR: Why are they abolishing 3-A?

MR. THOMPSON: That is the new procedure - everybody in 1-A or in deferred status - one or the other.

(The Secretary signed deferment application of Roy W. Hann.)

H.M.JR: Charles W. Montgomery, Comptroller, Bureau of Internal Revenue, thirty-five, one child - pre-Pearl Harbor. Supervises and coordinates the accounting work through the Collector's Office, has full responsibility for the accuracy of all accounting records and reports.

MR. THOMPSON: Just like the other - another key man. As a matter of fact, the Commissioner may be facing us with more cases, but he has been very modest, considering.

H.M.JR: O.K.

(The Secretary signed deferment application of Charles W. Montgomery.)

MR. THOMPSON: I will get Mrs. Doyle's report.

January 5, 1944  
10:45 a.m.

NURSING FACILITIES

Present: Mrs. Doyle  
Mr. Jordan  
Mr. Thompson  
Mr. Bell

H.M.JR: What are we on - Mrs. Berle?

MRS. DOYLE: I have been going over the report since I got it yesterday and I am having lunch with Mrs. Parran.

H.M.JR: This is strictly a women's affair?

MRS. DOYLE: Not at all, Mr. Morgenthau. It seems to me that there is a good program that can be done, and I think, just between you and me, that we should take the position that we are not going to let an unfortunate personality - because that, I think, is the case of Dr. Berle - keep us from getting what is good out of the program. And I have just finished going over every item of it with the people here, and I think I know the things that perhaps are objectionable in the report, and I can tell them to you now, or I can come back and tell you about them.

H.M.JR: Well, I have got from now until eleven o'clock. Proceed.

MRS. DOYLE: The purpose of the program, as I see it, is to make the nursing service in the Treasury more of a guidance service, that is, to instruct people better in the care of their health, which, of course, is very good.

The way to approach the problems we are going to run into is that it should be approached along the line that good work is being done in the Treasury now - very

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good work - and anything we do should be built upon that, and there are no drastic changes needed to do it.

Now, you are interested in the course. Nobody knows what the course is going to be. It probably will be good. Miss Haughney, Chief Nurse, is going to attend every one.

H.M.JR: Is she our Chief Nurse?

MRS. DOYLE: Yes, she is going to attend every one, but I think we must be careful not to have the nurses attend these courses so that our First Aid rooms are left unattended. No matter how good it is, if there were a tragedy, no amount of training would make up for that.

I think that can be met by telling Dr. Berle or the proper person that there should be night courses and Miss Haughney feels sure that all the nurses will go.

Now, every nurse is a Public health nurse, and they should be helped so that when people come in to see the nurse, that nurse is properly qualified, she has passed the Civil Service examination, to help the person.

There is a proposal here to handle the getting of nurses in another way from the way in which it is now handled. It is now handled through what is called a Hospital Service, and it is now proposed to take them right straight from the register with no matter of supervision by our people, and it seems to me that there is not enough to be gained by making that change.

We now have the double check, as I see it. They are all Civil Service, but they go through a Miss Read in the Hospital Service.

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I am going to check into it a little more, but I think that our Miss Haughney and our own people should have an opportunity to see the type of nurse we are getting, if possible.

H.M. JR: Could I interrupt you? The part that interested me the most, when I came into the Treasury - they were not Public Health nurses. I put that across, myself.

MRS. DOYLE: I know that.

H.M. JR: I also insisted that while there were women employees in the Treasury, there should be a nurse on duty.

In this report it speaks of cases where, I think, over in the Bureau of Engraving, there is only one nurse to eleven or twelve hundred. In other places, we have one nurse for one hundred. I think that is rough, but something like that.

Now, that part of the criticism I would like particularly to have reviewed, because, after all, you take a hundred girls who might be working at a stitching machine, their chances of being injured are far in excess of a hundred girls who are doing work at filing, for instance.

But it so happens that over there, where accidents most likely are much more frequent, our percentage of nurses to employees is poorest.

MRS. DOYLE: But, of course, you must understand, in the place where there is one nurse to a hundred, there are only a hundred people there. So you see, you can't divide her in two.

H.M. JR: That is true.

MR. THOMPSON: I think in that report they propose to put two more nurses in the Bureau.

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MRS. DOYLE: That, I think, would be the easier thing to do first. Mr. Wilson and I have talked about this, and it seems to me that it would be a very good place to start to enlarge the service, at the Bureau of Printing and Engraving, and particularly on a checking-up service when they come back from illness, as well as a guidance service.

H.M. JR: I think, whatever the criticism is, I think, point by point, it should be answered; like, for instance, where we have one to a hundred, because there are only a hundred people and you can't divide a nurse in two. I think the thing should be a very brief answer.

If, for instance, the criticism is fair about the Bureau, we should have more nurses over at the Bureau of Engraving, and say, "All right, we will be glad to have that suggestion; if we can get nurses, we will put on a couple more nurses," if that is what you decide.

The other thing - one little amusing thing was Mrs. Berle saying the Treasury was so reactionary, and so forth. "Mrs. Berle," I said, in a very innocent way, "by the way, have you had any success with the State Department?"

"No, no, no, we haven't done that," she said.

"Well, I just wondered; I was just curious," I said.

but where you begin - this thing, I think, is true - and we had this horrible accident last year, one of the girls working with Mrs. Morgenthau - when it came to doing anything, as far as the Treasury proper was concerned, there was nobody here whose responsibility it was. A lot of people pitched in and helped, and when it came to doing something for the girl, there just was no procedure. See what I mean? I mean, this is unimportant, but--

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Now, I think this, that if an unfortunate accident happens to a girl - and with all these girls there must be various things happening--

(Mr. Bell entered the conference.)

H.M.JR: Sit down one second. I am making a speech.

Whether they get trained, or whether they don't get trained, I should feel that the girls could feel that if something happens to them, or they want some advice or something like that, that that we could do. I wish you would think of it from that angle.

I don't know - let's call a spade a spade. Charlie Bell says he thinks what Mrs. Berle wants to do is teach birth control. I don't know whether she does or doesn't. I don't know where the dividing line is - where we are going to get into socialized medicine. I happen to be for it, but if I am going to practice it, I will advocate it when I am in civil life and not as Secretary of the Treasury, and I don't know just where Dr. Berle wants to start.

Is she for socialized medicine, or isn't she, and just how far should we go? I, frankly, am very much interested. I would like to know, you see? But I would like to get into the thing with my eyes open.

MRS. DOYLE: I think some of the suggestions are very good, such as private cubicles for examinations. You remember Dr. Parran says in this letter to you that he wished Dr. Whitehead had more space and Mr. Thompson and I have talked about that, and I think that Mr. Thompson would have found him more room except he has been working on the cafeteria.

H.M.JR: Dr. Parran used to be a supporter of mine. He ought to know that if he wants to get something done he should come and see me. After all, he knows all of

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us here. I could, if I wanted to be very officious, say, "My dear Dr. Parran, if you want to communicate with me, please do so through Mr. McNutt. But why sic this woman on me?"

MRS. DOYLE: Well, I know both the Parrans have fine ideas.

H.M.JR: This is just in the room here.

MRS. DOYLE: Mrs. Parran's idea was very good and worked out beautifully, but it did take her a long time to do it. I think she is an able woman, but I think she likes to plough ahead. Where I ask your advice, I don't know whether to say to her at lunch - and I can say I am speaking only for myself, and not bring anybody else into it - that I think Dr. Berle is a hurdle that should be jumped. Shall I say that?

H.M.JR: No, let's just take Mrs. Berle in our stride. We take Mr. Berle in our stride, let's take Mrs. Berle in our stride. There is nothing to do.

But I think a few of these things like the Bureau, Dr. Whitehead, downstairs, is better off - a few of the things we can do to show that we are not going to be combatted.

MRS. DOYLE: Now they suggest a visiting nurse service, which is splendid. I think you would be for that.

H.M.JR: A few of those things, so we show we are glad to cooperate.

MR. THOMPSON: There is just a shortage of nurses.

H.M.JR: When we get them settled, come up to me and I can write Dr. Parran and say, "Now, some of these suggestions are fine, and this is as far as we have gone." O.K.?

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MR. THOMPSON: Do you want to take up this report on nurses?

H.M.JR: I can't now, but I will tonight.

January 5, 1944  
11:00 a.m.

DRAFT OF LETTER TO THE PRESIDENT

Present: Mr. Bell

H.M.JR: (Reading from draft of letter to the President dated January 5, 1944, copy attached.)  
"I know that you appreciate the importance of this matter in view of the Fourth War Loan Drive which will commence on January 18." That is all right.

(Letter signed by the Secretary.)

H.M.JR: I will handle this through Grace.

Have you another matter?

MR. BELL: None that are important at the moment.

We own--or the Seaboard Air Line, I will say, owes us quite a bit of money on this Section 210 of the Transportation Act, about sixteen million dollars, and we have a good many of their bonds and securities.

H.M.JR: From World War I?

MR. BELL: Yes. It has been in receivership for several years, and they now have some kind of a plan on foot which is going to the Interstate Commerce Commission, and up to the court, and which is about to be approved that we will get, among other things, quite a bit of common stock. I think in one place we probably own one-eighth of their common stock.

(Secretary on White House phone.)

Hello.....

- 2 -

How are you?....

Grace is not around?....

Well, this is to conclude a conversation which I had with her last night....

Do you mind when she comes in? It would be easier for both of us.

The other thing is, I have a letter that I would like to send to you now. It has to do with the Budget Message, where I disagree. I will send this right over to you....

Then if you would see that the President gets it as soon as possible....

When Grace comes in, tell her it is about my conversation with Mr. Hull....

Thank you....

H.M.JR: That is a good letter. Copy goes to Ted Gamble. (To Mrs. Klotz.)

MR. BELL: You know, they have been objecting over there to sending the letters other than through the Executive Assistant's office. They haven't been getting copies of them for the files. I think you might send an extra copy along.

H.M.JR: I think Mrs. Klotz knows about that. I think there is always the original and a duplicate.

We started yesterday, Mr. Bell--

MR. BELL: I am behind.

MRS. KLOTZ: They have been asking us--

H.M.JR: We are part of the Treasury, you know.

MR. BELL: A little removed. As I say, we are entitled to several shares of common stock, I think,

- 3 -

probably in one group, one-eighth of it. Jesse Jones has suggested that we have representation on the board of directors of the Seaboard Air Line. Now, we have never done that, and I am inclined not to do it, but I wanted to get your reaction.

H.M.JR: With one exception, do we get a pass?

MR. BELL: We would probably get a pass and three or four hundred dollars every meeting.

H.M.JR: I am being silly. No, I agree with you. Let Jesse get his private car, and you and I will ride the day coach.

MR. BELL: How is that? I think that is right. I don't think we want to be represented.

H.M.JR: No.

MR. BELL: You would have the responsibility of a director, too, you know. In these cases it is rather serious.

January 5, 1944

My dear Mr. President:

The Bureau of the Budget has submitted to the Treasury its first draft of the proposed Budget Message which, I understand, you contemplate sending to Congress the middle of next week. In this draft of the Message there is a recommendation that Congress provide legislation which would inaugurate a program of compulsory savings.

You and I have for some time been publicly opposed to such a program. I am still opposed to it and so far as I know you are also. I believe that we have demonstrated beyond doubt our ability to raise the necessary funds with which to finance the war through voluntary means.

On the assumption that you are still in favor of the voluntary method of raising funds, I would appreciate it if you will advise the Director of the Bureau of the Budget to this effect. I know that you appreciate the importance of this matter in view of the Fourth War Loan Drive which will commence on January 18.

Faithfully yours,

(Signed) Henry Morgenthau, Jr.

The President,

The White House.

DWB:NLE

January 5, 1944  
11:05 a.m.

45

HMJr: Hello.

Operator: Dorothy Brady.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Dorothy  
Brady: Hello, Mr. Secretary.

HMJr: How are you?

B: Fine.

HMJr: Is Grace not around?

B: No, she is not down yet, Mr. Secretary.

HMJr: Well, this is to conclude a conversation which I had with her last night. Do you mind, when she comes in -- I mean, it's -- it will be easier for both of us.

B: Yes, indeed. I'll have her call you.

HMJr: Then can -- well, the other thing is: I have a letter that I'd like to send to you now.

B: Uh huh.

HMJr: It has to do with a budget message.

B: Yes.

HMJr: I marked it where I disagree.

B: Fine.

HMJr: I'll send this right over to you.

B: All right.

HMJr: And then if you'd see that the President would get it as soon as possible.

B: Yes. All right, sir.

HMJr: And when Grace comes in, I think -- tell her  
it's about my conversation with Mr. Hull.

B: Fine. All right.

HMJr: Thank you.

B: You're welcome.

47 ✓  
January 5, 1944  
12:43 p.m.

HMJr: Grace.

Grace  
Tully: Yes, Mr. Secretary.

HMJr: Good morning.

T: Good morning, sir.

HMJr: Just to tell you I spoke to Mr. Hull last night  
as I said I would.

T: Yes.

HMJr: And told him that I had no comments to make.

T: Uh huh.

HMJr: Well, he kind of stuttered around and said, "Well,  
Hornbeck felt there should be this or that."

T: Yeah.

HMJr: So I said, "Well, if you want to change it, I  
suggest you take it up with the President."

T: Uh huh.

HMJr: So he said, "No; send it back." And I said,  
"Well, do you want it now?" He said, "No,  
send it back to me in the morning and we'll  
send it as is."

T: I see.

HMJr: So bright and early this morning, I sent it over  
and just -- well, here it is: no comment. Now,  
what's happened to it, I don't know.

T: Well, I haven't seen anything of it over here  
and he may send over his comments to the President,  
now, saying this is what he thinks.

HMJr: Well, I don't think he will.

T: You don't think he will?

HMJr: I don't think he's got the nerve to.

- 2 -

T: Uh huh. Well, then you feel pretty well assured then that he sent it out, then, on that basis.

HMJr: Yes. Don't you get a pink slip back when they send in a pink copy?

T: No.

HMJr: You don't?

T: No, I sent him a copy for his files, then the original copy to be sent by -- to be put in code, you see, as it was confidential, and then I sent you a copy for your information, and kept a copy myself here. Now, then, I don't know -- they never report -- if there's anything they want to take up, they send a memorandum back saying they don't agree with this or they would prefer to have it changed to this language, or something, but we didn't get anything on that, you see?

HMJr: My guess is, it went.

T: It went?

HMJr: Yeah.

T: Well, that's good. It's about time. (Laughs)

HMJr: We're peculiar over here. We like to do the things the same day.

T: Yes. We do, too, over here if we can -- if it's physically possible.

HMJr: Well, it's easy enough to send a telegram.

T: Yes. Oh, sure. And especially when you have a code room and whatnot and all you have to do is send it up to them.

HMJr: That's right.

T: All right, fine, Mr. Secretary. If I see anything further on it, I'll keep you in touch.

HMJr: Same to you.

T: All right, Mr. Secretary.

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HMJr: Good bye.  
T: Good bye.

January 5, 1944

At about twenty minutes to seven Tuesday night I received from the Treasury, a letter from Cordell Hull, which had arrived at the Treasury at 6:10. Enclosed with this letter was the original of a memorandum from the President to Hull which said, "I am enclosing herewith a message for the Generalissimo, which I wish you would read and send.

"I am also enclosing a copy for your files. (Signed) F.D.R."

I then, in about fifteen minutes, got hold of Miss Tully and told her about Cordell Hull's letter which made a number of suggestions and changes, and asked what did she think that I should do. So she said, "Well, I remember the memorandum from the President to Hull. He didn't ask him for any comments." And she seemed very much surprised to think that the message hasn't gone forward because it was sent to Hull on the afternoon of January 2nd; at least, that's when I received my copy and I suppose he received his also. I then got the Secretary of State, who had called me earlier, on the phone and told him that I had no comments to make and that this was something between him and the President. If he wanted to have it changed, he should take it up with the President. So he said, well, he wouldn't do that, and that Hornbeck had raised the question and if I didn't want to do anything about it, he would forward the message. So, I said, "Well, do you want it tonight?" He said, "No, tomorrow morning would do." He first said to send it down to the State Department. Then I said, "To whom?" And he said,

"Well, let it go until the morning and send it to me in the morning. That will be time enough."

To me it is one of the most striking things I have ever heard of. Here the President of the United States requests Secretary of State to forward a message to the Generalissimo and he, Hull, tries to block the President and have it changed. I asked Miss Tully if this had ever happened before and she said, "No!" And she kept repeating, "We didn't ask Hull for any comments. We just asked him to send it." Then she said, "Please let me know what happens in the morning. I'd like to know when this message goes forward."

If this happens to the President, it is no wonder that sometimes my messages don't go forward for weeks and also that I don't receive answers from them for weeks.

To me the whole performance is just outrageous.

JAN <sup>5</sup>/~~4~~ 1944

My dear Mr. Secretary:

This is in reply to your letter of January 3, 1944 regarding the draft of a reciprocal aid agreement with China.

I am instructing Mr. Harry D. White to attend the conference which is being held in the office of Mr. Stanley K. Hornbeck, at 11:30 a.m., January 6, 1944, to discuss the question of the implementation of the financial provisions of the proposed reciprocal aid agreement.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State

ISP/efs  
1/5/44

*White  
ms. 8-*

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DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FD

January 3, 1944

My dear Mr. Secretary:

On May 15, 1943, Assistant Secretary Dean Acheson handed to Dr. T. V. Soong, Chinese Minister for Foreign Affairs, the draft of a reciprocal aid agreement by the terms of which China would undertake to provide supplies and materials to our armed forces in China and would also make available to our armed forces and official establishments in that country Chinese currency in amounts to be mutually agreed upon. The text of the proposed agreement was cleared with officers of your Department as well as with representatives of the other interested agencies of this Government. On December 14, 1943, the Chinese Minister for Foreign Affairs indicated to our Ambassador at Chungking that the Chinese Government is prepared to conclude this reciprocal aid agreement.

Because of various recent developments having a bearing on this question, as officers of your Department are aware, there has not been a unanimity of view among the concerned agencies as to the most desirable method of meeting the exchange difficulties of American forces and official establishments in China. As a result this Department has not considered that it was in a position to instruct Ambassador Gauss to conclude the reciprocal aid agreement under reference. We do not, however, feel that it would be advisable to delay much longer our reply to the approach of the Chinese Minister for Foreign Affairs. Accordingly, it is suggested that representatives of the Treasury Department, who are familiar with this matter, and representatives of other interested agencies of the Government confer, especially with a view to reaching agreement on the question of

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The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

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-2-

the implementation of the financial provisions of the proposed reciprocal aid agreement. It is suggested that a conference be held for this purpose in the office of Mr. Stanley K. Hornbeck, Adviser on Political Relations, Room 376, Department of State, at 11:30 a.m., January 6, 1944.

Sincerely yours,

*Cordell Hull*

January 5, 1943  
2:00 p.m.

JEWISH EVACUATION

Present: Mr. Paul  
Mr. Pehle  
Mr. Luxford  
Mr. DuBois  
Mrs. Klotz

MR. PEHLE: I just wanted to let you know, Mr. Secretary, where we stand on this cable that we sent over to the State Department which we were prepared to send out before we amended it.

Now, it was amended to include the words that these operations had the approval of the Departments, meaning the State Department and the Treasury. Riegelman said that he couldn't send that cable out without clearing it thoroughly with State if they were going to approve these operations. He didn't know anything about the operations, and I told him that all the information we had, which was sufficient for us to act, was contained in dispatches which were in the State Department file. We gave them a list of those, and we were finally able to get a meeting at eleven-thirty. Riegelman came over with Labouisse.

H.M.JR: That is his superior.

MR. PEHLE: And I understand that he worked for Breckinridge Long, which is interesting. He had Labouisse with him, and we had a meeting from eleven-thirty to twelve-forty-five.

Riegelman raised several questions that I will give you several details on. It showed that he thought the thing through. It varied, but he raised a lot of questions.

H.M.JR: You say he is smart?

- 2 -

MR. PEHLE: He is technically quite competent. The main thing that he raised was this--

H.M.JR: You will have to go--I haven't had time to read that memorandum you sent to me, so take time to describe the facts to me, will you please, and then I can be a little more intelligent.

MR. PEHLE: Again, last June there was a series of cables that came in from Bern, some of them from the JDC man, Sally Mayer, and some of them from Donald Lowrie of the YMCA addressed to the JDC.

They described in some detail the situation in France of the Jewish children there, more particularly the Jewish children of parents who had been deported and presumably were dead now, to the extent that those children were abandoned and were wandering. The French police and the German police were picking them up and deporting them, which meant that they were dying.

H.M.JR: Where to?

MR. PEHLE: Well, it didn't say, but presumably to Poland. They put them in sealed box cars, and they didn't get there. The problem was to secrete these children and evacuate them if possible. The secreting was done by placing them with French families who had children and letting them pass as French children. And they complained about financial difficulties, which gave us an opportunity to express an interest in the case.

Finally, on September 4 when the program was worked out and you had approved the memorandum--the date of the memorandum to you was--

H.M.JR: August 4.

MR. PEHLE: On September 4--

H.M.JR: Wasn't it August 4?

- 3 -

MR. PEHLE: I think it was August 26, Mr. Secretary, but I haven't it with me. You approved that memo on September 4, and a draft of the cable went to State. It got caught at State in that same difficulty that the World Jewish Congress was caught in.

Finally you called Mr. Hull, and this is one of two messages you called him about--the other was the Shanghai case. On September 17, following your call--within a day or so of your call, a message was sent to Bern which described the type of financial operations which the Treasury was willing to permit.

There was nothing in the cable that indicated the State Department was willing to do anything.

Following that the JDC remitted some money to its agent, and you asked him to borrow money in France, and so forth, and those messages were cleared both with State and Treasury, and to that extent constituted our approval, but no formal license was issued.

We heard recently from the JDC that the operations weren't succeeding very well for two reasons, one that their organization in France has been destroyed by the Germans. In other words, their key personnel have been picked up, or are in hiding, and can't operate. And as far as purchasing French francs in Switzerland is concerned, the Commercial Attache who has been handling the thing for Mr. Harrison was ~~so~~ meticulous in investigating every case that they didn't get anything, and they issued a formal license to the World Jewish Congress.

H.M.JR: I remember that.

MR. PEHLE: I was putting that in for the record.

So we were in a position to issue a tentative license, which was issued yesterday morning, that contained comparable provisions. It contained comparable provisions as to the World Jewish Congress case, but related solely to France.

- 4 -

H.M.JR: May I interrupt you?

MR. PEHLE: Yes.

H.M.JR: I can't understand why you just got around to doing it yesterday morning. Why not a week ago or the day after you did the World Jewish Congress?

MR. PEHLE: The reason that it wasn't done before is that the point had never come up before that a formal license need be issued. A message had gone out in September which they agreed with. Then they sent an authorization to their man over there, which was cleared with us. And then Riegelman drafted the license in the World Jewish Congress case, which made the thing rather tentative, and we wanted to put this matter on the same plane as the other one.

The JDC was complaining about the provisions in the previous license.

H.M.JR: What happened between December 24 and yesterday.

MR. PEHLE: Well, that was January 4.

H.M.JR: I mean, what has happened between the 24th and the 4th of January.

MR. PEHLE: The JDC told us that our procedures were being hampered.

H.M.JR: Well, did they tell you that?

MR. PEHLE: Well, a formal letter telling us about it got here a few days ago. Then a letter came from JDC to State on December 30, which JDC gave us a copy of, and not State, which described these things in detail and described the urgency of it, and it is all tied in with developments in the other case, and timing.

In any event, the license was issued, and the text of the license was contained in this cable that went to State. We asked for the amendment, and that was the discussion this morning.

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Now, the principal difficulty that Riegelman raised-- and it was principally Riegelman that raised it, and not Labouisse, who doesn't know anything about these matters-- was a possible conflict between the World Jewish Congress and JDC. He said that as he knew and as we knew, the organizations were antagonistic to each other, and he said he was worried for fear they were both operating in France and that they would interfere with each other's operations in some way, and he proposed that the State Department tell Harrison to arbitrate and negotiate between these organizations.

I told him that I hadn't had a chance to take this up in the Department, but I was very much opposed to telling Harrison any such thing. What I did think the Treasury would be willing to do was to call the two agencies in here and to insist that they send messages to their representatives there that it was vital that they cooperate and that there must not be any friction between them.

They finally, personally, at least, went along with that sort of suggestion with a small modification in the cable which I think helps rather than hurts from our point of view. What the cable would say is, "These operations, as well as the operations referred to in the cable of December 18"--that is the World Jewish Congress one--"have the approval of the Department and Treasury." That is saying that both of them would have the approval.

H.M.JR: I thought the one that had their approval was December 24.

MR. PEHLE: It was, but the basic cable that described the World Jewish Congress was sent on December 18.

H.M.JR: Then the cable of the 24th was blessed, if you can call it so, by the State Department, and not the one of the 18th.

MR. PEHLE: Yes. It says, "These operations"--which are the operations referred to in this cable as well as the operations referred to in the Department cable No. 3168

- 6 -

of December 18, 1943--"have the approval of the Department and of the Treasury, and you should take all reasonable steps to facilitate them."

H.M.JR: I think that is good.

MR. PEHLE: I think that is very good, but it does leave the question as to whether you agree that we are opposed to having Harrison arbitrate between these organizations, and secondly, whether you are willing to have the two organizations down here and talk straight from the shoulder to them.

H.M.JR: Me?

MR. PEHLE: I will do it, or you can.

H.M.JR: Let's put it this way: I agree to what you have done; I agree that they should come down here, but I would like to sleep on who should do it. I think they might take it a little better from you than they would from me.

MR. LUXFORD: I am sure they would take it from Mr. Pehle, because they will have an opportunity to discuss the thing back and forth.

H.M.JR: I think they will take it a little better from him. They won't think of me as the Secretary of the Treasury when they come in here. I had one other experience--were you in on that?

MR. PEHLE: Yes, I was. It was on food packing.

H.M.JR: Yes. I had to finally refer that to State.

MR. PEHLE: You understand, Mr. Secretary, that in previous cases with antagonism between the two organizations the B'nai Brith organization stepped in and tried to bring them to some sense.

This is a definite issue, and I think it is important that they don't interfere with each other's operations over there. I am very much pleased by the way you handled--

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H.M.JR: Did you discuss my suggestion?

MR. PAUL: No. We just discussed this a few moments before lunch, and I haven't had a chance to think about it, but it seems right to me.

H.M.JR: Then will the cable go forward today?

MR. PEHLE: They will take it up with Mr. Hull.

They mentioned two other things.

H.M.JR: Are you satisfied that it should go in this form to State?

MR. PEHLE: I think--

MR. PAUL: It will be all right if there isn't too much delay in getting Hull--

MR. PEHLE: I think that Mr. Hull will have to go along, and I think that everything Harrison told the State Department--they want this done, and it is a very important addition.

H.M.JR: I don't think Hull initials these. I gather from what Riegelman told me--we had him around to the house the other night socially. He tried his best to talk to me, but the only thing I would let him talk about was--he told Breckinridge Long that he was related to me. I gather on these sorts of things he goes to Breckinridge Long to have them initialed. He never mentioned this Labouisse, who seemed friendly.

MR. LUXFORD: If he works for Acheson, there is a far better chance that he is friendly.

H.M.JR: Is that definite that he works for Acheson?

MR. LUXFORD: If his boss is Acheson, then Labouisse must work for Acheson too.

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H.M.JR: You might ask him some time. You might ask him whose boss Labouisse is. Riegelman told me that Labouisse is his superior.

MR. PEHLE: These things do not go to Mr. Hull when they don't require the approval of the State Department. When they are just transmitting for the Treasury Riegelman can send those, in effect, through. At least they claim they are not going to take this to Hull.

H.M.JR: Well simply--I can't say as a lawyer; I am not that--but with the little experience I have gained here I think you will find that Hull will approve that again. It builds the case of justice, if I may say that. If another one goes through--each time one goes through it makes it that much easier, and gives us that much more prestige with those people over there.

MR. PEHLE: Yes.

H.M.JR: I don't think there is any doubt but what Hull will approve.

MR. LUXFORD: They may kick it around before it gets to him though.

H.M.JR: Have you any excuse to talk to Riegelman?

MR. PEHLE: I will talk with him this afternoon.

H.M.JR: Tell him I would like to know when the cable leaves the State Department.

MR. PEHLE: We had to draft some language into this license that indicated what people the operations were applicable to, and that wasn't an easy task, but this is the language we used: "In order to arrange for the evacuation to places of safety persons in France whose lives are in imminent danger, and pending possible evacuation to sustain and safeguard the lives of such persons, you are authorized to do these things."

Now, Riegelman said, "Who are these people?"

- 9 -

I said, "It seems awfully easy to me. These people whom we are sending these cables to are talking about the children about to be snatched up."

He said, "Would you like to say it was applicable to any Jew in any occupied area."

And Labouisse said he didn't see any use in writing it in there. It is that sort of technical point--

H.M.JR: I want to go a step further--and you might tell this, if you agree with me, to these two organizations that have come down here. Let me tell you a little story, and I think they will go along. It is quite applicable. When my wife and I first moved into a town, with the help of my parents we were able to employ a health nurse. There was a sick child in an adjoining town that needed a nurse. The Deacon wanted her to go there, but the nurse said she had instructions from me that she couldn't leave the town of East Fishkill. That is perfectly silly. Imagine! I said, "There is a sick baby across the town, and you go there and take care of that baby."

These people, I think, should be told that if they run across a non-Jewish child they should offer assistance to that child as well, and there is nothing that would help them as much in this country.

MR. PEHLE: Mr. Secretary, one of the early cables in relation to this matter mentions some Spanish children, and I told Riegelman that this wasn't limited to Jewish people; this is for people whose lives are in danger.

H.M.JR: There will be no trouble in raising the money. If they run across a Catholic child or a Protestant child they should take care of them.

MR. PAUL: We agreed on that Christmas Eve; that is one of the reasons we agreed on that.

H.M.JR: Here, the Joint Distribution sent five hundred dollars for the relief of Russian children. I think these organizations should be told that.

- 9 -

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H.M.JR: Here, the Joint Distribution sent five hundred dollars for the relief of Russian children. I think these organizations should be told that.

- 10 -

MR. PEHLE: I agree, too.

H.M.JR: They should be nonsectarian in their efforts.

MRS. KLOTZ: I think you will find that they are.

MR. LUXFORD: The records show that.

H.M.JR: They do?

MR. LUXFORD: Yes.

H.M.JR: If the child is being persecuted, there should be no difference. Is that all this morning?

MR. PEHLE: That is all?

H.M.JR: I was all steeled for something different.

MR. PEHLE: Did I mention that Leavitt is coming down for JDC?

H.M.JR: Do you want a morning or afternoon appointment?

MR. PEHLE: He said he would be here all day.

H.M.JR: Three o'clock?

MR. PEHLE: O.K.

H.M.JR: Will you bring him over?

MR. PEHLE: Yes.

H.M.JR: Judge Lehman heard about it and talked about you in the highest terms.

MR. LUXFORD: Judge Lehman was very helpful to us in the Polish Relief Case.

H.M.JR: His former secretary, Goldstein, was down here.

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MR. LUXFORD: He is an excellent man. We tried to get him in here, but we couldn't.

H.M.JR: He has gone to the Navy. He was his secretary for three years.

MR. LUXFORD: We wanted him to work for us, too, but I couldn't do a thing because he would be drafted. He is a top-notch man.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*MH* 66

DATE Jan. 5, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

There is attached, pursuant to your request, a copy of the memorandum describing the proposed JDC operations in France, and approved by you on August 26, 1943. Also attached for your information is a copy of the license issued on January 3, 1944, to the JDC covering these operations.

*JW Pehle*

Attachments.

August 26, 1943

Secretary Morgenthau

Randolph Paul

We have just received copies of two cables from our Mission in Bern, which are attached for your information, regarding the desperate plight of Jewish children in France. It appears that beginning last autumn approximately 4,000 children, ranging from 2 to 14 years of age, were taken from their parents in France and deported to undisclosed destinations in windowless box-cars, without food or water. The French police, under German orders, is attempting to take a "census" of approximately six thousand other Jewish children who have been abandoned in France. Many of these children have been hidden in various peasant homes by private organizations. It is understood that approximately half of such children are presently in the Italian occupied part of Southern France.

It is understood that local financial means are inadequate to properly take care of the children evacuated to Southern France. Furthermore, it is stated that large numbers of Jewish children, presently hidden in areas near Paris, might be evacuated to the less hostile districts if financial means were available to provide transportation and subsequent support of the children. A paramount restriction on these operations apparently arises from the present limitations upon the ability of the relief organizations to obtain working funds in the area. One of these limitations results from the Government's blanket prohibition of financial transactions involving trade or communication-with persons in enemy territory.

In view of the broad humanitarian considerations involved, we have reexamined our general trading with the enemy policy in order to determine whether and to what extent exceptions can be made to permit operations designed to bring relief to particularly oppressed groups in enemy territory. The important considerations appear to be the following:

1. There are a number of organizations, not subject to our jurisdiction, based in England or neutral European countries, which are conducting operations in enemy territory through underground channels and which have been successful in financing such operations without benefit to the enemy. Such groups have generally operated under the close supervision of one of the United Nations and appear to be conscious of the necessity of not permitting operations which would benefit the enemy.
2. There are certain organizations within this country which have the facilities and contacts for operating in enemy territory and which could conduct successful relief operations within such territory without benefit to the enemy if authorized to do so.
3. We have now had sufficient experience in administering our trading with the enemy controls to be able to permit certain well defined groups to conduct limited types of relief operations in enemy territory, subject to appropriate safeguards designed to prevent benefit to the enemy, without jeopardizing our basic position with respect to trade or communications with enemy territory.
4. In view of the announced policy of the enemy to annihilate certain minority groups--either by slaughter or starvation--operations which would bring some measure of relief to such groups would have the effect of thwarting the Axis and of furthering a fundamental objective of the United Nations. As a matter of fact, the current war outlook is such that some will argue that such relief operations should now be undertaken for this purpose even if the enemy obtains certain limited benefits thereby. The trend of the United Nations policy in this respect is definitely towards such liberalization.

In the light of these considerations it is believed that the Treasury should permit certain responsible groups to enter into arrangements for bringing some relief to refugees

groups in enemy territory, subject to the following safeguards:

- a. The relief organization must be responsible and must be able to demonstrate that it has the facilities and contacts to operate in enemy territory;
- b. The organization must conduct its operations in such a manner as to ensure that no foreign exchange or other substantial benefit will accrue to the enemy;
- c. The entire operation should be placed under the scrutiny of our mission in an appropriate neutral country; and
- d. Any local currency or credits required for such program must be obtained from acceptable sources not connected with enemy interests.

If you approve, we will, on a case by case basis, insofar as Treasury is concerned, permit appropriate operations in accordance with the foregoing program.

(initialed) R. E. P.

Approved: (signed) H. Morgenthau, Jr.  
August 26, 1943

COPY

CABLE NO. 4643 RECEIVED FROM BERN

To: Secretary of State - Cable No. 4643, August 2, 1943  
From: Bern  
Reference: No. 3465, Bern, June 9.

P A R A P H R A S E

There is constant deterioration of situation of Jews in France. Members of many old families from 18 months babies to the very aged have been deported, among families are listed Brunswick, Cremieux, Mosse, Picard, Rheinach, Balahrogue. A transfer from Vienna to Paris has just been accomplished of the infamous anti-Semitic Commissar Brunner. At Drancy where the shipment of individual parcels is now forbidden and clubbings are frequent, German guards have replaced French. Jewish people especially have suffered in Toulouse, Perpignan, Lyon, Avignon, Clermont and Marseille. Large numbers of those sided by car in Marseille have been arrested and their children interned. Crossing the Rhone border line between German and Italian occupied zones frequent arrests occur in trains. Under dramatic circumstances the entire Jewish community of Bayonne was expelled. Being held for transfer to Drancy are the children in Paris and part of those in Marseille. Due to pillage by occupants general poverty is extending. There is grave lack of ordinary medicines and real famine is threatened. Italians refuse to permit wearing of yellow star in their occupation zone which is more or less satisfactory although decree has been signed. In the Italian zone where our organized assistance is permitted, large numbers of foreign Jews are living in assigned residence at Saint Gervais, Meleve, Salarches. There is grave concern presently over report that Italian troops are withdrawing from Savore and Haute Savoie leaving behind Italian customs authorities only. There has been transfer of 200 children from Paris to the Italian zone where the operation for the 500 remaining is being continued, which number could be doubled if finances were available. Three thousand children are now placed with families in southern France, 1200 in homes, 1000 in Jewish families. There has been an increase in medico social aid to 16,200 adults, plus 5000 in camps. The greatest difficulty is in reaching 4000 in foreign labor groups. Financial means are inadequate.

To: Secretary of State

Cable Number: 3465, June 9, from Bern (Section One)

P A R A P H R A S E

Regarding refugee children in Southern France, D. Donald A. Lowrie of the Worlds Alliance YMCA at Geneva reports:

Nearly 4000 children, between ages of 2 and 14 have been deported since autumn 1942 through Paris to unrevealed destination locked in windowless box cars 60 to 1 car without a single adult escort, without food, water hygienic provisions. A census is being attempted by French police, under German orders, of about 6000 abandoned children remaining in France (5000 Jewish and 1000 Spanish) who are being secreted mostly in peasant homes by members of private welfare organizations under the patronage of church leaders both Protestant and Catholic. Condition of children generally is wretched and the work is carried out with extraordinary difficulty and at great risk. Families in the Italian occupied zone have taken half of these 6000 but what is to be done with the remaining 3000 is becoming an acute problem. In spite of reluctance of authorities of Switzerland or Spain to receive and care for these children and the vigilance of border police of all countries concerned, re-

Cable Number 3465, June 9, from Bern  
- 2 -

sort to their clandestine transportation is envisaged, but their transportation and concealment is more and more dangerous.

Nothing has been done since my 929, February 11, indicating Laval promised to consult with the German although my 340, January 15, reported rejection by Laval Government of State Department's humanitarian proposal to continue arrangements for regularized departure from France of 5000 children.

/s/ HARRISON

Cable 3465, June 9, from Bern (Section Two)

Since there has been no indication that either the German or French authorities might be inclined to a favorable response and developments have been anything but propitious, it would seem of no avail to request Swiss authorities to renew representations on the subject.

If clandestine departure were effected, providing temporary asylum for them either in Spain, Portugal, or Switzerland, it is assumed that interested welfare organizations would be in a position to undertake the care and feeding of at least some of these children if official sanction were given. Were it found practicable to give some assurance to either Spain or Switzerland, or both, regarding the current provisioning of the children and their subsequent disposal that these governments might be willing to relax their restrictions against clandestine entry of those unfortunates if it is demonstrated that any considerable proportion of them might succeed in leaving France.

L I C E N S E  
(GRANTED UNDER THE AUTHORITY OF EXECUTIVE  
ORDER NO. 8389 OF APRIL 10, 1940, AS AMENDED,  
AND THE REGULATIONS ISSUED THEREUNDER)

o American Jewish Joint Distribution Committee  
(Name of Licensee)

270 Madison Avenue, New York, N. Y.  
(Address of Licensee)

irs:

1. In order to arrange for the evacuation to places of safety of persons in France whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs for goods and services. The necessary French franc funds to finance such operations may be obtained by either of the following two methods:

- (a) The first method is the purchase of French francs from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible, is reasonably certain have held such French francs since prior to the fall of France or have since acquired such francs in such manner as has not benefited the enemy. The sellers of such francs may be reimbursed therefor in Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.
- (b) The second method is the acquisition of French francs from persons in France or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and

no assignments may be made of any interest in such blocked account without such approval.

2. The total amount of dollars or Swiss francs paid out set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed 2,500,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.

3. Your representative should keep the American Legation Switzerland fully informed with respect to the financial transactions effected under this license. In so far as feasible your representative should make certain that the persons from whom the French francs are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.

4. Periodic reports with regard to any operations engaged under this license should be filed with the Treasury Department through your representative through the United States Legation in Bern.

5. This license is granted upon the statements and representations filed with the Treasury Department, and is subject to the condition, among others, that you will comply in all respects with Executive Order No. 8389 of April 10, 1940, as amended, and the regulations issued thereunder and the terms of this license.

6. This license is not transferable, is subject to the provisions of Executive Order No. 8389 of April 10, 1940, as amended, and the regulations issued thereunder and may be revoked, modified, or declared void at any time at the discretion of the Secretary of the Treasury acting directly or through the agency through which the license was issued, or any other agency designated by the Secretary of the Treasury.

---

J. W. Pehle  
Assistant to the Secretary

**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

*Sub* 76  
DATE JAN 5 1944

TO Secretary Morgenthau  
FROM Randolph Paul

There is submitted to you for your approval a proposed cable to the American Legation at Bern, Switzerland, for transmission by the Legation to Tittman, the American representative at the Vatican. The cable deals with relief operations involving the Jewish community in Rome.

Also attached are the cables referred to in the proposed cable to Bern, which give the background information on this matter.



Approved:

*5/15/44*

Cable to Bern

Reference is made to your cable No. 8182, December 28, 1943, transmitting Tittman's cable of December 21, 1943, No. 224.

For your information there is repeated to you herewith London's cable of December 28, 1943, No. 9021, which relates to the same matter, and our reply No. 52 of January 4, 1944.

Please repeat above message to Tittman and transmit the following additional message to him:

"Re your December 21, No. 224, we have asked Bern to repeat to you London's 9021 of December 28 and our reply No. 52 of January 4, 1944. The Department and the Treasury agree that the necessary assurances may be given that funds up to \$20,000 will be forthcoming in the future for these operations. Please advise if additional funds are needed.

*Approved.*  
*J.M.H.*  
*Jan 6<sup>th</sup> 1944.*

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN  
TO: Secretary of State, Washington  
DATED: December 23, 1943  
NUMBER: 8182

## CONFIDENTIAL

Following is Tittman's cable of December 21, no. 224.

I refer herewith to the cable regarding relief of Jews in Rome which my British colleague sent to London on November 24, 1943, no. 442, for repetition to Washington.

We were informed today by the representative of Jews in Rome that considerable funds will be needed urgently at the end of the month. It is suggested by him that if assurances could be given by Osborne and me either in writing or orally that funds would be forthcoming sometime in the near future from England and the United States, it might be possible for him to negotiate a loan locally using our assurances as security.

Our reply was that such assurances could not be given without previous authorization, but we agreed to transmit the message and ask that consideration be given to the suggestion because of the special conditions prevailing here and likely transfer difficulties through usual channels. It is requested that you consult London and cable at the earliest possible moment.

HARRISON

January 4, 1944

AMERICAN EMBASSY

LONDON

No. 52

Treasury Department requests following reply be sent to your 9021, December 28:

QUOTE This is with reference to your cable No. 9021, December 28, 1943, concerning suggestion of Intergovernmental Committee on Refugees with regard to funds for relief work on behalf of Jews in Italy.

American Jewish Joint Distribution Committee has been approached and is willing to provide up to \$20,000 at present time and to consider reasonable additional amounts if needed. United States Treasury is prepared to license transaction and will appreciate prompt advice as to whether remittance may be effected through London and if so to whom in London funds should be remitted. Please advise also as to identity of recipient organizations in Rome so that future remittances can be made direct from United States if desirable. UNQUOTE

A-L/S:GLB:MSL

VD

FD

EU

EK

PLAIN

London

Dated December 28, 1943

Rec'd 4:07 p.m.

Secretary of State,  
Washington.

9021, twenty-eighth.

Embassy has received from Director, Inter-governmental Committee on Refugees, letter dated December twentysecond containing suggestion that Department may wish approach refugee organizations in United States as follows:

"The Foreign Office has just informed us that the British Minister to the Vatican has reported that the funds of charitable Italians in Rome, who have been working on behalf of the Jews, especially the children of those whom the Germans have seized and probably deported to Germany, are very low and in consequence they may not be able to continue with their relief work. The Foreign Office is asking the Treasury whether they will allow funds for this purpose to be paid into the account of the British Minister to the Vatican, and has asked us whether we would  
consider

-2- #9021, twenty-eighth, from London.

consider approaching some of the Jewish charitable organizations in this country in case they may be disposed to make a contribution.

We are therefore addressing a conditional enquiry to each of the following organizations in London: World Jewish Congress, Board of Deputies of British Jews, Central Council for Jewish Refugees.

In addition it has occurred to us that you might wish to inform the State Department for whatever approach it might deem advisable to make to the American Jewish Joint Distribution Committee or other organizations in the United States, on condition that the United States Treasury are willing to allow transmission of funds for this purpose".

WINANT

WTD

## RUMANIA GIVES JEWS FREEDOM BY RANSOM

*Release Price From Soviet Labor  
Is Based on Ability to Pay*

Rumanian Jews working at forced labor on the Russian front will receive the privilege of buying their way out of labor camp internment through payment of ransom money to the Rumanian Government. The sums varying apparently on the basis of ability to pay, the Swedish newspaper Dagens Nyheter said in a dispatch reported last night to the Office of War Information.

According to the Swedish newspaper, Premier-Marshal Ion Antonescu's government decided to let the workers ransom themselves after adopting a plan to withdraw some of the Jewish labor companies from forced work on the Russian front to camps in Rumania. Release of the workers will take place in Rumania on a strictly cash basis, the Dagens Nyheter said.

This method of extracting loot from the Jews is not a new development in Rumania. Last year the Antonescu government fixed a special lei on the Rumanian Jews, a sum equivalent to \$28,000,000 on the basis of the pre-war exchange rate. The Dagens Nyheter reported that the Jewish Central Committee in Rumania had assumed the responsibility of paying this tax.

Since Rumania's entry into the war with Russia, the Dagens Nyheter Dispatch said, about 50,000 Jews have been sent from Rumanian labor camps to work on the Russian front. Of this number, the paper estimated, 50 per cent have died "owing to lack of medical care and the food and clothes shortage."

The Stockholm newspaper Tidningen, in another dispatch reported to the OWI, declared that epidemics were also ravaging Jewish labor camps in the Rumanian section of Transnistria.

January 5, 1944  
2:15 p.m.

#### RENEGOTIATION

Present: Mr. Gaston  
Mr. Paul  
Mr. Sullivan  
Mr. O'Connell  
Mrs. Klotz

MR. PAUL: I have just talked with Jimmy MacIntosh. He is the Acting Counsel for the Price Adjustment Board for the War Department, and he has been carrying the main burden for the War Department on renegotiation. He said he had lunch with Alvord yesterday, and Alvord suggested to him that I be brought along, and also a Navy man. He objected to that on the ground that he wasn't authorized to discuss any settlement or any compromise at all.

H.M.JR: This is MacIntosh?

MR. PAUL: Yes.

Whereupon Alvord asked him to just come on a personal basis alone and not check through what Alvord told me. They did have lunch, and Alvord told MacIntosh he would probably get a call from George later.

In the meantime, this morning at ten o'clock Forrestal and Patterson had a meeting in Patterson's office, generally, on the compromise proposition. It was agreed between them not to have any weakening at all on any point, not to discuss compromise, particularly since the minority report hadn't been released yet, and they would be dumping these people on the committee if they did it.

George didn't call MacIntosh, so MacIntosh went up to see him; he was just to sit and listen. He and Kenney are going up. Kenney is a Navy man.

- 2 -

The meeting at four-thirty is for the purpose of discussing this proposition: Should there be a release by all the Departments to the effect that they are agreeable to the ending of renegotiation at the cessation of hostilities or at such earlier point of time, as, if, and when competitive conditions are sufficiently restored to industry so that there isn't any need for it, and also one has less business and, therefore, it is easier to price.

H.M.JR: At whose option? Who will determine that?

MR. PAUL: Well, it would be--it is just a face-saving proposition. It would probably be at the option of the Departments.

The idea of a statement is, should we try to save George's face, because he is plainly on the run--the hot seat, and should we make things easier for him. The law provides--I don't see any sense in a statement like that, particularly before the release of the Minority Report, because the law provides--

H.M.JR: Have you talked with Joe about that? Do you mind having Joe come in?

MR. PAUL: Of course I don't mind, but I have talked with him on that.

This is probably a move from Forrestal's direction, I would think. It is obvious that George is very much in retreat. In fact, Alvord, when I ran into him on the street yesterday, tried to tell me that there was really no difference between the Treasury--between my ideas on renegotiation and George's, and George hadn't gotten through the things which he wanted at all. But George did get through the things he wanted.

H.M.JR: But it is interesting that Alvord is sort of leg-man for George.

MR. PAUL: It proves that Pearson is right.

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H.M.JR: Well, I agree this much, that I don't think there should be any statement until the Minority Report is out. I don't think there is much question about that.

MR. PAUL: I don't think these fellows have a chance. You know the story--that story that several Senators not on the Committee have gone along in spurts with the report.

H.M.JR: McKellar sent a telegram to Barkley and tried to get him to sign the Minority Report, but was not successful, according to today's paper.

Well, the question is, should we get out a statement?

(Mr. Gaston and Mr. O'Connell enter the conference.)

MR. GASTON: Fitz asked me to report that Mr. Sullivan would be a couple of minutes late.

H.M.JR: This afternoon I got a telephone call that there would be a meeting in the office of the Under Secretary of Navy, and would we send somebody, and I asked Paul to try to find out what it was about, and he has been finding out.

Tell them what the proposition is.

MR. PAUL: How far back do you want me to go, to the point of the meeting this morning?

H.M.JR: Just tell them--

MR. PAUL: The purpose of the meeting this afternoon is to determine the policy as to whether the Departments concerned should issue a statement that they were all in favor of ending renegotiation at the end of the war or at such earlier point of time as competitive conditions were restored in industry or pricing could be done in the original contract on a reasonable basis, and the gesture of face-saving towards George. I don't know what the preliminary attitude of these people is. I imagine it comes from Forrestal.

(Mr. Sullivan entered the conference.)

- 4 -

MR. GASTON: It doesn't seem to me to make much sense. We will agree to ending renegotiation when we don't need it any more.

MR. PAUL: It is obviously face-saving.

MR. O'CONNELL: There is nothing to it but face-saving as far as I can see.

(The Secretary held a telephone conversation with Mrs. Morgenthau)

H.M.JR: Go ahead please.

MR. PAUL: Herbert was speaking. You said you didn't see much sense in it, didn't you?

MR. O'CONNELL: That is right, unless there is some point in saving George's face.

MR. PAUL: Of course, one has to keep the thing slightly in suspense until MacIntosh makes a report on his present conference with George, which began at two o'clock.

H.M.JR: How come Forrestal called a meeting?

MR. PAUL: I don't know. I sent you a memorandum and told you that I talked to Patterson yesterday and suggested that we didn't need a meeting, but that if he thought one ought to be held, no doubt you would be willing to call it.

H.M.JR: This is what I think: I don't see--after all--I am thinking out out--if they are going to call a meeting to discuss this proposal, you certainly don't want to get out a release tonight.

I would like to have whoever goes simply say, "I would like to go back to the Treasury and discuss this thing with the Treasury. This would give me an opportunity to think about it, to turn around, to consult with the

- 5 -

other people in the Treasury." I don't see why they have to hold a gun to our head this afternoon.

MR. PAUL: The reason is, Patterson is going to be away the rest of the week.

MR. O'CONNELL: He is going to be away starting tomorrow. He will be away tomorrow, Friday, and Saturday.

MR. GASTON: They could take the position that a form release could be drafted if it is satisfactory to everyone.

MR. PAUL: I don't see any use for a release.

MR. O'CONNELL: If I understand the program, it seems to me it is entirely without merit, and I was rather hopeful that you all might come to that conclusion before the meeting.

H.M.JR: I don't see how we can if they are going to make a report on the conference between George and MacIntosh.

MR. O'CONNELL: The issue remains entirely the same, regardless of the conference they have had with Senator George. The question is, should we be under coercion to give George a break, and I thought from the time we had our meeting over in Byrnes' office that we were completely agreed that there were some very fundamental things that we were going to fight, bleed, and die for, that we were not going to make concessions according to these things.

Forrestal suggested that we settle on a cut-off date of the 1st of July, 1944, and that was not accepted by anyone else, and this is a variation of that, and it seems to me that the Department--and I don't know what the others have said--but I don't think the Department should acquiesce in it under any circumstances.

H.M.JR: The point is, should we make any concessions to save George's face, whether to settle this thing when the war is over, or when it is no longer necessary.

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This is the way I feel, that if Senator George is on the run and we have enough strength, I don't know of anything better for the good of the country than to have a clean-cut victory on this thing and no face-saving. It's about time that Senator George was taught a lesson.

MR. O'CONNELL: I think we have him in the corner, and we ought to keep him there.

MR. GASTON: Getting out a release would just gum up the thing.

MR. PAUL: I think there may be a good deal of useful purpose served in making a decision now, adding to what Joe just said; it may be that Patterson will need some support. It may be that he is pressed pretty hard by Forrestal.

H.M.JR: Are you talking to Patterson today?

MR. PAUL: Not today, yesterday.

H.M.JR: I don't know as there is any more hope for cleansing than a clean-cut victory.

MR. SULLIVAN: Of course, if you start trimming now, a week before it comes on the Floor, a lot of things can flow from that; and if it is decided it will be vetoed, the Bill will be prejudiced. You start off with a compromise.

MR. GASTON: You are entirely right.

MR. O'CONNELL: We have obligations to the Minority Members who have a report that is coming out tomorrow or this afternoon.

H.M.JR: It is my guess that from what you have told me Forrestal, George, and Alvord are trying to get us into a corner.

MR. O'CONNELL: Jim has felt that he ought to make a deal.

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MR. PAUL: Well, I talked to Patterson yesterday, and I warned him that Alvord was a very clever boy and that Jim had better look out.

MR. SULLIVAN: Had Alvord been talking with Jim?

MR. PAUL: He had lunch with him.

MR. O'CONNELL: I was speaking of Forrestal, and you shifted to MacIntosh.

MR. SULLIVAN: Of course, there is another aspect of this thing; you give him a little bit in this bill, and two or three months later you have another bill introduced up there.

MR. PAUL: That is right.

MR. O'CONNELL: We don't win them very often.

(The Secretary held a telephone conversation with Under Secretary Patterson, as follows:)

January 5, 1944  
2:29 p.m.

HMJr: Hello.

Operator: Judge Patterson.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello, Bob?

Robert  
Patterson: Henry.

HMJr: How are you?

P: Fine.

HMJr: Bob, we're sitting around here in the Treasury talking about this meeting that Forrestal called on this renegotiation of contracts.

P: At 4:30.

HMJr: 4:30.

P: That's right.

HMJr: And, as I understand it, they want to get out a sort of face-saving release.

P: Uh -- well, we talked this morning....

HMJr: Yeah.

P: ....about it and -- in a preliminary way, and I suggested that he call the whole bunch.

HMJr: Yeah.

P: It seemed to me that -- what we'd like would be this: to leave the law as it is and not try to recast it.

HMJr: Right.

P: With some little things like the raise of the exemption up to \$500,000. We asked for that.

HMJr: Yeah.

- P: The compulsory filing of a statement. That's a little thing. The court review, I'd just as soon give them. We've been so confident that we were right and that no court would give any release that I don't mind at all their having that.
- HMJr: Yeah.
- P: And that's some protection against maybe arbitrariness on our part, if there were any. And the repricing thing that went in, that specific power to reprice -- we like that provision.
- HMJr: Yeah.
- P: And forget all the rest.
- HMJr: Well, aren't those mostly....
- P: I'd just as soon say, in addition, this, in a letter -- I'd just as soon say that we didn't like this law for its own sake and as soon as the need for it passes, we will be glad to come forward and recommend to Congress that it be terminated. But -- and it may be that a closer control of original prices in contracts that we now have underway, plus changes in the war operations, will bring that date about. We cannot forecast when it will be now. I don't want to go on record for any cut-off date at the present time.
- HMJr: Well....
- P: Forrestal did but I think he abandoned that. I told him -- I said, "I would not now recommend to them that they put in a cut-off date for June 30th or any other date."
- HMJr: Well, Bob, weren't those four or five things, the things that we agreed on over at Byrnes' office?
- P: The five -- no -- the five things we agreed on there, were things we were going to fight.
- HMJr: Oh.
- P: Especially.
- HMJr: Well....
- P: But the thing is going so much better now, in my opinion.

HMJr: Yeah.

P: And I think the heat will be on these fellows kind of hot for the next week that I think we can get what we want.

HMJr: Well, would you like to know what I think?

P: Yes, sir.

HMJr: Well, this is what I think: As it was put up to me, this is sort of to save George's face and his leg-man is Alvord, who is running around and trying to get the thing together. I don't know anything more wholesome that could happen right now than is to not to save George's face.

P: Uh.

HMJr: See:

P: Yep.

HMJr: I mean, I think it's about time that -- if this -- if the people are going to back the Administration on this thing, and this is what the people want, then why the hell should we save anybody's face?

P: Well, I agree. I don't care anything about it.

HMJr: Well....

P: What I -- what I was suggesting was this....

HMJr: Yeah.

P: ....they didn't pay the slightest attention to the recommendations of the Departments in the Senate Finance Committee.

HMJr: Yeah.

P: They utterly disregarded all of our suggestions and wrote their own ticket.

HMJr: Yeah.

P: Now, they're -- they see defeat on that. I haven't any doubt that we can beat them. It seems to me that the time ought to come before Congress reconvenes when we should make our recommendations and I think they'd be taken.

- 4 -

HMJr: Well, that's something....

P: Now, that doesn't get George off any hook that I know of.

HMJr: No, well that's quite different than, I think, than what they had. Well, let me ask you this because somebody's up -- went up to see George today -- I don't know who -- somebody.

P: Well....

HMJr: McIntosh, I guess.

P: Yeah, George wanted a lot of data.

HMJr: Yeah.

P: And McIntosh is taking him up the data he wanted.

HMJr: Yeah. Well, now, are you....

P: Of course, George will talk to him, too.

HMJr: Are you going to be in town tomorrow?

P: No, I've got to go to Los Angeles tonight.

HMJr: Well, you'll -- the point that I -- I hated to get committed. I can't go to this meeting at 4:30, but I don't want to be committed to any face-saving. See?

P: No, I -- well, I agree. I'm not interested one way or the other in that. I have no animosity about it and at the same time, I don't -- I don't care to go way out of my way to do a favor to anybody. It's just a -- it's purely impersonal with me.

HMJr: Well, it is with me, too. I've got no animosity but I just feel this way, that this minority report is going to come out in a day or two.

P: Well, it's already out, isn't it?

HMJr: Is it out? I don't think it's appeared in the papers yet.

P: The -- a lot of -- lot of stuff about it was in the paper this morning.

HMJr: I saw that, too.

P: I have a text of it. You have, too, haven't you?

HMJr: I suppose my men have.

P: It's a pretty good paper, you know.

HMJr: Good.

P: The heat will be on harder than ever when that gets good circulation.

HMJr: Well, why can't we just sit tight for a couple of days and see what happens?

P: Well, we could. Myself, I would....

HMJr: (Aside: Don't you agree?)

P: I think that we can go way beyond the five points that we said over in Jimmy Byrnes' office were the most obnoxious, and I think -- I really think we can write our own ticket.

HMJr: Well, then....

P: I don't believe they'll pass any bill there that -- that they think the Departments are prepared to denounce.

HMJr: Well, I think I'll ask the men who are going to go from the Treasury to go over there and -- with instructions to sit tight.

P: Yep.

HMJr: And -- but I wanted to be sure that War and Treasury were together.

P: Who will go, Paul?

HMJr: Well, Paul and O'Connell and Sullivan.

P: Well, it's all right.

HMJr: We'll send three strong.

P: Yep. It's all right.

HMJr: What?

P: Good.

HMJr: Is that all right?

P: You bet. The -- my general idea is, as I said, that I think the -- we ought to write a letter to somebody there. I don't think it ought to be only to George, but -- because he -- we've got some friends there on this thing that -- he hasn't been a friend.

HMJr: Yeah.

P: Something to the effect that we think the renegotiation situation would be in the most favorable condition for the protection of the Government and with fairness to the contractors if they would leave the law as it is; give us a little repose, with only the following additional, simple, little provisions: and then set them out. And try to scrap the whole damn thing that the House Ways and Means Committee served up as well.

HMJr: Well, I....

P: They recast the whole law, you know, Henry, as if there had been no law in the beginning and as if they were setting up a brand new system, but that is going to be disturbing.

HMJr: Bob, the way I felt is this, and of course, I'd be glad to discuss it -- I felt the easiest thing was to take the position, "Leave the law alone." Because I don't believe that the Department is ever going to be successful and say, "Well, we'll take these two or three amendments." And somebody will say, "Well, if you take those, you've got to take two or three from Congress."

P: Well, that may be.

HMJr: And then you always end up in a mess. But if you take the position, "Well, leave the law alone. We don't want any changes," my guess is that we've got a better chance of winning than if we say, "We'll take two or three," because if we want two or three, how can we say to Mr. McCormack or Mr. So-and-so, "Well, you can't have two or three." Then you begin log rolling.

P: Well, there's something to that.

HMJr: Think about it.

P: Yeah, there's something to that.

HMJr: Especially, as we seem to be gaining ground all the time.

P: Oh, yes. We're -- I think we're doing well. I think that -- I don't think the Senate Committee Bill has a chance of passage.

HMJr: Well, my own....

P: I've been quite pleased at the reaction.

HMJr: It's been wonderful.

P: There's been some good work done.

HMJr: Wonderful. My own -- my own hunch is, I mean, is that we have a better chance if we simply say, "Leave the bill alone."

P: You may be right.

HMJr: Well, think about it.

P: Yeah.

HMJr: Okay.

P: Thank you, Henry.

HMJr: See you soon.

P: Yep. Good bye.

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H.M.JR: I don't know whether you fellows agree with me.

MR. SULLIVAN: I am in hearty accord.

MR. O'CONNELL: Patterson will not lightly go back to the original bill, because six months ago all the Departments requested three technical changes, the ones he outlined to you in some length, and we would not be bad off if we struck out the little--

MR. GASTON: If the thing is defeated on the Floor, then they will come back to the Department and say, "What are you willing to agree to?"

Then is the time to say, "This is what we will agree to, and no more."

H.M.JR: Do you people want to ask me anything more before you go over?

MR. SULLIVAN: You just want us to sit tight and report back to you and not commit ourselves?

MR. GASTON: If we are going to discuss politics, I think we should stand pat.

MR. PAUL: Do you want me to go?

H.M.JR: Do you have another meeting?

MR. PAUL: No, but I wondered if you needed all three of us.

MR. O'CONNELL: We ought to sit mute, and take the position that nothing needs to be done.

MR. GASTON: Take positively a negative position.

H.M.JR: I think it would be better; it is pretty important. Unless you (Paul) have some reason for not wanting to go--

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MR. PAUL: No, I have no reason for not wanting to go.

H.M.JR: O.K., gentlemen, thank you all.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

January 5, 1944

TO Secretary Morgenthau  
FROM Mr. O'Connell

The meeting we attended this afternoon in Under Secretary of the Navy Forrestal's office was essentially a discussion of the strategy to be used from here on in connection with the renegotiation amendments, although the ostensible purpose was to discuss a draft of letter to be sent Senator George in answer to a request from him for information.

Your view that we should "sit tight" and not indicate any readiness to compromise found general acceptance, although Forrestal and the RFC representative were rather insistent on the desirability of a definite cut-off date as an alternative to the present bill.

Judge Patterson espoused completely your view that the thing we should hope to get is no changes at all in existing law. It was decided to discuss the general strategy again with Judge Byrnes preliminary to taking the matter up with our friends in the Committee, specifically Senators Walsh and LaFollette.

The letter above referred to is being redrafted to eliminate some material we found objectionable, and as recast will merely say to Senator George, in response to his request for information, that the Departments do not feel that we are in a position to suggest a specific cut-off date. It will also reiterate our view that no substantial changes in existing law are either necessary or desirable. The redraft will be circulated again and will not be sent to Senator George unless it is agreeable to Senators Walsh and LaFollette.

*Joseph J. O'Connell*

January 5, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Paul

In accordance with a request from Chairman Vinson of the House Naval Affairs Committee, the Treasury has prepared three bills limiting profits on naval contracts and subcontracts. These bills, together with a letter from me, a copy of which is attached, were given to Mr. Vinson by Mr. Gordon Keith of the Division of Tax Research on January 3rd. In my letter I explained that the work of the Treasury on these bills had been in the nature of a technical service. Mr. Vinson said that he understood that they could not be viewed as reflecting Treasury policy.

Two of the three bills were adapted with minor modifications from bills which Mr. Vinson, himself, introduced in 1941 and 1942. The first of these bills limits profits to 2-1/2 percent of sales for aircraft, 3 percent for naval vessels, and 4 percent for all other contracts and all subcontracts. These percentages would determine the amount of profits which the contractors would be permitted to retain after taxes. The second bill is somewhat similar to the first except that it makes an allowance for varying amounts of invested capital and capital turnover.

The third bill which is entirely new limits profits in terms of the actual rate of return on sales in the base period. The base period rate of return is allowed on sales not in excess of average sales for the years 1936-1939. One-half of the base period rate of return is allowed on sales in excess of average base period sales. The second and third bills would determine the amount of profits contractors would be allowed to retain before income and excess-profits taxes.

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Mr. Vinson was inclined to prefer the first bill as being the one which would be most easily understood by the contractors. However, when it was pointed out to him that the final determination of excessive profits under this bill would have to wait until a final determination of tax liability could be made, his preference shifted to the third bill. He seemed to have little interest in pushing a bill of the second type at this time. He proposes to give further study to both the first and third bills and to advise us if he desires any further technical assistance from us in this matter.

A handwritten signature in dark ink, appearing to be the initials 'AV' or similar, located below the typed text.

January 1, 1944

My dear Mr. Vinson:

In accordance with your request for drafts of bills limiting profits on Naval contracts and subcontracts, three different versions have been submitted to you. You understand, of course, that the submission of these bills by this Department does not constitute endorsement of them.

The first bill limits profits after taxes to a specified percentage of the total amount accrued or received by the contractor under Naval contracts in each of his fiscal periods. The percentage limitation is  $2\frac{1}{2}$  percent for aircraft, 3 percent for Naval vessels, and 4 percent for all other contracts and all subcontracts. The basic structure of the bill would be that of H.R. 5781, 77th Congress, 1st Session, which you introduced on October 7, 1941. The section submitted would substitute for Section 3(a) in that bill.

The second bill is the one you submitted to the Senate Committee on Finance on September 22, 1942, which, you will recall, makes allowance for varying amounts of invested capital and capital turn-over. Under this bill, the contractor must repay all profits before Federal income taxes in excess of 8 percent of costs incurred under these contracts in the contractor's fiscal year. In addition, the contractor is allowed 10 percent of the undepreciated value of his fixed capital, and an allowance, up to a maximum of \$6,000, for the length of time it takes to complete the largest contract held by the contractor.

The third bill is entirely new. Under this bill profits before taxes are limited to a computed rate of return on amounts received or accrued under Naval contracts by the contractor. The rate of return allowed is the average of two rates of return: the first is the actual rate of return on sales in the base period, but no more than 15 percent nor less than 5 percent; and the second is the rate of return, on the current volume of sales under Naval contracts, which would result in total profits equal to the average total

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profits in the base period. Thus, on that portion of current sales not in excess of average base-period sales, the contractor may earn his base-period rate of return; and on that portion of sales in excess of his average base-period sales, the contractor is allowed to earn 50 percent of his base-period rate of return. This formula would restrict the profits on naval contracts in accordance with the rate of return earned by the contractor in the base period, but would at the same time provide an incentive for increased production by allowing the contractor to retain 50 percent of those additional profits arising solely from increase in sales volume.

You will understand that our work on these bills has been in the nature of a technical service, and that they are not to be viewed as reflecting Treasury policy.

Very truly yours,

/s/ Randolph E. Paul

Randolph E. Paul  
General Counsel.

Honorable Carl Vinson,  
House of Representatives.

January 5, 1944  
3:30 p.m.

LEND-LEASE IN REVERSE, RUSSIA

Present: Mr. Paul  
Mr. White  
Mr. Luxford  
Mr. DuBois  
Mr. Friedman  
Mr. Glasser  
Mr. Taylor  
Mr. Aarons

H.M.JR: Oh, I have a lot of people.

MR. WHITE: This needs an apology.

H.M.JR: I have been misled.

MR. WHITE: I'll say we have.

MR. LUXFORD: You are missing out on a swell argument.

MR. WHITE: We have been working the last week very intensively, as you can see from the results, under the assumption that the President had asked you to prepare something in a hurry, so we prepared three agreements, some memoranda, and that sort of thing. We did not learn until this morning by accident that that was not the fact, although I just asked Mr. Glasser and Mr. Bernstein again. If their memories serve them correctly, our information was at least partly correct, if not altogether correct.

However, I will let them speak for themselves.

H.M.JR: Well, the fact is that I said I was sure that when the President came back he would ask me.

MR. GLASSER: I misunderstood. I thought that you had seen the President and he had told you, as I recall

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the conversation, that everyone he saw had asked for aid, and that Russia was one of the countries. Then, of course, that same day you brought up the question of the Chinese loan, which the President had also asked about.

But in the morning session, I had the impression that the President had asked you what you could do.

MR. WHITE: Anyway, that is the delusion we were laboring under.

H.M.JR: So much has happened. Let me just think a minute.

Well, anyway, it is not very important. The thing that I wanted was a plan, whether the President asked for it, or I did.

MR. WHITE: The form of the memorandum is done, that is all. But we have kept it as a memorandum from you to the President, and so it is drawn a little more carefully than would have otherwise have been the case.

MR. GLASSER: I think notes were taken at the meeting and Miss Chauncey is looking up a copy.

H.M.JR: She is, as to what the instructions were? I would like to see them. How long ago did you ask her?

MR. GLASSER: About five minutes ago.

H.M.JR: Did you tell her which side I was on?  
(Laughter)

MR. PAUL: Are there two sets of notes?

MR. WHITE: I would suggest that you might want to read it, with that explanation of why it is written in that form. The Legal Division has drawn up several agreements.

H.M.JR: I hope I am wrong.

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MR. WHITE: Well, you mean you hope you are right.

H.M.JR: I hope I am wrong in the sense that the President doesn't want it. What are you fellows going to do while I sit here and read this?

MR. WHITE: We are not in agreement. There has been quite a discussion.

MR. PAUL: You gave him the Legal one, didn't you?

MR. WHITE: No, I gave him mine. That is yours.  
(Laughter)

MR. LUXFORD: He knows all the techniques.

MR. WHITE: No, there is a difference which is pretty important.

(Miss Chauncey entered the conference.)

H.M.JR: Miss Chauncey, you don't know which side you are on, but what were my instructions?

MISS CHAUNCEY: Here it is. (Hands the Secretary record of meeting of December 17, 1943 entitled "Lend-Lease in Reverse, Russia.")

H.M.JR: (Reading) "I don't know whether I told Harry or not, but the first thing the President said this morning when he came back--he had a word for everybody. He said to me, 'Everybody wants money,' so I would like to be a little bit forehanded, using Russia as an example--"

MR. WHITE: You are right.

MR. GLASSER: I misinterpreted that.

H.M.JR: I can see that. He said, "Everybody wants money."

I said, "I want to be a little bit forehanded." Technically, I am right, but I can see where you were.

MR. GLASSER: I misinterpreted.

H.M.JR: Most likely you wouldn't have worked so hard if you hadn't. That is all right.

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MR. WHITE: I told him the story. It makes a difference who says it. One man says, "You know, Bill Jenkins is going to retire for five years."

His friend says, "Bill has been telling me that for a long time."

The fellow said, "Yes, but this time the Judge told him that."

But there is a basic difference which I am sure if you want to go into it you will want to hear both sides of the approach.

H.M.JR: You are going to give both sides?

MR. WHITE: We can each give both sides, but each can give his own side better, probably, but what we have-- let me say briefly, what we have is a way to do it. There are two ways to do it, and there is where we disagree on which is the better way to do it, one through lend-lease, and the other through a loan. There is a memorandum setting forth the reasons why it is important to do it all together, what the political and economic advantages are that accrue from aid of that kind at this time. That was the memorandum from you to the President, pointing out that it could be done two ways, and indicating briefly the advantages of each way, the relative advantages of each way.

H.M.JR: Well, I would love to read it right now and then ask questions.

MR. WHITE: Fine. You don't mind if he reads that one? It is a little more objective. (Laughter) They would agree to that.

H.M.JR: I am not so much interested in whether it is lend-lease--

MR. WHITE: That is right. On the reasons, the advantages, and so forth, we are in almost identical agreement.

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MR. DuBOIS: It isn't so important, Mr. Secretary, whether it is lend-lease or a loan. The really important issue is whether you go to Congress first or do it under existing authority.

MR. LUXFORD: There is a further very important alternative now, and that is--

MR. WHITE: They are beginning to argue their case.

MR. LUXFORD: There is a third alternative right now as to whether this is the psychological time to try to do it, in view of the fact that if you fail, there may be major political and military repercussions from that.

MR. WHITE: But we are in agreement; that is the psychological--

H.M.JR: I would like to draw your attention to the United Press story out of Moscow about the Pravda calling Willkie a double-talker and that they are sick and tired of having him talk one way about Russia and out of the other side of his mouth against Russia. Pravda, is that the name of the paper?

MR. WHITE: Out of which side of the mouth is he talking against?

H.M.JR: Both sides.

MR. WHITE: An article in the New York Times Magazine?

H.M.JR: That is what they are jumping him about. They referred to that.

MR. WHITE: That surprised me.

H.M.JR: It is on the ticker. It came out this morning. Ask Miss McCathran for it.

MR. WHITE: Would you like it read out loud?

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H.M.JR: I think I can read it quicker. (Reads "Memorandum for the President," copy attached.)

Well, the part that interests me more than this-- the thing that I think, Glasser--towards the end--if you were there, what kind of business could we do?

MR. WHITE: We have that in the agreement, but we can give it to you orally.

MR. PAUL: It is on page four.

H.M.JR: It interests me more. May I ask for the studies of what that trade was?

MR. GLASSER: Well, we have summarized the information in that document.

H.M.JR: Yes, that isn't very good.

MR. WHITE: We have all the information that you could possibly want already in memos, but we can give you the gist of it, which indicates that that is quite a secondary matter. There are certain raw materials which they produce which would be included in the agreement to the extent that we would say that they must sell us up to-- we have the amounts--each year of those following commodities at reasonable world prices. Those commodities include oil, timber, and other materials. That is about all you can put in the agreement about them, because anything that we wish to buy would have to be done on an individual scale.

We don't have a Government agency that buys things and stores them beyond these strategic materials which we have enumerated, manganese, timber, oil, some industrial diamonds, and about a dozen items.

H.M.JR: What I don't have--maybe you have it. I remember it, and Haas ought to be in on this thing, because he did a job for me in the early days. It is still there, what the exports were. You could certainly find out what he did.

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MR. GLASSER: I have something here.

H.M.JR: They are grossly exaggerating what the Russian export business could be. The point that I want to get at is, I want to know whether if they went back to their peacetime thing how much it would amount to.

MR. WHITE: A very small proportion, small compared to the magnitudes we are talking about.

MR. GLASSER: May I read this? "During the period of average annual U. S. imports valued at two and a half billion dollars, only twenty-five million were spent for imports from U.S.S.R., whose total average annual exports for the--"

H.M.JR: Which country?

MR. GLASSER: During the period when we were importing a total of two and a half billion, we got only twenty-five million from Russia.

(The Secretary held a telephone conversation with Grace Tully, as follows:)

January 5, 1944 111 ✓  
3:57 p.m.

HMJr: Hello.

Grace  
Tully: Hello.

HMJr: Yes.

T: Yes, Mr. Secretary. I'm just calling up to report on that now.

HMJr: Yes.

T: We got a message from the Secretary of State on it.

HMJr: Yes.

T: And which he says he's sending over -- he says, "We are sending off your message to President Chiang Kai-Shek regarding the question of the loan.

HMJr: Yes.

T: "It occurs to me that it would be helpful were we to have Ambassador Gauss deliver the message by hand and accompany its delivery with an oral statement.

HMJr: Yes.

T: "Toward putting into effect such a procedure, we might give Gauss an instruction such as is indicated in the draft here attached. I would appreciate having an expression of your reaction to this proposal. If you favor this, can you have one of your secretaries notify me so that I can have Ambassador Gauss withhold the telegram for a few hours until the proposed Section Two is received."

HMJr: Yes.

T: Now, the Section Two is this: "It is to be expected that this message will be disappointing to the Chinese. The Department feels that it would be well for you, in your discretion, to deliver it in person and to accompany the delivery with an oral statement to the effect that although on its face, this message may sound unresponsive to the Chinese request, it constitutes, in fact, an evidence of the President's

T:  
Cont'd.

confidence in President Chiang and his feeling that there exists between Chiang and himself so firm a relationship of mutual and reciprocal friendly understanding, that he is willing to lay before Chiang the exact text of the opinion expressed to him by his principal financial advisor, the Secretary of the Treasury. This is a clear indication of the desire to discuss the question involved on its merits and without reservations or concealment. The many factors involved in the problem of China's finances and of affording of financial assistance by the United States to China, makes the whole question very complicated. The President's expression of his desire to send to China a Commission of high quality for the purpose of considering and discussing with the Chinese all angles of this and related problems, is clearly indicative of a desire to handle the whole matter in a manner which will be to the real advantage both of China and of the United States." Now the President okayed that.

HMJr: Sounds all right to me.

T: Is that all right to you -- with you?

HMJr: Sure.

T: I'm just returning it now. You see, it hasn't gone off. I'm just going to send it over "red tag" but I thought I'd read it to you before I sent it.

HMJr: Well, that's very kind of the President and of you.

T: (Laughs) And it will go off now, with this Second Section, or right with this, telling Gauss, you see, to go hand it, and with this little background and whatnot. And I don't think that does any harm.

HMJr: No.

T: At least -- and you get the message through.

HMJr: Yeah. And everybody's a good fellow except the Secretary of the Treasury.

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T: No, don't you think -- don't you think that works out all right?

HMJr: Sure.

T: I think it does, and at least we get the message to him without any further delay.

HMJr: Well, that's all right.

T: Fine, Mr. Secretary. All right then, I'll get it over to the Secretary of State immediately.

HMJr: I appreciate your calling me.

T: All right. You are very welcome. And, look, I have a memorandum to you on the other thing -- on the one you and Mr. Crowley sent over and I'll get it to you this afternoon.

HMJr: Could you give me an inkling on that?

T: Oh, I could, I think. I -- let me see if I can find it now. It's to you, The Secretary of State and Mr. Crowley. "I agree with the report of The Secretary of the Treasury and Mr. Crowley and I understand that the Secretary of State approves the report but wishes to take the matter up first with the British. Also, I understand that the Secretary of the Treasury and Mr. Crowley feel that they have been doing this for so long and have gotten nowhere -- doing this for a year and have got nowhere." That's what it is. "Therefore, I suggest that the matter be taken up once more with the British, but I distinctly -- but with the distinct understanding that I will be given a final report within thirty days; that is, February 7, 1944, and will act finally thereon."

HMJr: I see. Okay.

T: Is that okay?

HMJr: Well, it's....

T: I'll send the memorandum over to you.

HMJr: I mean, it's okay that I heard it.

T: Well, you see, Hull had a memorandum with this, too, you see?

HMJr: I know.

T: And I presented them both together so he could see them together.

HMJr: Yeah.

T: And this is what he says, that he agrees and so forth, and that he's not going to give them much more time.

HMJr: Yeah.

T: And he wants a final report and then he's going to act anyway.

HMJr: Well, thank you.

T: All right, sir. I'll send it over to you. I'll send you that memorandum typed in just a little bit.

HMJr: Thank you.

T: All right, Mr. Secretary. Good bye.

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H.M.JR: The President--Hull sent--this is all very much in the room here, but a number of you are interested-- a memorandum to Chiang Kai-shek. It is going as we wrote it, with simply a memorandum from the President to Gauss. Gauss should deliver it in person and say, "The President shows extreme confidence that he has in General Chiang Kai-shek by showing the original document that his principal financial adviser, the Secretary of the Treasury, gave me, but he also expresses interest by suggesting a high-class mission."

Now, on the Crowley matter, the President gives us thirty days in which to get in touch with the British. If we are not in touch with them at that time, he says, "Please report to me in person."

MR. WHITE: About the details?

H.M.JR: Just let's get together. He gives us thirty days in which to operate. "Please report back to me the dollar balance in thirty days."

MR. WHITE: Well, you are not going to get together. We will get in touch with them, but you are not going to get together.

H.M.JR: That is your advice or forecast?

MR. WHITE: That is a forecast.

H.M.JR: I can see. That is kind of compromising, isn't it? That isn't too bad. Well, anyway--

MR. WHITE: "The maximum which Russia exported in the last ten or eleven years, the total exports were four hundred thirty million dollars to all countries."

H.M.JR: Let's start with Russian exports and imports.

MR. WHITE: That is Russian exports. "Russia sold to all countries four hundred and thirty million dollars--"

H.M.JR: And her imports?

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MR. WHITE: She sold to us twelve million. Her total imports--

H.M.JR: What year is this?

MR. WHITE: It is within fifty million of that. I haven't the exact figure.

H.M.JR: She exported four hundred and thirty million to all countries.

MR. WHITE: And imported a little bit more.

H.M.JR: What year?

MR. WHITE: This is in '33. It dropped sharply from then to--'36 was the low point, not quite half of that. But the amount that she sold to us during those years was trifling, twelve million, twelve million, twenty-three million, twenty-six million; in 1938 it was nineteen million.

Then you remember we made an arrangement with her whereby she guaranteed to buy up to forty million, and then up to fifty million from us in exchange for giving her the most favored nation treatment here. So our trade with her has been small. Her total trade has been small, and the basis of any economic arrangements with her cannot rest on the past history of trade, but must rest on our need for certain strategic materials which she has which we may want her to sell us, because we don't want to use our own.

H.M.JR: Well, gentlemen, I want this case built differently. I am not interested for the moment in the legal entanglements. I don't know whether it is best to go to Congress or best not to. I wanted to do it in a trade survey. I want to know what the maximum amounts are of dollar goods we could import from them and what we will do with them. There is not going to be any sympathy in the country for stockpiling. I can tell you that. And I think you have to think in terms of what will be absorbed by private trade.

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MR. WHITE: The answer to that can be--if you want to leave oil out, and you would leave oil out unless you wanted to stockpile oil or keep our own reserves below ground, and similarly with other strategic materials--the amount of goods that we would buy from Russia under normal circumstances is probably not at the most a few hundred million dollars a year.

H.M.JR: Harry, let me give you my thoughts. I will build this thing. Let's first see what we can do through private trade, what private trade could absorb. Then say that this comes to X billions of dollars, but that isn't enough, so we would have, if we are going to do anything--if they are going to pay us over thirty years, they have to give us so much. Let's use oil as an example, so many barrels per year over so many years to pay back. I take it we want to be paid back in commodities and not in gold. I would like to get some approach like that, so much manganese, and so much this, and that.

Now, maybe we can get people to think in those terms. Let me just throw this idea at you people. I don't say I have the answer, but I would like to grope with you. In my talk that I had in Cairo with General what's-his-name--the former Secretary of War?

MR. LUXFORD: Hurley.

H.M.JR: He cross-examined me. In arguing with him, I gave birth, as far as I am concerned, to this idea, that I thought that the United States Government ought to hold a fifty-one percent interest, Government, national, international business, air lines, oil wells, mines, wherever we did business, if we are going to follow the flag; at least the Government is going to do it for itself and the whole question of Saudi Arabia isn't going to be settled on the basis of one oil company; not maintaining a large legation and a big staff all to take care of leases in Saudi Arabia. But if the United States Government had a fifty-one percent interest, I think it would be a little bit different, and this whole question of cartels and everything else--I would just like to throw that out at you people.

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Well, now, just following that thinking for a minute, if the United States Government should form an import-export company of which we would own fifty-one percent and, say, we will stockpile oil and manganese, chromium, and so forth, and they might perfectly well say, "Well, we appreciate private business can't tie up much money for five years. The United States will tie up its money, but as you want it, you can draw on us, the United States Export-Import Corporation for this thing."

This has out right straight across Harry's world bank. I don't know, but I don't think they had an idea of going into raw materials.

And then you could say to Russia, "Well, if you need so much, what is the maximum that you can give us over thirty years?" They will say that the very maximum they can give us is so much.

Well, we arrive at some figures, because in one of these statements you will have to be permitted to talk to Russia, instead of just taking the figure of ten billion which Donald Nelson pulled out of the air, and maybe did it after twenty-five glasses of vodka on his part or on the part of the man who was talking to him. Let's get down to realities. What is the maximum we can absorb, and what is the maximum that they can export over a given number of years?

MR. PAUL: That depends entirely on the answer to-- what they can export to us depends very largely on what we import to them. If we import a lot of things and enable them to produce minerals--

MR. WHITE: Partly that. I think it is very much more the fact that we will never buy, that is, not never, but in the next ten years. Beyond that, one can't see. We buy timber, furs, and a few items of that character, so the only other way is the Secretary's suggestion. Now, that is what was in the agreement. The agreement says that Russia will sell us up to a certain amount of each of oil, manganese, nickel, and so forth. There are about a dozen commodities. However, it doesn't say that

- 12 -

we will buy it. If we don't buy it, they have to pay the difference in gold, which is the only way they can pay for it.

H.M.JR: That is what I am trying to get away from. But, Harry, it shouldn't take the group very long.

MR. WHITE: We can have that different approach.

H.M.JR: I will do it once more. What is the maximum that American business can absorb? That is one thing. Then, what is the maximum that Russia can export?

MR. WHITE: She doesn't have to export it to us, necessarily, does she, if she wants to pay a debt, unless you don't want to take the gold. If you don't want to take any portion in gold, then, of course, the exports have to be all to us. If the exports are all to us, the Government will have to do most of the buying, because private individuals don't buy that kind of stuff to that amount.

MR. LUXFORD: Mr. Paul's point may be relevant here. Criteria of how much she can export is how much has she had her materials and resources developed. She is going to need some reconstruction before she can do that.

MR. PAUL: Currie made the point to me the other day at lunch that we need Russia to absorb a lot of our capital goods at the end of the war that can't otherwise be disposed of.

MR. WHITE: That argument is in here as one of the big reasons of giving the loan. But the question of her ability to repay a loan--she can sell the stuff, there is no question--I mean to produce the stuff to equal the amount. The question is, will we buy it?

Now, the Government doesn't buy stuff; it is the private individuals. And private individuals will not buy the stuff which Russia could export, unless we were to pursue a policy of conserving our own resources, for example, oil, timber, manganese, and so forth.

- 13 -

H.M.JR: Well, Harry, I will go back to the original agreement that we made with China on tung oil, which I had a lot to do with, and which was a good agreement. And China, we know, had a similar agreement with Russia on tea, and so forth. I would like to get down to earth. I mean, it may be a ten million dollar figure, or two billion; it may be too small. I would like to get down and see what the possibilities are.

MR. WHITE: We can approach it from that way as to how much we think we can import on private account and how much could be imported in addition, if the Government wanted to conserve certain raw materials, and then use that as a basis of what her total repayments to us can be, if you don't want to take gold. Find out how much of a loan over a twenty-five or thirty-year period--the size of that loan--in order to make the payments possible.

H.M.JR: Let's do that. And as soon as you have that, I will go at it again.

MR. WHITE: That will only take a couple of days.

H.M.JR: I am asking you (Glasser) for this.  
(Laughter)

MR. GLASSER: So I gathered.

MR. DuBOIS: May I make just one point, Mr. Secretary? I don't think, Harry, that some of the thinking we did on the possibilities of this being very important in the political and military fields as well as in the economic field are necessarily discarded by the revelation of the fact that Russia may not have asked for this. And I think the Secretary might be interested in reading at his leisure some of the points that we made as to why this might be militarily and politically very important at this time.

H.M.JR: Where do I get that?

MR. DuBOIS: In the appendix. Did you give him that?

- 14 -

H.M.JR: Are there two appendices?

MR. WHITE: No.

MR. LUXFORD: We are agreed on the appendices!

MR. WHITE: The first three pages of that (Refers to Appendix, copy attached.)

H.M.JR: All right, let me just study this some more. I will read this at my leisure. I will be glad to see the Russian Army again.

MR. WHITE: They really did a job. They have three separate agreements all drawn up.

MR. PAUL: That is the reason I was so reluctant to speak this morning, because--

H.M.JR: I was mystified. I prefaced my remark, if it wasn't Treasury business, it wasn't any of my business; but if it was, I was curious.



THE SECRETARY OF THE TREASURY  
WASHINGTON

*Boyle -*

122<sup>✓</sup>

*1/5/44*

MEMORANDUM FOR THE PRESIDENT

TEN BILLION DOLLAR RECONSTRUCTION  
ARRANGEMENT WITH RUSSIA

You have asked for my views on the proposal that we enter into an arrangement with Russia under which she could acquire \$10 billion of industrial and agricultural supplies and equipment in the United States during the next few years. It is understood that Russia would repay in full for these purchases.

A financial arrangement with Russia now of the magnitude of \$10 billion could have immediate important political, military and economic advantages to the United States. I am appending a memorandum outlining the advantages of entering upon such an arrangement in the immediate future, together with some suggestions regarding the terms of such an arrangement.

The approach to this proposal is largely influenced by the fact that notwithstanding its important economic potentialities, its military and political implications are of far greater significance. If we are to realize upon these latter benefits, however, we must give this proposal a war priority. Time becomes "of the essence" and you must be able to negotiate the arrangement in the manner that will assure us the greatest military and political benefits. The achievement of these military and political benefits also requires that the announcement of this program meet with wide public acceptance so that your action will reflect the will of the whole nation.

There are two general approaches meriting consideration in view of the foregoing prerequisites.

- 2 -

(1) Supplemental Lend Lease Agreement - You have the full legal authority now to enter into an arrangement of this character with Russia under the Lend Lease Act. Thus you could commit the United States to make deliveries up to June 30, 1947 and to allow Russia any period of time deemed necessary or desirable for repayment. A thirty year period of repayment is suggested as being most appropriate. Of course, such agreement would ultimately require an appropriation from Congress but this would not affect your right to enter into a binding agreement at once. If this procedure is followed, it might well be feasible and desirable for you to ask Congress at once to appropriate all the funds necessary for the fulfillment of the agreement.

(2) Specific Authorization from Congress - Alternatively, you could ask Congress by Joint Resolution to confer upon you specific authority to enter into a loan agreement. As in the case of the loan to China in 1942, speedy action by Congress might well be achieved if the military and political significance of the proposal are indicated. Presumably the loan agreement would provide for a definite period, eg. thirty years, of repayment in strategic raw materials so far as possible and a rate of interest sufficient to cover the costs to the United States Government of extending this financial aid. Under the loan contract the credit could be available to the Russians for a longer period, e.g. five years, instead of the three year period which a Lend Lease arrangement would necessitate.

It would seem that the two overriding factors which should be considered in choosing between the alternative approaches are:

(1) Which is the more certain to get the type of arrangement you want and when you want it; and

(2) Which would be the more apt to secure immediate public acceptance.

Whether you can get the type of arrangement you want as easily by going to Congress for specific authorization as by acting under the authority granted to you under the Lend Lease Act is a matter for you to judge. There would seem to be no question, however, that if you chose to enter into the arrangement under the Lend Lease Act, you would be certain of getting the agreement with the minimum delay and you would have the widest degree of latitude in negotiating the terms of the agreement.

- 3 -

The use of the Lend Lease Act for this purpose, however, might result in the proposal being attacked on the grounds that it was a misuse of the authority granted to you under the Lend Lease Act and a usurpation of Congressional authority. If, however, you entered into the arrangement after going to Congress, any objections to the proposal would have to be based solely on the grounds that this loan was not warranted for political, military and economic considerations.

A loan agreement, moreover, would appeal to the American psychology favoring good business arrangements. No one could say that this financial aid was in reality a disguised gift, as might be said in the case of a Lend Lease arrangement.

Obviously, you will want to make the final judgment as to which of these alternative approaches is the more preferable. My own view, however, would be that going to Congress for specific authorization to enter into a loan arrangement is the better approach.

## APPENDIX

SIGNIFICANCE OF PROPOSED TEN BILLION DOLLAR  
RECONSTRUCTION ARRANGEMENT WITH RUSSIA AND  
SUGGESTIONS REGARDING ITS POSSIBLE TERMS.

## I.

Military and Political Significance of Entering Into  
Such Arrangement At This Time.

(a) The extending of financial facilities of this magnitude to Russia immediately after the Teheran conference and upon the threshold of the Second Front in Western Europe could provide confirmation and proof to the whole world that collaboration between Russia and the United States is complete -- in the economic as well as in the military and political fields. The possible effect of thus implementing the Teheran Declaration with action at this time should contribute significantly to the growth of defeatism in the enemy countries.

(b) More Japanese military strength may be diverted to the Russian borders because of the fear resulting from increased cooperation and collaboration between the United States and Russia.

(c) An economic arrangement of this character will be further guarantee of political collaboration between the United Nations in Europe after Germany is defeated.

(d) A \$10 billion credit would be of such great economic importance to the Russians that it would do much to assure the complete and wholehearted fulfillment of the political and military arrangements which have been entered into with her. Furthermore, Russia would be obtaining the benefits from this credit during the critical and formative period in world political relations, thereby strengthening our position vis-a-vis Russia.

The foregoing considerations alone are fully adequate to justify the conclusion that this arrangement is of immediate political and military importance.

- 2 -

In arriving at this conclusion it has been unnecessary to weigh any of the following considerations, each one of which would, of course, be decisive:

If economic aid to Russia was promised or was a part of the political and military agreements reached at Teheran.

If the President feels that the arrangement with Russia will be a significant factor in leading Russia into actual participation in the war against Japan.

If the President feels that this arrangement might induce Russia to agree to assist us to a major extent in the war against Japan without actually engaging in the conflict itself, such as, for example, giving the supply line and supplies for a front in Central China or cutting off sources of fish for Japan by the cancellation of the Fisheries' Agreement with Japan.

## II.

### Economic Implications of Agreement.

On economic grounds alone there is adequate justification for entering into an agreement with Russia whereby Russia will buy subject to a program mutually agreed upon between the governments, \$10 billion in supplies and equipment during the years immediately after the war. Under any such agreement Russia could repay us over a 30-year period by supplying us with non-competitive strategic and essential raw materials which we will need to maintain a high level of industrial activity in the United States during the post-war period. This would also give us an assured source of supply of strategic raw materials to replace those natural resources which are being seriously depleted during the course of the war.

1. In the post-war period we shall have need of a market for heavy industrial production in order to facilitate an orderly conversion from war economy to peace economy.

The Russian market is ideally suited to supply us with a large backlog of industrial orders because of the character of Russia's needs which coincide closely with our present wartime industrial production potential.

- 3 -

2. The fact that there would be a tremendous backlog of orders awaiting both workers in the heavy industries and our soldiers should be a potent factor in improving the morale of the American people; in encouraging new investment; in stimulating the building up of inventories, and in maintaining our economy in full working order.

3. Russia will utilize its purchases in this country to build up an industrial system which will be devoted principally to raising the standard of living in Russia, and not to the development of industries designed chiefly to capture foreign markets.

4. There is full assurance of repayment. Russia has the raw material resources which we lack. She can so direct her reconstruction and development programs, with the capital we supply to her, as to produce part of the materials we will need. Furthermore, she has adequate gold mining potential to make up any deficits. Moreover, the Russian Government's record of meeting its financial obligations is excellent.

5. The "barter" aspect of the arrangement will avoid the implication that we will be repeating the disastrous post-war lending policies of the 1920's. Specifically, we can postpone repayment in goods until such time as we would in any event be purchasing raw materials from Russia.

6. This arrangement would not only increase directly our own foreign trade but it would also help to increase total world trade from which we get additional indirect benefits.

### III.

#### Suggested Terms of Agreement.

A. The loan agreement or the Lend Lease arrangement would provide that the United States would enable Russia to acquire up to \$10 billion in industrial supplies and equipment during the next few years in accordance with programs formulated jointly by the two governments. Russia will agree to repay in kind over the next thirty years, materials which we will need. Raw materials which Russia has and which we will need in the years ahead are:

- 4 -

Petroleum  
Timber and timber products  
Industrial minerals, including manganese, chrome,  
nickel, tin, tungsten, mercury, molybdenum  
Industrial diamonds, platinum and other special  
minerals  
Miscellaneous products, including asbestos,  
bristles, hides and skins, special chemicals,  
furs and food products.

Even though our imports from Russia were less than \$50 million per year before the war, there is reason to believe that Russia after preliminary reconstruction will be able to deliver a volume of raw materials during the next 30-year period which will go a substantial part of the way towards full repayment. There is reason to believe that we will need to import this volume because of the exhaustion of our natural resources and the need for a high level of imports if we are to maintain a high level of industrial production. Russia can direct her capital investments during reconstruction so as to provide these raw materials which are necessary to us.

In the event that Russia cannot sell the necessary volume of raw materials to us, she can be required to sell gold or transfer dollars to us to make up the deficit. She has adequate gold mining potential to assure full repayment.

B. If a Lend Lease arrangement is made, no provision would be included for payment of interest and the credit would have to expire in July, 1947. If the arrangement is in the form of a loan contract, however, a provision would be included requiring payment of interest by Russia on any outstanding amounts due the United States and the credit could be available for a longer period of time, e.g. five years.

129 ✓  
January 5, 1944  
4:22 p.m.

HMJr: Hello.

Operator: Mr. Leo Crowley.

HMJr: Hello.

Leo  
Crowley: Hello.

Operator: Mr. Morgenthau.

HMJr: Leo.

C: Yeah.

HMJr: I was tipped off that we will get a memorandum tomorrow from the President that on this dollar balances....

C: Yeah.

HMJr: ...he's giving us thirty days in which to settle the matter. We should talk to the British.

C: Fine and dandy.

HMJr: And if it isn't settled within thirty days, we are to report to him in person.

C: Well, I take that then that he's rather favorable to letting us go ahead and try to do our hand, don't you?

HMJr: Well, he got Hull's memo, you see?

C: Yeah.

HMJr: And it will say that in view of Hull's memo and in view of our paragraph where we said we consult, we should try once more, and then if we can't get ahead we should report back to him at the end of thirty days.

C: Fine and dandy. Now, don't you think that we ought to talk a little bit about getting some of those British fellows over in your office and all of us get together and go to work on them?

HMJr: Yeah, I think -- of course, we'll get this memo today or tomorrow. We'll get it, most likely, in the morning.

C: Yeah.

HMJr: And -- yes, I think when we get it, uh -- of course, the trouble is, if we have Acheson present, I don't know what the hell good it's going to be.

C: Well, I think this, that what we ought to do is to get Oscar and Lauch and Harry....

HMJr: Yeah.

C: ...and just the two of us, and sit down and map out our program.

HMJr: I see. That's what I think.

C: And then if you want to have a meeting with Acheson, all right, but there's no need of us sitting an hour or two debating this darn thing all over again.

HMJr: No. Well, now, knowing that this is coming, and this isn't too bad.

C: No. No. I think that that's -- really it's a little better than I expected.

HMJr: This isn't too bad. I mean, he says that at the end of thirty days, if we can't get together we're to report back to him in person.

C: Yeah.

HMJr: So -- and you know -- you see, he avoids -- there's no instruction. He just says, "Try to get together."

C: Well, I think he's giving us a chance to try our own hand without bothering him, and that's what we should do. Really, that's what we wanted.

HMJr: That's what we want.

C: Sure.

HMJr: Well, when do you -- I could do it anytime tomorrow afternoon.

C: Anytime, now, that's agreeable to you tomorrow afternoon. I have an appointment at half-past two with some men from New York. I'd be through by three o'clock and anytime after that.

HMJr: Well, 3:15?

C: 3:15 is fine.

HMJr: Over here?

C: That's right.

HMJr: All right.

C: Fine. I'll be at your office and have Lauch and Oscar with me.

HMJr: I thank you.

C: Thank you.

*Copy to Mrs. Whit**1/5/44*

THE WHITE HOUSE  
WASHINGTON

January 5, 1944.

MEMORANDUM FOR

THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY ✓  
HON. LEO T. CROWLEY

I agree with the report of the Secretary of the Treasury and Mr. Crowley, and I understand that the Secretary of State approves the report but wishes to take the matter up first with the British. Also, I understand that the Secretary of the Treasury and Mr. Crowley feel that they have been doing this for a year and have got nowhere.

Therefore, I suggest that the matter be taken up once more with the British, but on the distinct understanding that I will be given a final report within thirty days, i.e., February 7, 1944, and will act finally thereon.

F. D. R.

January 5, 1944  
4:37 p.m.

Operator: Mr. Hannegan.

HMJr: Hello.

Operator: Go ahead.

Robert  
Hannegan: Hello.

HMJr: Morgenthau speaking.

H: Yes, sir.

HMJr: Look, Bob, I got your memorandum on Georgia  
and I'm very much pleased.

H: Yes, sir.

HMJr: Now, can I give any of that information to  
Senator George? Or is it too early?

H: I think it would be a little too early.

HMJr: Well, would you keep that in mind?

H: Yes, sir.

HMJr: But it seems to me we certainly struck pay-dirt  
down there in Georgia.

H: Yes, sir. And we -- we're -- they're continuing  
on that.

HMJr: Good. You know, this is just a thought I'd like  
you to think about. Instead of spreading ourselves  
so thin, we might better attack one state at a  
time and clean it up.

H: Uh huh.

HMJr: And it's -- the way we are in Georgia -- we might  
take Florida next.

H: Uh huh. That would be fine. We -- we're in good  
shape in Florida. I mean, we'll probably be -- do  
a -- we can do a better job in Florida than we  
can in Georgia.

HMJr: Well, think about doing Florida next.

H: I will.

HMJr: Will you?

H: Yes, sir.

HMJr: And also this idea of putting enough men in -- to one state to do an adequate job.

H: Yeah. I will.

HMJr: And -- but keep me posted. I'm very much interested.

H: I will.

HMJr: And when you get ready on a little publicity let me know. I might want to handle it myself.

H: Oh, yes. I will.

HMJr: See?

H: Yes, sir. I -- I've been -- I thought some more about that matter this morning.

HMJr: Yeah.

H: And I'm trying to get a little information myself.

HMJr: Good.

H: But I think that that thing would be better if we didn't do anything now. They'll be watching to see if you do.

HMJr: Well, I'm sitting tight for the moment.

H: Yes, sir.

HMJr: Thank you.

H: Okay.

1944

Dear Frank:

In the Fourth War Loan with its great emphasis on sales to individuals, there will be more person-to-person and house-to-house canvassing than ever before. I am confident that through this personal solicitation by some five million volunteers associated with local War Finance Committees, there will be created and channeled to issuing agents an unprecedented volume of War Bond purchase orders.

To assure that our full promotional effort is converted into bond sales, I should like to ask that you provide local postmasters with a broad outline of Fourth War Loan objectives and instruct them to be liberal in anticipating needs and in requisitioning War Bond stock. So much depends upon the success of the Fourth War Loan at this time when the world awaits the European invasion, I hope you will find it possible to issue an appropriate directive, coupling with it my appreciation of the capable manner in which postmasters have handled their War Bond tasks in addition to their expanded postal service duties.

In sparsely settled areas the postmaster frequently is the only War Bond issuing agent; elsewhere, he may be one of many. Always, he is an important element in the organizational framework through which we are reaching more and more people as the costs of war require.

Sincerely,

(Signed) H. Morganthau, Jr.

Honorable Frank C. Walker  
Postmaster General  
Washington, D. C.

HBM:mdt 1-3-44

JAN 5 1944

Dear Mr. Nelson:

In the Fourth War Loan Drive, commencing January 18, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5<sup>3</sup> billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive, and about \$124 millions more than actual sales.

Through the splendid work of the bond organizations set up in the various departments and establishments, civilian employees of the Federal Government invested approximately \$116 millions in war bonds during the Third Loan Drive. This is several times greater than the amount sold to Federal employees during the First and Second Loans.

The success of the Third Loan Drive in the Federal agencies undoubtedly was due in large measure to the personal interest and attention given the matter by the heads of the departments and establishments, as well as the heads of the respective bureaus and offices.

The Interdepartmental War Savings Bond Committee is now completing plans for the organization of the Fourth Loan Drive in the Federal agencies. My purpose in writing you now is to ask if you would be good enough to put your personal influence behind the Fourth War Loan program in your agency with the end in view that the heads of the various bureaus and offices will take such steps as may be necessary to provide the same type of enthusiastic bond organization as we had during the Third Loan Drive.

This Department and the Interdepartmental War Savings Bond Committee will be glad to assist in any way possible.

Sincerely yours,

**(Signed) H. Morgenthau, Jr.**

Secretary of the Treasury

Honorable Donald M. Nelson  
Chairman  
War Production Board  
Washington, D. C.

EJBartelt:hbv 1/4/44

Same letter also went to the following:

Hon. Paul V. McNutt, Chairman, War Manpower Commission.  
Maj.Gen. Lewis B. Hershey, Director, Selective Service System.  
Hon. Frances Perkins, Secretary of Labor.  
Hon. Chester Bowles, Administrator, O.P.A.  
Hon. Byron Price, Director, Office of Censorship.  
Hon. Francis Biddle, Attorney General.  
Hon. Harold L. Ickes, Secretary of the Interior.  
Hon. Cordell Hull, Secretary of State.  
Hon. Claude R. Wickard, Secretary of Agriculture.  
Hon. Jesse Jones, Secretary of Commerce.

This same letter also went to the  
Governors of all States and Territories.

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January 5, 1944

My dear Governor Griswold:

Again I solicit your active cooperation in assisting the United States Treasury in the tremendous task of financing the War. The Fourth War Loan Drive opens on January 18 and will continue through February 15.

Inasmuch as this drive will be conducted when great military operations against our enemies both in Europe and Asia are impending, its success is a matter of vital importance.

Our most important objective will be to obtain 5½ billion dollars from sales to individuals. We are asking everyone to invest in at least one extra hundred dollar bond, and more if possible. Therefore, it will be extremely helpful if you will make a personal appeal to the people of your State by proclamation, or otherwise, urging them to support the campaign.

To make our total quota of 14 billions in this drive, we shall also seek 8½ billions from companies and organizations. Government bond investments by State and other public funds have assumed increasing importance. Such purchases in the First War Loan were 200, in the Second, 500, and in the Third, 800 millions. Accordingly, I shall appreciate it if you will again encourage those in your State in charge of public funds to invest as liberally as possible in one or more of the seven Fourth War Loan offerings.

Let's All Back the Attack.

Sincerely,  
(Signature) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Dwight Griswold  
Governor of Nebraska  
Lincoln, Nebraska

Encl

January 5, 1944

My dear Mr. Graham:

I was delighted to receive your letter of December 29th, and learn that you are going to let us have the very valuable services of Dean Harriet Elliott. I know that everybody in War Bonds will be most pleased.

I appreciate that the University is making a real sacrifice, and I wish to take this opportunity to formally thank you and Dean Jackson for letting us have the benefit of Miss Elliott's continued services.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Frank P. Graham,  
National War Labor Board,  
Department of Labor Building,  
Washington 25, D.C.

NATIONAL WAR LABOR BOARD

DEPARTMENT OF LABOR BUILDING  
WASHINGTON 25, D. C.



December 29, 1943

Henry A. Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D. C.

My dear Mr. Secretary:

I wish to thank you for your letter of December 22 outlining your proposal with regard to Dean Harriet Elliott continuing her services on a consultant basis with her headquarters in Greensboro, and with provision for her to come to Washington a couple days every month to see that her program is being carried out. I have talked with Dean Jackson of the Woman's College with regard to your proposal. He joins me in giving it his hearty approval. We appreciate your understanding of the need for Dean Elliott at the College. The College and the University, Dean Jackson, and I have been proud of her work and her association with you in helping to carry your own tremendous load in these times. I understand she is to continue a number of weeks longer on a full time basis with the Treasury.

With appreciation of your understanding, and best wishes,

Sincerely yours,

*Frank P. Graham*

Frank P. Graham

SECRET

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WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION G-2  
WASHINGTON

January 5, 1944

The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

It is reported that there has been no change during the past week in the situation respecting the freezing of the two Argentine banks.

Very sincerely yours,

GEO. V. STRONG,  
Major General,  
A. C. of S., G-2.

  
CLAYTON J. BISSELL  
Major General  
Deputy A.C. of S., G-2



SECRET

THIRTEENTH REPORT TO CONGRESS  
ON LEND-LEASE OPERATIONS

For the Period Ended November 30, 1943

JANUARY 5, 1944.

**CONFIDENTIAL:** To be held in STRICT CONFIDENCE and no portion, synopsis, or intimation to be published or given out until the filing of the report with the Secretary of the Senate and the Clerk of the House of Representatives at 12 noon on January 6, 1944. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY,  
*Secretary to the President.*

THIRTEENTH REPORT TO CONGRESS  
ON LEND-LEASE OPERATIONS

For the Period Ended November 30, 1943

"The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose."

[From Section 5, subsection b of "An Act to Promote the Defense of the United States" (Public Law No. 11, 77th Congress, 1st Session).]

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## PRESIDENT'S LETTER OF TRANSMITTAL

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

I am transmitting herewith, pursuant to law, the Thirteenth Report of Operations under the Lend-Lease Act.

The coming year will be a year of decisive actions in the war. By combining their strength, the United Nations have increased the power of the common drive to defeat the Axis. We have already beaten back our enemies on every front on which we are engaged.

At Teheran and Cairo, plans were agreed upon for major offensives, which will speed the day of victory. With the closer unity there achieved, we shall be able to strike ever-increasing blows until the unconditional surrender of the Nazis and Japanese.

Mutual aid has contributed substantially to the strength of the United Nations. The flow of lend-lease assistance from the United States to our allies and of reverse lend-lease assistance from our allies to us has increased the power of our united offensives. The lend-lease program has made stronger the ties that bind the United Nations together for common victory and in common determination to assure a lasting peace.

Each of the United Nations is giving what it can to the accomplishment of our objectives—in fighting manpower and in war production. Some countries, like the United States and Canada, located away from the fighting theaters of war, are able to make available to other United Nations large quantities of food and manufactured arms. Others, like the Soviet Union and China, require virtually everything they can raise and produce in order to fight the enemy on their own soil. And still others, like the United Kingdom and Australia, can make available substantial quantities of war material to their allies

but must necessarily retain most of their war supplies and food for their own forces.

Whether food and war supplies should be transferred by one of the United Nations to another or retained for its own forces depends on the strategic military necessities of war.

Our common objective is that all the planes and all the tanks and all the food and other equipment that all the United Nations together can produce should be used as effectively as possible by our combined forces to hasten the defeat of the enemy.

The cost of the war to us, and to our allies, is high in any terms. The more fully we can now mobilize our manpower, our supplies, and our other resources for the decisive tasks ahead, the earlier will victory be ours and the lower the final cost—in lives and in material wealth.

The United Nations enter the new year stronger and more firmly united than ever before. Germany and Japan will both soon learn that to their sorrow.

FRANKLIN D. ROOSEVELT.

*(Filed January 6, 1944, with the Secretary of the Senate and the Clerk of the House of Representatives as provided in Section 5-b of the Lend-Lease Act.)*

## Chapter 1

### THE LEND-LEASE PROGRAM

#### Lend-Lease and the United Nations

As more American forces move overseas to hit the enemy, the Axis is also feeling with greater and greater force the effects of the lend-lease program. The soldiers of the Soviet Army who have driven back the Nazi invaders in one of the greatest offensives in military history are making good use of the supplies we have sent them. British and allied forces fighting beside our own forces in the Mediterranean theater have been strengthened by lend-lease equipment. Lend-lease aircraft, bombs and other war goods sent to Great Britain are being used in the effective bombing of industrial Germany by the R. A. F. The offensive against Japan is being speeded by our lend-lease shipments to India, China, Australia, and New Zealand.

The cost of lend-lease aid from March 11, 1941, to November 30, 1943, has been equivalent to 13.5 percent of all United States war expenditures for the period. The money we have spent on lend-lease is as much an integral part of the United States' own war effort as the 86.5 percent of our war expenditures that have gone for our own armed forces and for our home front. Through the lend-lease program, American planes, tanks, and guns, manned by the soldiers of our allies, and joined with our own forces, are helping to win victories over our enemies. Through lend-lease, American steel and machine tools and other industrial materials and equipment are being used by the war workers of our allies to produce in their factories more weapons for use by their forces—and by ours—against our enemies. Through lend-lease, American food is helping to maintain the rations of the Soviet Army, of British soldiers and war workers, and of others who are engaged in the war against the Axis either on the front or behind the lines.

The lend-lease program is an essential element of United Nations strategy—to win complete victory over our enemies in the shortest possible time by using to the fullest possible extent the man-power and industrial resources of all the United Nations. Our allies fight principally with their own weapons. Their factories use principally their own raw materials and equipment. Their peoples raise most of the food they eat. But lend-lease supplies have been an essential supplement to their own resources. Without lend-lease weapons, some of the most important battles that have been won against our enemies by our allies and by our combined forces might not have been won so speedily—or won at all. Without supplementary war supplies under lend-lease, factories abroad that are producing tens of thousands of planes and guns and tanks to smash German and Japanese bases and production centers would have been able to contribute far less to the defeat of the enemy; and millions of men in allied lands who have marched into battle or worked long hours in munitions plants might not have had enough food to carry on.

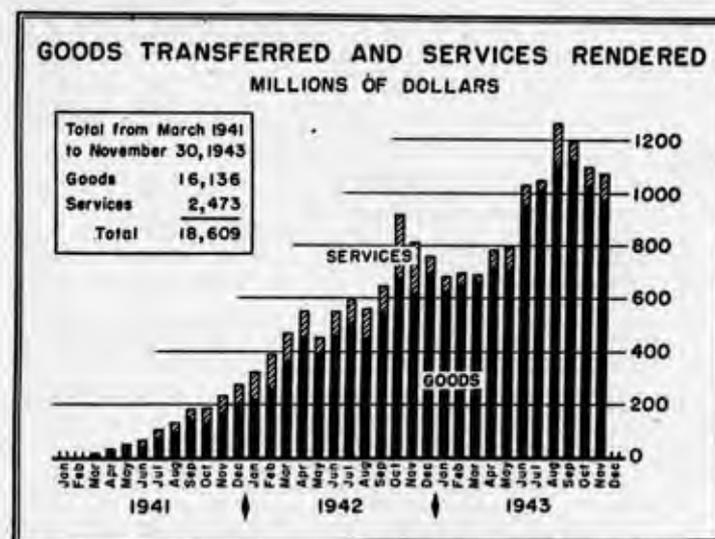
### Total Lend-Lease Aid

The rapidly mounting offensive power of United Nations forces is due in part to the increased flow of lend-lease aid to our allies.

Total lend-lease aid furnished from the beginning of the program in March 1941 to November 30, 1943, amounted to \$18,608,553,000. Of this amount, \$10,355,820,000 was furnished in the first 11 months of this year, \$7,009,129,000 in the entire year 1942, and \$1,243,604,000 in the last 10 months of 1943.

Airplanes, guns, raw materials, food, and other goods transferred have accounted for 87 percent of total aid to date and services for 13 percent. Transfers of finished munitions make up 53 percent of the total aid. Industrial items account for 21 percent and foodstuffs and other agricultural products for 13 percent of the total.

The upward trend in lend-lease aid has been due in large part to a sharp rise in the volume of aircraft, ordnance, and other munitions transferred to our allies. In 1941, munitions represented 21 percent of total lend-lease aid. The proportion increased to approximately 47 percent in 1942. It increased again to about 61 percent in the first eleven months of 1943.



Lend-lease services to the end of November 1943 amounted to \$2,472,704,000. The rental and charter of ships and ferrying of aircraft constituted the most important services, accounting for more than half of the value of all services. Much of the balance consisted of the training of combat pilots for our allies, the repair of allied men-of-war and merchant-men in our shipyards, the assembly of aircraft abroad, and other similar war services for the United Nations. In addition, more than \$600,000,000 of lend-lease funds have been expended on gun, airplane, and other war production facilities in the United States. This represents a substantial addition to our own industrial capacity. These plants have not been transferred to foreign governments. Some of them are now being

**TOTAL LEND-LEASE AID**  
March 1941 through November 30, 1943

	Amount	% of Total
<b>Goods Transferred:</b>		
Munitions.....	\$9,827,519,000	52.8
Industrial Items.....	3,931,531,000	21.1
Foodstuffs, etc.....	2,376,799,000	12.8
<b>Total Transfers.....</b>	<b>16,135,849,000</b>	<b>86.7</b>
<b>Services Rendered:</b>		
Servicing and Repair of Ships, etc.....	400,728,000	2.2
Rental of Ships, Ferrying of Aircraft, etc.....	1,382,583,000	7.4
Production Facilities in U. S.....	604,604,000	3.2
Miscellaneous Expenses.....	84,789,000	0.5
<b>Total Services.....</b>	<b>2,472,704,000</b>	<b>13.3</b>
<b>Total Lend-Lease Aid.....</b>	<b>18,608,553,000</b>	<b>100.0%</b>

The above figures are exclusive of the value of goods consigned to United States commanding generals for subsequent transfer in the field to lend-lease countries. The total value of such consignments to November 30, 1943, was \$438,741,000.

Table 1  
**BREAK-DOWN OF LEND-LEASE AID**

	1941	1942	Jan.-Nov. 1943
	Percent	Percent	Percent
Munitions.....	21.5	46.7	60.7
Industrial Items.....	21.9	20.9	21.2
Foodstuffs, etc.....	29.8	12.8	10.7
Services.....	26.8	19.6	7.4
<b>Total.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Table 2

used to produce munitions for our own armed forces. All of these plants will be available to us after the war for whatever use we want to put them to in our national interest.

**Lend-Lease Exports**

Figures on transfers of lend-lease goods and services to our allies help to give a complete picture of the amount of aid furnished under lend-lease, but they do not show to what theaters of war the goods are sent. Lend-lease exports, on the other hand, are reported by the country to which they go. Statistics on exports are used in the discussion of lend-lease in the various theaters of war in succeeding chapters.

Total lend-lease exports to all areas in the first ten months\* of this year were more than one and one-half times as great as they were in the entire year 1942. Increases were shown in exports to each of the principal areas.

The most substantial increase has been in our exports of munitions. In the first ten months of this year, for instance,



Chart 2

\* Figures on exports for the month of November are not yet available.

## VALUE OF LEND-LEASE EXPORTS TO ALL COUNTRIES

Thousands of Dollars

	1941	1942	Jan.-Oct. 1943	Total
United Kingdom.....	572,620	2,005,318	3,402,441	5,980,379
U. S. S. R.....	545	1,351,925	2,197,973	3,550,443
Africa, Middle East, and Mediterranean Area.....	95,915	692,026	1,380,358	2,168,299
China, India, Australia, and New Zealand.....	52,219	641,304	909,823	1,603,346
Other Countries.....	19,604	204,186	318,000	541,790
<b>Total.....</b>	<b>740,903</b>	<b>4,894,759</b>	<b>8,208,595</b>	<b>13,844,257</b>

Table 3

we exported under lend-lease munitions valued at \$4,674,-546,000, which represented an increase of 142 percent over exports in the corresponding period of last year. The comparable increase in industrial items for our allies' war production was 104 percent and in foodstuffs for their soldiers and war workers, it was 88 percent.

### Reverse Lend-Lease

With lend-lease assistance, our allies have been able to strike more damaging blows against our enemies and they are fighting today more strongly than ever by the side of our own forces. The war will be much the shorter for it. This is, of course, the principal war benefit the United States receives under the lend-lease program. It is a benefit beyond price.

In addition to this benefit, however, the United States is receiving directly as reverse lend-lease aid, without any payment by us, substantial quantities of supplies provided by our allies within the limits of their material and financial resources. The President's Twelfth Report to Congress on Lend-Lease Operations, submitted November 11, 1943, gave a preliminary report of the reverse lend-lease aid United States

forces overseas had received up to June 30, 1943, from the British Commonwealth. Reports have not yet been received for the four months ending October 31, 1943, but up to June 30, 1943, the United Kingdom had reported expenditures for reverse lend-lease aid to the United States of \$871,000,000, Australia of \$196,000,000, New Zealand of \$51,000,000 and India of \$56,900,000, a total of \$1,174,900,000. These figures



Chart 3

did not include many expenditures by the British for supplies and services made available to United States armed forces in North Africa, Sicily, Italy, and elsewhere. Similar lend-lease aid to our armed forces is being provided by the Belgian Government and the French Committee of National Liberation.

In addition to supplies and services for our armed forces abroad, the governments of the United Kingdom, New Zealand, and India have agreed to provide as reverse lend-lease, and without payment by us, raw materials, commodities, and

foodstuffs previously purchased within their territories by United States Government agencies; the agreement with the United Kingdom includes public purchases in Southern Rhodesia and the Colonial Empire. Similar arrangements are now under negotiation with the governments of South Africa and Australia. British shipping to carry these supplies, which include such strategic and critical materials as rubber, rope

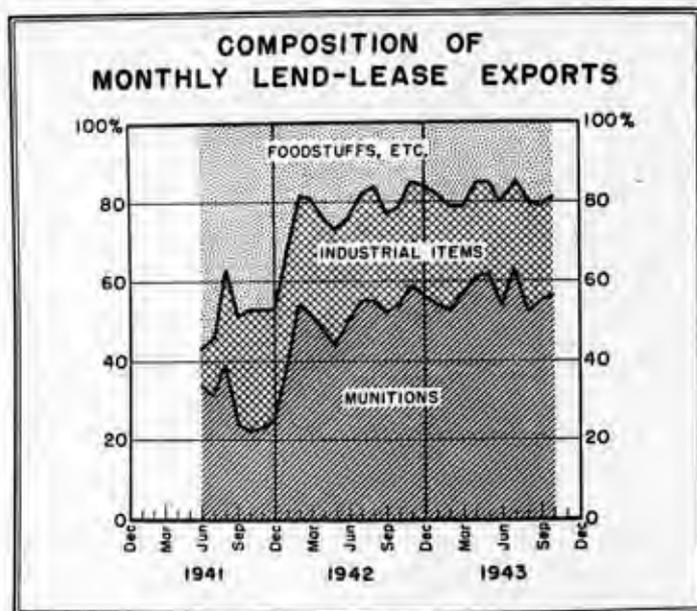


Chart 4

fiber, chrome, benzol, cocoa, tea and vegetable oils, is also being made available under reverse lend-lease. The French Committee of National Liberation has similarly undertaken to supply us, as reverse lend-lease aid, without payment on our part, strategic materials imported into the United States from North Africa.

We are also receiving reverse lend-lease aid, as the need arises, in China and the Soviet Union. Both these nations have, of course, had to strain their own manpower, transportation, and other resources to the utmost in fighting our

enemies on their own soil, and they have plainly not been in a position to provide large amounts of reverse lend-lease aid.

The real measure of the aid we and the other United Nations have received from China is the six and a half years during which our indomitable ally has engaged—and is now continuing to engage—large Japanese armies in China with heavy losses to the Japanese. The real measure of the aid we and the other United Nations have received from the Soviet people is to be found at Stalingrad, Kharkov, and Kiev, and in the millions of Nazi soldiers killed, wounded, or captured on Russian soil, who will not be there to oppose our forces in western Europe.

So with all our fighting allies—the British, whose forces have fought in the Mediterranean campaigns in considerably larger numbers than our own; the French who have fought with us in Tunisia and are fighting now not only in Italy but as a heroic army of underground resistance in France itself. The money cost of reverse lend-lease aid, great as it is, is in no sense a measure of the help we receive from our allies.

Our principal allies have contributed fully in proportion to their resources. Total United States war expenditures, including those for lend-lease, have increased from approximately one-third last year to one-half this year of our national income. Both last year and this year the United Kingdom, for example, spent more than one-half of her national income for the war.

The dollar statistics of lend-lease and reverse lend-lease provide a useful measurement of one phase of our own war effort and one phase of the war effort of our allies. But neither lend-lease statistics nor dollar figures of any kind can measure the relative contributions toward winning the war of the United States and the other United Nations. We are fighting this war primarily with men and ships and weapons, with steel and food, not merely with dollars. The contributions of the United Nations have necessarily differed in accordance with their varying resources and with the circumstances of the war as it has progressed. Some have been called upon to give more in weapons or in materials, some to give more in lives or in ruined cities. All are giving what they can for victory.

## Chapter 2

### THE SOVIET UNION

Lend-lease shipments to the Soviet Union through October 31, 1943, totalled \$3,550,443,000, or more than one-fourth of lend-lease exports to all countries. Our aid to the U. S. S. R. has been greatly accelerated in 1943. In the first ten months of this year, shipments were 63 percent higher than in the entire year 1942.

Aircraft, ordnance and other munitions have constituted 56 percent of the value of exports to the Soviet Union. Industrial items have made up 27 percent and foodstuffs and other agricultural products 17 percent of our lend-lease shipments to the Soviets. This year, as Table 4 indicates, we have greatly reduced shipments of tanks, in accordance with reduced Soviet requirements, but have increased exports of aircraft and aircraft parts, ordnance and ammunition, industrial products, watercraft, and motor vehicles. In the first ten months of 1943 we sent more than twice as much food to the Soviet Union (in dollar terms) as in all of 1942.

The lend-lease aid we have furnished has been effectively used in the Red Army's advances in the Ukraine and White Russia. Through October we sent to the U. S. S. R. nearly 7,000 planes, more than to any other lend-lease country; more than 3,500 tanks and 195,000 motor vehicles, including trucks, jeeps, motorcycles, and other vehicles. These have not only provided the Soviets with important weapons of offense to supplement their own production, but have also been a vital factor in maintaining supply services for the 2,000-mile Russian front.

### VALUE OF LEND-LEASE EXPORTS TO U. S. S. R.

Thousands of Dollars

	1941	1942	Jan.-Oct. 1943	Total
Ordnance and Ammunition....	75	213,918	293,531	507,524
Aircraft and Parts.....		303,396	416,282	719,678
Tanks and Parts.....	35	176,804	39,114	215,953
Motor Vehicles and Parts.....		149,092	312,164	461,256
Watercraft.....		11,020	75,671	86,691
Industrial Items.....	435	312,880	651,471	964,786
Foodstuffs, etc.....		184,815	409,740	594,555
Total.....	545	1,351,925	2,197,973	3,550,443

Table 4

To help relieve the severe food shortage in the Soviet Union resulting from the fact that the Nazis have occupied and ravaged about 40 percent of the Soviet's most fertile cropland during the war, we have shipped 1,790,000 short tons of food and other agricultural products. These have been largely items in which Soviet production has fallen far short of requirements, including 343,000 tons of wheat and flour, 277,000 tons of sugar, 324,000 tons of canned meat, 441,000 tons of edible fats and oils, 136,000 tons of dried fruits and vegetables, and 38,000 tons of dried eggs.

The Soviet Union urgently requested butter for the Red Army particularly for the use of many wounded soldiers recuperating in Russian hospitals. We have been able to send 33,500 tons. No butter has been scheduled for lend-lease export to any other country since the beginning of the lend-lease program. Last year we shipped 8,500 tons of butter, or seven-tenths of one percent of the total 1942 United States supply. This year we have shipped 25,000 tons, or about 2.7 percent of our supply for the period. Our butter shipments this year to the Soviet Union have amounted to one-seventh of an ounce per week from each civilian in this country. At the same time the United States had received as reverse lend-lease up to June 30, 1943, 8,250

tons of butter. This has been furnished to our forces in the Pacific by Australia and New Zealand as reverse lend-lease and without payment by us. The amounts being currently supplied in this way are steadily increasing. The butter received as reciprocal aid has resulted in freeing for domestic use butter that might otherwise have had to be reserved for overseas use by American forces.

To help restore the reconquered Soviet agricultural areas as soon as practicable and possible, and to develop food production in Siberia, we have sent 10,000 tons of seeds for the growing of some thirty staple crops. We have also sent 5,500,000 pairs of army boots and 16,600,000 yards of woolen cloth for the use of the Soviet armed forces; 251,000 tons of chemicals, 144,000 tons of explosives, 1,198,000 tons of steel, 342,000 tons of nonferrous metals, and 611,000 tons of petroleum products.

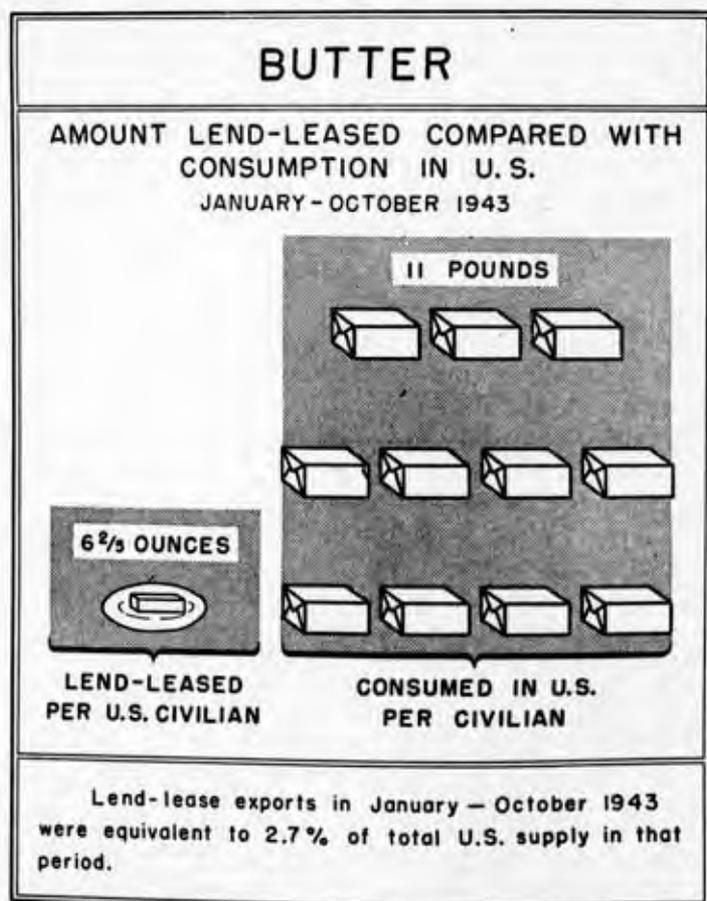


Chart 5

## Chapter 3

### THE UNITED KINGDOM

With the United States and Great Britain using the United Kingdom as a major base for attacks on Nazi-held Europe, the volume of lend-lease supplies sent there from the United States has steadily increased. More than half of the exports to the United Kingdom since the inception of lend-lease moved during the first ten months of this year, as shown in Table 5. Shipments in this period exceeded those of the preceding twenty-two months by \$824,503,000. Lend-lease supplies sent to the United Kingdom are used by British and allied forces on other fighting fronts as well as for offensive action from Britain and for British war production.

#### VALUE OF LEND-LEASE EXPORTS TO UNITED KINGDOM

Thousands of Dollars

	1941	1942	Jan.-Oct. 1943	Total
Ordnance and Ammunition...	30,761	250,400	490,115	771,276
Aircraft and Parts.....	13,330	275,752	471,608	760,690
Tanks and Parts.....	10,521	35,998	443,483	490,002
Motor Vehicles and Parts.....	14,559	61,950	136,556	213,065
Watercraft.....	6,003	45,906	104,910	156,819
Industrial Items.....	165,356	604,218	785,283	1,554,857
Foodstuffs, etc.....	332,090	731,094	970,486	2,033,670
Total.....	572,620	2,005,318	3,402,441	5,980,379

Table 5

Lend-lease exports to the United Kingdom from March 11, 1941 through October 31, 1943, totalled \$5,980,379,000, or 43 percent of the shipments to all areas. In 1943, lend-lease exports to the United Kingdom constituted 41 percent of exports to all areas.

Military items accounted for about 40 percent of the value of lend-lease exports to the United Kingdom from March 11, 1941 through October 31, 1943. These were divided about equally among the three major categories: ordnance and ammunition, aircraft and parts, and tanks and other motor vehicles. Industrial items have accounted for 26 percent of total shipments and foodstuffs and other agricultural products for the remaining 34 percent.

There has been a sharp increase in the exports of munitions to the United Kingdom under lend-lease. Shipments of munitions to this area amounted to \$75,174,000 in 1941, \$670,006,000 in 1942, and \$1,646,672,000 in the first ten months of 1943. The value of tanks and parts sent this year has been more than 9.5 times the combined total for 1941 and 1942. While munitions constituted 13 percent of lend-lease exports to the United Kingdom in 1941, the percentage rose to 33 percent in 1942, and to 48 percent in the first ten months of 1943.

Although the food sent to the United Kingdom was only about 10 percent of Britain's total food requirements, and was an even smaller percentage of our own supply, it represented the difference between having and not having enough to carry on effectively the British war effort. Lend-lease foods have been mainly of the concentrated varieties high in food value. We have sent substantial quantities of protein substitutes for meat, such as dried peas, dried eggs and cheese, as well as pork and a very little beef. We have also sent other types of concentrated foods, such as dried milk, dried fruit, concentrated fruit juices, and dehydrated vegetables. These are essential to the health of the armed forces and workers in munition industries, yet require a minimum of shipping space. The British in turn have supplied our soldiers in Great Britain under reverse lend-lease with fresh vegetables, flour, potatoes,

cocoa, tea, and other foods that are grown in Britain and in the Colonial Empire.

Lend-lease aid to the United Kingdom has involved hundreds of special projects. For example, after studies in London and Washington revealed a serious shortage of coal for future military operations and essential civilian requirements, lend-lease funds were made available for the purchase of relatively small amounts of mining machinery to be used to increase production of coal in the United Kingdom. British coal has been used to supply the needs of American and allied forces in the Mediterranean theater and to meet other overseas United Nations needs. Almost no coal produced in the United States—a minute fraction of one percent of our production—has ever been shipped from this country under lend-lease, and none has ever gone to the British Isles.

Ferry routes have been developed by us and the British jointly to facilitate the delivery of planes to Great Britain, the Middle East, and the Russian front. Lend-lease funds were an important factor in building and equipping airports along these routes and in constructing and maintaining repair and supply depots to service the planes and keep them in operation. At the same time, the British, under reverse lend-lease, have built a great number of airfields for our forces in the United Kingdom.

The British, like us, have spent several hundred million dollars in building in various parts of the world airfields essential for carrying on the war against the Axis. These fields are used by many United Nations forces. Lend-lease supplies from the United States that have been used in building or equipping airfields in the lands of our Allies were furnished, like other lend-lease aid, under the terms of the Lend-Lease Act. The Act provides that the benefit to the United States for lend-lease aid "may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory." The final determination of what this benefit may be is deferred, under the Master Lend-Lease Agreements, "until the extent of defense aid is known and until the progress of events makes clearer the final terms

and conditions and benefits which will be in the mutual interests of the United States of America" and of the countries receiving lend-lease aid from us. Lend-lease equipment installed in airfields abroad will be fully taken into account, therefore, in the final lend-lease settlements when they are made.

The question of the future use of airfields in all parts of the world, both for strategic and commercial purposes, involves many other factors besides lend-lease, of course. The final and complete answer can be found only through the continuing and successful collaboration of the United Nations in international commerce after the war and the development of a system of general military security in which the interests of both the United States and the other United Nations are fully protected.

## Chapter 4

### AFRICA, MIDDLE EAST, AND MEDITERRANEAN AREA

As the war in Africa and the Mediterranean gained in scope and intensity this year, resulting in the expulsion of the enemy from North Africa, Sicily, and southern Italy, lend-lease aid to this area increased in volume. Shipments through October 31, 1943, totaled \$2,168,299,000. In the first ten months of this year they were 75 percent greater than in the preceding twenty-two months combined.

As Table 6 shows, about three-fourths of our exports to Africa, the Middle East, and the Mediterranean region have been finished munitions. This table does not, however, include munitions consigned to American commanding generals for transfer in the field to the armed forces of our allies. The total value of such consignments to all areas up to November 30, 1943, was \$438,741,000.

#### VALUE OF LEND-LEASE EXPORTS TO AFRICA, MIDDLE EAST, AND MEDITERRANEAN AREA

Thousands of Dollars

	1941	1942	Jan.-Oct. 1943	Total
Ordnance and Ammunition . . .	33,268	173,618	304,383	511,269
Aircraft and Parts . . . . .	2,022	114,590	240,491	357,103
Tanks and Parts . . . . .	30,572	49,397	326,533	406,502
Motor Vehicles and Parts . . . .	10,758	115,066	172,281	298,105
Watercraft . . . . .	1,820	10,794	17,959	30,573
Industrial Items . . . . .	14,683	194,138	223,817	432,638
Foodstuffs, etc. . . . .	2,792	34,423	94,894	132,109
<b>Total . . . . .</b>	<b>95,915</b>	<b>692,026</b>	<b>1,380,358</b>	<b>2,168,299</b>

Table 6

### Direct Military Aid

The largest single category of munitions shipped to this area has been ordnance and ammunition, followed by tanks, aircraft, and motor vehicles. Exports of tanks and parts in the first ten months of 1943 were about six times as large, in dollar value, as in all of last year.

Lend-lease planes, tanks, and guns helped the British Eighth Army drive Rommel's forces out of Egypt, Libya, and Tripolitania and to play a major part in the Tunisian, Sicilian, and Italian campaigns. Lend-lease munitions and planes are making possible the re-creation in North Africa—the first of the liberated areas—of a French Army and Air Force of 300,000 men. French armed forces equipped through lend-lease have already joined with American and British forces in the fighting in Italy. They will join with the other United Nations in the liberation of France.

Various units which escaped from the occupied countries—Poles, Yugoslavs, Greeks and others—have gone back into the fight with the help of lend-lease weapons, and they are fighting by the side of the British and American forces in this theater.

### Civilian Supplies in North Africa

In addition to arms, we have provided to French Africa vital civilian supplies under lend-lease, at the request of our military commanders. This aid has been essential to United Nations operations in the Mediterranean theater. Through December 19, 1943, 342,000 tons of civilian supplies were shipped to French North Africa, and 48,800 tons to French West Africa. These supplies, although furnished under lend-lease, are being paid for one hundred cents on the dollar by the French authorities.

Our shipments in recent months have included finished and semifinished steel for the maintenance of rail and port facilities; steel and chemicals for essential war production; fertilizers and agricultural insecticides to increase production of food for our forces and for the local population; batteries and spark plugs for idle trucks now returned to service; refractory bricks

for kilns used in the manufacture of building materials; and many other products necessary to develop and maintain North Africa as a major base for military operations. The basic principle has been to supply that aid which will make it possible in the shortest time for the liberated people of French North and West Africa to help themselves and their Allies.

Lend-lease aid is provided to French North and West Africa and we receive reverse lend-lease aid from them under an agreement with the French Committee of National Liberation. Under this agreement we provide both munitions and essential civilian supplies under lend-lease and are reimbursed fully in cash for all but military supplies. The French, on the other hand, make available to us as reverse lend-lease aid, without cash payment by us, strategic and critical raw materials for our war production and food and essential services for our forces in the area. We pay for shipments of non-strategic commodities exported for sale and civilian use in the United States. The French have already made four cash payments, totalling \$56,340,000 for essential civilian supplies shipped to them under lend-lease from the United States.

When we landed in North Africa in November 1942 there was not enough food to carry the people through the winter. A large percentage of the 1942 crop had been sent to Nazi-occupied Europe. By sending 88,000 tons of wheat and flour in the six months ending June 30, 1943, it was possible to maintain the bread ration for the people of North Africa, whose cooperation was so important to us while the allied forces under General Eisenhower prepared for the Tunisian campaign which drove the Axis from Africa and opened the way for the invasion of Sicily and Italy.

Since June 30, 1943, we have shipped no more wheat and flour to North Africa. Our food shipments since then have consisted almost entirely of sugar, tea, and dried and evaporated milk.

With the help of lend-lease seeds, fertilizers, and other farm supplies, French North Africa is again producing enough of most varieties of food to more than supply its own popula-

tion. The liberated people of French Africa—with lend-lease assistance—are now providing locally grown food for our own forces and for the people of the liberated areas of Italy. American forces have already received thousands of tons of fresh fruits and vegetables. The French have agreed to provide substantial additional quantities to our forces in North Africa, Sicily, and Italy. This food is furnished to us as reverse lend-lease. We do not pay for it. The United States Government has not bought and is not buying wheat or other food from the French authorities in any part of French North Africa for our forces, or for the people in North Africa with a minor exception. Army procurement officers have from time to time bought some food locally for individual Army units. We are now receiving local currency from the French authorities as reverse lend-lease to pay for all such purchases.

North African mines and quarries are back in production, and strategic raw materials, such as iron ore, phosphates, lead concentrates, and small amounts of zinc concentrates and antimony have begun to flow to allied countries. French West Africa, too, has begun to contribute valuable raw materials to the United Nations. So far, it has shipped sisal and mahogany, and future shipments of peanuts, palm oil, palm kernels, and small amounts of rubber are expected.

#### Civilian Gasoline Consumption in North Africa

French North Africa is virtually 100% dependent on imports for its supply of petroleum products. Thus, when American and British troops landed in North Africa a year ago to liberate the first French territory from Axis control, it was a military and lend-lease problem of the first magnitude to supply all of the oil and gasoline which was urgently needed for essential military purposes.

All petroleum products in French North Africa are, and have been, under strict military control. The Petroleum Section of Allied Force Headquarters, which is staffed by American and British military personnel, programs the requirements for all the military and civilian uses of petroleum products. It is the Petroleum Section which is responsible for the determination of

the amount of petroleum needed in North Africa and for the prompt storage, delivery, and distribution of the petroleum upon arrival.

Upon arrival in North Africa the petroleum products are allocated by the Allied Headquarters to the several military and civilian uses strictly on the basis of need. Civilian needs naturally have the lowest priority. In North Africa, under the arrangements now in effect, the French pay the United States in dollars for all of the petroleum products delivered for civilian use.

In the first eight months of 1943 Allied Headquarters allocated approximately 140,000 barrels of gasoline for essential civilian services in Morocco, Algeria, and Tunisia. This was less than one-fourth of the normal gasoline consumption in North Africa before the war. Much of this gasoline was used to help North Africa meet the additional transport needs imposed on the area by the presence of our forces.

French North Africa has 16 million people and covers an area of about a million square miles, one third the area of continental United States. None of the gasoline allocated for civilian transport services in this vast area was for pleasure driving or other non-essential services. In Algeria, for example, no private cars are allowed to operate at all unless they are used for essential services by physicians, government officials, and the like. Algerian police allow only 9,700 private cars to operate in all of Algeria. A survey made in June of this year in Algeria showed that 25% of the gasoline allocated for civilian purposes was used in trucking food, strategic materials, and other essential commodities; 46% was used on the farms to assist in growing more food locally for the people and our forces; 16% was used in local industries; and 13% for passenger cars performing essential services.

On the average, less gasoline has been provided for the few private cars permitted to operate in French North Africa for such essential purposes as doctors' calls than is permitted to A-card holders in this country. A large number of the private cars in North Africa have been requisitioned by the military authorities for the use of allied military personnel. Since

these cars in many cases are not clearly marked as military vehicles they may lead a casual observer to believe that more cars are using gasoline for civilian purposes than is the fact.

### The Marking of Lend-Lease Goods

The program of lend-lease aid to French North Africa, the Middle East, and other areas has brought goods of American manufacture to many parts of the world in enormous quantities. The hundreds of millions of people living in the Mediterranean area and in other allied lands are well aware of the American origin of these supplies, and of the fact that they have been provided by the United States under lend-lease.

Some lend-lease goods—like the jeep, the General Sherman Tank, and the Airacobra fighter—of themselves proclaim their



The above reproduction shows three of the labels used to identify lend-lease goods sent to allied countries. The originals, which are considerably larger than the reproductions, are in red, white, and blue. The first label (top, left) is used on goods sent to English-speaking countries, the second (top, right) on goods sent to the U. S. S. R., and the third (bottom) with the wording in both Arabic and French, on goods sent to French Africa.

Chart 6

American origin on the highways and skyways of Europe, Africa, and Asia. These unique American weapons are self-labelling. Other lend-lease articles and packaged goods which are not self-labelling, bear one or more labels, markings, or insignia which establish them as American products. Lend-lease trucks carry the names of their American manufacturers. Still other items, such as machine tools, have the name of the American manufacturer and the United States place of manufacture cast into the body of the machine tool itself.

In order that lend-lease goods may be identified as such by the widest possible group, practically all consumer items are labelled as American. Foodstuffs generally carry American brand names on the containers, or they may be specially packaged. The cartons in which green tea was shipped to North Africa, for example, were specially designed by the OWI for the purpose. Cotton cloth is labelled by dropping insert slips every ten yards as the cloth is wound on bolts; and second-hand wearing apparel is identified by placing labels in the pockets or by hooking special tags on the buttons.

The lend-lease labels and markings are of several types. All of the labels are printed with the national red, white, and blue colors and bear "U. S. A." or "From the United States of America" in prominent lettering. In addition, the American flag, has a central position on most of the labels. The American eagle and the Statue of Liberty are also used as distinctive lend-lease markings.

## Chapter 5

### CHINA, INDIA, AUSTRALIA, AND NEW ZEALAND

Lend-lease exports to these areas from March 11, 1941, to October 31, 1943, totaled \$1,603,346,000. As shown by Table 7, exports in the first ten months of this year substantially exceeded the combined total of the shipments in 1941 and 1942.

#### VALUE OF LEND-LEASE EXPORTS TO CHINA, INDIA, AUSTRALIA, AND NEW ZEALAND

Thousands of Dollars

	1941	1942	Jan.-Oct. 1943	Total
Ordnance and Ammunition...	9,560	165,107	149,553	324,220
Aircraft and Parts.....	7,995	97,139	200,173	305,307
Tanks and Parts.....	1,935	100,380	42,331	144,646
Motor Vehicles and Parts.....	17,856	75,145	144,152	237,153
Watercraft.....	68	2,849	20,789	23,706
Industrial Items.....	11,523	170,155	323,421	505,099
Foodstuffs, etc.....	3,282	30,529	29,404	63,215
<b>Total.....</b>	<b>52,219</b>	<b>641,304</b>	<b>909,823</b>	<b>1,603,346</b>

Table 7

#### China and India

Combined exports to China and India have totaled \$856,824,000, of which 68 percent were munitions, 28 percent industrial products, and 4 percent agricultural commodities.

Because the land routes to China have been closed since Burma was lost, most of these supplies have been for India. Some lend-lease supplies have been sent into China by air and considerable quantities of supplies for China have been stock-piled in India. They are there, ready to go, when the necessary routes are reestablished or developed.

In spite of the closing of the land routes since the Burma Road was cut, we have been able to send into China lend-lease planes and other equipment for the Chinese Air Force and Chinese Army, together with small amounts of tools and materials for the Chinese arsenals that are continuing to turn out ground equipment inside China. Chinese fliers are being trained both in India and in the United States under lend-lease, and Chinese troops in India under Lieutenant General Stilwell have been completely equipped with lend-lease weapons and organized into hard-hitting triangular divisions. India is the base for operations against the Japanese in Burma who block the road to China. When the time comes for United Nations forces in India to strike, the Chinese troops equipped and organized in India will be prepared to join in the offensive.

Because of India's importance as a producer of industrial materials and military equipment, and as an exporter of such strategic items as jute, mica, manganese, graphite, and other materials vital to the allied war effort we have supplied her with large quantities of metals, machinery, and tools needed for her armament factories and the mining, production, or processing of strategic materials. Surveys have been made of India's industrial plants and transportation system and help has been given to increase their efficiency. We have provided cranes and lighters to move supplies in and out of her crowded harbors and equipment to expand the capacity of her railroad system.

Transportation has been a major problem in delivering lend-lease goods to India as well as to China. After the loss of Burma in the spring of 1942, India's east coast ports, including Calcutta and Madras, were closed for many months by enemy operations in the Bay of Bengal and lend-lease supplies piled

up in the harbors of India's west coast ports. India's eastern ports have been reopened, and in addition the opening of the Mediterranean-Suez Canal-Red Sea route will facilitate the movement of lend-lease goods for the India-China front.

### Australia and New Zealand

Lend-lease shipments to Australia and New Zealand through October 31, 1943, amounted to \$746,522,000 of which 61 percent were finished munitions, 35 percent industrial items, and 4 percent agricultural commodities.

Australia is itself a sizable arsenal of democracy. Australian factories produce large quantities of munitions and other equipment which have been put to good use in the campaign in the Southwest Pacific. We have sent to Australia machine tools vitally needed for this work. Australia makes tires for airplanes and motor vehicles; we ship carbon black and other needed chemicals. Australia builds landing craft; the engines are made in the United States and shipped under lend-lease. Australia manufactures shirts, socks, jackets, and other military clothing; we ship some of the textiles needed to increase her production.

Both Australia and New Zealand are important sources of food for the United Nations. They have been in need of additional agricultural equipment to increase production, as well as tinplate and materials for canning, dehydrating, and packing vegetables and meats. We have made these supplies available under lend-lease. With this assistance, Australia and New Zealand have been able to increase food production sufficiently to supply almost all the food needed by American forces in these countries. Thus, for example, Australia and New Zealand have supplied our forces, under reverse lend-lease, with almost as much beef and veal as we have exported to all lend-lease countries. Their aid to us has saved many thousands of tons of shipping and greatly reduced the amount of food needed from our domestic food supply by United States armed forces in the Pacific.

In addition to vast quantities of food, Australia and New Zealand furnish hospitals, airfields, barracks, and clothing under reverse lend-lease to our forces in the Southwest Pacific. Their repair shops serve our planes and motorized equipment and their shipyards keep our troop transports and other ships in condition under reverse lend-lease.

## Chapter 6

### OTHER COUNTRIES

#### The Occupied Countries

The Governments-in-exile—Norway, the Netherlands, Belgium, Poland, Czechoslovakia, Yugoslavia, and Greece—are all eligible for lend-lease aid. Through lend-lease the United States has helped to provide equipment and training for some of their air and ground and naval forces—several hundred thousand strong—who are fighting beside us against the Nazis and the Japanese. Great Britain has provided even greater quantities of equipment for the exiled armies and we have also joined the British in helping to maintain and repair the 10,000,000 tons of merchant shipping which the occupied countries contributed to the United Nations shipping pool. We have sent, in addition, some lend-lease supplies to colonial areas belonging to the Governments-in-exile which are producing in increasing quantities strategic materials vital to the war-production program of the United States.

Thousands of Norwegian fliers have been trained at Little Norway in Canada, using lend-lease trainer planes. Thousands of fliers of the other occupied countries have been trained in the United States. Hundreds of Dutch fliers, men who escaped capture by the Nazis in the Netherlands or by the Japanese in the East Indies, have come to Jackson, Mississippi, for training under lend-lease and then gone to Australia, where they are flying fighter and Mitchell bomber squadrons today under General MacArthur's command. Yugoslav fliers trained under lend-lease are flying with allied forces in the Mediterranean theater and one Yugoslav squadron is equipped with Liberator bombers. The air forces of the other occupied

countries are flying British and American planes with the R. A. F. and U. S. A. A. F. from bases in Britain and Africa.

We are being paid in cash for some of the supplies we furnish the governments-in-exile. This is the case, for example, with essential supplies other than munitions sent to Dutch Guiana (Surinam), where an important share of the bauxite used in the manufacture of American aluminum, is produced. In the Belgian Congo, where production of vital war materials such as rubber, tin, copper, cobalt, fibres and palm oil, has been increased as much as 100 percent, mining and transportation equipment are paid for in cash.

### Latin America

Lend-lease aid has been extended to the other American Republics which are united with us in defense of the Western Hemisphere and have produced a billion dollars worth of raw materials essential to our war production.

Substantially all lend-lease aid to Latin American countries consists of fighting equipment such as guns, aircraft, military vehicles and small naval craft, together with materials used in ordnance plants and other installations producing military or naval equipment.

The original arrangements to supply military and naval equipment to Latin America were approved by General Marshall, the Chief of Staff, and by Admiral Stark, then Chief of Naval Operations. All assignments of military and naval equipment to the other American Republics under lend-lease have been approved by the appropriate officers of the United States Army and Navy, acting under the direction of the Joint Chiefs of Staff.

From March 1941 to October 31, 1943, lend-lease shipments to Latin America amounted to \$116,543,000. Of this total, a substantial part has gone to Brazil, which General Marshall, in his biennial report as Chief of Staff of the United States Army, termed "vitally important to the strategic defense of the United States" and "vital to the security of the Pan-

ama Canal." Brazil and other American Republics have made available to us air and naval bases in Central America and along the northern coasts of South America. We have supplied air and coastal defense equipment under lend-lease. The Brazilian Air Force, flying American lend-lease planes on Atlantic patrol, has reported the sinking of several enemy submarines. Brazil is now preparing to send troops to fight beside ours in Europe. Brazilian and Cuban naval units, using coastal patrol vessels loaned by us and operated by crews trained under lend-lease, have taken an active part in convoy work in the South Atlantic and the Caribbean.

The United States has already been reimbursed to the extent of about \$10,000,000 for lend-lease aid furnished to the other American Republics.

No lend-lease aid is being furnished to the Republic of Argentina.

### Canada

The Canadian and American war-production programs are closely integrated under the Hyde Park agreement, but Canada pays cash for all aid for herself that she receives from the United States. She buys from us for cash a large part of the requirements for her war production and we buy for cash from her fighting equipment produced in her factories, as well as such war materials as nickel, of which she produces more than 90 percent of the world's supply.

Lend-lease exports to and through Canada from the United States are valued at \$350,000,000 since March 1941. These exports consist of military equipment and its components, principally for re-export from Canada to the United Kingdom or other United Nations either directly or after further fabrication in Canadian factories. These goods are transferred by the United States under lend-lease, not to Canada, but to the countries of ultimate destination. Other lend-lease exports to Canada have included trainer planes and small quantities of other supplies for the use of Norwegian, Polish, and other United Nations units in training on Canadian soil.

The balance of lend-lease exports to Canada consists of supplies Canada has purchased for cash in this country for her own war effort, using the lend-lease procurement machinery.

Canada has her own mutual aid program under which she is supplying, without payment, to the United Kingdom, the Soviet Union, Australia, New Zealand, and other United Nations, \$2,000,000,000 of additional war supplies produced in her own factories and shipyards.

Although no lend-lease agreement has been signed between Canada and the United States, Canada has adhered, through an exchange of notes on November 30, 1942, to the post-war economic principles set forth in Article VII of the Master Lend-Lease Agreements.

## Chapter 7

### LEND-LEASE PETROLEUM IN THE WAR

The present war, more than any other war in history, is being fought with petroleum products. Aviation and motor gasoline, oil and lubricants are indispensable to modern war. Petroleum products are consumed in tremendous quantities by the large and constantly growing fleet of planes, ships, tanks and trucks of the United Nations and by their war industries.

The United States was before the war, and is today, the greatest oil-producing, oil-refining, and oil-consuming country in the world. Our highly industrialized and mechanized economy in peacetime was based upon petroleum to an extent unparalleled anywhere in the world. We are now striving to make the most effective use of our great refining capacity in the prosecution of the war. Nevertheless, the United States is actually exporting now to all countries a smaller quantity of petroleum products than was exported from the United States before the war. We are using for our own war industry and armed forces in this country and abroad about 88 percent of the oil we produce.

Our allies are also making the most effective possible use of their own petroleum production and refining facilities—limited though these are as compared with our own. A considerable part of the overseas petroleum requirements of the United States naval, air, and ground forces, and merchant marine is supplied by our allies under reverse lend-lease.

With the petroleum products we have sent under lend-lease we have added immeasurably to the striking power of the United Nations as a whole. The air assault from the United

Kingdom on Nazi Europe, the Soviet victories over the Nazi Army, and the allied campaign against Japan in the Pacific have all been greatly aided by lend-lease supplies of gasoline, oil, and lubricants.

### Lend-Lease and United States Petroleum Resources

Lend-lease supplies of petroleum products furnished to our allies have used less than one-tenth of the United States production of crude petroleum. During 1943 it is estimated that exports of petroleum products and supplies of bunker oil under lend-lease will total approximately 132 million barrels, or less than 9 percent of United States production for the year.

The total quantity of petroleum products supplied through commercial exports and under lend-lease to foreign countries from the United States in 1943 will be substantially less than the total quantity of petroleum products supplied to foreign countries commercially in 1938, the year before Hitler plunged Europe into war by attacking Poland.

The following table gives a comparison of the impact on United States petroleum resources of foreign consumption of United States petroleum products in 1938 and 1943:

#### IMPACT OF FOREIGN CONSUMPTION ON UNITED STATES PETROLEUM RESOURCES

Millions of Barrels

	1938	1943 (estimated)
U. S. production of crude petroleum.....	1,214	1,500
Exports and bunkers to foreign vessels.....		132
Lend-lease.....		47
Commercial.....	216	179
Total.....	216	
Total exports and bunkers to foreign vessels in percent of U. S. production of crude petroleum.....	18%	12%

Table 8

As the above table shows, the additional production of crude petroleum in the United States since the outbreak of war and the curtailment of nonessential civilian demands have not been caused by lend-lease consumption of United States petroleum products. They are the result, instead, of the large demands upon domestic petroleum production of our own war industries and of our own armed forces in this country and abroad. In fact, a substantial part of the petroleum products shown as lend-lease exports in the above table are returned to our armed forces abroad. In addition, large quantities of petroleum products are furnished to our armed forces under reverse lend-lease by our allies from their own petroleum resources.

### Expansion of Middle East Production and Refining Facilities

Petroleum production in the Middle East has already surpassed the level of pre-war production, and current production is greatly in excess of the production of two years ago when the whole area was threatened with the danger of falling under Nazi control. British corporations in the Middle East control several times the production and refining capacity controlled by United States corporations in that area and are consequently supplying several times the quantity of petroleum products supplied from oil resources in that area controlled by United States interests.

All petroleum refining facilities in the Middle East, as elsewhere, are being utilized to the fullest extent consistent with the efficient use of tankers and the maximum output of those petroleum products that are most needed for fighting the war, such as aviation and other high octane gasoline. For example, the great refinery at Abadan at the head of the Persian Gulf is currently operating at its top output under these conditions. This refinery, a British property, is by far the largest refinery in the Middle East. Its output of the most vitally needed war products has already been greatly increased and is being further increased by additional equipment.

The supply of tankers has been inadequate, however, to transport to areas where they are needed for war purposes the entire output of heavier products necessarily produced in the gasoline manufacturing process. The surplus of heavier products at Abadan has been far too large to be held in storage. It has instead been disposed of by the unique method of pumping it back into the oil fields. This has been, from a commercial standpoint, wasteful to the British, but has resulted in saving space on tankers for carrying aviation gasoline to American and British forces.

The British Government, which has had a substantial military supply responsibility in the Middle East, has greatly expanded the petroleum facilities in that area. The first stage of the expansion of the Abadan refinery was begun in the fall of 1941 and the expansion is continuing. The capacity of the British-controlled refinery at Haifa is also being expanded and the refinery at Suez has been operated at full capacity throughout the period of active warfare in this area. The expansions of facilities at these refineries are being paid for by the British. They have not been carried out with lend-lease funds.

A project has also been undertaken to expand the output of war products of the refinery at Bahrein, halfway down the Persian Gulf. This refinery is owned by United States corporations and equipment supplied from the United States. The expansion project is being paid for by the companies with the assistance of a loan from the Defense Supplies Corporation.

The United States, with minor exceptions, does not pay for petroleum products currently obtained from the Middle East. Practically all bunker oil for United States naval and merchant vessels in the Middle East is provided by the British Government under reverse lend-lease. Petroleum products of all types shipped from the Middle East refineries to Australia, India, South Africa, and to the Mediterranean area are furnished locally to United States armed forces and merchant vessels under reverse lend-lease.

## Transportation to War Theaters

The effective war use of the combined petroleum resources of the United Nations has been primarily determined by the supply of tankers and other forms of transportation to carry the refined petroleum products to war theaters. Many ocean and overland routes have been cut off or made dangerous. As the course of the war has changed the shipping situation, arrangements for petroleum supply have, of course, been promptly revised.

There has been a shortage of tankers available to the United Nations in relation to the needed quantities of petroleum products and the long distances over which these products have had to be carried from the refineries to the war theaters. United States and British controlled tankers have been jointly programmed to maintain the most efficient operation and eliminate cross hauls. The shortage in tankers has made it imperative, in order to maintain the maximum supply of petroleum products going into theaters of operations, that the shortest haul be used wherever possible.

Ever since the beginning of lend-lease, the "short-haul" principle has governed shipments of petroleum products to the Southwest Pacific except where emergency and strategic developments have necessitated departures from that principle. Petroleum products for Eastern Australia and New Zealand have generally been supplied under lend-lease from the west coast of the United States and Talara, Peru, because these were the shortest routes. United Nations naval, air, and ground forces in Western Australia, the Indian Ocean area, and the Eastern Mediterranean have depended upon supplies of petroleum products from the refineries in the Middle East. The only petroleum products customarily shipped to these areas from the United States have been products such as high-grade lubricants, which are not produced in substantial quantities outside of the United States, and aviation gasoline when the output at Abadan was not sufficient to meet all needs.

The allied campaign to liberate French North Africa was supplied with petroleum products primarily from the Western Hemisphere because this was the shortest sea route so long as

the Mediterranean was closed to allied shipping. During the coming year, however, a much larger part of the petroleum products for use in the entire Mediterranean theater will be supplied from British controlled sources.

The war theater to which the greatest quantities of petroleum products are supplied under lend-lease is the United Kingdom, where these products are used in the aerial bombardment of Nazi Europe, for the allied navies and merchant marines, the allied ground forces and other war purposes. Tankers cannot be spared to make the long voyages to the United Kingdom from the Persian Gulf refineries. The sea route from Abadan to the United Kingdom via the Cape of Good Hope is about four times as long as the route from the United States to the United Kingdom, and the route from Abadan via the Mediterranean is about twice as long as the route from the United States.

Most of the petroleum products used by the Soviet forces are from Soviet petroleum sources, but certain vitally needed petroleum products for the Soviet war effort not refined in sufficient quantities in the U. S. S. R. have been supplied from the United States under lend-lease. Under lend-lease several refinery units have been sent to the Soviet Union in order to enable the Soviet Union to increase its production of aviation gasoline and other high-grade petroleum products from her own petroleum resources. The Soviet Union has also received petroleum products from British resources.

### Outlook for the Future

Every effort is being made to increase the crude-oil production, the refining capacity, and the supply of tankers available to the United Nations. The over-all petroleum war needs of the United Nations in 1944 will rise above what they are now as the magnitude of our offensive increases. The increasing numbers of planes, ships, and tanks which we are now producing and putting into action against the enemy require increasing quantities of gasoline, oil, and lubricants.

Additional supplies of petroleum products from other areas will not therefore result in reducing the demands on our own

petroleum resources. All available supplies of petroleum products will be required for a speedy and complete victory of the United Nations over the enemy. In the future, as in the past, the petroleum resources of each of the United Nations will be utilized in its own direct war effort and the combined war effort, in proportion to the maximum ability of each to produce and efficiently deliver the petroleum products needed in the prosecution of the war.

After the war the nations of the world, including the United States, will require petroleum to maintain their industrialized economies. Discoveries of new oil fields will undoubtedly be made to supplement known oil reserves and, as in the past, the steady development of technological improvements in oil production will make it possible to draw on oil reserves which cannot now be tapped. Nevertheless, as in the case of other natural resources, some nations will have insufficient oil reserves to meet their petroleum requirements. Others will have a surplus. Agreed action by the nations of the world, as provided for in the master lend-lease agreements, for the expansion of production, the elimination of discriminatory treatment in commerce, and the reduction of trade barriers, will assure to the United States and other nations fair and equal access to the petroleum produced in all parts of the world.

## Chapter 8

### LEND-LEASE AND FARM MACHINERY

In spite of acute shortages of farm labor and farm machinery, Great Britain, the Soviet Union and our other allies have made intensive efforts to increase their production of food. By doing so they have saved millions of tons of shipping for the transportation of fighting equipment instead of food and they have reduced the need for shipping food from the United States.

This achievement would have been impossible without additional farm machinery. The United States, also, has experienced shortages of farm labor and farm machinery. We have, therefore, been able to ship to our allies under lend-lease less than 3% of the entire United States production of farm machinery between March 11, 1941, and November 1, 1943—not quite 34 million dollars worth in more than two and a half years.\* The War Production Board has allocated for domestic agricultural use more than 90% of our production under the 1943 program and only 3% for lend-lease.

With the help of what we have been able to send them, our allies have achieved great results in spite of many complicating factors which made increases in their farm production doubly difficult.

In England, for instance, many thousands of acres of the most arable and most easily tillable land have been taken over for airfields. Flying Fortresses of the United States Army's Eighth Air Force today take off from the long, level fields which four years ago were among Britain's best farms. New farm acreage therefore had to be reclaimed by the British

\* Excluding crawler-type tractors which are used for military purposes.

from the marshes and hammered out of the rough soil of the hills in the western counties. These marginal lands, however, could not be drained, cleared, and converted to food production without the heavy type of farm power which was available only in America.

The need of our allies for lend-lease farm machinery was further intensified by the demands made upon their existing supply of farm equipment for purely military purposes. Thus, when Australia was seriously threatened by the Japanese early in 1942, thousands of Australian farm tractors were conscripted for the construction of military roads and airfields. Moreover, British and Australian facilities, which once were engaged in manufacturing farm machinery, were converted to ordnance production early in the war. This was done, for example, with one of the two tractor factories in the United Kingdom and with virtually the entire farm machinery industry in Australia.



Chart 7

The dependence of our allies on United States farm machinery production has been virtually complete.

We shipped \$20,642,000 worth of farm machinery under lend-lease to the United Kingdom in the period from March 11, 1941, to October 31, 1943. This was less than two percent of our production. With the help of this machinery the people of the crowded British Isles have brought over eight million new acres of land into farm production. They have increased their home production of food by 70 percent over what it was before the war. Whereas before the war the British imported two pounds of food for every pound they raised at home, now they raise at home two pounds of food for every pound imported. The British have worked the tractors we have sent them probably harder than tractors have ever been worked before. They are passed from farm to farm and in many cases are worked in night shifts as well as by day.

We have shipped not quite \$6,500,000 worth of farm machinery to Australia and New Zealand in the past 31½ months—about one-half of one percent of our production. Today the American troops in Australia and New Zealand are being fed almost entirely by Australia and New Zealand under reverse lend-lease. This would have been virtually impossible if lend-lease farm machinery had not been shipped. For example, in order to meet the needs of both the Australian civilians and the American troops, Australia was compelled to diversify its farming and convert a very considerable acreage from cereal production to the so-called row crops, such as potatoes and leafy vegetables. Cultivation of row crops on a large scale, however, requires a tricycle type, or "row crop," tractor. Since no tractor of that kind had ever been built in Australia, Canada, or England, the United States was the only available source.

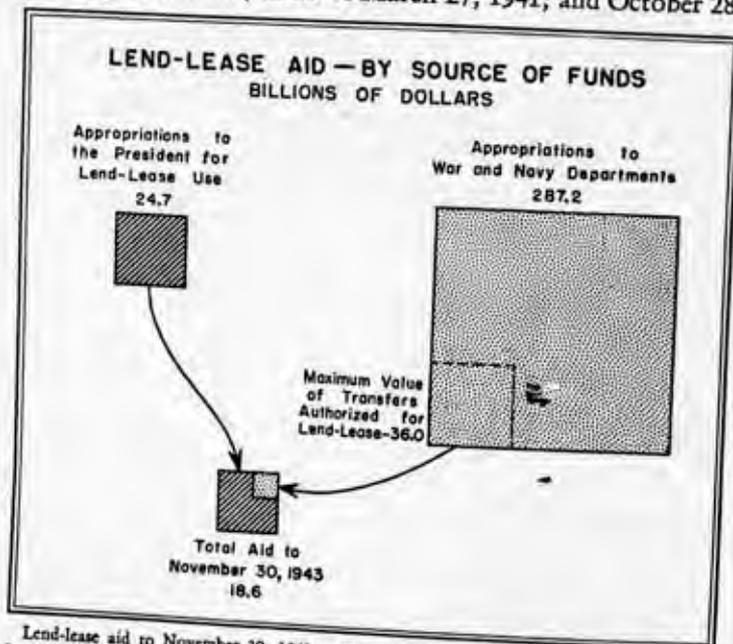
We have shipped almost \$1,250,000 worth of farm machinery to India in order to assist that country to meet the critical food shortages caused by the war.

Smaller amounts of farm machinery have been sent to North Africa, the Middle East, and other areas. North Africa is now producing food not only for its own population, but also for our armed forces and for the liberated people of southern Italy. Hundreds of thousands of tons of shipping space have been saved by the increases in food production that have been achieved by the countries of the Middle East.

## Chapter 9

### LEND-LEASE APPROPRIATIONS AND TRANSFER AUTHORIZATIONS

By four appropriations there has been made available to the President \$24,683,629,000 for lend-lease use. The first two appropriations, those of March 27, 1941, and October 28,



Lend-lease aid to November 30, 1943, amounted to 18.6 billion dollars. Approximately four-fifths of the total came from funds appropriated to the President for lend-lease use and one-fifth from appropriations to the War and Navy Departments. Most of the aid from the War and Navy Departments' appropriations and a substantial part of the aid from the appropriations to the President was in the form of military items, which accounted for 53 percent of total lend-lease aid.

Chart 8

1941, included provision for munitions as well as essential non-military supplies. The two appropriations to the President which were made after the United States entered the war, those of March 5, 1942, and June 14, 1943, provided only for services and supplies other than finished munitions.

Since our entry into the war lend-lease needs for finished munitions have been provided for by authorizations for transfer under lend-lease of articles and services in regular appropriations to the War and Navy Departments. The maximum value of lend-lease transfers of goods and services, other than ships, which have been so authorized amounts to \$35,970,000,000. This figure is an authorization only. It does not represent funds earmarked for lend-lease use. Under this transfer authority about \$4,000,000,000 of transfers have actually been made.

Amounts provided for by the various appropriation acts are shown by Table 9.

The regular Army, Navy, and Maritime appropriation acts which authorize the President to transfer as lend-lease aid articles and services procured from appropriated funds make possible a needed flexibility in the allocation of munitions and ships. The items procured from such funds may be retained for our own forces or they may be transferred to our allies, depending on the most urgent need at the time the munitions and ships become available. The assignments are recommended by the military experts serving on the Munitions Assignment Board, and by the Combined Shipping Adjustment Board, not by those officials who administer the general lend-lease program.

In order to avoid duplication and to make possible a unified purchasing program for all war needs, all purchasing of lend-lease goods and services has been handled by the regular Government procuring agencies: military items by the War and Navy Departments, shipping and shipping services by the Maritime Commission and War Shipping Administration, foodstuffs and other agricultural products by the War Food Administration, and other items by the Treasury Department Procurement Division. The funds appropriated by Congress to the President for direct lend-lease use are allocated to the

various procuring agencies, which let the necessary contracts for the procurement of the goods and services, and expend the funds as procurement is completed. An accounting of the allocation and obligation of funds appropriated to the President is shown in Table 10, by category and agency.

Allocations of lend-lease funds appropriated to the President to November 30, 1943, amounted to \$20,817,835,000, leaving a balance of \$3,865,794,000 still to be allocated and committed until July 1, 1944. Obligations by procuring agencies, representing primarily contracts awarded, totaled \$17,376,653,000.

### AMOUNTS OF LEND-LEASE AID AUTHORIZED

The amount of lend-lease aid that may be provided under the various acts is summarized as follows:

#### Lend-Lease Appropriations to the President

First Lend-Lease Appropriation.....	\$7,000,000,000
Second Lend-Lease Appropriation.....	5,985,000,000
Third Lend-Lease Appropriation (Fifth Supp. 1942).....	5,425,000,000
Fourth Lend-Lease Appropriation.....	6,273,629,000
<b>Total.....</b>	<b>24,683,629,000</b>

#### Transfers Authorized From Other Appropriations

War Department—Third Supplemental, 1942.....	\$2,000,000,000
War Department—Fourth Supplemental, 1942.....	4,000,000,000
War Department—Fifth Supplemental, 1942.....	11,250,000,000
War Department—Sixth Supplemental, 1942.....	2,220,000,000
War Department—Military Appropriation Act, 1943....	12,700,000,000
Navy Department—Second Supplemental, 1943.....	3,000,000,000
Departments other than War—Third Supplemental, 1942....	800,000,000
<b>Total.....</b>	<b>35,970,000,000</b>

*NOTE.*—In addition to the foregoing, Congress has with certain limitations authorized the leasing of ships of the Navy and merchant ships constructed with funds appropriated to the Maritime Commission without any numerical limitation as to the dollar value or the number of such ships which may be so leased. (See for example, Public Law 1, 78th Congress, approved February 19, 1943, and Public Law 11, 78th Congress, approved March 18, 1943.)

Table 9

Throughout this report, data on lend-lease aid and exports include items from funds appropriated to the President as well as from funds appropriated to the War and Navy Departments and Maritime Commission.

### ALLOCATIONS AND OBLIGATIONS

Lend-Lease Funds Appropriated to the President  
March 1941 Through November 30, 1943

Thousands of Dollars

Appropriation Category	Allocations	Obligations
Ordnance and Ordnance Stores.....	1,684,912	1,497,751
Aircraft and Aeronautical Material....	2,676,283	2,494,249
Tanks and Other Vehicles.....	692,721	627,130
Watercraft.....	2,777,143	2,245,719
Miscellaneous Military Equipment.....	354,047	302,903
Production Facilities.....	1,102,488	1,056,404
Agricultural and Industrial Commodities..	10,417,606	8,307,086
Servicing, Repair of Ships, etc.....	674,112	512,421
Services and Expenses.....	411,583	309,157
Administrative Expenses.....	26,940	23,833
<b>Total.....</b>	<b>20,817,835</b>	<b>17,376,653</b>

Procuring Agency	Allocations	Obligations
War Department.....	5,748,395	5,259,809
Navy Department.....	3,248,828	2,586,427
Maritime Commission and War Shipping Administration.....	2,710,014	2,087,330
Treasury Department.....	3,900,160	3,046,149
Department of Agriculture.....	5,188,086	4,378,022
Other.....	22,352	18,916
<b>Total.....</b>	<b>20,817,835</b>	<b>17,376,653</b>

Table 10

Chapter 10  
 STATISTICAL TABLES  
 STATUS OF NATIONS  
 Lend-Lease Countries and United Nations

Country	Declared Eligible for Lend-Lease Aid	Lend-Lease Agreement Signed	Reciprocal Lend-Lease Agreement Signed	United Nations Declaration Signed
Argentina.....	May 6, 1941			
Australia.....	Nov.11, 1941	Feb. 23, 1942	Sept. 3, 1942	Jan. 1, 1942
Belgium.....	June 13, 1941	June 16, 1942	Jan. 30, 1943	Jan. 1, 1942
Bolivia.....	May 6, 1941	Dec. 6, 1941		Apr.27, 1943
Brazil.....	May 6, 1941	Mar. 3, 1942		Feb. 6, 1943
Canada.....	Nov.11, 1941			Jan. 1 1942
Chile.....	May 6, 1941	Mar. 2, 1943		
China.....	May 6, 1941	June 2, 1942		Jan. 1, 1942
Colombia.....	May 6, 1941	Mar.17, 1942		
Costa Rica.....	May 6, 1941	Jan. 16, 1942		Jan. 1, 1942
Cuba.....	May 6, 1941	Nov. 7, 1941		Jan. 1, 1942
Czechoslovakia.....	Jan. 5, 1942	July 11, 1942		Jan. 1, 1942
Dominican Rep.....	May 6, 1941	Aug. 2, 1941		Jan. 1, 1942
Ecuador.....	May 6, 1941	Apr. 6, 1942		Jan. 1, 1942
Egypt.....	Nov.11, 1941			
El Salvador.....	May 6, 1941	Feb. 2, 1942		Jan. 1, 1942
Ethiopia.....	Dec. 7, 1942	Aug. 9, 1943		Oct. 9, 1942
Fighting France.....	Nov.11, 1941		Sept. 3, 1942	
French North & West Africa.....	Nov.13, 1942		Sept.25, 1943	
Greece.....	Mar.11, 1941	July 10, 1942		Jan. 1, 1942
Guatemala.....	May 6, 1941	Nov.16, 1942		Jan. 1, 1942
Haiti.....	May 6, 1941	Sept.16, 1941		Jan. 1, 1942
Honduras.....	May 6, 1941	Feb. 28, 1942		Jan. 1, 1942
Iceland.....	July 1, 1941	Nov.21, 1941		
India.....	Nov.11, 1941			Jan. 1, 1942
Iran.....	Mar.10, 1942			Sept. 9, 1943
Iraq.....	May 1, 1942			Jan. 16, 1943
Liberia.....	Mar.10, 1942	June 8, 1943		
Luxembourg.....				Jan. 1, 1942
Mexico.....	May 6, 1941	Mar.18, 1943		June 5, 1942

Lend-Lease Countries and United Nations—Continued

Country	Declared Eligible for Lend-Lease Aid	Lend-Lease Agreement Signed	Reciprocal Lend-Lease Agreement Signed	United Nations Declaration Signed
Netherlands....	Aug.21, 1941	July 8, 1942	June 14, 1943	Jan. 1, 1942
New Zealand..	Nov.11, 1941	Feb. 23, 1942	Sept. 3, 1942	Jan. 1, 1942
Nicaragua.....	May 6, 1941	Oct. 16, 1941		Jan. 1, 1942
Norway.....	June 4, 1941	July 11, 1942		Jan. 1, 1942
Panama.....	May 6, 1941			Jan. 1, 1942
Paraguay.....	May 6, 1941	Sept.20, 1941		
Peru.....	May 6, 1941	Mar.11, 1942		
Philippines.....				June10, 1942
Poland.....	Aug.28, 1941	July 1, 1942		Jan. 1, 1942
Saudi Arabia...	Feb. 18, 1943			
South Africa...	Nov.11, 1941			Jan. 1, 1942
Turkey.....	Nov. 7, 1941			
United Kingdom.....	Mar.11, 1941	Feb. 23, 1942	Sept. 3, 1942	Jan. 1, 1942
United States...				Jan. 1, 1942
U. S. S. R.....	Nov. 7, 1941	June 11, 1942		Jan. 1, 1942
Uruguay.....	May 6, 1941	Jan. 13, 1942		
Venezuela.....	May 6, 1941	Mar.18, 1942		
Yugoslavia....	Nov.11, 1941	July 24, 1942		Jan. 1, 1942

Table 11

**LEND-LEASE EXPORTS**  
 March 1941 through October 31, 1943  
 Millions of Dollars

	United Kingdom	U. S. S. R.	Africa, Middle East, and Mediterranean Area	China, India, Australia and New Zealand	Other Countries	Total
<b>MUNITIONS</b>						
Ordnance.....	256	171	219	138	55	839
Ammunition.....	515	336	293	187	57	1,388
Aircraft and Parts.....	761	720	357	305	249	2,392
Tanks and Parts.....	490	216	407	145	33	1,291
Motor Vehicles and Parts.....	213	461	298	236	46	1,254
Watercraft.....	156	87	30	24	19	316
<b>Total.....</b>	<b>2,391</b>	<b>1,991</b>	<b>1,604</b>	<b>1,035</b>	<b>459</b>	<b>7,480</b>
<b>INDUSTRIAL ITEMS</b>						
Machinery.....	345	354	98	133	22	952
Metals.....	502	376	123	164	18	1,183
Petroleum Products.....	423	27	61	97	...	608
Other.....	285	208	150	111	29	783
<b>Total.....</b>	<b>1,555</b>	<b>965</b>	<b>432</b>	<b>505</b>	<b>69</b>	<b>3,526</b>
<b>AGRICULTURAL PRODUCTS</b>						
Foods.....	1,592	532	126	36	12	2,298
Other Agricultural Products.....	442	62	6	27	3	540
<b>Total.....</b>	<b>2,034</b>	<b>594</b>	<b>132</b>	<b>63</b>	<b>15</b>	<b>2,838</b>
<b>TOTAL EXPORTS.....</b>	<b>5,980</b>	<b>3,550</b>	<b>2,168</b>	<b>1,603</b>	<b>543</b>	<b>13,844</b>

The above figures and those in other export tables do not include (1) articles transferred to foreign countries but used in the United States, such as trainer planes for the instruction of United Nations pilots; (2) some ships which leave the United States under their own power; (3) some goods consigned to United States commanding generals for subsequent transfer to lend-lease countries; (4) materials which have been transferred but not yet exported; (5) goods purchased outside the United States and sent directly to lend-lease countries; and (6) some other items of relatively small amount.

Table 12

**LEND-LEASE EXPORTS—MONTHLY**  
 Millions of Dollars

	United Kingdom	U. S. S. R.	Africa, Middle East and Mediterranean Area	China, India, Australia and New Zealand	Other Countries	Total
<b>Mar. 1941.....</b>					1	1
Apr.....	1				4	5
May.....	9		5	1	1	16
Jun.....	26		6	1	2	35
Jul.....	49		19	1	3	72
Aug.....	46		14	5	2	67
Sep.....	74		7	2	3	86
Oct.....	142		12	12	1	167
Nov.....	107		10	18	2	137
Dec.....	119	1	23	12	...	155
<b>Jan. 1942.....</b>	<b>105</b>	<b>15</b>	<b>24</b>	<b>18</b>	<b>13</b>	<b>175</b>
Feb.....	79	55	26	22	12	194
Mar.....	149	97	25	47	11	329
Apr.....	144	164	45	55	17	425
May.....	144	70	37	47	8	306
Jun.....	210	110	35	36	14	405
Jul.....	175	103	66	59	21	424
Aug.....	152	150	58	56	18	434
Sept.....	214	102	71	67	18	472
Oct.....	222	128	98	82	32	562
Nov.....	204	191	95	55	16	561
Dec.....	207	167	112	97	25	608
<b>Jan. 1943.....</b>	<b>178</b>	<b>167</b>	<b>94</b>	<b>74</b>	<b>22</b>	<b>535</b>
Feb.....	222	186	46	49	26	529
Mar.....	309	211	132	67	58	777
Apr.....	353	210	116	67	29	775
May.....	400	177	151	83	37	848
Jun.....	425	139	100	101	26	791
Jul.....	392	230	221	147	31	1,021
Aug.....	370	313	165	113	28	989
Sep.....	397	301	190	81	32	1,001
Oct.....	356	263	165	128	30	942
<b>TOTAL EXPORTS.....</b>	<b>5,980</b>	<b>3,550</b>	<b>2,168</b>	<b>1,603</b>	<b>543</b>	<b>13,844</b>

Table 13

LEND LEASE FOOD EXPORTS IN RELATION TO  
SUPPLY AND TO U. S. CIVILIAN POPULATION

	Exports Jan.-Oct. 1943 (Million Lbs.)	Exports in Percent. of Supply		Exports in Ounces Per Week per United States Civilian ..	
		Year 1942	Jan.- Oct. 1943 <sup>1</sup>	Year 1942	Jan.- Oct. 1943
All Meats (dressed wt. basis) <sup>2</sup> . . .	1,902.9	6.1	9.5	3.3	5.6
Beef and Veal (dr. wt. basis) <sup>2</sup> . . .	100.7	0.3	1.2	0.1	0.3
Lamb and Mutton (dr. wt. basis) <sup>2</sup> . . . . .	96.7	0.4	11.7	0.01	0.3
Pork (dr. wt. basis) <sup>2</sup> . . . . .	1,705.5	11.9	15.6	3.3	5.0
All Milk Products (fluid milk equiv) <sup>2</sup> . . . . .	3,372.6	3.6	3.3	11.0	9.9
Dry Whole Milk . . . . .	14.5	6.6	13.1	0.01	0.04
Dry Skim Milk . . . . .	181.2	23.0	33.8	0.3	0.5
Condensed and Evap. Milk . . . . .	469.1	9.7	13.6	1.0	1.4
Butter . . . . .	50.1	0.8	2.7	0.05	0.14
Cheese . . . . .	117.6	23.6	12.7	0.7	0.3
Eggs, Dried (shell egg equiv.) <sup>2</sup> . . . . .	757.8	9.5	11.6	1.6	2.2
Edible Fats and Oils . . . . .	909.6	11.0	15.5	1.8	2.6
Canned Fish . . . . .	197.3	17.6	23.4	0.4	0.6
Fruits:					
Canned Fruits and Juices <sup>2</sup> . . . . .	337.1	4.1	9.0	0.5	0.9
Dried Fruits . . . . .	231.0	15.9	21.1	0.5	0.7
Vegetables:					
Canned Vegetables . . . . .	70.1	0.9	1.1	0.2	0.2
Dried Beans . . . . .	242.4	4.1	10.0	0.3	0.7
Dried Peas . . . . .	108.0	7.5	16.4	0.1	0.3
Corn and Corn Products (grain equivalent) <sup>2</sup> . . . . .	322.6	0.2	0.1	1.4	1.0
Wheat and Wheat Products (grain equivalent) <sup>2</sup> . . . . .	1,053.4	0.4	1.1	1.2	3.1

<sup>1</sup> Assumes the supply for the first 10 months of 1943 as ten-twelfths the total estimated supply for the entire year.

<sup>2</sup> Not the weight of the finished products as processed and delivered for export. The weight of all lend-lease foods as delivered for export from Jan. 1, 1943, to Oct. 31, 1943 (not including non-food agricultural products) was reported by the Department of Agriculture as 8,688.4 million pounds.

Table 14

APPENDICES

Appendix I  
LEND-LEASE ACT

Further to promote the defense of the United States, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "An Act to Promote the Defense of the United States."*

Section 2.

As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

Section 3.

(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

- (1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government

of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government, any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency, or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of conveying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

#### Section 4.

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

#### Section 5.

(a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President, from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

#### Section 6.

(a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

#### Section 7.

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owner and holders of such patents.

### Section 8.

The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

### Section 9.

The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

### Section 10.

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces or the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

### Section 11.

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

APPROVED, MARCH 11, 1941.

☆ ☆ ☆

On March 11, 1943, after affirmative votes of 407-6 in the House of Representatives and 82-0 in the Senate, the President signed the Act extending the Lend-Lease Act for 1 year.

## Appendix II

### BRITISH MASTER AGREEMENT

Agreement Between the Governments of the United States of America and of the United Kingdom on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, Authorized and Provided for by the Act of March 11, 1941.

Whereas the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of the United Kingdom against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the United Kingdom aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the United Kingdom receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom and will promote the establishment and maintenance of world peace;

And whereas the Governments of the United States of America and the United Kingdom are mutually desirous of concluding now a preliminary agreement in regard to the provision of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the United Kingdom have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

### Article I

The Governments of the United States of America will continue to supply the Government of the United Kingdom with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

### Article II

The Government of the United Kingdom will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities of information as it may be in a position to supply.

### Article III

The Government of the United Kingdom will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act or permit the use thereof by anyone not an officer, employee, or agent of the Government of the United Kingdom.

### Article IV

If, as a result of the transfer to the Government of the United Kingdom of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the United Kingdom will take such action or make such payment when requested to do so by the President of the United States of America.

### Article V

The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

### Article VI

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

### Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for

aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

### Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this 23d day of February, 1942.

For the Government of the United States of America:

[SEAL]

SUMNER WELLS,  
Acting Secretary of State of the  
United States of America.

For the Government of the United Kingdom  
of Great Britain and Northern Ireland:

[SEAL]

HALIFAX  
His Majesty's Ambassador Extraordinary  
and Plenipotentiary at Washington.

## Appendix III

### MODUS VIVENDI ON RECIPROCAL AID IN FRENCH NORTH AND WEST AFRICA

The Government of the United States and the French Committee of National Liberation desirous of lending each other the reciprocal aid necessary to the prosecution of the joint war effort are agreed upon the following provisional Modus Vivendi which will, following signature, be applicable in French North and West Africa:

I. With reference to supplies and services urgently needed to maintain the French war effort, which the United States has furnished to the French authorities and will continue to furnish, within limitations of need and supply, it is understood that:

(a) Military aid, including supplies for railroads, docks, public utilities and other facilities to the extent that such supplies are determined to be military aid is made available on a straight Lend-Lease basis, in the light of the considerations set forth in Paragraph V. Such aid does not include the pay and allowances of French forces. The United States reserves the right to require the return of any articles furnished under this paragraph and not lost, destroyed or consumed,

(i) if at any time it is decided that such restitution would be an advantage in the conduct of the war, or

(ii) if at the end of the present emergency as determined by the President of the United States, the President shall determine that such articles are useful in the defense of the United States or of the Western Hemisphere, or to be otherwise of use to the United States.

(b) For all civilian supplies imported from the United States, the French authorities will pay upon the basis of prices to be agreed. Payment will be made, currently at convenient intervals, in dollars, to an appropriately designated account in the United States.

(c) The distinction between civilian and military aid, supplies and services, where such distinction may be necessary, will be made by agreement.

(d) All aid furnished under Paragraph I (a) and I (b) will be made available by the United States under the authority and subject to the terms and conditions provided for in the Act of Congress of 11 March, 1941, as amended (P. L. 11, 77th Congress, 1st Session).

II. With reference to supplies and services urgently needed to maintain the United States war effort, which the French authorities have furnished

to the United States and will continue to furnish, within limitations of need and supply, it is understood that:

(a) The French authorities undertake to make available to or for the use of the armed forces and other governmental agencies of the United States, as reverse Lend-Lease aid to the United States, on a straight Lend-Lease basis, when it is found that such aid can most effectively be procured in territory under their control,

(i) military equipment, munitions, and military and naval stores;

(ii) other supplies, materials, facilities and services for United States forces, including the use of railway and port facilities, but not including the pay and allowances of such forces nor the administrative expenses of American missions;

(iii) supplies, materials, facilities and services, except for the wages and salaries of United States citizens, needed in the construction of military projects, tasks and similar capital works required in the common war effort, to the extent that French North or West Africa is the most practicable source of such supplies, materials, facilities or services;

(iv) such other supplies, materials, services or facilities as may be agreed upon as necessary in the prosecution of the war, but not including exports of civilian supplies to the United States from North and West Africa.

While the French authorities retain, of course, the right of final decision, subject to the obligations and arrangements they have entered into for the prosecution of the war, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

(b) All civilian supplies exported from French North and West Africa to the United States will be paid for on the basis of prices to be agreed. Payment will be made currently, at convenient intervals, in dollars, to an appropriate designated account in the United States.

(c) The distinction between civilian and military aid, supplies and services, where such distinction may be necessary, will be made by agreement.

(d) In order to obtain the supplies and services included within the scope of Paragraph II (a), duly authorized United States officers or other officials will submit their requests to the official services duly designated by the French authorities. These services will be established in Algiers, Casablanca, Oran, Tunis, Dakar, and other places where it may be found practicable and convenient to establish organizations for facilitating the transfer of reciprocal aid.

(e) For use in those exceptional cases, and particularly in cases of local procurement of supplies, in which it is agreed to be more practicable to secure such reverse Lend-Lease supplies, facilities and services by direct purchase, rather than by the method of procurement set forth in Paragraph II (b), it is agreed that the French authorities establish a franc account in convenient banking institutions and in the name of a designated officer of the United States to facilitate the provision of reverse Lend-Lease aid as con-

templated by Paragraph II (a). The French contributions to this account will be mutually agreed upon from time to time in the light of the changing needs of the American forces, and other appropriate factors. Such an account will not be used for the payment of wages and salaries of American military or civilian personnel, nor for administrative expenses of American missions. Estimates of the franc requirements of the United States will be submitted to designated French authorities from time to time, as may be found convenient. The French authorities will be kept fully and currently informed of all transactions in this account.

III. In exceptional cases, and when they deem it preferable, the American military forces, or other agencies of the United States Government, may continue to use their present practice of acquiring francs against dollars from the French authorities.

IV. Adequate statistical records will be kept of all goods and services exchanged as mutual aid under paragraphs I and II above.

V. The provisions of this *modus vivendi* correspond to a desire to reduce to an appropriate minimum the need of either party for currency of the other party. Provisions which call for payments in dollars have been decided upon in view of the special situation arising from accumulated dollar balances and availabilities of dollar funds due to the presence of United States troops in French North and West Africa. Revision of the payment provisions of this *modus vivendi* will be made should the situation require.

Signed at Algiers this 25th day of September, A. D. 1943.

For the Government of the United States of America:

/s/ ROBERT MURPHY

For the French Committee of National Liberation:

/s/ MASSIOLI

/s/ JEAN MONNET

## Appendix IV

### EXECUTIVE ORDER ESTABLISHING FOREIGN ECONOMIC ADMINISTRATION

By virtue of the authority vested in me by the Constitution and the statutes of the United States, as President of the United States and Commander in Chief of the Army and Navy, and in order to unify and consolidate governmental activities relating to foreign economic affairs, it is hereby ordered as follows:

1. There is established in the Office for Emergency Management of the Executive Office of the President the Foreign Economic Administration (hereinafter referred to as the Administration), at the head of which shall be an Administrator.

2. The Office of Lend-Lease Administration, the Office of Foreign Relief and Rehabilitation Operations, the Office of Economic Warfare (together with the corporations, agencies, and functions transferred thereto by Executive Order No. 9361 of July 15, 1943), the Office of Foreign Economic Coordination (except such functions and personnel thereof as the Director of the Budget shall determine are not concerned with foreign economic operations) and their respective functions, powers, and duties are transferred to and consolidated in the Administration.

3. The Administrator may establish such offices, bureaus, or divisions in the Administration as may be necessary to carry out the provisions of this order, and may assign to them such of the functions and duties of the offices, agencies and corporations consolidated by this order as he may deem desirable in the interest of efficient administration.

4. The powers and functions of the Administration shall be exercised in conformity with the foreign policy of the United States as defined by the Secretary of State. As soon as military operations permit, the Administration shall assume responsibility for and control of all activities of the United States Government in liberated areas with respect to supplying the requirements of and procuring materials in such areas.

5. All the personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), contracts, assets, liabilities, and capital stock (including shares of stock) of the offices, agencies, and corporations consolidated by paragraph 2 of this order are transferred to the Administration for use in connection with the exercise and performance of its functions, powers, and duties. In the case of capital stock (including shares of stock), the transfer shall be to such agency, corporation, office, officer, or person as the Administrator shall designate. The Administrator is authorized to employ such personnel as may be necessary in the performance of the functions of the Administration and in order to carry out the purposes of this order.

6. No part of any funds appropriated or made available under Public Law 139, approved July 12, 1943, shall hereafter be used directly or indirectly by the Administrator for the procurement of services, supplies, or equipment outside the United States except for the purpose of executing general economic programs or policies formally approved by a majority of the War Mobilization Committee in writing filed with the Secretary of State prior to any such expenditure.

7. All prior Executive Orders insofar as they are in conflict herewith are amended accordingly. This order shall take effect upon the taking of office by the Administrator, except that the agencies and offices consolidated by paragraph 2 hereof shall continue to exercise their respective functions pending any contrary determination by the Administrator.

THE WHITE HOUSE,  
September 25, 1943.

FRANKLIN D. ROOSEVELT.

## Appendix V EXECUTIVE ORDER ESTABLISHING OFFICE OF LEND-LEASE ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the Act of March 11, 1941, entitled "An Act further to promote the defense of the United States and for other purposes" (hereafter referred to as the Act), and by the Defense Aid Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on May 27, 1941, and in order to provide for the more effective administration of those Acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to Section 9 of the Act, to exercise any power or authority conferred upon the President by the Act and by the Defense Aid Supplemental Appropriation Act, 1941 and any acts amendatory or supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: *Provided*, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. In so far as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.

THE WHITE HOUSE,  
October 28, 1941.

FRANKLIN D. ROOSEVELT

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Statements Nos. 117 and 118 -- Air-  
craft Despatched -- for the weeks ended December  
21st and December 28th respectively.

The Honourable Henry Morgenthau, Jr.  
Secretary of the Treasury  
WASHINGTON, D. C.

January 5, 1943.

Aircraft Despatched from the United States  
Week Ended December 21st, 1943.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>BEECH</u>					
Beech C-45B Beechcraft	Canada M.E.	Canada Suez		1	9
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		2	
Liberator B VI	India	India		5	
Liberator GR VI	U.K.	U.K.		1	
Liberator GR VI	India	India		5	
Liberator GR VI	W.Africa	W.Africa		2	
<u>DOUGLAS</u>					
Dakota III (a)	U.K.	U.K.		9	
Dakota III	M.E.	M.E.		12	
Dakota III	S. Africa	S. Africa		2	
Dakota III	Canada	Canada			1
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		14	
<u>NORTH AMERICAN</u>					
Mitchell II -	U.K.	U.K.		6	
Mitchell II	Bahamas	Nassau		2	
Harvard	S. Rhodesia	Capetown	6		
Mustang	U.K.	U.K.	3		
<u>VEGA</u>					
Ventura	Canada	Canada			2
Ventura GR V	U.K.	U.K.		3	
Ventura GR V	S. Africa	S. Africa		1	
Ventura GR V	M.E.	M.E.		4	
<u>CURTISS</u>					
Kittyhawk	N.W. Africa	Casablanca		45	
<u>GRUMMAN</u>					
Tarpon	U.K.	U.K.		1	
Tarpon	S.Africa	Capetown		4	
Tarpon	India	Mombasa		4	
Martlet	U.K.	U.K.		2	
Martlet	S. Africa	Capetown		8	
Hellcat	U.K.	U.K.		1	
<u>STINSON</u>					
Reliant	U.K.	U.K.		1	
<u>NOorduyn</u>					
Harvard	U.K.	U.K.		8	
Total:			84	68	12

(a) Please note that Dakota III destination S.Africa reported in Statement No.116 has been changed to U.K.

Movements Division  
British Air Commission

December 28, 1943.

msh

Aircraft despatched from the United States  
Week Ended December 28th, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>BOEING</u> Catalina	U.K.	U.K.		5	
<u>CONSOLIDATED</u> Liberator B-VI Liberator B-VI Liberator GR-VI	M.E. India India	M.E. India India		4 2 2	
<u>DOUGLAS</u> Dakota III Dakota III Dakota III Dakota III	U.K. M.E. S. Africa Canada	U.K. M.E. S. Africa Canada		9 3 2	6
<u>FAIRCHILD</u> Cornell I Argus Argus	Canada N.W. Africa India	Canada Algiers Karachi	5 13		21
<u>BEECH</u> Beech C-45B	Canada	Canada			10
<u>GLENN MARTIN</u> Baltimore V	M.E.	M.E.		6	
<u>GENERAL MOTORS</u> Tarpon	U.K.	U.K.	3		
<u>NORTH AMERICAN</u> Mitchell II Mustang	U.K. U.K.	U.K. U.K.	13	9	
<u>GRUMMAN</u> Tarpon Martlet	U.K. U.K.	U.K. U.K.	8 3		
<u>WILSON</u> Reliant Reliant	U.K. Ceylon	U.K. Colombo	5 8		
<u>VEEG</u> Ventura GR V	M.E.	M.E.		10	
<u>NOORDUYN</u> Harvard Harvard No. 5men	India U.K. Australia	Karachi U.K. Sydney	2 2 6		
<u>VULTEE</u> Vengeance	India	Karachi	13		
<u>CURTISS</u> Kittyhawk	New Zealand	Auckland	31		
Movements Division British Air Commission			TOTAL: 112	52	37

January 3, 1944.

mmh

OFFICE  
SECRETARY OF TREASURY

1944 JAN 5 PM 1 55

TREASURY DEPARTMENT

NOT TO BE RE-TRANSMITTEDU.S. SECRET  
BRITISH MOST SECRETCOPY NO 12OPTEL No. 6

Information received up to 10 A.M. 5th January, 1944.

1. NAVAL

A U.S. Destroyer sank the German blockade-runner WESERLAND, 6,500 tons, bound for GERMANY from JAPAN, 500 miles southwest of ASCENSION ISLAND on 3rd. 134 survivors including ten officers were picked up.

2. MILITARY

Italy To noon 4th. Eighth Army. Indian troops made further progress during the night against considerable enemy machine-gun fire.

3. AIR OPERATIONS

Western Front 4th. 446 escorted Fortresses and Liberators bombed KIEL dropping 829 tons. 67 escorted Fortresses dropped 172 tons on MUNSTER. In both cases results believed good in spite of cloud. Enemy casualties reported 17.13.10, Ours 18 Bombers, 3 Fighters missing. 548 escorted medium, light and Fighter bombers attacked Military constructions in Northeast FRANCE, and CHERBOURG PENINSULA. Results vary from poor to good. 4 aircraft missing.

4th/5th. Aircraft despatched:- Special objectives North-west FRANCE, BERLIN, KREFELD and COLOGNE, total 21 Mosquitoes, Sea-mining 44, Leaflets 6, Intruders 18. 16 enemy aircraft operated over Southeast ENGLAND, four reaching LONDON area: Night fighters destroyed two and damaged 1. Some bombs fell in outer suburbs SOUTH LONDON and in KENT, SUSSEX, and DEREY, 5 fatal casualties reported.

Italy 3rd. Total of 103 escorted Fortresses attacked the railway centre at TURIN and the ball-bearing works at VILLAPEROSA where excellent results are reported. 1 Fortress and 9 Fighters missing.

Yugoslavia 3rd. Total of 72 medium and light bombers attacked docks and railway centre at SPLIT and other objectives at PRLJEDOR, SIBENIK and KORCULA ISLAND.

January 6, 1944  
9:47 a.m.

HMJr: Hello.

John  
Pehle: Hello.

HMJr: Pehle?

P: Yes, sir.

HMJr: What are these cables that you sent over to go to Bern?

P: That, apparently, is the means now being used to communicate with the State Department man in the Vatican.

HMJr: I see.

P: And....

HMJr: Is this something new again?

P: Yes, it is.

HMJr: Gee, I want to read the thing. Could you get over here at 10:15 and explain it to me?

P: Yes, I can and I can also tell you then what happened last night on this other matter.

HMJr: Yes.

P: There's a memorandum on it's way to you.

HMJr: Yes.

P: 10:15?

HMJr: Yes. Come here at 10:15.

P: I'll be there.

HMJr: Thank you.

P: All right.

January 6, 1944  
9:45 a.m.

## GROUP

Present: Mr. Bell  
Mr. Thompson  
Mr. White  
Mr. Blough  
Mr. Haas  
Mr. Smith  
Mr. Paul  
Mr. O'Connell  
Mr. Gaston  
Mr. Sullivan

H.M.JR: Herbert, do you have anything?

MR. GASTON: No, I believe not.

MR. SULLIVAN: Sylvia Porter is going to attend your press conference this morning.

H.M.JR: We will have Bell here.

MR. BELL: I have already seen her. You don't need to bother.

H.M.JR: My God! You have already seen her?

MR. BELL: She is going to start a bond letter, or she is going to run Ted Goldsmith out of business.

MR. WHITE: I talked to her for a half hour, too.

H.M.JR: Today?

MR. WHITE: No.

MR. BELL: Somewhat like the Kiplinger letter.

- 2 -

MR. GASTON: You notice Ted is starting an additional letter - foreign letter.

I suppose they will be asking something about this Knutson proposal at the conference this morning.

H.M. JR: That is one of the principal reasons I wondered what success you had met with yesterday.

MR. PAUL: None, yesterday. I can tell you what I did. I couldn't get a number of people because they weren't in town. I did get Jere Cooper - he hadn't even seen the story. He just got in on the train. He said he would make some inquiries and see what he could find out, but not to expect anything for a day or so, because he would have to move awfully slowly.

I thought one of the best ways to find out something would be to have Hannegan - would be to see what Hannegan could discover. We had a long conference about it. He went up immediately to see Cochran of Missouri, a good friend of his, and he is going to have Cochran do the inquiring. That is pretty good - completely screened inquiry, you see.

They will tell Hannegan more, because they will kind of hope that maybe he will be in sympathy with them.

He was seeing some Representative last night, he didn't say who - he told me over the telephone. He was out last night with him and I haven't talked with him this morning.

I have also talked with some other people.

H.M. JR: I am glad he is doing it, but I don't think it will fool anybody. Cochran is his Congressman.

MR. THOMPSON: No, Cochran is Chairman of the Committee on Expenditures in the Executive Departments.

H.M. JR: Also his Congressman.

- 3 -

MR. PAUL: I think he also made some inquiries through Clark. I know if I go up to make the inquiries, except for certain people, they will freeze up. Jere Cooper didn't think there was much to it. He just said Knutson - his offhand impression was that Knutson hadn't been in the papers for a few days and thought he better get there.

H.M.JR: Will you keep me posted?

MR. PAUL: I will through the day. I leave at six tonight, so you better indicate whom you want to continue the investigation from where I leave off.

H.M.JR: Let Joe.

MR. O'CONNELL: All right.

H.M.JR: You work with Hannegan.

MR. O'CONNELL: Sure.

MR. PAUL: Stanley has been doing some inquiring, too, through Grier, who used to be Clerk of the Committee and is now in the Navy. Grier said there was just some little talk about it, but nothing serious, he thought, ~~was~~ to the time he left. Stanley has been trying to get Rapp, the Minority Clerk, but he hasn't been able to yet.

MR. BLOUGH: Surrey also reports that the Wall Street Journal man, George Bryant, told him he thought this was not anything that had been cooked up, that this was something Knutson had just sprung, but that there was some sentiment in the Committee for it, and it might grow, depending on developments - on what happened.

H.M.JR: One way of handling the thing - just no comment. Simply say that this is just politics, after all. This is 1944.

- 4 -

MR. O'CONNELL: I have a suggestion. It is a fact that there is certainly nothing new about this. It comes up almost every year in one form or another, where you get some one making the same type of suggestion. It is something like the provision that was put into the 1942 Revenue Act, permitting the committees to go directly to the Chief Counsel of the Bureau and Commissioner of Internal Revenue, and not go through the Treasury.

MR. WHITE: There must be something like, well, scores of billions of dollars that they will have control of. That is putting it a little high, but very large amounts with regard to refunds of one character or another in which the flexibility of Internal Revenue decisions can make a difference of many hundreds of millions of dollars in the post-war period.

I think, under those circumstances, it is important to some of those people to put the Board in a position where they might be more subservient to influence.

MR. GASTON: I doubt if you want to go into any detailed argument on the thing; I would treat it rather mildly. Of course, members of Congress are entitled to talk about and propose any reorganization that they want, but you think it is illogical - you don't think it would be a wise thing to do.

MR. SMITH: I think that you ought to tell the people, off the record, that you aren't going to say anything about it at this particular point, and you don't even want a "no comment" quote; but if it wasn't just Knutson trying to get his name in the paper, you would have something to say about it later. There is not a word about it in the paper this morning. No point in raking it up again if it is going to die.

MR. GASTON: That is the point. Developing any heated controversy on the thing would be bad; coming out with any strong statement would be bad. Just keeps the thing alive.

- 5 -

Nobody is paying any attention to it.

MR. BLOUGH: I would certainly agree with that. But I doubt if it would be well to tell them off the record that you just think it is Knutson trying to get his name in the paper. They run back to Knutson.

MR. GASTON: I doubt the off-the-record stuff.

MR. SMITH: I was trying to avoid having them say, "Secretary Morgenthau made no comment on the Knutson charge," which immediately is translated into the fact that he is caught short on this business of using the income tax.

MR. SULLIVAN: He didn't interpret it to mean that they would, but that they might.

MR. SMITH: That isn't the way the Republicans interpret it. That has been an old Republican charge for as long as I can remember.

MR. SULLIVAN: This is the first time I have heard it.

MR. SMITH: You have been travelling in the wrong circles.

MR. GASTON: It is a true bill as far as the prior Administration is concerned.

MR. SULLIVAN: He said the Republicans.

MR. SMITH: The Republicans around the NAM are certain that the tax laws are used to punish people who don't like the New Deal - absolutely gospel - I have heard it a thousand times.

H.M. JR: Even I have heard it.

MR. SULLIVAN: I never have.

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H.M.JR: In my Ivory Tower.

The thing that I am afraid of if I say - well, I am not going to comment on it.

MR. GASTON: I don't think there is anything there to say unless they particularly raise this question.

I was thinking of an answer to his proposal for reorganization. That is something entirely within the province of Congress to discuss if they wish. You think it is illogical, but--

MR. PAUL: If we let this die without too much comment, it may not get in this bill; then everybody will forget it for a couple of months. But if we are needled into a controversy, it might get into this bill.

H.M.JR: I agree with you.

MR. BLOUGH: Surrey made a suggestion that I will pass along. He is full of good suggestions - you might not like it. He said you might say, "Well, the Commissioner of Internal Revenue and the Treasury are a very happy family. You have heard of shotgun weddings, but whoever heard of shotgun divorces?"

H.M.JR: Well, I have. (Laughter)

MR. SULLIVAN: That Ivory Tower isn't so high, after all! (Laughter)

MR. PAUL: I don't know that I quite agree with that. I think that is--

MR. SULLIVAN: That is a little too colorful! I think the drabber the Secretary's comments are, the better.

H.M.JR: All right.

- 7 -

MR. GASTON: I don't suppose you are greatly interested - we had a decision in the Supreme Court in regard to overtime pay which might have cost us quite a lot of money. The Supreme Court decision is mainly in our favor in Customs in the so-called Myers case - the Detroit case.

These people are regularly assigned to night tricks on the bridges and ferries, and they came up with a suit demanding overtime pay for all these years they have served on these tricks over regular hours, and if the Court decided in their favor, it would have been a pretty heavy bill to pay.

Now the Supreme Court has decided as to week days they are not entitled to overtime as long as they are on a regular eight-hour shift; but as to Sundays and holidays, they are entitled to overtime.

MR. O'CONNELL: They were getting about three times their normal pay, weren't they?

MR. GASTON: Yes.

H.M. JR: I have to stop at ten-fifteen.

MR. SULLIVAN: Senator O'Mahoney is the Chairman of the Subcommittee of Senator George's Post-war Committee. He is having a round-table discussion on surplus property tomorrow morning at ten-thirty with representatives of the Treasury, Army, Navy, Maritime Commission, and so forth and so on, that was to be in Executive Session, and merely for purposes of thinking out loud and exchanging ideas. I am going up to handle that. I will have Mr. Mack and some others with me. But last night I was advised there was some likelihood that that might be made an open session. My answer to that is that I think we can get the most benefit out of it by just having an open and frank discussion of things. If they wish us to submit memoranda for the record afterwards, all right. We will be glad to do so.

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H.M.JR: May I make this suggestion, which I have already made before? Please let the Treasury attitude be that we are not looking for this, we are not seeking this.

MR. SULLIVAN: And we are not ducking it.

H.M.JR: If they think we are the best people, we feel we are equipped to do it.

MR. SULLIVAN: I think this may be complicated, because there is some likelihood the Executive Order may come out this afternoon or tomorrow morning. In which case, I will say we haven't had time to go into it.

H.M.JR: You don't want me to call Hancock and tell him how I feel about dismissal wage?

MR. SULLIVAN: I think probably if you held that call until tomorrow - incidentally, I think if I might take occasion to tell them of the programs we have already agreed on, on such material as we have - that is material that Fred was getting together - I think that is all I need to tell you about that.

Joe and I went over to that meeting yesterday.

H.M.JR: That is the reason I asked Joe to come this morning.

MR. SULLIVAN: And Dodge had prepared a very weak letter--

H.M.JR: Who is Dodge?

MR. SULLIVAN: He is Forrestal's fellow.

MR. O'CONNELL: No, Chairman of the War Department's Price Adjustment Board.

MR. SULLIVAN: That is right.

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He and Jim have been working closely on this letter. They were going through it word by word. It is a very weak letter. And Patterson arrived and they started picking the letter to pieces.

Joe and I raised the question as to whether or not any letter should be written: The final conclusion is that if any letter is sent, it would be a very much stronger letter than the one they had prepared, and that in the meantime we would get in touch with Byrnes and ask him if he cared to see us in company with Senator Walsh and LaFollette. That was Patterson's suggestion.

When the meeting broke up, it was much less likely that any letter would be sent, Joe having raised the very pertinent question that if any sort of a compromise is to be made, it should come from Walsh and LaFollette, rather than from George. Mackintosh had been with George and Taft just prior to this meeting and they had suggested some compromises which looked good on the face, but didn't really help too much. What they are trying to take out of the bill are the most drastic features of it, to rob some of the steam.

MR. PAUL: Sex appeal.

MR. SULLIVAN: Yes, that is it. And I think when the meeting ended, if a vote had been taken, the vote would be our way rather than Forrestal's, don't you, Joe?

MR. O'CONNELL: No question about it.

MR. SULLIVAN: It was very definitely not that way when the meeting started.

H.M.R: Could I see a correct copy of the Minority report?

MR. PAUL: We have tried to get it.

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MR. O'CONNELL: I will get one today. They went to the printer yesterday.

H.M.JR: And then if you think well of it, Joe, would you write a letter to each of the four that signed it, for me to sign, telling them how pleased I am with the report and complimenting them on signing? Do you think it is a good idea?

MR. O'CONNELL: Yes. .

MR. PAUL: Very good. We have a memorandum here from Joe to you.

MR. O'CONNELL: I sent you a memo on the meeting yesterday.

H.M.JR: Could I have that letter not later than tomorrow morning?

MR. O'CONNELL: Right.

MR. PAUL: If you are going to write a letter to those four, I just wonder what you should do - there are three or four others that have made a public statement. For instance, Barkley didn't sign the report, but he apparently said he was in sympathy with it. McKellar has made a public statement, and the only reason he didn't sign the report was because he wasn't on the Committee. Hatch has also done it.

MR. O'CONNELL: And Truman, I think, too. But it seems to me the better thing is to reserve your thanks for the people who have - after all, it was the Senate Finance Committee who made the report; we have friends on that Committee. We may ultimately have a majority of the Senate. But for purposes of what you have in mind, I should think four--

H.M.JR: It is simplest to stop at four, because then you begin to think, should I send it to Barkley, or shouldn't I?

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MR. PAUL: I wasn't thinking of going any further than the three or four.

MR. SULLIVAN: The question is left open as to whether it is better or not to ask for retention of the present legislation without any changes, or to have merely the present law with a cut-off date, or to add two or three amendments.

Joe and I expressed the opinion that we better stand by what we have.

MR. O'CONNELL: It was rather interesting, particularly in view of your conversation with Patterson, that he came very much around to our point of view in suggesting that we now say, "Let's not change the law at all. And the re-draft of the letter that they are thinking of sending to George will, as I understand it, say: "1. We have no suggestions to make with respect to a cut-off date." That was the specific question George had. "2. We don't see any reason why the law should be changed in any substantial degree." Period.

H.M.JR: Calling Patterson had a little effect?

MR. O'CONNELL: It was very good.

MR. BLOUGH: That is not going back on the recommendations they previously made, is it?

MR. O'CONNELL: No, the only recommendations that the Department made were three very minor amendments. We can get along without them, and I think the basis for saying, "Let's forget this whole thing," is that the thing has become so confused that we would be better served, and the legislative situation would be best, if you struck the title out and let us alone. No important suggestions had been made by any of the Departments.

MR. SULLIVAN: To give you an idea of the weakness of the letter, the concluding paragraph starts out, "We appreciate the very careful consideration which is being given to this subject by your Committee."

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The Committee has never listened to Patterson or Forrestal, or anybody else.

H.M.JR: This meeting I am having at ten-fifteen with Paul and Pehle - this is the memorandum on it - won't last more than ten minutes, so if you would be back at ten-twenty-five (Smith)--

MR. SMITH: Yes.

MR. HAAS: I have nothing.

MR. O'CONNELL: Nothing.

MR. PAUL: Nothing.

MR. WHITE: We have got a request for sixty-five million more ounces of silver for India in addition to the hundred million ounces. We are going to reply to them, for your signature, that we think that the market for silver has opened up. Mexico has informed us she will have silver available, and she ought to seek to buy silver elsewhere.

We are going to turn her down as of the time--

H.M.JR: What has Lend-Lease done about the hundred million?

MR. WHITE: We have just sent them a copy of Nelson's letter, which gave us a clear bill, and they are going ahead very quickly now. Their question was whether to lend-lease direct to U.K. or India. I told them I thought you preferred to do business direct with India. And they haven't settled that yet.

January 6, 1944  
10:20 a.m.

#### JEWISH EVACUATION

Present: Mr. Paul  
Mr. DuBois  
Mr. Pehle  
Mrs. Klotz

H.M.JR: Pehle, I can't make head or tail out of this stuff the way you dump it on me.

MRS. KLOTZ: It came in too late last night and the Secretary had already left.

MR. PEHLE: The cable came in dated December 28 from London. It indicated that our Embassy in London had received a letter from the Director of this Intergovernmental Committee on Refugees.

H.M.JR: Are you looking at the one signed by Harrison? (Refers to file)

MR. PEHLE: No, the one signed "Winant" at the back. That one indicated that the British Foreign Office had advised the Intergovernmental Committee that the British Minister to the Vatican had reported that the funds of charitable Italians in Rome who had been working on behalf of the Jews there, especially the children of those whom the Germans had seized and deported to Germany, are very low and need help.

The British Foreign Office is asking the British Treasury whether they would allow funds for this purpose to be paid into the account of the British Ministry at the Vatican, which presumably would be in lira. It is asked whether this Government would consider approaching some of the Jewish charitable organizations in this country.

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London indicated they were taking it up with the World Jewish Congress there, the Board of Deputies, the central council for Jewish refugees, and asked State whether it wanted to take it up with the J.D.C. or other organizations in the United States, on condition that the United States Treasury had no objection.

H.M.JR: What is the Intergovernmental Committee on Refugees?

MR. PEHLE: That is this committee on which the British Government and our Government participate, which is set up to handle the refugee problem, which, as far as we can tell, has never accomplished anything, but it meets in London.

H.M.JR: Do we have a representative?

MR. PEHLE: Yes, I don't know who it is.

H.M.JR: Supposing you find out. Find out who the other members are.

MR. DuBOIS: Myron Taylor, I think, was nominally the head; he designates somebody else.

H.M.JR: This is dated the 28th. When did that come to you?

MR. PEHLE: That was given by State to Leavitt of the J.D.C. Leavitt was told he could tell us about it, and he did. And when he did, I got in touch with State and got a copy.

H.M.JR: Why don't they communicate that to us direct?

MR. PEHLE: Well, that is the way State operates.

H.M.JR: It comes in on the 28th.

MR. PEHLE: Yes, sir.

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H.M.JR: If it is a question of money, they give it to Leavitt and Leavitt gives it to us.

MR. PAUL: That is true of a lot of other things.

MR. PEHLE: The Treasury was mentioned in the cable, as a matter of fact. In any event, I got the cable from them, and--

H.M.JR: Should I fuss about it?

MR. PAUL: I think I would let it merge into that other question.

MR. PEHLE: I don't think I would fuss about that particular point. In any event, we drafted and transmitted to State, on the 3rd of January, an interim reply which said--

H.M.JR: When?

MR. PEHLE: On the 3rd of January.

H.M.JR: Where is that?

MR. PEHLE: That is in there.

H.M.JR: I don't have that.

MR. PEHLE: It is in there, I think, Mr. Secretary - from State to Winant. Isn't it there?

H.M.JR: Yes. I can read that.

All right.

MR. PEHLE: Then there came to us from State another cable relating to this same thing; that is the cable from Harrison.

H.M.JR: Did that come to us?

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MR. PEHLE: Yes, that did come to us. That is the cable from Harrison which we are now preparing to reply to. That, you see, quotes Tittmann's cable. Tittmann is our man in the Vatican. Apparently he is only communicating through Berne with the State Department.

H.M.JR: That covers the same ground?

MR. PEHLE: Yes, but it says in it that they would like to be able to advise these organizations that money would be forthcoming, and then they will pay it out without waiting for it.

Our suggested reply here says that the Department and the Treasury agree that the necessary assurances may be given.

H.M.JR: Then this is the one that you want my O.K. on. It is called "Cable to Berne."

Now, how are you going to answer Winant?

MR. PEHLE: Winant has been answered once.

H.M.JR: But shouldn't that cable to Berne also go to Winant?

MR. PEHLE: Probably should be repeated to Winant. I can add that.

H.M.JR: Yes, because they have asked for the money to go really through the English; instead of that, you are going to do it through Tittmann, the American.

MR. PEHLE: We left that open in the cable, as to whether it would be through the British or not. The cables were very vague on that. I think it would be a good idea to repeat that to London. I will add that.

H.M.JR: Well, this is all right. I approve this. I had better keep this. Do you want me to sign something for you?

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MR. PEHLE: That is all right. You say you approve it. I will mark the rest.

H.M.JR: Now, I called you last night when I got home, but you had left.

MR. PEHLE: Well, this is what happened. I sent a memorandum this morning which hasn't reached you yet. Last night after I had left, Reigelman called. He talked to Miss Hodel, who has been working for me on this matter.

H.M.JR: I am going to write on here "approved."

MR. PEHLE: He told Miss Hodel that the cable, as amended, had gone out. He also then told Miss Hodel that State, on its own initiative, had sent on the cable following it, without clearing with us. And he asked her what she thought about it.

She said that she wasn't going to express any personal view, and she called me and I tried to reach Reigelman at home and I couldn't reach him.

H.M.JR: This is what they sent on their own?

MR. PEHLE: Yes, it begins down there - "Personal, for the Minister." They had no business sending that cable.

H.M.JR: That is not playing ball, is it? Why don't you send for him and just talk to him?

MR. PEHLE: He said when he spoke to Miss Hodel he realized that was not in accordance with my views. They sent it anyway. It is just another example, Mr. Secretary. We will have continual trouble with that guy.

H.M.JR: Why don't you send for him?

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MR. PEHLE: I will, and I am going to tell him, if you agree, one thing; that if anything goes wrong over there as a result of that cable, we are just going to crucify him.

H.M.JR: I go a step further; I am going to say that if this happens once more, I am going to ask Mr. Hull to put somebody else in there to work with the Treasury.

MR. PEHLE: I fully agree.

H.M.JR: You tell him if we have any more trouble like this, if it happens once more, I am going to ask Mr. Hull please not to have him work with the Treasury.

MR. PEHLE: I would like to be able to tell him that.

H.M.JR: You tell him that. After all, Mr. Hull sends me stuff before he sends it out, and everything else, on all kinds of matters.

I would like to call him up myself, but I haven't energy enough to do it. But you send for him and say if that thing happens once more, I will ask Mr. Hull please to put somebody else there.

MR. PEHLE: You see, it just confuses things. It gives Harrison the feeling, you see - if Harrison isn't sympathetic, and there is every reason to believe he isn't, this gives him an opportunity to call these two organizations in and say, "In order to avoid getting in each other's hair, you better check everything with me before you do it."

H.M.JR: I think you should give him one warning. Don't you think so?

MR. PEHLE: Yes, sir.

H.M.JR: I mean--

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MR. PAUL: I would give him one warning.

H.M.JR: If Mr. Hull doesn't do it to me, I don't expect a person fourth down the line to do it, see?

MR. PEHLE: He may say, of course, that other people have authorized him to do this. But it is very clear, Mr. Secretary, that was not the case, because he felt strongly on this case.

H.M.JR: You told me that. Everything that you told me in the afternoon that he had argued--

MR. PEHLE: That is right.

H.M.JR: Look, to show you how they check, Mr. Hull didn't want the cable to go to Chiang Kai-shek that the President sent. He wrote me a letter. I called back and said, "Look, Mr. Hull, if you don't like the cable you tell that to the President." The next morning he said, "Well, of course, when the Ambassador hands this cable to Chiang Kai-shek"-- Hull didn't check, but Mr. Roosevelt's secretary read it to me over the phone and said, "Before this goes out, the President wants to know if it is agreeable to you."

I said, "It is all right with me." It was a little softening of my blow. Of course, Hull didn't do it, but the President did.

Now, if the President of the United States can take the time to have his secretary read a message to me accompanying a cable which I drafted for him, certainly a little pip-squeak like this can do it.

MR. DuBOIS: He may say, "Well, of course, I cleared this with Hull."

H.M.JR: You send for him and have a stenographer present when the thing is discussed. You can say that you talked to me, and if it happens once more I will write Mr. Hull and say he is persona non grata - we can't work with him.

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MR. PAUL: May I show you this? (Discussion off the record.)

H.M.JR: They always cut each other's throats at the top.

MR. PEHLE: Meltzer was exactly the same way. His heart was in the right place, but he kept using technical points. He couldn't work with them at all.

H.M.JR: (To Paul) Well, we have kept out of this thing. Why don't you just tell them the thing is an accomplished fact.

MR. PEHLE: There is a point there, Mr. Secretary, and that is, you remember the last thing we heard Winant was going to take it up with Eden, and then we never heard another word.

MR. PAUL: That cable was rather peremptory, too.

MR. PEHLE: The State must have heard.

MR. DuBOIS: It was probably a bad cable from their standpoint. They have never given it to us.

(The Secretary places a call to Mr. Hull's secretary.)

H.M.JR: I always ask for his secretary, because often when I have been over there two of them are on the telephone. How can I identify it? Hull's cable to Eden in regard to the World Jewish Conference - sending money into Rumania?

MR. PEHLE: More specifically referred to the British attitude on the Reigner evacuation scheme.

H.M.JR: It was about ten days ago, wasn't it?

MR. PAUL: More than ten days ago, wasn't it?

(The Secretary held a telephone conversation with Mr. Renchard, as follows:)

January 6, 1944<sup>169</sup>  
10:30 a.m.

HMJr: Hello.

Operator: Mr. Renchard.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

George  
Renchard: Yes, sir, Mr. Secretary.

HMJr: Good morning, Mr. Renchard.

R: Good morning, sir.

HMJr: Mr. Renchard, shortly after the last time I came over to see Mr. Hull....

R: Yeah.

HMJr: ....in connection with sending money to a Mr. Riegner in Switzerland....

R: Oh, yes.

HMJr: ....to evacuate the Rumanian Jews, Mr. Hull sent a very strong cable to Mr. Eden.

R: Yes, sir.

HMJr: And -- or Winant -- I don't know just who it was. Winant or Eden -- but on this matter -- for Winant to go to Eden -- that's what it was.

R: I see. Uh huh.

HMJr: To Winant to take up with Eden.

R: Uh huh.

HMJr: And I am naturally very much interested to know whether Mr. Hull has heard from Mr. Winant about that.

R: Uh huh. Uh huh. All right, sir.

HMJr: And if he hasn't, I'd like to take the liberty of suggesting that he cable Mr. Winant, why hasn't he heard from Mr. Eden.

R: Uh huh. Yes. Cable a follow-up if he has nothing.

HMJr: If you please.

R: All right, sir. I'll let your office know.

HMJr: I thank you.

R: Not at all, sir.

HMJr: Bye.

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H.M.JR: I have got to stop - press conference.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 6, 1944

TO Secretary Morgenthau  
FROM Mrs. Klotz

Mr. Renchard of Secretary Hull's office phoned to say that they had not received a reply to the cable which was sent to Ambassador Winant asking him to get in touch with Mr. Eden, and that they were sending him a follow-up cable today.

Copies to: Mr. Paul  
Mr. Pehle

January 6, 1944

MEMORANDUM FOR THE FILES:

Following the discussion which we had with Riegelman and Labouisse of the State Department we were advised that the State Department sent to Bern the cable containing the text of the license issued by the Treasury Department to the JDC, which cable specifically indicated that the operations were approved by the Treasury and State.

Riegelman called at 6:15 p.m., January 5, and dictated over the phone the following paraphrase of a cable which State, on its own initiative, had sent to Bern following the cable sent on our behalf:

"Personal for the Minister

"Consideration has been given by the Department to the license issued to the American Jewish Joint Distribution Committee in the light of the license issued to the World Jewish Congress and contained in our 3168 of December 18. The license to the American Jewish Joint Distribution Committee is referred to in our immediately previous telegram.

"It is envisaged in the license issued to the JDC that operations will be carried on which are designed solely to effect relief to persons in France whose lives are in imminent danger in addition to operations designed to bring about the evacuation thereof. A restriction is contained in the license issued to the World Jewish Congress limiting its operations in France to evacuation. We recognize that there is this difference. The manner by which the two proposals arose is in part at least the cause of this difference. The license to the World Jewish Congress may be amended by the Treasury but your attention is being called to this difference for the purpose of enabling you to facilitate both plans as set forth in the respective licenses and for the purpose of avoiding confusion in your mind.

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"The sole fact that two organizations are now engaged in operations in the same general area for the same general purposes is recognized as making possible the development of certain difficulties. The entire program may well be endangered by competition between them. In order to insure that the objectives contemplated by each of the two plans are attained to the fullest possible degree you are requested to take such reasonable action as may appear expedient or advisable to you."

*JATENC*

TREASURY DEPARTMENT  
Foreign Funds Control

C O N F E R E N C E   M E M O R A N D U M

IN RE: WORLD JEWISH CONGRESS AND JOINT  
DISTRIBUTION COMMITTEE MATTER.

Conference held, January 6, 1944  
Room 501, Sloane Building,  
Washington, D. C.  
4:30 p.m.

PRESENT:

Mr. J. W. Pehle, Director, Foreign Funds Control,  
For the Treasury Department

Mr. Riegelman,  
For the State Department

Reporter: Adelaide H. Miller

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Mr. Pehle: I want to talk to you about this cable that you sent out last night. Miss Hodel advised me about it. I tried to reach you in the hope of stopping the cable from going out but I wasn't able to. This morning I brought it to the Secretary's attention and we discussed it. He feels, as I do about it, and he authorized me to tell you that we are very disturbed, to put it mildly, about that cable going out without clearance with us. If that sort of thing happens again the Secretary will call Mr. Hull and tell him we can no longer deal with you and you are persona non grata with the Treasury. I don't say anything like that lightly, but we are so disappointed and disturbed that on a matter in which our interest is so obvious and in which you knew that this cable did not meet with our views, that a cable should be sent out without clearance with us, that we have no alternative than to tell you that we can't stand for that sort of thing. I wanted to tell you that and make it very clear.

Mr. Riegelman: Well, in the first place, Mr. Pehle, and I would say this to Mr. Morgenthau if he wants me to, I take very strong exception to your assumption that the telegram went out only because I wanted it to go; that it was my idea, that I was the sole person responsible for that.

Mr. Pehle: Did you disagree with that cable going out?

Mr. Riegelman: I did not disagree with it, but I take strong exception that because it went out I was persona non grata.

Mr. Pehle: Did you try to stop it?

Mr. Riegelman: No, because I agreed with it.

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Mr. Pehle: Did you try to stop it because you knew the Treasury didn't agree with it?

Mr. Riegelman: I didn't try to stop it.

Mr. Pehle: Don't you think the Treasury deserved to be consulted before it went out?

Mr. Riegelman: Mr. Pehle, I want to ask you something: Don't you agree the Department of State has the right to send any telegrams to its missions it wants? This was sent out with a complete, sincere desire to help this thing. You made a great point, as did the Secretary, that it was vital that this plan should have our approval. We agree with your point that it should have our approval. You convinced us when we were here yesterday to recommend to Mr. Hull that he should approve of it and Mr. Hull did approve.

Mr. Pehle: Did he also approve this second cable?

Mr. Riegelman: He did.

Mr. Pehle: Did he know the Treasury didn't agree with the second cable?

Mr. Riegelman: He did. And, in considering it in the Department, we were disturbed by the possibility of friction arising between these two agencies abroad.

Mr. Pehle: Do you think this will stop friction from arising?

Mr. Riegelman: We don't know whether it will or whether it won't, but we hope it will stop it. We certainly didn't think it would hurt it. We think Minister Harrison should know of this possibility and he should be requested to do what he could do to

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facilitate the operation of this plan. We think this plan may very well result in real benefit to the Jews in France. I would like to say something off the record.

Mr. Pehle: Do you have anything else to go on the record?

Mr. Riegelman: Yes, but I would like this to go off the record.

(Off the record)

Mr. Riegelman: When we approved of this thing, we did it sincerely.

Mr. Pehle: We assume you did it sincerely.

Mr. Riegelman: And we were fearful that something that we thought might be beneficial, and we think might be beneficial to the persecuted minorities in France, may be hampered to some extent by conflicts arising between these organizations.

Mr. Pehle: On any such thing, obviously, there can be several views.

Mr. Riegelman: Of course, there can be.

Mr. Pehle: What the Treasury is objecting to very strenuously is that in a matter of this kind, where State Department controls the communication facilities, the sending of a cable out, rushing it out, without even giving the Treasury a chance to focus on it, to talk to you about it and try to prevent you from sending something which you knew the Treasury felt would interfere with the plan.

Mr. Riegelman: We didn't know you thought that.

Mr. Pehle: I thought I made it very clear. I am very afraid that Minister Harrison, trying to adjudicate between these agencies

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and arbitrate with them may want to clear all the transactions, which is exactly what he may do as a result of your cable, and thus may interfere with the operation. There can be differences of view on that but at least it is my view that it is very likely to interfere with the operation and I am very sorry to see the cable go out and I am very apprehensive that it may result in operations being interfered with instead of being helped. And also, the fact that State did send it out without consulting the Treasury and telling them they wanted to send it. The State Department just cannot do business with the Treasury on that basis. When there are things in which we both are interested, we should both be consulted before the message is sent, not this haste to get a message out that we do not agree with and without consulting the Treasury.

Mr. Riegelman: We specifically advised the Secretary that the Treasury did not agree with this message. He was so advised, and in writing and verbally.

Mr. Pehle: But, nevertheless, you recommended it go out.

Mr. Riegelman: Nevertheless, we recommended it go out.

Mr. Pehle: That is what the Treasury is complaining about and feels very strongly about.

Mr. Riegelman: Mr. Long was also advised that the Treasury did not agree with it, and he took the view that it ought to go out because he took the view that it would be helpful, and for no other reason was it sent, because we felt it would be helpful, and if I am to be persona non grata with the Treasury for the part that I played

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in this thing, I think that is very much to be regretted. The fact of the matter was I was by no means the only person involved in this thing with the Treasury. There was unanimity of views in the State Department and that is all I can say. I might say this, that Mr. Travers and Mr. Reems, Mr. Travers is the Chief of the Refugee Unit of the Visa Division and Mr. Reems is the member of the European Division who is solely responsible for political aspects of refugee work, were both consulted and were asked to express their views independently, and they each stated that they thought there was a real danger if Mr. Harrison was not warned that these two agencies might get into one another's way.

Mr. Pehle: Who is your immediate superior?

Mr. Riegelman: Mr. Labouisse.

Mr. Pehle: And who does he work for?

Mr. Riegelman: He is Special Adviser to Mr. Acheson.

Mr. Pehle: Was Acheson consulted?

Mr. Riegelman: No. In this case Mr. Labouisse went direct to Mr. Long.

Mr. Pehle: Was there anything else you want to say about this?

Mr. Riegelman: No, I don't believe I do.

(Conference continued off the record.)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

JAN 6 1944

FROM Mr. Paul

I want you to know that we are working hard on gathering together all of the shocking facts which have come to our attention during the last several months relating to the failure of officials in our State Department to carry out the announced policy of this Government to work out programs to save those Jews of Europe who can be saved.

We will submit a full report on this matter to you during the early part of next week.



January 6, 1943  
10:30 a.m.

RE: PRESS CONFERENCE

Present: Mr. Smith  
Mr. Shaeffer  
Mrs. Klotz  
Miss Chauncey

H.M.JR: What is cooking this morning?

MR. SHAEFFER: They are going to ask you about the monetary conference on the International Exchange Fund.

H.M.JR: I know nothing about it.

MR. SHAEFFER: They are waiting for the green light from the President before they issue the invitations to the forty-four nations.

H.M.JR: I can't say that, can I?

MR. SHAEFFER: Doctor White told Sylvia Porter off the record yesterday that that was the situation. She is coming in. She would like to drop back and meet you after the conference. She is a particular friend of ours.

H.M.JR: What do I do, drop over?

MR. SHAEFFER: No, sir.

H.M.JR: She is a great friend of Mrs. Klotz'.

MR. SMITH: I think your 1944 answer is the best for this thing. You know, it is 1944, period. Then they can't quote you as saying, "No comment." If they quote you as saying, "No comment," then you are caught with these charges. I don't think that is so good.

- 2 -

H.M.JR: What do you think?

MR. SMITH: The question is whether to say, "No comment," whether to make some sort of a statement, or whether to just say it is 1944.

MR. SHAEFFER: We have been telling that it is purely a Congressional matter and that the Treasury is withholding comment until they make a thorough study of it, that it has been advanced before; it isn't new.

H.M.JR: On the International Conference, I can simply say that there is nothing to announce. When there is, I will tell them.

MR. SHAEFFER: That is right.

H.M.JR: What do you think?

MRS. KLOTZ: I think that is the answer.

MR. SHAEFFER: The Treasury has not heard from Russia yet.

H.M.JR: No, you are wrong. I have heard from Russia. The delegates are on their way. I can tell them that. All right?

MR. SHAEFFER: Yes, sir.

Doctor White told me yesterday we hadn't heard from Russia.

January 6, 1944  
3:13 p.m.

HMJr: Hello.

Operator: Miss Tully is with the President and Mrs. Brady is there.

HMJr: All right. Hello.

Dorothy Brady: Yes.

Operator: Go ahead.

HMJr: Dorothy?

B: Yes, Mr. Secretary.

HMJr: If you girls want to keep up your 100% batting average with me....

B: Uh huh.

HMJr: ....I'd like to know whether the President is willing to go on the program on the night of the 17th to launch the Fourth War Loan.

B: Well, listen, I gave that memorandum to the President.

HMJr: Yeah.

B: And I don't know what happened to it after that.

HMJr: Well, will you "tickle" yourself to follow it up?

B: Yes, sir. I certainly will.

HMJr: I hope you laugh.

B: All right. (Laughs)

HMJr: Thank you.

B: Bye.

January 6, 1944  
3:15 p.m.

BRITISH DOLLAR BALANCES

Present: Mr. White  
          Mr. Crowley  
          Mr. Currie  
          Mr. Cox  
          Mr. Coe

H.M.JR: Well, I wouldn't give any of my points to Mr. Waley's lunch.

MR. COX: Why not?

H.M.JR: Did you get yours?

MR. CROWLEY: Oh, yes.

MR. COX: The State Department wanted to know on that note whether a conference was held and who attended the conference, the conference with the President.

H.M.JR: Why?

MR. COX: They have no respect for the President's real abilities, to think he couldn't write that note without a conference.

H.M.JR: What made them think there was a conference?

MR. COX: Because the answer was so prompt.

MR. CURRIE: They might know it isn't a conference when you say the Secretary wishes to approve the point, but wishes to take the matter up first with the British. I would like some clarification on that point.

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H.M.JR: The only place where it slipped is where the President says, "...the Secretary of the Treasury and Mr. Crowley feel that they have been doing this for a year and have got nowhere." I have, but Crowley hasn't.

MR. COX: He is using the legal succession of offices.

H.M.JR: They realize somebody got to the President, but couldn't figure it out.

If you people want a good laugh, here is another that comes from the President. I wanted to get Harry on this. It is on the French.

He says, "I have no objection to having the French Committee of National Liberation buy finished French currency over here, but it cannot have on it the words "Republique Francaise." How do you know what the next permanent government of France is going to be? My guess is that it will be headed by a mandarin." (Laughter)

MR. WHITE: It is very unclear, because if they are going to buy their own currency, they are going to make their own designs. He doesn't answer the question they put to him.

H.M.JR: Will you please be witness? I am giving this to Mr. White, and I expect an answer tomorrow, January 6, from the President on the Republique Francaise. Mr. White, I want twenty-four hour service, I hope.

MR. WHITE: He will get twenty-four hour service.

H.M.JR: Do you think this little back-and-forth came out all right?

MR. CROWLEY: Sure. I think that if we can go ahead now and agree--now we are going to start this procession of doing this thing, Oscar, that--

MR. WHITE: He makes decisions that all the others have been opposing, and we can't get. He is going to stick--the British don't want their flag on there. Anyway, I will give you an answer.

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H.M.JR: I thought they said the sun never sets on the British flag.

MR. CROWLEY: Can we start the discussion with the British on a lot of these items here without long conferences with the State Department?

MR. COX: As a matter of fact, they have already started. I mean, the Cuban sugar thing has been started. The minor one, the Iceland fish thing, is practically on the hook, so to speak. They have discussed it with the British.

The capital goods one is in effect; we may want to go back into it because of the way they have applied the November 15 date, that is, our people. I think you can go right down the list on every one of these and discuss them with the British very promptly.

MR. WHITE: I gather that that is something that might be approached. The Lend-Lease people can discuss all these items, though they are going to do all the list at one time without raising any other questions.

H.M.JR: I think Crowley has had time to do it. I have tried to think and haven't gotten the right answer. Is that the way to do it, or does the President expect us to send for them and say--well, practically show them the memorandum to the President?

MR. COX: Well, there is only one other thing.

H.M.JR: See?

MR. WHITE: That is what the State Department wants.

MR. COX: No, I am not sure of that.

MR. WHITE: Oh, wait a minute. They want to reopen the question and indicate to the British that the purpose of this is to bring their balances down, and reopen the whole question of the appropriate balances for them.

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Now, it would seem to me that you can accomplish both objectives without stirring up that futile hornet's nest if the Lend-Lease would say, "These are the procedures that we are going to change, and if the Treasury is in accord with it, it reduces your balances."

H.M.JR: Wait a minute, Harry. We don't want to do it and have the State Department say at the end of thirty days, "Look, Mr. President, Crowley's organization, and Morgenthau never did what you wanted. They never had a meeting. They took it up piecemeal. What we are doing is what was in the last paragraph of our memorandum.

MR. COX: That is right.

MR. WHITE: That is right.

H.M.JR: That isn't what State wants.

MR. CROWLEY: Could I put this to you? State and FEA are together on this thing. We bring--

H.M.JR: State and FEA?

MR. CROWLEY: I mean Treasury and FEA. We bring this in and talk to the British. We will be weeks and weeks, and our thirty days will elapse before we get any progress at all. We do have the support of the Treasury on this thing right now. We work with Harry. We start working to eliminate these items.

We say to State that we are going to eliminate these items. We have a conference with the British, and we try to do it. At the end of a two-weeks period we come in here for a conference with the Treasury and with State. We say, "Now for two weeks we have been working on the elimination of these items. This is what we have been able to accomplish. This is either satisfactory to us or it is unsatisfactory. Now we agreed, and the Treasury agreed with us, that something should be done. We can't do it. We want the right of asking State and the Treasury to join with us in a conference with the British, to see what can be done before this time elapses."

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Now, if we start right out with conferences with State, I don't think we will get anywhere at all. We would still be talking when our thirty days elapse.

MR. CURRIE: There is still a little difference in the way we might approach it, however. In terms of the old January 1 objective, you would approach it in terms of a ceiling on the dollar balances. That is the way in which the memo read.

The other way would be to say, "Here are a number of items which we undertook because you were short of dollars. You are no longer short of dollars and we propose to drop these items, which is not a question of a certain limit there. As FEA our interest is largely in the latter."

MR. CROWLEY: But I don't think, as far as the British are concerned, Lauch, no matter how you wrap this thing up, it is all going to get back to the dollar balances.

MR. CURRIE: Yes, but that will lay a good deal of stress on the formal question of whether or not we are putting a ceiling on dollar balances. They will discuss the political expedience and whether they can pay, but so far they have refused to discuss the question of whether a limit--

MR. WHITE: How smart would it be to let the State Department take this balance and say they want to negotiate it?

MR. COX: They won't get anywhere.

H.M.JR: I have a suggestion.

MR. COX: I would suggest this: We have three things in the works now which have been going--the Iceland fish thing has been going concretely in discussions with the British since the latter part of November. The War Department plan, which is a minor one, was called formally to the attention of the British on December 6. They keep saying in all these cases, "We have to go back to London," and nothing ever happens.

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The Cuban sugar thing was raised about a week or five days ago.

What I think ought to be done in the capital installation thing--it is that question about whether it is going to work. What I should think you might want to do is to start off first with the FEA raising three or four more of the others, then have Mr. Crowley, the Secretary, and Hull or Stettinius meet with Halifax, or whomever he wants to bring in, a little bit like the raw materials thing, and pitch this thing at a much higher level. See what happens with the British Treasury people. As you know, they don't rush to give you an answer on these things. Then time will drag, and it will be months.

And then to say, "Here are these items which have already been discussed; we understand why there is some delay, but we think the political significance of these things and our joint interest is such that we really ought to start disposing of some of them and get them off the board, because you are going to have to come up for a Lend-Lease extension pretty soon, and you may have Congress investigating," and so forth, and so on.

Then discuss all the items you have in your recommendations and say, "This is what we see now."

MR. WHITE: How does that differ from the Secretary's? In what way does that differ from your recommendation, which apparently did not meet wholly with the President's approval?

MR. COX: It differs to this extent, and I will tell you why it differs: One of the things that created most of the feeling and the thing that Dean was talking about in his document--he was talking about two things--in the capital goods thing they did not talk to the British, I mean, in terms of discussion, before they put the policy into effect.

MR. WHITE: I know, but the recommendation says very clearly that you were going to discuss each of these categories with the British before you adopted that. Apparently, that is not satisfactory. The State Department,

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we know, wants the matter of dollar balances taken up with the British. The President has said--

H.M.JR: Could I get into this thing? This is my suggestion. Don't let's say where we met or who was present, but I think a meeting should be held, and I think at this meeting Crowley and I should follow exactly the same pattern that we have been taking with him and say, "Look, gentlemen, the British being present, we are proposing the following six or seven things because we feel that there no longer is a good reason to do it. Now, here they are."

Then they are going to come back and say, "Why?"

We will say, "Well, we think it doesn't stand the sunlight," and so forth, and so on. If they press it on the dollar balance situation, we will say, "Gentlemen, we want to see what this will accomplish. We are just taking this step. We are not saying whether it should be a ceiling or not, but we want to do these six or seven things."

MR. CROWLEY: I think that is right.

H.M.JR: Then if these people keep saying to Crowley or me, "Well, what does this mean?" I am not saying what it means. "I am simply saying these things seem logical to us, and instead of putting one before you at a time, we are going to put six or seven before you, and, frankly, gentlemen, we have to report back to the President by February 5." Now, that does the same thing.

MR. CROWLEY: In the conference that you would have with the British, would you have State present?

H.M.JR: Yes.

MR. CROWLEY: But if you have State present, they shouldn't in the middle of the conference say, "Well now, we don't concur with Treasury and FEA."

MR. COX: I think they concur with what the Secretary just said, and I think it should be a united front.

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H.M.JR: I don't think there will be any trouble on it.

MR. WHITE: I don't think they will concur, but I don't think they will say anything at that time.

H.M.JR: I say to Acheson, "Now, look, Dean, I am going to have a meeting with Mr. Crowley, for argument's sake, let's say at my office, at which I would like you to be present, and to which I will invite Lord Halifax and Sir David Waley. Mr. Crowley and I are going to place before them the memorandum that we prepared for the President. We will show them that memorandum."

MR. WHITE: Well, now, that is something.

H.M.JR: We will show them that memorandum. That is the position Mr. Crowley and I take, and we are going to let them read that memorandum and tell them we have thirty days to come together, or else!

MR. CROWLEY: Wait a minute. I don't think that is putting our best foot forward to show them the memorandum to the President. I think we are better off to draft a program and have the Secretary read it and say, "This is a plan that both the Treasury and FEA agree on. We want to submit it to you men for your consideration, and we have thirty days to work this thing out."

MR. WHITE: That won't meet State Department's point, but maybe they will be satisfied with it.

MR. CROWLEY: But if you give them the memorandum to the President, it will weaken our position, because I don't think we are in near as good a position to trade with the British as if we say to the British, "Here is what the Treasury and FEA have agreed to. It must be done, and we want to discuss it with you and want a decision before February 5."

MR. CURRIE: At one stage Dean Acheson said he would agree on the list of specific items.

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H.M.JR: He has.

MR. CROWLEY: Mr. Secretary, let me tell you what I see that is developing between State, Treasury, and FEA: If we are going to have to confer and always wait for a consent by State, they are going to slow up and delay every single thing that Treasury and FEA want to do on this lend-lease and the whole fiscal policy.

Now, there are going to have to be times, as I view it, that Treasury and FEA likely will have to take a stand and go through with it and let State go to the President if they want. I don't think you will hope to get this thing agreed to by State.

H.M.JR: No, but I would like to think it over. There may be certain things in that memorandum which could be eliminated.

MR. COE: The stuff about the history--Departmental history--you won't want.

H.M.JR: Certainly starting with the recommendations, that part would be just the same.

MR. CROWLEY: We agree.

MR. COX: The only danger I see in showing them the memorandum is that you have here a confidential memorandum from two top executive officers of the Government to the President. Also the thing is we well understand that if it in any way gets out it may be prejudicial to the interest of this Government as well as the British.

H.M.JR: How about just the recommendations, leaving off the last paragraph where we said, "We will take each of these items," and just say, "...these items"?

MR. WHITE: That is what we wanted to do in the first place. The only thing that I am wondering about is, how are you meeting the State Department's claim upon which the President's request is based, because you are going to do exactly what you recommended to do.

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H.M.JR: We were going to take them up item by item.

MR. WHITE: Now you are going to take them up all at once.

MR. COX: I want to understand one thing the Secretary says, because I think on the basis of his statement State would concur, and that is where you frankly say to the British, "These items, we don't think, will see the light of day. They are not disconnected from the dollar position, because you can't show them in the light of day without endangering your program; and because of the dollar position we want to go ahead with these and then see what we can accomplish."

Now, that puts it on a clear-cut basis that it is not disconnected from the dollar position, but that you do have items here which are politically questionable. You go down and discuss the items. There are a lot of problems involved in the items.

MR. WHITE: Lauch said these items in light of the balances--

H.M.JR: May I interrupt, Harry? I think, if I could call up Dean and get a very quick decision so we could move very fast, we would call a meeting for tomorrow so there is no time wasted. Simply say, "Look, Dean, Mr. Crowley is sitting here with me. We would like to call a meeting for tomorrow with the Ambassador and Mr. Waley. We want to show him these recommendations. We have thirty days' notice. We would like to have you people present."

He will say, "Are you going to bring up dollar balances?"

I will say, "No, we simply feel these things are no longer wise to do. I am not going to discuss dollar balances."

MR. WHITE: The fact that they are in the Treasury is sufficient indication.

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MR. COX: I was going to raise a minor point, shouldn't the meeting possibly be held either at Stettinius' office--

MR. WHITE: I should think it would be held in Mr. Crowley's office.

H.M.JR: You can't throw this thing to Stettinius, because, damn it--I beg your pardon--he hasn't been in any of this; Mr. Hull hasn't brought him in. The President never mentions Stettinius' name, and Mr. Hull is using Acheson.

Now, if we want Mr. Hull, at least--how shall I say it, some cooperation with Mr. Hull--let's be frank. I mean, you who have worked with him; you can't throw anything in his lap. Let's be frank with each other.

MR. WHITE: He was trying to avoid the implication that it is dollar balances.

MR. CROWLEY: You would just simply go ahead and make the oral statement that you made now, that you made to the British. You wouldn't give them our memorandum that we sent to the President.

H.M.JR: No, no.

MR. CROWLEY: That brings about what you want.

H.M.JR: That last page where it starts recommendations--

MR. COX: I wanted to see what the recommendations were.

MR. WHITE: "We therefore propose that the following items be," and so forth.

H.M.JR: Do you want a copy?

MR. COX: I was just wondering as a strategic thing. If you say, "We therefore propose," one of the things they will ask you for--

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MR. CROWLEY: I don't think you have to use that language. All he means is, you are going to use the substance of that last part.

MR. CURRIE: I think we can make up a little bit better list than that one.

H.M.JR: I think you ought to stick to the one that went to the President.

MR. CURRIE: You said "Certain controversial items." Now we are in a position of spelling out some more.

MR. WHITE: I think Oscar is right, that it definitely has the implication. I am inclined to think that we want that, but it does have it. If you want to avoid--I don't think the meeting ought to be here, but if you want the implication to be dollar balances, this is the meeting. If it is merely a question of what is politically desirable, that is, Lend-Lease is.

MR. CROWLEY: Let me ask you, Oscar, as far as the meeting is concerned, if you go over to Ed and then Ed is going to send us to Dean, isn't he? I mean, Dean has been in on this thing while Ed was sick. To my mind, that is what I am getting at. The meeting should be here, Oscar, I think.

MR. WHITE: It certainly shouldn't be there or in your office. Its being in the Treasury means it relates to dollar balances, and I think maybe that is the implication we ought to have, because that is what we do have.

H.M.JR: Look, if you want to be smart, supposing I call up Dean and say that we are sitting here. "We have the President's memorandum. Wouldn't Mr. Hull like to have the meeting in his office?"

MR. CROWLEY: If not, you hold it in yours.

H.M.JR: "Wouldn't Mr. Hull like to hold it in his office and invite anyone he wants to? We would like to have it, if possible, tomorrow."

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MR. WHITE: Waley is leaving Saturday, which is another justification.

MR. CURRIE: I think you ought to meet first with State before you meet with the British. If you can get Dean to go along with this list, so much the better.

H.M.JR: I can say that we ought to have a little meeting first, and the meeting with the British should be tomorrow. I am willing to get anybody three to one that Hull will duck it.

MR. CROWLEY: Yes. Then you can hold it over here. We can have a little meeting maybe in the morning with Acheson before we meet the British tomorrow afternoon. We will show him the courtesy of telling him what we are going to do.

H.M.JR: I don't care. I would just as leave have it at your office.

MR. CROWLEY: No, no, no.

H.M.JR: I don't care about those things.

MR. WHITE: It isn't a question of as to whose office; it is a question of implication. If it is in the Treasury, it is because this thing is related to dollar balances. If it is--

MR. CROWLEY: They aren't as silly as all that. They know what this whole thing is applied to, anyhow.

MR. WHITE: I guess maybe you are right.

H.M.JR: You could hold it on a street corner.

MR. CURRIE: I think the distinction that is important to keep is the distinction between the ceiling and the ability to pay. I think you can bring up the point that they are able to pay for these things now, that they couldn't before, without saying we are limiting them to a billion dollars.

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H.M.JR: Do you mind if I differ with you? I would keep it on the same argument that I have tried to pound into Acheson, that these things are politically unwise.

MR. CURRIE: But if they only had two hundred million dollars, Mr. Secretary, you wouldn't question it.

MR. COX: It might go to a political question--

MR. CURRIE: The only reason we are questioning them now is because we think they are able.

MR. CROWLEY: Anyhow, Lauch, they can apply it any way they want. There is no harm in approaching this thing along the line the Secretary suggested. Now, there is no harm in having him call up to see if Acheson wants to arrange an appointment with Hull. If not, we will hold it here.

H.M.JR: I think it is a courteous thing to do. The memorandum is addressed to the Secretary of State, the Secretary of the Treasury, and Crowley. I will call up Acheson and say that Mr. what's-his-name is leaving--

MR. WHITE: Waley.

H.M.JR: ... Saturday, and we ought to clean this thing up tomorrow.

MR. WHITE: Because he could take it back with him, as they won't make any decisions here.

H.M.JR: That is all right, Lauch?

MR. CURRIE: Well, frankly, how do you feel? We could get a better list in a few more days.

H.M.JR: That is what you said a week ago.

MR. CURRIE: Mr. Secretary, we have just come into this thing pretty recently, and I may tell you that Lend-Lease did not have convenient any such lists as we are talking about.

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H.M.JR: Well, I can't wait.

MR. COX: There is a catch-all there, Lauch, anyway.

MR. WHITE: They will ask you what these other items are. You can say, "We will submit them to you later."

H.M.JR: Lauch, I can't wait. I am sorry. I told you that the other day.

MR. CURRIE: We have a better list for you now. We will have a better list for you Monday.

MR. COX: You have flexibility under the last clause.

MR. CROWLEY: I am for your going ahead and calling Dean right now.

MR. COE: The list we have, they will know, is quite substantial.

MR. WHITE: They will try to smoke you out. They are not merely going to accept this list on political ground.

MR. CROWLEY: Their big interest is to take a peek at the list to see if you have everything included that they think ought to be included. If you have missed something, you can always take it up with them.

MR. WHITE: I think it is better not to have a full list.

MR. COX: It gives you flexibility. For instance, your last one is other controversial civilian items. Now, it really ought to be put up to them, other controversial items, because you say we can't give them to them. For example, the question of supplying whisky and brandy for the Naval crews is one. Now, it may be a nice item in terms of the tradition of the British Navy.

H.M.JR: I thought they all drank rum.

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MR. COX: No, whisky and brandy, too.

H.M.JR: In the "Pinafore" they drink rum.

(The Secretary held a telephone conversation with Dean Acheson, as follows:)

201 ✓  
January 6, 1944  
3:45 p.m.

HMJr: Hello.

Operator: Mr. Acheson.

HMJr: Hello.

Dean  
Acheson: Hello, Henry.

HMJr: Dean?

A: Yes, sir.

HMJr: Good afternoon. I have Crowley and Cox and several others here and now you're on the loud speaker, if you don't object.

A: All right, sir.

HMJr: I just wanted to warn you. I have before me this memorandum from the President which I take it you got also.

A: Well, I was just looking for it when you called. I had it before me on my desk this morning and I can't lay my hands on it.

HMJr: Well, you know about what was in it.

A: I know what was in it.

HMJr: All right.

A: The Secretary gave it to me last night.

HMJr: Now, Mr. Crowley and I have this suggestion to make. In view of the fact that Sir David Waley is leaving Saturday....

A: Yes.

HMJr: ...we think we ought to get together tomorrow, so that he can take this back with him.

A: Yes.

HMJr: And it would be most pleasing to Mr. Crowley and myself if Mr. Hull would care to have the meeting in his office.

A: Yes.

HMJr: Now, but we ought to have a little meeting before that. I mean we could meet, maybe, for half an hour and then have, we thought, the Ambassador Halifax and Sir David Waley come in.

A: Yes.

HMJr: Now, what Crowley and I had in mind was this, so that you could tell Mr. Hull, that we'd simply take those recommendations which are in the note to the President and say to the British, "Here's what we have in mind, and we've got thirty days in which to try to get together with you. We feel that these items listed in these recommendations, in view of the political situation, and so forth and so on, that they best be discontinued." And I, frankly, would like to, if Mr. Crowley concurs, take the same approach with them in discussing this thing that we have with you, and just tell them all -- give them all of the things we have in mind.

A: Yes. Well, now, may I ask you this? What....

HMJr: Anything you want.

A: ....interpreting the memorandum from the President....

HMJr: Yes.

A: ....what do you understand the "matter" is? He says take this "matter" up with the British. Do you con -- believe that that means the recommendations at the end?

HMJr: That's the way I interpret it. Yes.

A: Yeah. All right. I didn't know whether he meant that or he meant the whole -- the whole situation.

HMJr: No. I -- I -- I'm -- the matter, I interpret to mean the recommendations.

A: Yes. Now, then the British will immediately want to know whether this is intended to reduce them to the billion dollars. What do we say in that situation?

HMJr: Well, again we feel we're not going to answer that question. We'll say that isn't up now. The question is these items which we feel can't stand daylight -- can't stand investigation.

A: Well....

HMJr: I mean, in other words, what we're proposing to do is to take exactly the same position opposite them that we have opposite you, and to avoid the question of what the dollar balances should be. And, after all, you and I discussed it -- we all did -- at great enough length, so you know....

A: Yes. Well, I mean there are two possible.....

HMJr: I....

A: ....courses to take. One would be to say that you still want to do that, and the other one would be to say, "We are -- this is not part of any plan. We are dealing solely with these items and that's all we're dealing with, and we are putting to one side and not considering or attempting to do anything with the balances beyond what is right here in front of you. This isn't part of a hidden scheme."

HMJr: No. What....

A: What they will immediately be asking you about is, "Is this one card in a five-card hand? We don't know what the other four cards are."

HMJr: Well, Dean, look, old man, I would take exactly the same position that I took with you. I think you heard me, most likely, until you were tired of listening to me. But I would simply say, "This is what we propose to do and until this is done -- until we see what this accomplishes, this is the only move we have in mind for the present." See?

A: Yeah. Well, I think that that probably will....

HMJr: Which is the truth.

A: Well....will be all right, because, otherwise, they just as well know.

HMJr: No. No. We'll say, "For the present, this is the only thing that we have in mind."

A: All right. Well, let me tell Mr. Hull and tell him that you would like to have a meeting preliminary with him at what hour?

HMJr: Let me just look. I prefer -- I know Mr. Hull gets in at 9:30. I would -- to me 9:30 would be fine, if he was free at that time. Let me ask Mr. Crowley. (Pause) He says that's all right, and if he could see us at 9:30 and then, maybe, the British at 10:00. Hello?

A: Yes. I was just writing down those hours.

HMJr: Yes.

A: I will....

HMJr: But I'll adjust -- if Mr. Hull has that appointment tied up, I'll adjust myself. I'll change my appointments around. But whenever I've asked to see him before, he's always made it 9:30.

A: Yes. Now, if he can't do that....

HMJr: I'll -- I'll....

A: ....and would rather have you hold a meeting, then you would hold it in your office. Is that....

HMJr: That's correct.

A: Fine.

HMJr: Right.

A: Let me ask him. Do you want me to try and get him now? I don't know whether he is engaged or not.

HMJr: Well, if you could, because I think that we'll have to -- if he's going to do it, he'll have to get hold of Lord Halifax and Waley and it's four o'clock. I think we ought to move.

A: All right. All right.

HMJr: I mean....

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A: Let me see if I can get right in to him now.

HMJr: The time factor is Waley leaving Saturday. Otherwise I wouldn't be pressing so.

A: Yeah. Yes.

HMJr: But I think it would be a great advantage to have Waley go back and be able to tell them Monday just what took place here.

A: All right, Henry. Let me try to break in. I think I could interrupt him for this.

HMJr: Thank you.

A: And I'll call you back as soon as I can get to him.

HMJr: If you please.

A: Yeah.

HMJr: Thank you.

A: All right.

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(Miss Chauncey enters the conference and hands the Secretary copy of "Memorandum to the President," dated January 4, 1944.)

H.M.JR: So far, so good.

MR. CROWLEY: I think that is all right.

MR. COX: The recommendation is going to be that the meeting be held over here.

MR. WHITE: It is very fuzzy, but that is probably the way it should be here.

MR. COX: The fuzziness is clear. (Laughter)

MR. CURRIE: I am glad I didn't take you up on that bet of three to one that it might be held in this office.

MR. WHITE: I bet you three to one that it will be held in this office.

H.M.JR: Do you want to see this? (Hands Memorandum to Mr. Cox.)

I can say, truthfully, for the time being I have nothing else in mind.

MR. COX: That is accurate.

MR. CROWLEY: For the present. As a matter of fact, neither State nor anyone else should expect us to say to the British, "Now, we don't intend to take anything up with you forever again, and foreclose our right to negotiate." We told them up to the present this is all we had in mind.

H.M.JR: That was the term that seemed to suit Acheson.

MR. CURRIE: I'll be very happy, Mr. Secretary, for entering into a discussion on a list of items which we have never discussed. We have never discussed the list of items, and what they amount to, and whether you want to take them up or not. Oil, iron, steel--those will be some of them.

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H.M.JR: Who gave us those items?

MR. CURRIE: We are digging them out of our shop now.

MR. CROWLEY: Lauch and Oscar, can't we take and read out the items that are in that memorandum and say, "Now, Lord Halifax, there are other items that ought to be included in that. What we want to do today is settle with you the principle involved in this thing here, and you tell your people to cooperate with us." As we list those items, we want to talk to him.

MR. CURRIE: But there is no principle other than the items.

MR. COX: Yes, there is. The principle is politically questionable items, and you are protected in terms of flexibility because your category "if" is "Certain other controversial items."

Then you say to them, "Well, this is a very complex thing. We haven't discussed these others; and there will be technical problems involved in each case."

MR. CROWLEY: Lauch, if you let this slip back now, you are gone for another six months, as sure as the world.

MR. CURRIE: But if you could have just one meeting on some of these items. We don't know--

MR. CROWLEY: You can have a meeting yet tonight and see what you can do.

MR. CURRIE: We can't later, say, include it in this catch-all. We can't spring on them an item of three hundred and sixty million rental and charter hire.

MR. COX: Why can't you, if it is questionable?

MR. CURRIE: You can't, but I think they will have a legitimate gripe.

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MR. WHITE: I think Lauch is right. Can't you have a meeting between now and tomorrow morning and decide on some of those items? Put them in and let them kick it out. If there is anything in doubt, put them in.

MR. CURRIE: You people are questioning this on political things, and you haven't had a discussion of whether it is politically feasible or not.

MR. WHITE: Why don't you put them all in, and that will give them something to yell to heaven about and take them off.

H.M.JR: Don't address me, Mr. Currie, I am fed this thing by my technical assistant. If it isn't right, it is on your level, and not mine.

MR. CURRIE: I am not taking too much responsibility for this, because I have just come into it recently and the figures are in lousy shape.

H.M.JR: I am not going to be disturbed.

MR. CROWLEY: Right now we are playing into State's hands. If we say to State, "We are not prepared," they will say, "Sure, we have been telling you that."

MR. WHITE: It would be a mistake not to make your list very comprehensive. The first thing they will say is, "We would like to know what the magnitude of this is."

Then you can say, "Well, you can figure it out. You know what you are getting from us." That is all.

MR. CURRIE: I have here an item that nobody has ever suggested, iron and steel in primary form, one hundred eighty-six million. Does this group consider iron and steel a controversial item?

H.M.JR: Look, Lauch, if you are worried, throw in everything. Then we have something to trade with. Do you get excited? (To Crowley)

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MR. CROWLEY: No, no.

MR. CURRIE: Rental and charter hire?

MR. COX: No.

MR. CROWLEY: We don't want to throw things in that make us look ridiculous.

MR. CURRIE: Some of these rental things are very questionable.

H.M.JR: That is your end of the business. I am not going to worry about it.

MR. WHITE: We had better have a meeting between now and then and agree on the list, but there is a general agreement that the list should be more comprehensive than less.

MR. CURRIE: We are paying the transportation cost on raw wool from Australia to the United States, handling shipping charges.

MR. CROWLEY: As I understand, on that wool, the RFC makes a very, very large profit. Isn't that right?

MR. COE: Yes.

MR. WHITE: Maybe we are buying it C.I.F.

MR. CURRIE: You see, there are a lot of things we don't know about.

MR. CROWLEY: That came up there the other afternoon on the question of stockpiles and brought out that we have a very large problem on that.

MR. COE: We have a half billion items. The question is, whether an item is controversial or not.

MR. CROWLEY: Why don't you take and make up a whole great big list and then let us sit down for a little bit and look it over? We pretty well know. We have enough political sense to know.

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MR. COX: I don't think you can do that, Leo. I think your clearest protection with them is this, that you start off with something like this, "We believe that certain questionable items such as the following should be discontinued from lend-lease." Then put down-- and leave yourself very flexible and say, "Now, this is a very complex thing. There are a lot of these items, and each of them has certain problems, but the central principle which changes, anyway, from time to time on some of these things is on the question of what is questionable politically."

MR. WHITE: What do you expect them to say?

They will say, "Let's see the individual items, and we will discuss them individually."

MR. COX: We will say, "Sure, but here you have six individual items, and we have a catch-all."

MR. WHITE: But that catch-all can't be half a billion dollars. You have to mention some of those large items.

MR. CROWLEY: Look, as far as we are concerned on this thing here, first, you want to get eliminated the items that are the most ridiculous on non-lend-lease. That is the first thing.

Then, if that is not sufficient, we can go a little deeper in the well here and add other items.

Now, if you can get three or four or five hundred million dollars out of the items that we have in mind here, you won't have to take up iron and steel and things like that. But, if you can eliminate a lot of items that the fellows up on the Hill and they, the British, themselves ought to know are ridiculous to be on lend-lease, that is what you mean.

H.M.JR: (To White) I have already commenced it.

MR. CURRIE: Take out the last comment. Some of the ridiculous items don't mean much.

January 6, 1944  
4:02 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Dean  
Acheson: Hello. Henry?

HMJr: Yes.

A: I have arranged that with the Secretary.

HMJr: Yes.

A: He will be glad to see you and Leo at 9:30.

HMJr: Good.

A: He asked me if I will come with him.

HMJr: Good.

A: Is that all right with you?

HMJr: Be delighted.

A: And he will see the British at 10:00.

HMJr: Fine.

A: Now, I told him that your understanding was that the thing that you were going to take up was that those items in Number Seven.

HMJr: Yeah.

A: That that was the sole purpose we had in mind at the present time.

HMJr: That's right. And I, of course, will bring Harry White with me, and I don't know who Leo will want to bring with him. And he, most likely, will bring Cox and Currie.

A: All right. And do you want the Secretary's office to inform the Ambassador?

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HMJr: If you would. And I think Sir David Waley.

A: How about Ben Smith?

HMJr: Who?

A: Ben Smith.

HMJr: Ben Smith?

A: He's Llewellyn's successor.

HMJr: Oh, I thought you meant the stock operator.

A: (Laughs) You did not.

HMJr: (Laughs) I haven't heard of Ben Smith since he went to Mexico. Who is Ben Smith? I don't know.

A: Ben Smith is the British Minister Resident in Washington.

HMJr: All right.

A: Who took Llewellyn's place at the head of the Supply Mission.

HMJr: Sure.

A: And he has been bickering with Crowley about this Lend-lease.

HMJr: Good. Good. Fine.

A: I should think he probably would want those two with him.

HMJr: Fine. And we understand each other, we'll stick to that part of -- seven.

A: Yeah. That's what I understand we're talking about.

HMJr: That's right. That's fine. I'm delighted that Mr. Hull wants to be there.

A: And, well, I think he'd be perfectly happy not to be there....

HMJr: No.

A: ....but I thought you thought it was wise that he should be there.

HMJr: That's correct.

A: That's what I told him.

HMJr: That's....

A: He was entirely agreeable to having you....

HMJr: No. No. No. No, I think it will be fine.

A: Uh huh.

HMJr: I think that's fine. I wouldn't have suggested it.

A: Yeah.

HMJr: Well, thank you.

A: Well, I'll see that -- I'll tell them that it's on this subject, or should I just tell them to come and not tell them what it's about?

HMJr: Well, I'll leave that to you.

A: Yeah.

HMJr: I'll leave that to you.

A: All right.

HMJr: You do what you think best.

A: All right.

HMJr: Thank you. Bye.

A: Good bye.

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H.M.JR: Is it all right to give this out? (Referring to statement concerning arrival of Russians to discuss the International Stabilization Plan.)

MR. WHITE: Yes, that is what I thought you would do.

H.M.JR: I announced this morning to the press--

MR. WHITE: But this is more specific. Why don't we stay right now and agree on some of these large items? You wouldn't mind this basket clause if it were a couple or three hundred million.

(The Secretary left the conference temporarily.)

(The Secretary held a telephone conversation with Dean Acheson, as follows:)

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MR. WHITE: I have a suggestion to meet both, that you tell them about these articles, these general categories and some others and say you are going to submit to them a more detailed list which is being prepared. That will raise the principle.

MR. COX: When are you going to submit it?

MR. WHITE: Give it to them within a week.

MR. COX: That is dangerous. I think you are wrong. Here is what I would say, "We believe that certain questionable items such as the following should be discontinued from lend-lease: (a) machinery and capital installations on a questionable basis; (b) off-shore purchases such as Iceland fish, Caribbean sugar, oil from outside the United States, and so forth; (c) those parts of rental and charter hire open to question; (d) civilian goods to Jamaica, Southern Rhodesia, and the Middle East, pulp and paper, tobacco for the armed forces, and certain other controversial items." And state quite frankly that this thing is a continuing process where you turn up things all the time which are subject to question. You can't give them an all-inclusive list.

MR. WHITE: All right. It is a good start.

H.M.JR: ~~Look~~, may I say this, please: You go over there with a list that we have had more or less, and which Acheson is agreed to. You bring in one other thing-"I didn't hear this."

MR. COE: He immediately goes off and starts a whole new line of argument.

MR. CURRIE: I didn't get that.

H.M.JR: I mean, you have Acheson agreed to this list we submitted to the President, see? Now, we bring in something new.

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MR. COX: You can't vary it too much.

H.M.JR: From the standpoint of Lend-Lease, I don't see how between now and tomorrow you can suddenly discover something new, but you might next week. I mean, it puts Lend-Lease in the position that they don't know their business.

MR. CURRIE: It is not the question of discovering something new, but it is a question of you people deciding what you think are controversial and politically dangerous items.

MR. CROWLEY: If you add anything in there now, you are going to have Dean argue, "Well, now, I didn't see this." Let's go ahead with the thing.

MR. CURRIE: It is not so much a question of adding, Mr. Crowley, as it is interpretation of that last item, controversial items. Up to now it has been a catch-all. But as Harry says, you can't put five hundred million dollars in other controversial items. You will have to decide pretty much now whether you are going to rule out rental and hire, iron and steel, copper and brass, aluminum products, and so forth.

H.M.JR: Leo, I won't change that thing. It went to the President and it is what Dean has seen, so we won't start Dean off on a wild tirade.

MR. CROWLEY: I think that is right. Let's let it go the way it is.

MR. CURRIE: What we will try to do is not change it, but we can select things of not too great magnitude for other controversial items.

MR. CROWLEY: Lauch, after we get through with this conference with Hull tomorrow and we have a conference with Lord Halifax, then doesn't it get back to Lend-Lease themselves, discussing with the British these items that you may find from time to time that ought to be included in this list?

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Now, certainly they are not so sensitive that we can't talk to them about what they should pay for and what we should give them.

MR. CURRIE: I think so, but it is going to be more difficult to introduce other items later.

MR. CROWLEY: But you have a catch-all that covers anything you want to find, as I see it.

H.M.JR: Just one second, after this meeting tomorrow which launches the thing, I think the meeting should then be between Crowley and his staff and this man Ben Smith. I don't think we come into it.

MR. CROWLEY: Except this, that if we find that we can't do it and want to come back to the Treasury and tell you that we want your help, that this thing hasn't worked out--

H.M.JR: I am not trying to get out of it, but as I remember it--are there fifty committees on lend-lease and all this, or are there a hundred committees?

MR. WHITE: Anyway, more than two.

MR. COX: You are certainly right. I have just one point--

H.M.JR: I am sorry, Lauch, I hope you are sweating. It doesn't bother me in the least.

MR. CURRIE: We agreed six months ago on Cuban sugar, and it took a month to get a decent reading of the facts on Cuban sugar before we felt like approaching it. That is why I am sweating a little bit.

MR. CROWLEY: One reason for it is that Lend-Lease hasn't been organized themselves, so that they knew these items. You can't blame it on the British.

MR. WHITE: You can't blame it on Lend-Lease. They have only been in existence two years.

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MR. COX: There is another reason why you can't, too, Harry. For example--

H.M.JR: Did you hear that one of Harry's?

MR. CROWLEY: I think that Harry wrote that editorial in the Post on me.

MR. COX: You have vessels which are chartered for war goods for U.S. and U.K. That is the least movement, whereas the movement of wool from Australia to the U.S. may be the most questionable item. You have steel, for example, which goes over and makes guns or builds an arsenal. On the other hand, you may have steel that builds an office building. Now, they know perfectly well that that was a politically questionable item. You are trying to illustrate in terms of the things you have discussed, and they know what they are.

H.M.JR: Look, I am bored with this discussion. I have got to take up the discussion with Mr. Crowley as head of the FDIC, if he doesn't mind. If you want to get your friend, the Under Secretary, in, I don't know how you will get him into that meeting tomorrow.

MR. WHITE: He can get him in anywhere. I think he got him in the State Department. (Laughter)

H.M.JR: Harry is good this afternoon.

Treasury Department  
Division of Monetary Research . .

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Date 1/7/44 19

To: Miss Chauncey

Sent copy as attached to Assistant Secretary of War John J. McCloy, by messenger this morning. Mr. White also took copy to Secretary Hull (when he accompanied the Secretary to Mr. Hull's office this morning).

L. Shanahan

MR. WHITE  
Branch 2058 - Room 214½

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THE WHITE HOUSE  
WASHINGTON

January 6, 1943.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I do not want the words "Republique Francaise". As I suggested two weeks ago, I would like to have instead the words "La France".

And in view of the fact that this will be issued by the Allied Military Commander, I would put in the middle, in color, the French flag, supported by the American flag and the British flag on either side.

I have no objection to having the French Committee of National Liberation buy finished French currency over here, but it cannot have on it the words "Republique Francaise". How do you know what the next permanent Government of France is going to be? My guess is that it will be headed by a Mandarin!

F. D. R.

January 6, 1943  
4:10 p.m.

INTEREST PAYMENTS ON DEMAND DEPOSITS

Present: Mr. Bell  
Mr. Crowley

H.M.JR: This business - I have heard one side of the story from Mr. Ronald Ransom.

MR. CROWLEY: I would like to give you our side. I didn't bother you about that, and I didn't bother the President, because, Lord knows, you both have enough to do without bothering about a thing like that.

Danny knows it pretty well.

H.M.JR: Well, to show you the thing, the President asked me for a memorandum on the Chinese loan, which was for him. Well, he liked it so much he said, "I am going to send it as a cable, just the way you have written it, to Chiang Kai-shek." He sent it over and I got a copy of it on the 3rd - what he had sent to Hull.

Twenty-four hours later I get a letter from Hull arguing why this shouldn't go and suggesting something entirely different, although the memorandum from the President said, "Please read and send." He didn't say, "I want your comment."

I called him up on the phone and said, "Look, Mr. Hull, if you don't like the President's cable, it is between you and the President."

I said, "I have no comment to make."

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So forty-eight hours passed before he sends a cable which the President said, "Please send - read and send."

Now, if he does that to the President--

MR. CROWLEY: What will he do to us!

H.M.JR: He finally sent it. I said, "I am not going to come between you two."

(To bell) I asked Leo if he would let us have his side of the story, because Ronald Ransom came over and told me his - at his request. I mean Ransom asked to see me. DeLano is going to have to testify.

MR. CROWLEY: Let me just go back a little bit to the history of this thing, Dan and Mr. Secretary.

Back in 1933 when Carter was drafting banking laws - you understand that they went on the theory, Danny, that by paying any interest on demand deposits - and they wanted to put a ceiling on what the banks could pay on time deposits. That was an unfair and unsound practice. Many of the banks, they said, had gone broke because they had been paying the depositor too large an interest on savings accounts, and they had been bidding for funds for demand deposits through a competitive channel.

Now, back in the time when we were all anxious to do everything in the world we could to let the banks make more money and to create a sounder condition, and eliminate all the abuses, the ABA boys slipped that in there.

Now, that eliminated, you understand, the whole competitive feature of demand deposits, except that you may get them purely without paying anything for them. It saved the banking system about one hundred and sixty million dollars. In that law they have said that anything that would indicate a way of paying interest, like absorbing charges - they didn't say absorbing charges, but indirect services.

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Now, in 1934 the Federal Reserve got out regulation "Q" - '35, it was - and we have a similar statute in our laws, except ours does not quite go as far as the Federal Reserve.

We wouldn't go along with the Federal Reserve because we said that we felt that their interpretation of this thing was wrong, that it was going to put out of business a lot of little banks, and this was just contempt on the part of the big banks and the Federal Reserve to put the squeeze on the little fellow.

At that time Pat Harrison and Joe Robinson, and all those fellows were alive, and sixty Congressmen and Senators had a meeting. Barkley, Harrison, Robinson, and the Speaker of the House, went to the President and the President called up the Federal Reserve and sent notice for them not to put that part of the regulation into effect. They had to withdraw the regulation.

Then Ransom told this group, or Eccles did, that they would not put that in until first they had notified the Banking and Currency Committee of both Houses that they were going to do so.

All this time, even before Ransom came into the Government, he was in the banking business in Atlanta and was always forcing the old issue of par clearance. Par clearance is something that has been debated and it has been to the Supreme Court, and there was a great fight between the little banks and the big banks for the entire existence of the Federal Reserve System.

As long as Henry Steagall lived, and as long as Bob Wagner had his health, these fellows didn't dare to bring this thing up. A month after Henry Steagall died they elected poor old Brent Spence Chairman of the Banking and Currency Committee. Brent Spence is an old man and good at heart, but awfully slow.

Ransom went up in his nice little slick way - he is a medicine man, that fellow - and he sold Brent Spence

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on the idea that he only wanted to appear before his Committee for fifteen minutes. And Spence, not being old at the game, said perfectly all right. Then they got Patman - Pat comes from Texas. They got Patman sold on it. You understand, this fellow Patman is supposed to be on the Small Business Committee - supposed to be for the small businessman and the small banker.

And then there is a Republican by the name of Crawford from Michigan, and through the Detroit banks they got Fred Crawford. Those are the only two votes outside of the fellow Kean from New Jersey that they had.

Ransom went up and spent ten days up there testifying as to why this great Federal Reserve couldn't in conscience any more--

H.M.JK: Ten days?

MR. CROWLEY: Couldn't postpone the putting into force this regulation, that they had a great responsibility. Now, mind you, the thing has been on the books since 1933, and they just now discovered that they had to go ahead and do something about it right away.

He absorbed ten days up there and all the time - you understand, time was flying, and the Congress was getting ready to adjourn and there wasn't much that Congress could do until after they came back.

They had notified their banks like Richmond to get out notices to all their member banks that on January first they were going to prosecute this regulation very severely. Then, also, they got the Clearing House Associations throughout the country to meet and get the big banks to agree that now they had had this notice and - "We want to discontinue this practice and we are going to do so-and-so."

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What it does to two or three thousand little banks, it places them in a position - and it is a practice that has been in existence for twenty-five or thirty years - the little banks don't get a dime for their balances they keep in the big banks, and all of a sudden, now, these fellows discover that this is a terrible thing, and they can't let it go any longer.

So after ten days they had me up there three or four mornings sitting around waiting to testify. I finally told Brent Spence, "I am not going to come up here again. When you are ready for me to testify, I will come up." So he telephoned me one day and I said that I was provoked about this thing here, that it looked to me as though this was kind of a squeeze on the part of the Federal Reserve to put on the little banks, that there was no reason for it. I wished they were as conscientious about some of the other things as they are about this little bit of a regulation dealing with the eight or ten million dollars of exchange that may be absorbed, and that insofar as I was concerned, that I was just a little bit sensitive - a little bit afraid that they kind of timed this thing immediately after Steagall's death and right about the time when the Congress was going to adjourn, and that they didn't give the Congress a chance for the little banks, or the banking commissioners, a chance to get in here and explain this thing.

Ransom got up and he said, "No, we have got a matter of conscience in this thing."

I said, "Ronald, the trouble with you sometimes is that you just get too damned conscientious on certain things. I still say that all you are doing is cutting the throats of two or three thousand little banks."

I said, "This Committee here, and you, Mr. Patman, are going around talking about helping the little businessman - talking about helping the little banker, and the first time that you fellows get a chance to do something, really, to help them--"

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I said, "The little bank has lived during the last ten years, and during this war, whereas the little businessman has been severely hurt. Now we want to be sure we ruin them all; that is really the truth of the matter."

I said, "I just don't believe there is any justice to this regulation; it is a nonsensical thing and I think that this Committee ought to tell the Federal Reserve, as they did before, that they shouldn't put it in operation."

MR. BELL: It has been in operation since '35.

MR. CROWLEY: Well, they have never prosecuted.

MR. BELL: Oh, we have called attention to one case, particularly.

MR. CROWLEY: But what is going to happen is--

MR. BELL: We tried to enforce it wherever we saw glaring--

MR. CROWLEY: Danny, we don't have an objection, where a fellow is really, truly going out and abusing the thing, but the whole absorption in the entire banking system for these little banks is about ten million dollars. Now, that isn't anything. That certainly isn't going to upset the banking system.

I said to the Banking and Currency Committee that you can't go into one of these banks today - they charge you for the very air you breath. They charge you with service charges for everything you do; and if you have a thousand-dollar balance, they charge you for every item, but if you have a hundred-thousand-dollar balance, they will give you credit for that balance in your per-item charges. That is exorbitant payment of interest just the same as the other is.

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The net result of the thing was that they postponed and are going to have hearings after January 10. Now you are going to have all your little bankers, your little State banking groups, and things like that, and I am not going to do any more about it because I have spoken my piece.

But just why these fellows had to bring that up right now to cause all this trouble, I don't know. It is a silly thing.

MR. BELL: I don't know why they brought it up, either. As I say, Delano has called it to their attention in this particular case.

MR. CROWLEY: Do you know how long ago he called it to their attention? The first time was in 1938, and that is five years ago.

MR. BELL: There has been some more recent. We have got the regulation. It is a question of whether you want to enforce it. The Congress did say there would be no interest, direct or indirect. I don't know.

MR. CROWLEY: They have had ten years now and they haven't felt that that was a payment of interest in all these ten years.

MR. BELL: I think there has been a feeling that there was some abuse here some place along the line, but the examining authorities have been more or less liberal in interpreting it.

MR. CROWLEY: The first time I ever met Ronald Ransom he was with the ABA crowd talking about this same thing before he went on the Federal Reserve Board, and he has never given it up. You never heard such a vacillator on testimony in all your lifetime. He just absorbed time there, day after day, with a lot of silly dribble that didn't amount to anything.

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MR. BELL: It isn't sound banking for them to go out and be competing for demand deposits. It may be business for the little banks.

MR. CROWLEY: The trouble with this banking system - and God knows I don't want anyone to call me a radical - what we have done in this Administration for the bankers the last ten years - the fellows on WPA never got the treatment that we have given these bankers. We have eliminated everything that is unfavorable to them, and haven't added anything to them. Why shouldn't there be some competition in the banking business for the bidding of deposits? If these fellows can't run their own businesses at all, they ought to quit. But what we do by our chartering now, we create monopoly; we tell him he doesn't have to pay anything for his money. If we put any kind of a regulation on what interest he could charge, they would say we were trying to create Socialism, wouldn't they?

All of our agencies were supposed to be representing the public, and what we are doing, we are clear over on the side of the banker.

H.M. JR: Well, anyway--

MR. BELL: I don't think so.

H.M. JR: You don't want to continue it now, do you? I see you feel very strongly on it. I tell you what we will do. I am going to have another talk with Delano and with Dan; before I come to a decision I will give you a call.

MR. CROWLEY: Fine.

H.M. JR: It is like all these other things. Lauch Currie was so excited. This doesn't happen to be my objection. Evidently there is a lot of feeling on this thing.

MR. BELL: There is a lot of feeling between the Board and Leo.

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H.M.JR: Delano has to testify.

MR. BELL: We have got the regulation to enforce.

MR. CROWLEY: Let me say this now - I told this to the Board: All this is now, Eccies will come along with his branch banking, you will eliminate all the little banks and these communities won't have any banking facilities. Then they will say, "Now, we have to have a branch banking provision here in order to give these communities service."

All this thing here is an attempt on the part of these fellows to do away with your small banking system. I told the Committee, and Ransom didn't deny that. I told the Committee so.

H.M.JR: Well, anyway, I have learned this much; at least you have feelings on this.

MR. CROWLEY: well, sure. Mr. Secretary, let me say this to you; for ten years I have tried to get along with that Federal Reserve, and you can't get along with them. They are--

MR. BELL: Check!

MR. CROWLEY: You can't get along with them.

H.M.JR: Well, we do the best we can, but of course, there is nothing new. The trouble is they don't have enough to do; they never had.

MR. CROWLEY: Let me say this, that if they had sat down with the Secretary, and you and myself, in this thing, the Secretary, I am sure, would have been on our side of the thing, because there was no need of bringing up the damned controversy at this time. It isn't worth that much.

MR. BELL: I think that is right. They shouldn't have gone to the Committee in these times.

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H.M.JR: I agree with that. That is something new. As a matter of fact, they have only consulted me now that the fat is in the fire.

MR. BELL: Yes.

H.M.JR: They could have asked me, for instance, to call a meeting here and ironed it out.

MR. BELL: The old banking committee is still in existence.

MR. CROWLEY: You are interested in the relationship of your banks on the purchase of bonds. They are going to feel this thing very keenly. Now, I told Brent Spence I didn't see any reason in the world to have Delano go up there at all, Danny, because in the first place, he wouldn't do either side any good, because he wouldn't be positive enough. He wouldn't hurt me, although he would have to be against me. But all that Delano would have to say, if he did go up there, is that as long as the Federal Reserve interprets the law that way, we have the duty of enforcing it.

MR. BELL: That is what he would say. But on the other hand, they are going to say "That isn't quite enough, Mr. Delano. You are a banker and have been living with us for a good many years; we want your opinion."

If he could stop where you stop, it would be fine.

MR. CROWLEY: As far as that Committee up there is concerned.

MR. BELL: If you could keep Delano away, I say that is fine.

MR. CROWLEY: I don't know how familiar you are with the Democratic side of the Banking and Currency

- 11 -

Committee in both Houses, but it has deteriorated to the place where you have no leadership at all. It was really sad that here was an Administration set up to help the little fellow - the banking record, and everything else, and at the end of ten years--

H.M.JR: The little man is still the forgotten man.

MR. CROWLEY: We had to find a regulation to cut their throats.

I told them everything I told you.

TO:

232

(1) MISS CHAUNCEY

(2) MRS. McHUGH

I followed up today with General Carter's office and they expect to get two of the directives over to us within the next few days. There may be a third but they will send that later if it is drawn up.

*J. H.*

1-6-44

Office of the Under Secretary

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE 12/19/43

TO D. W. Bell  
FROM Secretary Morgenthau

Will you try to find out what steps, if any, Stimson takes to straighten out the matter of selling War Bonds to soldiers overseas.

Talk with Gen. Carter who says directors are being prepared. When approved he will send me copies.

WCBP  
12-28-43

*Blue Bell  
Jug for 4  
SudZ*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 18, 1943

TO Mrs. Klotz  
FROM The Secretary

*on 12-18-43  
b c - ft 10-9-1-  
152 - 8 - 56 - 2*

Please let me see the letter again which came in late Friday afternoon from Mr. Stimson in regard to War Bond selling to soldiers. *Attached*

WAR DEPARTMENT  
WASHINGTON

DEC 17 1943

The Honorable,

The Secretary of the Treasury.

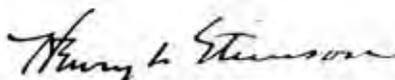
Dear Henry:

I acknowledge receipt of your letter of December 2, 1943, concerning the sale of War Bonds to Army personnel in the North African Theater of Operations. Steps are being taken to eliminate any confusion that may exist as to the responsibility therefor.

With respect to your further suggestion, I intend shortly to issue a statement over my signature to the officers and men of the Army calling their attention to the desirability of purchasing War Bonds and expressing my continued interest in the program.

I very much appreciate your interest in our Army War Bond Program and am grateful to you for calling this particular matter to my attention.

Sincerely yours,



Secretary of War.

DIT

Dear Henry:

I have your letter of November 22, 1943, concerning my recommendation to the President that the Treasury be authorized to send to each of the theatres of operation a civilian representative to stimulate the sale of War Bonds.

After viewing the situation with respect to the sale of War Bonds in both North Africa and Italy, it was my opinion that the matter was not being well handled except in a few instances where an enterprising officer would take hold of the matter personally. I found confusion as to authority; in one place I was told that the Finance Officers had charge of the sale of War Bonds, while in another place I was told that the Special Services had charge. I was led to believe that both organizations had received directives from Washington authorizing them to sell these securities. These were the reasons for my recommendation to the President that I be authorized to send to each of these theatres of operation a civilian representative to stimulate the sale of these bonds.

You ask for any recommendations I might like to make for the improvement of your existing program. In view of the confused situation which I found, I would appreciate it if you would issue another directive clearly specifying a particular organization and its definite responsibility in this matter, with an indication that you are very much interested in the program. I am sure if this is done we may expect an improvement in the situation.

Sincerely yours,

[Signed] Henry Morgenthau, Jr.

Honorable Henry L. Stimson

Secretary of War.

DW/Biew

WAR DEPARTMENT  
WASHINGTON

Mr. Broughton  
913 278 205 927  
89012

November 22, 1943.

My dear Henry:

I have received a memorandum from the President wherein he sets forth your recommendation that the Treasury Department be authorized to send to each of the Theaters of Operation a civilian representative to stimulate the sale of War Bonds.

As you no doubt know, the Army is now conducting an intensive educational program throughout the military establishment, at home and abroad, and has built up and is operating a smoothly functioning War Bond organization. It has achieved results which have recently been the subject of highly commendatory reference by the Treasury Department. Our record speaks well for the efforts of this organization. During the 18 months which have elapsed since the inauguration of our program and exclusive of cash, War Department personnel have purchased over \$433,000,000 worth of War Bonds. During the Third War Loan Drive recently completed, this department's grand total was over \$94,000,000. Our Bond sales, thanks to our War Bond organization, have been progressively larger each month since the inception of the program.

It is recognized that maximum results will be obtained by regular monthly payroll deductions rather than cash sales, and this form of purchase has been most strongly emphasized, although facilities for cash sales are provided and urged both here and abroad. We further recognize that the War Bond Program will be most successful if allotments are secured from personnel before their departure from the United States, and that this country, not overseas, is the place to secure allotments. Accordingly, we initiate a program at each staging area and see to it that each soldier departing for overseas is advised of the facilities for purchasing War Bonds, and is urged to make this investment of his funds through the allotment plan.

I should welcome any recommendations from your Department for the improvement of our existing program, but I hesitate to recommend the sending of any additional civilians into our active and already overburdened theaters, particularly in view of the fact that our present organization is functioning so well and is increasing its sales steadily month by month.

I know you realize the practical difficulties involved in directing civilians into the machinery of an active theater and realize the desirability of keeping their number to a minimum.

- 2 -

I appreciate your desire to see our men invest the maximum in the War Bond Program, but I regret that I do not feel free to allow your people to go into active theaters for the reasons I have outlined above.

Very sincerely yours,

A handwritten signature in cursive script, reading "Henry L. Stimson".

Secretary of War.

Honorable Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington, D. C.

JAN 5 1944

Dear Henry:

In the Fourth War Loan Drive, commencing January 18, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5½ billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive, and about \$124 millions more than actual sales.

Through the splendid work of the bond organizations set up in the various departments and establishments, civilian and military personnel of the United States invested over \$186 millions in war bonds during the Third Loan Drive. This is several times greater than the amount sold to Federal employees and military personnel during the First and Second Loans.

The success of the Third Loan Drive in the Federal agencies undoubtedly was due in large measure to the personal interest and attention given the matter by the heads of the departments and establishments, as well as the heads of the respective bureaus, offices, and services.

The Interdepartmental War Savings Bond Committee is now completing plans for the organization of the Fourth Loan Drive in the Federal agencies. My purpose in writing you now is to ask if you would be good enough to request the administrative officers of the War Department to put their personal influence behind the Fourth War Loan program with the end in view that there will be provided the same type of enthusiastic bond organization as we had during the Third Loan Drive.

This Department and the Interdepartmental War Savings Bond Committee will be glad to assist in any way possible.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Henry L. Stimson  
Secretary of War  
Washington, D. C.  
EFBartelt:hbw 1/5/44

JAN 6 1944

Dear Frank:

In the Fourth War Loan Drive, commencing January 18, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5<sup>1</sup>/<sub>2</sub> billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive, and about \$12<sup>1</sup>/<sub>4</sub> millions more than actual sales.

Through the splendid work of the bond organizations set up in the various departments and establishments, civilian and uniformed personnel of the United States invested over \$186 millions in war bonds during the Third Loan Drive. This is several times greater than the amount sold to civilian and uniformed personnel during the First and Second Loans.

The success of the Third Loan Drive in the Federal agencies undoubtedly was due in large measure to the personal interest and attention given the matter by the heads of the departments and establishments, as well as the heads of the respective bureaus, offices, and services.

The Interdepartmental War Savings Bond Committee is now completing plans for the organization of the Fourth Loan Drive in the Federal agencies. My purpose in writing you now is to ask if you would be good enough to request the administrative officers of the Navy Department to put their personal influence behind the Fourth War Loan program with the end in view that there will be provided the same type of enthusiastic bond organization as we had during the Third Loan Drive.

This Department and the Interdepartmental War Savings Bond Committee will be glad to assist in any way possible.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Frank Knox  
Secretary of the Navy  
Washington, D. C.

KFBartelt:hbw 1/5/44

Similar letters went to the following:

Brig. Gen Frank T. Hines - Veterans  
Hon. Harry B. Mitchell - Civil Service Commission  
Hon. Archibald MacLeish - Librarian of Congress  
Hon. Paul V. McNutt, Administrator - Fed. Security Agency  
Hon. Lindsay C. Warren - Compt Gen of the US  
Major General P. B. Fleming - Fed. Works Agency  
Hon. Charles B. Henderson, - RFC  
Hon. A. E. Giegengack - Public Printer  
Hon. B. F. Burdick, Chief of Office & Gen. Purchasing Officer  
The Panama Canal  
Rear Admiral Emory S. Land - Us Maritime Commission  
Hon. John B. Blandford, Jr. - Natl Housing Agency  
Hon. David E. Lilienthal - Tenn. Valley Authority

TED R. GAMBLE  
WAR FINANCE DIVISION  
EXPENSES OF LOANS  
JANUARY 6, 1945

Mr. Charles F. Skoures  
Fox Westcoast Theatres  
1609 West Washington Blvd.  
Los Angeles, California.

AS CHAIRMAN FOR THE MOTION PICTURE INDUSTRY IN THE FOURTH WAR LOAN I CANNOT IMPRESS UPON YOU TOO FORCIELY THE IMPORTANCE OF CONVEYING TO THOSE LEADERS PRESENT AT YOUR LUNCNEON MEETING TODAY THE VALUE OF PLACING THE TOP SCREEN PERSONALITIES IN THE TWENTY-TWO LARGE KEY CITIES. IN THE STATES WHEREIN THESE CITIES ARE LOCATED WE EXPECT TO RAISE ABOUT 70% OF THE 14 BILLION DOLLAR QUOTA. THE PRESENCE OF THESE STARS STIMULATES BOND SALES IN EVERY CONCEIVABLE LINE OF ENDEAVOR IN THESE COMMUNITIES. THEIR PRESENCE IS A MORALE BUILDER IN THE FACTORIES, IN THE FOUNDRIES AND THE MANY LARGE WAR PRODUCTION CENTERS IN WHICH THEY APPEAR. IN ADDITION THEY ARE A GENERATING SPARK TO THE PERSONNEL OF OUR LOCAL WAR FINANCE COMMITTEES. THE TWENTY-TWO CITIES WHERE WE DESIRE THESE TOP PERSONALITIES ARE THE CRITICAL PRODUCTION POINTS OF THE NATION. PLEASE EXPRESS TO THOSE ASSEMBLED, MY APPRECIATION FOR THE FINE CONTRIBUTION THAT HAS BEEN MADE IN THE THREE PREVIOUS DRIVES AND THE SUPPORT THAT I KNOW WILL BE FORTHECOMING IN THIS, OUR MOST IMPORTANT EFFORT.

HENRY MORGENTHAU, JR.  
SECRETARY OF THE TREASURY.

*H.M.J.*

TRG:ecbidft

TED R. GAMBLE

WAR FINANCE DIVISION

EXPENSES OF LOANS

TRG:ECB

JANUARY 6, 1944

WALTER W. HEAD  
WAR FINANCE CHAIRMAN  
715 A BROADWAY  
COLUMBIA, MISSOURI

THE PEOPLE OF THE GOOD STATE OF MISSOURI UNDER YOUR ABLE LEADERSHIP MADE A GOOD SHOWING DURING THE THIRD WAR LOAN DRIVE. REPORTS MADE TO ME BY MR. GAMBLE FOLLOWING HIS MEETING WITH YOU AND YOUR ASSOCIATES IN ST. LOUIS WOULD INDICATE THAT YOU HAVE TAKEN EVERY STEP TO INSURE THE SUCCESS OF THE IMPENDING FOURTH WAR LOAN. YOUR BETTER ORGANIZATION TO REACH THE FARM INCOME, EXPANSION OF YOUR SOLICITATION OF PLANTS, BUSINESS ESTABLISHMENTS AND YOUR EXCELLENT CANVASSING PLAN WORKED OUT IN CONJUNCTION WITH THE BOY SCOUTS OF ST. LOUIS ARE ALL EXAMPLES OF A WELL PLANNED CAMPAIGN AND AN ENTHUSIASTIC AND WELL INTEGRATED ORGANIZATION. MY CONGRATULATIONS TO YOU AND MAY I REQUEST THAT YOU CONVEY MY BEST WISHES TO ALL OF YOUR WORKERS ASSEMBLED TODAY.

HENRY MORGENTHAU, JR.  
SECRETARY OF THE TREASURY

*Muh*

January 6, 1944

TO ALL EMPLOYEES OF THE TREASURY DEPARTMENT:

The Fourth War Loan Drive will start on January 18. The national goal is 14 billion dollars, of which 5½ billion dollars must be sold to individuals. The Treasury Department's share of this quota is \$5,910,000.

Against a quota of approximately five million dollars, employees of the Treasury Department purchased in excess of seven million five hundred thousand dollars worth of war bonds during the Third War Loan Drive. In achieving 153% of the Department's quota, you demonstrated what is possible for aroused Americans to accomplish when working together toward a common goal. It is fitting that the employees of the Treasury Department should give a performance of this kind and be OUT IN FRONT. You met the challenge and came through with flying colors. I HEARTILY CONGRATULATE YOU.

Since pay-roll deductions for the purchase of bonds during January and February will be counted as credits against the Department's quota, I strongly urge you to make an earnest effort to increase the amount of your pay-roll deductions for war bond purchases. It is the most practical and convenient method to built up your bond investment savings.

Sincerely yours,

(Sgd) H. MORGENTHAU Jr.

Secretary of the Treasury

KFBartelt:JM  
1/6/44

FOURTH WAR LOANGoal for employees  
of U. S. Treasury Department

Bureau or Office	Fourth War Loan Quotas	Third War Loan	
		Quotas	Actual Purchases (percentage of Quota)
Office of the Secretary			
(a) Regular	\$23,300	\$19,800	124
(b) Special	-	50,000 *	-
Bureau of Accounts	146,700	128,900	127
Office of the Chief Clerk	10,300	9,400	130
Comptroller of the Currency	101,000	89,500	151
Bureau of Customs	700,700	595,600	116
Bureau of Engraving and Printing	503,100	471,500	99
Foreign Funds Control	52,500	50,500	107
Office of the General Counsel	15,600	14,900	108
Bureau of Internal Revenue	3,067,000	2,548,300	143
Bureau of the Mint	142,100	117,600	123
Division of Monetary Research	6,900	4,200	137
Bureau of Narcotics	31,200	26,800	147
Division of Personnel	5,200	5,100	100
Procurement Division	248,300	199,300	141
Bureau of the Public Debt	480,400	361,100	132
Division of Research and Statistics	11,200	9,300	154
Secret Service	51,700	55,500	130
Office of Superintendent Treasury Buildings	15,800	12,900	89
Division of Tax Research	5,400	4,500	141
Treasurer, U. S.	154,200	142,100	100
War Finance Division			
(a) Regular	137,400	82,200	614
(b) Special	-	621,000 *	-
<b>TOTAL</b>	<b>\$5,910,000</b>	<b>\$4,948,600</b>	<b>153</b>

\*These amounts represent special cash sales for which no quotas had been established.

January 6, 1944

TO HEADS OF BUREAUS AND OFFICES,

TREASURY DEPARTMENT.

The Fourth War Loan Drive will start on January 18. The quotas for the various Federal departments and establishments have been placed at 35 per cent of the gross pay roll for November. Credits against the quotas will be given for all bond deductions under the Pay-roll Savings Plan during the full months of January and February, as well as for extra cash sales during these months.

The quotas for the various bureaus and offices of the Treasury Department during the Fourth War Loan Drive are set forth in a statement attached hereto. To the extent that pay-roll savings deductions are increased during January and February, the need for extra cash sales will be correspondingly reduced.

A meeting will be held in Room 394 of the Treasury Building on Wednesday, January 12, 1944, at 3 p.m., to discuss the Campaign plans. It is my wish that your representative be present at this meeting and that the Campaign be conducted in your bureau in such manner as will assure success.

(Sgd) H. MORGENTHAU JR.

Secretary of the Treasury.

Attachment

EFB/WB/gmm  
1/6/44

FOURTH WAR LOAN DRIVE  
FEDERAL CIVILIAN EMPLOYEES  
QUOTA OF  
TREASURY DEPARTMENT

	<u>Gross Pay<sup>1/</sup></u>	<u>Quota 4th War Loan Drive</u>	<u>Anticipated Allotment Deductions Jan.-Feb. 1944<sup>2/</sup></u>	<u>Increased Payroll Allot- ments or Cash Purchases to Meet Quota</u>
Office of the Secretary	\$ 66,513	23,300	15,858	7,442
Bureau of Accounts	418,993	146,700	99,440	47,260
Office of the Chief Clerk	29,238	10,300	6,083	4,217
Comptroller of the Currency	288,550	101,000	67,768	33,232
Bureau of Customs	2,001,782	700,700	451,697	249,003
Bureau of Engraving and Printing	1,437,371	503,100	270,359	232,741
Foreign Funds Control	149,755	52,500	33,045	19,455
Office of the General Counsel	44,363	15,600	10,655	4,945
Bureau of Internal Revenue	8,762,584	3,067,000	1,984,284	1,082,716
Bureau of the Mint	405,936	142,100	92,860	49,240
Division of Monetary Research	19,667	6,900	4,545	2,355
Bureau of Narcotics	88,906	31,200	19,423	11,777
Division of Personnel	14,610	5,200	3,555	1,645
Procurement Division	709,234	248,300	182,756	65,544
Bureau of the Public Debt	1,372,402	480,400	302,954	177,446
Division of Research and Statistics	31,874	11,200	7,529	3,671
U. S. Secret Service	190,480	51,700	38,335	13,365
Office of the Supt. of Treas. Bldgs.	45,156	15,800	9,871	5,929
Division of Tax Research	15,354	5,400	3,140	2,260
Office of Treasurer, U.S.	440,338	154,200	96,092	58,108
War Finance Division	<u>389,827</u>	<u>137,400</u>	<u>88,741</u>	<u>48,659</u>
<b>TOTAL</b>	<b>\$16,922,933</b>	<b>\$5,910,000</b>	<b>\$3,788,990</b>	<b>\$2,121,010</b>

<sup>1/</sup> Based on Departmental Payroll as of November 25, 1943, and Field Payroll of November 15, 1943.

<sup>2/</sup> Based on allotment deductions for period indicated in footnote <sup>1/</sup>.



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 6, 1944

To Staff Members and  
Heads of Bureaus, Offices, and Divisions.

Hereafter in arranging for the delivery of a speech or public address involving Treasury policy, will you please first clear such arrangement with Assistant Secretary Gaston.

When such clearance is obtained, the text of the speech or public address should then be referred to Mr. Charles P. Shaeffer, Director of Public Relations, who will be responsible for obtaining all necessary clearances before release of the speech or address.

I will appreciate your cooperation in observing the above procedures.

*W. M. Anthony*  
Secretary of the Treasury.



1-6-44

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<u>Name</u>	<u>Date of Promotion</u>	<u>Title</u>	<u>From Salary</u>	<u>Title</u>	<u>To Salary</u>
Wheeler, John W.	6-26-43	Asst. to the Secy.	\$8000	Asst. to the Secy.	\$9000
Harford, Ansel F.	2-11-43	Head Attorney	\$6500	Chief Counsel, For. Funds Control	\$8000
	3-11-43	Chief Counsel, For. Funds Control	\$8000	Asst. Gen. Counsel	\$8000
Bois, Josiah E.	6-26-43	Head Attorney	\$6500	Chief Counsel, For. Funds Control	\$8000

*AD. Counsel*

January 6, 1944.

Dear Mr. Scholle:

I am enclosing a letter from Secretary Morgenthau to Mr. Thomas to be used as indicated in your letter of December 30 to the Secretary.

Sincerely yours,  
**(signed) H. S. Klotz**

H. S. Klotz  
Private Secretary

Mr. August Scholle  
Chairman, Arrangements Committee  
R. J. Thomas Testimonial Dinner  
Room 506, Hofmann Building  
Detroit 1, Michigan.

HKG/mah

*WJG*

January 6, 1944.

Dear Mr. Thomas:

Let me add my hearty good wishes to those you are receiving on the completion of your fifth year as President of the United Automobile, Aircraft, Agricultural Implement Workers of America, CIO.

The growth of your union is one of the great chapters in the history of the organization of workmen in this country, but I think you will justifiably take most pride, not in the sensational numerical growth of U.A.W., but in the great contribution your members have made to the phenomenal record of American production which is accomplishing the certain doom of the dictators.

I congratulate you on this record and I also want to add my thanks for the powerful help your union has been giving to the Treasury in the sale of War Bonds.

Sincerely,

(Signed) H. Morgenthau, Jr  
Secretary of the Treasury.

Mr. R. J. Thomas  
President, United Automobile, Aircraft,  
Agricultural Implement Workers of America, CIO  
Detroit, Michigan

WJS

# R. J. Thomas Testimonial Dinner 252

January 28th, 1944 — Book-Cadillac Hotel, Detroit — 7 p. m.

Arrangements Committee Office, Room 506, Hofmann Bldg., Detroit 1, Mich.

December 30, 1943

## SPONSORS

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AL BARBOUR  
ERNEST BENNETT  
MORT FURAY  
TUCKER SMITH

Secretary of the Treasury  
Department of the Treasury  
Treasury Building  
Washington, D. C.

Dear Mr. Secretary:

January of 1944 marks the completion by R. J. Thomas of his fifth year as president of the United Automobile, Aircraft, Agricultural Implement Workers of America, CIO. During this period the union has grown from some 90,000 dues-paying members to a union of 1,200,000 members, exclusive of 300,000 others who are now in the armed forces of our country.

On the occasion of the anniversary of this remarkable achievement, a number of leaders in the labor movement, as well as civic, religious and other leaders in Detroit, have joined together to sponsor a testimonial dinner which will be given Mr. Thomas on January 28, 1944, at the Book-Cadillac Hotel in Detroit.

We would be very happy, of course, to have you present at this testimonial dinner, but appreciate the fact that more pressing matters preclude that possibility. However, the Arrangements Committee is hopeful that you may find it possible to send a brief personal message to Mr. Thomas. A number of such messages have already been received, and we are planning to bind them together in a book to be presented to Mr. Thomas on the evening of the dinner. I know he will be very happy if a message from you is included in a prominent place in that book.

If you can see your way to sending such a message, please address it to R. J. Thomas, but forward it to me at the above address.

Sincerely,

*August Scholle*  
August Scholle,  
Chairman

January 6, 1944

Dear Mr. Hancock:

Thank you for your letter of January 4, 1944 addressed to Secretary Morgenthau sending a photostat of the original document setting up the Joint Contract Termination Board.

Sincerely yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

John M. Hancock, Esq.  
Office of War Mobilization  
323 Washington Building  
Washington 25, D. C.

JJO'C Jr/hkw

## OFFICE OF WAR MOBILIZATION

ADVISORY UNIT FOR WAR AND POSTWAR  
ADJUSTMENT POLICIES323 Washington Building  
Washington, D.C. 25James F. Byrnes  
DirectorBernard M. Baruch  
John M. Hancock

January 4, 1944

The Honorable  
Henry L. Morgenthau  
The Secretary of the Treasury  
Washington, D. C.

My dear Henry:

Enclosed is a photostat of the original document setting up the Joint Contract Termination Board which I should have sent you earlier.

Sincerely yours,

*John M. Hancock*  
John M. Hancock

Enc.



*Post War & War Dept*  
255  
72

ESTABLISHMENT OF A JOINT CONTRACT TERMINATION BOARD

1. For the purpose of this memorandum:

(a) The term "Department" means the War Department, the Navy Department, the Treasury Department, the United States Maritime Commission, the War Shipping Administration, Defense Plant Corporation, Metals Reserve Company, Defense Supplies Corporation, Rubber Reserve Company, and the Foreign Economic Administration, respectively.

(b) The term "contract" includes any contract with a Department, and the term "subcontract" includes any contract, agreement, or purchase order, directly or indirectly related to or connected with the performance of any contract with a Department.

(c) The term "contract termination settlements" means all action and proceedings related to the settlement of obligations and rights under any contract terminated by a Department (except for default) whether pursuant to a contract provision therefor or otherwise, and the disposition of all property in connection with such termination.

2. There is hereby established a Joint Contract Termination Board, herein called "The Board". The Board shall be composed of seven members, of whom the War Department, the Navy Department, the Treasury Department, the Maritime Commission, the Reconstruction Finance Corporation, and the Foreign Economic Administration shall each designate one. The Director of War Mobilization shall appoint a Chairman and the Board shall appoint from its membership a Vice Chairman

to act as Chairman in the absence of the Chairman.

3. The Board shall have the following authority and discretion, subject to whatever overall policies may be formulated by the Director of War Mobilization:

(a) To establish general principles and procedures governing contract terminations and settlements which shall be binding on the Departments. Each Department may establish principles and procedures not inconsistent with those established by the Board.

(b) To require from each Department such reports relating to contract termination settlements as it deems necessary.

(c) To develop to the extent practicable uniform contract provisions relating to the termination of contracts and subcontracts, and to make interpretations of such provisions which shall be binding on the Departments.

4. The Board may exercise any of the authority or discretion herein conferred only by affirmative vote of four members. Whenever any Department disagrees with any action of the Board on any matter, the head of that Department may request the Board to refer the matter to the Director of War Mobilization for his approval or disapproval. Thereupon, the Chairman, or such other member as the Board may designate, shall so submit the matter to the Director of War Mobilization. Each member shall have an equal vote. Any member may act by alternate, and the term "member" for the purposes hereof shall include the alternate of a member.

5. The Board may appoint a Secretary and such other officers and agents as may be necessary to permit it to carry out the authority and discretion herein conferred upon it.

Henry L. Stimson  
Secretary of War

Forrestal  
acting Secretary of the Navy

ES Land  
Chairman, U. S. Maritime Commission

McIntosh  
Secretary of the Treasury

ES Land  
Administrator, War Shipping Administration

James H. Jones  
Chairman, Board of Directors, Metals Reserve Company

James H. Jones  
Chairman, Board of Directors, Defense Plant Corporation

James H. Jones  
Chairman, Board of Directors, Rubber Reserve Company

James H. Jones  
Chairman, Board of Directors, Defense Supplies Corporation

Leah Craswell  
Administrator, Foreign Economic Administration

APPROVED:

James O. Byrnes  
Director of War Mobilization

November 12, 1943

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Mr. O'Connell

January 6, 1944

I am attaching a page proof of the minority report on the Senate Finance Committee version of the renegotiation amendments, together with suggested letters to go to Senators Walsh, LaFollette, Connally, and Lucas.

I am now informed that the final draft of the report goes to the printer tonight and will be filed tomorrow, at which time copies will be available. I am also informed that the report as filed will not differ substantially from that of the attached proof.

Since the delay in printing was occasioned by the fact that they have not received formal word from Senator Lucas that he will sign the report (although there is apparently little doubt about that), the attached letters should not be sent until we are absolutely sure Lucas has joined with the others.

*Joseph J. O'Connell*

Attachment

## [CONFIDENTIAL COMMITTEE PRINT]

78TH CONGRESS }  
1st Session }

SENATE

{ REPT. 627  
Part 2 }

## THE REVENUE BILL OF 1943

DECEMBER 29, 1943.—Ordered to be printed

Mr. WALSH, from the Committee on Finance, submitted the following

## MINORITY VIEWS

[To accompany H. R. 3687]

The renegotiation statute has provided an effective means of limiting war profiteering. Under it, war contractors have been allowed liberal profits on their war business, but inordinate profits have been eliminated. Already it has recovered for the Government over \$5,000,000,000 in actual refunds and in reductions in current prices on existing contracts. Through its operation the soldiers, the sailors, and the public have been given a measure of assurance that no group would make exorbitant profits during the war from munitions and war supplies. Thus the statute has protected industry as a whole from the stigma of war profiteering and has contributed to wartime morale.

The Finance Committee's bill amending the statute would largely destroy these benefits of renegotiation. Under the proposed bill large segments of war business would be excluded from renegotiation. They would be free to make exorbitant profits out of the war. Indeed, one large segment would not only be exempt for the future but would be entitled to refunds amounting perhaps to as much as one-half billion dollars—even through the contractors themselves have agreed that this money represents excessive war profits. For example, one machine tool company, which has agreed that its profits are excessive, would probably receive from the Government a net refund (after taxes) of \$1,300,000, swelling its wartime profits (after taxes) to four times their pre-war average.

The effects of these amendments are so sweeping and so serious that we feel bound to oppose them and to state the reasons for our views.

## I. WAR PROFITEERING—WORLD WAR I

In the First World War profiteering by war contractors and creation of war millionaires became a public scandal. Despite the excess-

profits tax and other measures, 23,000 war millionaires were created in World War I out of the sacrifices of the American people. After the war, the investigations of committees of Congress, the War Policies Commission, and other agencies brought to light many cases of outrageous profits on war contracts.

The mass of the people—those who had borne the burdens and sacrifices of the war, who had paid the taxes to finance the war expenditures—joined with the returned soldiers to express their indignation over war profiteering.

So pronounced was this resentment that the American Legion, as one of its first principles, urgently demanded legislation to take the profits out of any future war. One of the principal planks of the 1924 platform of the Democratic Party was the following:

In the event of war in which the manpower of the Nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits.

Likewise, in the same year, the Republican platform contained the following declaration:

We believe that in time of war the Nation should draft for its defenses not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms, the President be empowered to draft such material resources and such services as may be required, and to stabilize prices of services and essential commodities, whether utilized in actual warfare or in private activity.

The mistakes of the First World War must not be repeated in this war. In our opinion the repeal or the emasculation of the renegotiation law will inevitably result in widespread excessive profits from war business, profits so excessive that they are certain to create public bitterness and injure public morale.

## II. DIFFICULTIES OF PREVENTING WAR PROFITS

Experience shows that preventing excessive war profits is not easy. When war comes, the needed munitions and supplies must be procured with maximum speed. Soldiers must be put in the field and furnished with adequate equipment in the shortest possible time. The vital thing is to begin actual production at once. Contract pricing is subordinated to this primary objective. Furthermore, the nature of this production complicates the problem. Many of the weapons are new or in process of development, and experience in producing them and in estimating their costs of production is not at hand. In addition, many producers are forced to convert from normal peacetime products to the making of war munitions and supplies with which they are wholly unfamiliar. Finally, the quantity of munitions required so far exceeds any peacetime experience that the costs of production in such quantities cannot readily be predicted.

As the war progresses, these difficulties are reduced but they are not wholly eliminated. Strategic factors constantly alter the kinds and quantities of munitions needed. New weapons are developed and old weapons are constantly improved, or become obsolete. It is a lesson of warfare that the types and quantities of weapons supplied will constantly change.

With these fluctuations in production, costs and profits remain uncertain, both initially and during the continuance of the war, making

adequate control of profits extremely difficult. Faced with such uncertainties, contractors seek to fix prices with sufficient allowances for contingencies to protect themselves against the unknown risks that may develop. When some of these contingencies do not happen, these allowances become profits, tremendously increasing the amount realized under the contract.

### III. DEVELOPMENT OF RENEGOTIATION

While Congress was aware of the need for profit control during wartime and had made extensive studies of possible means of preventing war profiteering, no general measures for this purpose were in effect at the beginning of World War II. Several years before the war, the Vinson-Trammel Act of 1934 and the Merchant Marine Act of 1936 had been adopted to restrict profits on contracts for vessels and aircraft to specified percentage of the contract price, but these measures were suspended in 1940 when the first excess-profits tax was enacted.

Experience has plainly shown that with the enormously expanded volume of war production, taxes alone will not prevent war profiteering. The table in the appendix illustrates this truth by over 200 examples of actual companies. After taxes and before renegotiation, their net earnings for 1942 greatly exceed their average annual net earnings after taxes in the pre-war years 1936-39, and in many cases represent an indefensible rate of return on the net worth of the company. These figures show clearly how profits after taxes have risen with the expanded volume of war sales. Taxes not only fail to absorb such profits; if raised too high, they even tend to discourage the control of costs and to encourage inflated prices and profits.

Early in 1942 when the first reports of large war profits were published, Congress responded to the public sentiment for profit control. At first, consideration was given to extending the principles of the Vinson-Trammel Act to war procurement as a whole, but both industry and war procurement agencies protested against this proposal. Any fixed profit limitation is too inflexible to fit the wide variety of industries and conditions in war production, and stifles incentives to reduce costs and expand volume. Accordingly, Congress turned to renegotiation as a more flexible means of profit control. The Renegotiation Act became law on April 28, 1942.

Renegotiation to date has resulted in saving the Government \$5,300,000,000—two and one-half billions in cash which the procurement agencies have recovered or will recover for delivery to the Treasury and 2.8 billion dollars in reductions in prices for future deliveries under existing contracts. A large part of the 5.3 billion dollars would have come to the Treasury through excess profits taxes without renegotiation. But at the very least 1.5 billion dollars of these savings would not have been touched by taxes. Thus the present law has proved to be a strong barrier against waste in governmental expenditures for waging war. More than that, the reductions in prices have fostered efficiency in the use of manpower and materials. With wartime shortages, waste of these resources is an irreparable loss which cannot be valued merely in money.

The essential nature of renegotiation has given rise to criticisms of its administration. With few exceptions, however, even its critics admit that those engaged in its administration are fair, high-minded,

capable men. They have been drawn from business and the professions.

Despite general talk of arbitrary action, the testimony before three committees of Congress has failed to justify such charges. The hearings did not bring to light a single instance of real abuse of power under the act. No one claims, of course, that renegotiation is a perfect method of profit control, but its critics have not proposed any better method. The situation demanded flexibility, and broad discretion was the price of such flexibility. No other means was then suggested or has since been suggested for dealing adequately with the wide diversity of circumstances encountered in war production.

The real choice is between renegotiation and war profiteering. On that question, we believe that enlightened businessmen, as well as public opinion, are opposed to war profiteering. As the experience after the last war fully demonstrates, business as a whole will suffer from public reaction after this war if any substantial minority makes unconscionable profits from war production. For business generally, the stigma of war profiteering would far outweigh any temporary financial advantages it might derive from the repeal or emasculation of the renegotiation statute. In the long run, business itself will pay most dearly for any recurrence of war profiteering. It will benefit from the retention of an adequate profit-control statute. For 10,000,000 men in the armed forces and for their families the war has meant heavy sacrifices. The control of wages, rationing, and the other restraints of total war have imposed burdens upon the people at large. Having endured these sacrifices and burdens, the people will not tolerate any relaxation of wartime profit controls.

#### IV. REQUISITES FOR EFFECTIVE RENEGOTIATION

In the light of these facts what are the essentials for effective profit control through renegotiation?

*Coverage.*—To protect the public against excessive war profits, renegotiation must extend to all aspects of the procurement program, as widely as practicable. Profiteering in wartime is just as reprehensible in the manufacture of machine tools for war as in airplane parts. War profiteering in standard commercial articles for war purposes is just as injurious to morale and will be just as strenuously condemned as war profiteering in the production of howitzers. We must prevent any group from making heavy profits from the necessities of war. Excessive profits from any source will do violence to the public demand for substantial equality of sacrifice during wartime.

*Administration.*—The conditions in war production are so diverse that no simple formula will fit the variety of cases presented. Each case must be considered on its own facts, in the light of general principles applicable to all. Thus the task of renegotiating with the tens of thousands of contractors and subcontractors engaged in war production is enormous. And in order to avoid discrimination, the whole field of war contractors must be covered.

Consequently, if the job is to be done with the requisite speed and completeness, the procedures must be kept as informal and simple as possible. Furthermore, Congress should not impose upon the administrative officials unnecessary burdens which will impede their work.

*Repricing.*—Recapture of past profits does not wholly solve the problem of adequate profit control. It is even more important to prevent the recurrence of excessive profits by adjusting prices to a fair and reasonable basis for the future.

Such reductions of prices for future deliveries are vital in the interest of efficiency and inflation control as well as profit control. Taxes, flat profit limitations, or other methods of profit recapture reach only what is left after all payments, costs, and expenses of the producer have been met. For this reason they may tend to foster wasteful or unnecessary expenditures and even at best can do little to encourage reductions in costs. But in the war program control of costs is as important as the control of profits. With shortages of materials and labor, all producers must be encouraged to operate at their highest efficiency in order to obtain maximum production of war materials from available resources. The reduction of prices to a sound basis is one of the best methods to force contractors to maintain efficiency. This pressure on prices of war materials tends to prevent waste of labor or materials, and unnecessary expenditures which contribute to inflation.

Consequently, effective methods for reducing prices under war contracts and subcontracts to a sound and fair basis are essential to the war program.

#### V. THE FINANCE COMMITTEE BILL

The proposed revision of the Renegotiation Act presented by the Finance Committee will seriously cripple effective profit control through renegotiation. The committee bill will substantially narrow the field of renegotiation for profit recapture and will seriously hamper its administration. Fortunately, however, the committee bill does continue adequate authority for repricing. Aside from minor effects, the major objections to the committee's proposal are as follows:

1. *Exemption of standard commercial articles.*—The bill submitted by the Senate Finance Committee exempts from renegotiation any contract or subcontract for the making or furnishing of a standard commercial article. These include any articles which were produced and sold commercially under competitive conditions before the war and which are now sold for war purposes under the Office of Price Administration price ceilings, or at January 1, 1941 prices.

This exemption will exclude from renegotiation a large part of war procurement on which exorbitant profits are being realized.

The Maritime Commission estimates that this amendment will exempt contracts for \$2,000,000,000 of standard commercial articles to be incorporated in ships still to be built by it. About one-third (\$600,000) of the cost of each Liberty ship is for steel, propulsion equipment, piping, valves, fittings, lifeboats, etc., which would be exempt under the committee bill, although experience has clearly shown that unconscionable profits have been and are being realized in these fields. If these component parts of each ship are excluded from renegotiation, their producers will probably receive unwarranted profits of about \$400,000,000, and will retain over \$100,000,000 of this after taxes. The amendment will permit almost everyone except the shipbuilder to retain excessive profits.

The situation of the Navy is similar. For example, the Navy estimates that in its current program of 4.7 billion dollars for auxiliary and landing craft, about 30 percent of the money will be spent for standard commercial products. At present prices these products will yield their manufacturers \$250,000,000 in excessive profits. At least \$70,000,000 of this sum will not be recaptured by taxation. In the Navy ship program, involving \$15,000,000,000, about \$3,000,000,000 will be spent for standard commercial articles on which excessive profits will probably amount to \$600,000,000—and of this amount \$170,000,000 will be left after taxes.

In War Department procurement, standard commercial articles comprise a large part of the medical supplies and personal equipment and components of communications equipment, tanks, motor vehicles, and aircraft. In many of these fields, the expanded volume of production has yielded extremely high profits, often ranging from 25 to 35 percent of the price.

Specific examples make the danger of this amendment clear:

The Timken-Detroit Axle Co., in its fiscal year ended June 30, 1942, did a total business of \$127,800,000, or approximately six times its average annual business during the period from 1936 to 1939, inclusive. On this business it realized a total profit (after taxes) of 8½ million dollars—more than four times as much as it realized in an average pre-war year. Thus, on every dollar employed in its business during 1941-42, the Timken Co. made a net return after taxes but before renegotiation<sup>1</sup> of more than 50 cents. This company would appear to be largely exempted by the proposed amendment.

The Elastic Stop Nut Corporation, which is continuing its peacetime production of self-locking nuts, also would seem to be largely exempted. With an average 1936-39 business of \$744,000 annually, the company had total sales of \$25,000,000 for 1942 of which two-thirds were for war purposes and one-third was non-renegotiable commercial business. On this large volume of business the company has sharply increased its profit margin to 55 percent. With this expanded volume and higher margin the company realized a net profit after taxes for 1942 of \$3,480,000 as compared with its net income after taxes of \$432,000 in 1939, its best year up to that date. This represents 122 percent of its net worth at the beginning of 1942.<sup>2</sup>

These cases are not exceptional instances; similar profit figures are general for such articles. In 1942, the profits (after taxes) of 19 companies making perishable tools were 11 times their pre-war (1936-39) average. The 1942 profits for 25 woolen textile companies had increased ninefold. Profits of 10 lumber companies for the same period quadrupled. Fifty-three cotton textile companies realized 8 times as much profit (after taxes) in 1942 as in the average pre-war (1936-39)

<sup>1</sup> Of its total business, only about 49½ million dollars were subject to renegotiation since much of its war business had been completed before the Renegotiation Act became effective. On this 49½ million dollars of renegotiable business, the company realized before taxes a profit of 16½ million dollars. As a result of renegotiation, the profit on renegotiable business was reduced by 12½ million dollars to a net figure of \$4,025,000 before taxes.

<sup>2</sup> The renegotiation of this company has not yet been concluded. On its \$17,000,000 of renegotiable business, the company made over 9½ million dollars of profits before taxes. The Government has proposed a refund of \$2,000,000 which would reduce the company's operating profit before taxes on renegotiable business to approximately 1¼ million dollars, or 14.4 percent of adjusted sales.

years. These figures represent profits before renegotiation. They will, of course, be substantially reduced through renegotiation proceedings completed or in progress.

These facts refute the argument that profits are not excessive on sales of standard commercial articles under the Office of Price Administration ceiling prices. That argument overlooks two essential points. First, the Office of Price Administration ceilings are ordinarily fixed at figures that will allow a profit even to the small-quantity, high-cost marginal producer; and second, the enormously expanded sales of such articles have greatly reduced their cost of production. In peacetime such increased production would have brought about sharp reductions in price. In time of war the Government obviously should not pay a peacetime unit price on a wartime volume of purchases.

Surely exemption from renegotiation should not be granted where profits are certain to be excessive.

Nothing in the nature of this kind of business justifies exemption. As a matter of fact, contractors making standard commercial articles hold a more advantageous position than other war contractors. Since they are making their peacetime products, they have had few conversion problems and will have few reconversion problems. In many cases they have spent little for additional facilities and have been able to use to full capacity their peacetime facilities. And their swollen volumes of sales have come not so much from business initiative or enterprise as from the aggression of Hitler and Tojo.

Nor is it sound to argue that the Government can prevent excessive profits in this field by better buying. Even if the Government were able to obtain low prices on its direct purchases of such commodities, it has no contact with the subcontractors of the various tiers, whose excessive prices pyramid upward through the tiers of contractors and create inflated costs, prices, and profits. Sellers of such products strenuously resist efforts to reduce their prices and seek to maintain price lists at pre-war commercial levels. To exempt such standard commodities will inevitably increase the cost of the war, and will also condone profiteering in these fields.

One further point should be noted. It is difficult to define "standard commercial products" so as to avoid numerous doubtful questions as to whether a particular commodity is exempt or not. In attempting to apply the definition in the Finance Committee bill, the departments that procure munitions and supplies would become involved in endless disputes with contractors over this exemption, wasting valuable time and delaying the completion of the large job.

2. *Retroactive redefinition of subcontracts.*—With specified exceptions, the existing law applies to prime contracts and also to all subcontracts for any of the work or for any article required for the performance of a prime contract or another subcontract. Thus the statute covers substantially all of the contracts and subcontracts involving war business. The Finance Committee bill would limit the subcontracts subject to renegotiation to those for component articles to be incorporated into or as a part of an item covered by the prime contract. Worse still, the proposed bill will make this new restricted definition retroactive to the original date of the statute—April 28, 1942.

*Effect of definition.*—The new definition will operate to exempt from renegotiation the sales of many articles whose costs enter into war production. Its chief advocate is the machine-tool industry which,

through the amendment, would escape price adjustment and profit review on about a billion dollars worth of tools sold for war use. In view of the profit which such companies have realized from the enormous expansion in sales for war purposes, their exemption from renegotiation is difficult to justify.

The Warner & Swasey Co. is an example. This company's machine tools have been sold principally on subcontracts and are not incorporated into finished munitions—but their prices affect the cost of the munitions. During 1942 Warner & Swasey did \$42,000,000 of war business, or six times its average pre-war volume of \$7,000,000 per year. On its war business Warner & Swasey took a bigger profit mark-up (39.4 percent) than it customarily received during peacetime. As a result, without renegotiation, Warner & Swasey would have made a profit after taxes of \$5,461,000 in 1942, or approximately four times its peacetime average. That is a return of 49 percent in 1942 on each dollar invested in the business.<sup>3</sup>

This amendment is not confined to the machine-tool industry, but would also be a windfall to makers of building equipment, electrical equipment, and factory machinery and supplies, and many others.

For example, the Harnischfeger Corporation, a manufacturer of cranes, excavators, electric arc-welding machines, and electrodes, apparently would escape renegotiation on most of its war business. In 1940, the best year in its history up to that time, the company had a net profit after taxes of \$561,000, as compared with a net profit after taxes in 1942 estimated to be \$2,795,000. This is more than five times the net earnings of the company in its best pre-war year.<sup>4</sup>

This is both illogical and inequitable. It will require the Government to refund to such subcontractors very large amounts which they themselves have already conceded to be excessive profits on war business. While any exact computation of the amounts of such refunds is not possible, some have estimated that it may run up to half a billion dollars. For instance, at least \$2,970,000 would have to be returned to one concern out of \$5,300,000 recovered; even after taxes the net refund would be approximately \$830,000. Another company would have a refund of approximately \$3,900,000 out of \$5,500,000 recovered, which would net over \$1,000,000 after taxes. A third company would receive a net refund of \$527,000 after taxes, virtually trebling this company's net profit after taxes. Similar illustrations could be multiplied indefinitely.

In the midst of war it is impossible to justify such payments of public money to industrial concerns, which they themselves have recognized represent excessive profits from war business and have re-

<sup>3</sup> Of the company's \$42,000,000 of war business, \$22,000,000 represented contracts with the Defense Plant Corporation which were not included in the original renegotiation conducted by the War Department. On the balance of \$20,000,000, the company realized a net profit before taxes of \$7,500,000, of which \$5,500,000 was found to be excessive and was eliminated through renegotiation, leaving the company with a net profit before taxes on this portion of its business, of \$2,000,000, or approximately 15.5 percent of adjusted sales. The renegotiation of the Defense Plant Corporation business is in progress, and if concluded on a similar basis will require a further refund of approximately \$6,000,000 before taxes.

<sup>4</sup> Renegotiation with this company has not yet been concluded. Of a total business of about \$44 million dollars, approximately \$24,000,000 was considered to be renegotiable. On its renegotiable business the company made about \$6,400,000 before taxes. The Government has proposed a refund of \$5,100,000 before taxes, leaving the company about \$14 million dollars before taxes. It is estimated that the effect of this refund would be to reduce the company's net profit after taxes in 1942 to approximately \$1,500,000.

funded to the Government. By adopting this retroactive amendment the Congress will virtually indorse the payment of excessive prices for war goods. This would be anomolous at any time, but to provide for such windfall refunds of excessive profits to war contractors seems especially ironical in a wartime Revenue Act. Its adoption cannot fail seriously to affect the morale both of the soldiers and of the public generally.

In addition, this amendment will impose administrative burdens so serious as to impair the current operation of the statute, for it will require the reopening of thousands of renegotiations that have been completed on the basis of the present definition. Renegotiation agreements for the year 1942 have been reached with over three-fourths of the contractors subject to the statute. In a large percentage of these cases the settlement has included war work which the new subcontract definition would exclude. Frequently a manufacturer sells the same type of article as an end item or component part and for use by prime and subcontractors in processing end items or component parts. Under the present definition it is not necessary to segregate these two types of uses and in making the 1942 renegotiation agreements both types of sales were included in determining excessive profits. Consequently there is no way to determine now what part of the refund of excessive profits was derived from subcontracts which would be excluded under the retroactive definition without repeating the entire process of renegotiation in such cases. In order to do this, the excluded sales would have to be segregated, the proper costs allocated to these sales, and the profits realized thereon also segregated. If this great mass of cases must be reopened and the work repeated, the agencies engaged in renegotiation would not be able to carry this additional burden and the work on current cases. Proper administration of the statute would therefore appear to be impossible under this amendment.

3. *Articles furnished in obedience to War Production Board directives.*—The Finance Committee bill exempts from renegotiation—any contract or subcontract for any article made or furnished in obedience to a directive of the War Production Board and at or below a maximum price established and in effect under the Emergency Price Control Act of 1942, as amended.

The meaning and effect of this curious provision are not at all clear. Does it cover any article supplied for war purposes under a War Production Board priority order? Does it cover all materials supplied to war contractors and subcontractors under the Controlled Materials Plan? If this is not its intent what does this provision mean? If it does exempt all articles supplied under any type of War Production Board directives, it would appear to emasculate the Renegotiation Act. If it is intended to have this effect it should obviously not be enacted. On top of this, the amendment is made retroactive to April 28, 1942, and would apparently require reopening of all closed cases to which the exemption applies. No reason whatever has been offered to justify such a windfall.

In any case Congress should not adopt this peculiar provision until and unless its meaning has been clarified and explained.

4. *Court review of closed agreements.*—This bill proposed by the Finance Committee provides for a court review not only of departmental orders determining excessive profits without the consent of the

contractor but also of all voluntary agreements made by contractors and the Government since passage of the statute. In our opinion this amendment is indefensible and will seriously impede the administration of the law.

As originally passed, the Renegotiation Act did not provide for any method of ending liability for excessive profits. In order to correct this situation, contractors urged the adoption of a provision to allow renegotiated cases to be closed by agreement and to make such agreements final except for fraud, malfeasance, or willful misrepresentation. Such a provision was enacted by the Revenue Act of 1942 with the approval of the Government departments. On the basis of this provision, thousands of bilateral agreements have been made between the Government and contractors and subcontractors as a result of renegotiation. More than 99 percent of all completed renegotiation cases have been settled by such voluntary agreements. These agreements have been treated as final by the Government and by the contractors. They have given the contractors the assurance that they would not later be required to refund additional amounts under the statute.

The provision in the Finance Committee bill would allow contractors who have entered such closed agreements with the Government to go into a court for redetermination of the excessive profits, notwithstanding their agreement. As a result, thousands of such agreements under which contractors have made refunds and price reductions aggregating more than \$5,000,000,000, would be made subject to court review. With such a provision even companies which are now satisfied with their agreements would probably feel forced to take advantage of an appeal. This amendment is a mandate for litigation which neither party wants. The courts would be swamped with petitions to review these closed voluntary agreements.

The resulting administrative burden upon the interested departments would be enormous. The necessity of duplicating the completed work in the thousands of cases already settled would surely impede the renegotiation officials in carrying on current renegotiations. It might even bog down renegotiation completely.

In addition to this administrative burden, this amendment would place in jeopardy the provisions for past and future price reductions included in such agreements. Many renegotiation agreements contain clauses providing for price reductions to eliminate excessive profits likely to be realized in the future, without specifying the amount of such reductions on specific articles or contracts. These reductions are estimated to represent over 2½ billion dollars. If the agreements were reopened, serious questions would be presented as to the status of the price reductions made in accordance with these provisions.

5. *Renegotiation after Federal income and excess profits taxes.*—The Finance Committee bill requires that in the determination of excessive profits consideration should be given to—

whether the profits remaining after the payment of estimated Federal income and excess profits taxes will be excessive.

If this provision means, as it seems to, that renegotiation must deal only with the profits remaining after the payment of these taxes, it is altogether unsound. In the first place, such a provision is an invitation to war contractors to increase their prices to the extent necessary

to pay increased war taxes. If this is done and the increased profits cannot be reached except after taxes, the Government will pay the contractor's taxes for him. This transfers the tax load incident to the war from his own shoulders to those of other taxpayers generally.

In the second place, this provision is completely inconsistent with the purposes of the Renegotiation Act. The statute was passed to allow the Government to reexamine the prices of the articles and services supplied under war contracts to determine the amount which the contractor should fairly earn for supplying them. Obviously, the tax burden of a particular contractor does not affect the value of the articles and services which he has supplied. It is anomalous to allow one contractor a higher price or profit than another simply because of differences in their tax bases. Accordingly, renegotiation should be conducted on the basis of the profits before taxes.

6. *Reconversion costs in determining excessive profits.*—The Finance Committee bill includes as one of the factors to be taken into consideration in the determination of excessive profits, the "financial problems in connection with reconversion." If the language is intended to mean, as it seems to mean, that in determining excessive profits full allowances must be made for the probable costs of reconversion to civilian production, it is not only impossible to administer, but it is also economically unsound.

The costs of conversion to war production are properly chargeable to such war production and should be paid for by the Government in the price of the war goods produced. But capital expenses for future civilian production should certainly not be added to the cost of the war. In addition, Congress has already made substantial provisions to aid business in the post-war period. Among these provisions the 2-year loss carry-back, the 2-year unused excess profits credit carry-back, and the carry-back of the amortization deduction, offer very substantial benefits to business in its post-war readjustment period. It seems apparent that the allowance of further post-war reserves, particularly through renegotiation, is unjustified. Finally, need for a reconversion reserve in any industry or in any individual business is so uncertain and the extent thereof so indefinite that from a practical standpoint it is impossible to make a present evaluation of it.

While it is admitted that the post-war economic problems of industry will be substantial and need the fullest consideration by the Congress, it is equally clear that these problems cannot be settled or dealt with in the renegotiation of war contracts. They are much broader in scope. They exist for all business, whether or not engaged in war production, or, if engaged in war production, whether or not earning excessive profits, and should be dealt with on a broad general basis by the Congress, quite apart from the question of renegotiation.

## VI. RECOMMENDATIONS

1. *Subsection (i) (1) (F).*—This section will exempt from renegotiation the prices and profits on any "standard commercial" products, which are defined as any article sold commercially before January 1, 1940, and now subject to O. P. A. ceilings (subsection (a) (7)).

This amendment is a cross between an error and a pretense. The error is in the assumption that no excessive profits are made on standard commercial articles, whereas the record shows (see pp. — of this

report) that unconscionable war profits are being made on these items. The pretense lies in the fact that the amendment would permit war profiteering on most of the components going into an Army truck, for example, while pretending to prevent excessive profits on the completed truck. Subsections (i) (1) (F) and (a) (7) should be stricken from the bill.

2. *Subsection (a) (5).*—This section, by redefining "subcontract" exempts from renegotiation profits on articles which are not physically incorporated into a contract item. It exempts the welding machine at the shipyards, the lathe in the gun factory, the bulldozer at the Army camp, the catalytic chemicals at the powder plant.

This amendment springs from the curious doctrine that war profiteering is sanctified as long as it remains one step removed from the finished gun, tank, ship, or plane.

The amendment does not stop here. It descends to pork-barralling. The exemption of such subcontracts is made retroactive (sec. 701 (d) (1)). The result is indefensible: In the midst of a war for survival the Government must hand back to corporations hundreds of millions of dollars which the corporations have already admitted are excessive profits. (See pp. —.) This amendment compels war profiteering.

At worst, the retroactive feature should be stricken from section 701 (d) (1). At best, the existing definition should be continued.

3. *Subsection (i) (1) (H).*—This provision exempts agreements for articles made or furnished in obedience to a War Production Board directive at or below an Office of Price Administration ceiling, and makes the exemption retroactive.

The meaning of this provision is hard to fathom, but taken literally it would exempt most of war production from renegotiation. In addition since retroactive to April 28, 1942, it would require reopening of all previous settlements and cripple current administration.

This exemption should be dropped from the bill.

4. *Subsection (e).*—This amendment provides for a de novo appeal to the Court of Claims, not only of the cases on which the contractor and Government cannot agree, but of all cases, including those already closed by agreement.

This section invites litigation which neither party wants. It reopens cases which contractors have agreed to close, tempting management to wring the last ounce of litigious delay out of what has already been accepted as a good business deal. Moreover, the de novo nature of the appeal places a staggering burden on the administrative departments.

Subsection (e) should be amended to restrict appeal to past and future cases where excessive profits are determined by order. The petitioner should have the burden of establishing that the determination is unreasonable or unfair.

5. *Subsection (a) (4).*—The Finance Committee's amendments to this subsection require renegotiation to consider a company's probable net income after taxes, its possible carry-back of hypothetical future losses, its potential reconversion problem, etc.

The meaning and effect of these changes are unclear. We doubt if they can ever be made clear. Indeed, they seem to be a Pandora's box of vexing and intangible problems which the committee has dumped into the renegotiation procedure for lack of any other solution.

They all appear to spring from the mistaken notion that, even though a company is not entitled to enormous war profits, it has a vested right in certain collateral benefits which hinge on those profits.

The amendments can work only mischief. They should be dropped from the bill.

#### VII. CONCLUSION

To wage this war, the Nation must expend its substance and the lives of its young men on an appalling scale. Despite much talk of equalizing the sacrifices, that can never be done in sober fact. To achieve the defeat of Hitler and Japan, thousands must contribute their lives or broken bodies. Measured by their sacrifice, any lesser contribution of time, or effort, or money seems but a paltry mite. Equality of sacrifice there can never be. To those who die or are maimed we must remain eternally in debt.

But if we cannot match their supreme sacrifices we must do our best to spread the burdens of the war as fairly as we can. Every class and group must do its share to carry the Nation's war load. Above all else, we must make certain that no group or class shall exploit the war for its selfish benefit. This is but simple fairness to our soldiers and sailors and also to our people—who are enduring unwonted restraints and burdens for the common good.

In the two decades since the last war, the people made the firm and deep resolve that in another war no one should be allowed to enrich himself by inordinate profits from the nation's war goods. In this war, profiteering must be outlawed.

In our opinion the Finance Committee bill departs radically from this national determination to prevent profiteering. By narrowing the scope of renegotiation and by hobbling its administration, this bill will nullify profit control over large areas. Under renegotiation, business is allowed liberal profits; it restrains only unconscionable profiteering. Under the revised bill, many will enjoy free license to make exorbitant profits out of war business, and millions of dollars of public money will be paid back to a specially favored group who have already made and kept generous war profits. The bill sows the seeds of a new crop of war millionaires. It will breed bitterness and resentment among the people.

As the representatives of the whole people, the Congress should not disrupt the machinery of effective wartime profit control. It would be better to repeal the Renegotiation Act altogether than to weaken it fatally by these amendments.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE JAN 6 1944

TO Secretary Morgenthau

FROM Randolph Paul

Re: Bolivia

For your information:

On January 3, Pehle brought to Collado's attention the following transaction then pending in the New York market: The National City Bank had received instructions from the Central Bank of Bolivia to make payment of \$80,000 to the Bolivian Embassy in Washington. Collado was advised that the Treasury was somewhat concerned about the transaction in view of the amount involved and in view of the fact that prior to the freezing of various pro-Axis countries large amounts of funds were remitted to the diplomatic establishments of such countries in the United States and put into cash which was never effectually frozen.

Collado called back at 1:00 p. m. to say that the transaction had been discussed in a meeting at State attended by Cordell Hull, Berle, Duggan, Bonsal and Hackworth, and that Mr. Hull had decided the transaction should be allowed to go through.

*[Handwritten signature]*

January 6, 1944

Dear Mr. Schneider:

Thank you very much for your <sup>excellent</sup> report of  
January 4th in regard to wheat for Italy.

I am sending a copy of your report to  
Secretary Hull and Mr. Crowley.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. F. Schneider,  
Associate Deputy Administrator,  
War Shipping Administration,  
Washington, D.C.

WAR SHIPPING ADMINISTRATION  
WASHINGTON

January 4, 1944

MEMORANDUM for Secretary Morgenthau

Subject: Wheat for Italy

Confirming our conversation of this afternoon, allow me to state the following:

1. From our shipping standpoint, Argentina is a very expensive source of wheat for Italy. The War Shipping Administration has no surplus supply of ballast available in the region and would have to send the necessary ships out from the United States. We have told the Army that we are not prepared to lift wheat for them in Argentina.

2. Other sources of supply

- a. Canada - While the War Food Administration has been unable thus far to secure additional supplies of Canadian wheat for its purposes, the British are continuing to take large amounts. January shipments of 228,000 tons for United Kingdom are scheduled, and War Shipping Administration is placing twenty (20) ships in the Maritime Provinces during January to assist in this movement. Stocks of wheat, dilution grains and flour (as flour), in the United Kingdom on September 30, 1943 amounted to twenty-five (25) weeks' supply.

War Shipping Administration has arranged to load four cargoes of wheat from Vancouver to Italy during the next two or three weeks and has offered to move two cargoes of flour in the same area if flour is available. It was able to do this on account of a temporary surplus of ships on the Pacific Coast which was caused by failure of military authorities to provide cargo for all the ships they had requested.

- b. Australia - The British are now moving wheat from Australia (where there is a surplus) to the Middle East to stockpile for prospective Balkan relief at the rate of 35,000 tons a month. It is the War Shipping Administration

contention that, after providing a stockpile of 35,000 to 50,000 tons, this wheat should be kept moving so as to land it in Italy. At SEXTANT, War Shipping Administration offered to provide the British Ministry of War Transport with five sailings in the North Atlantic for every 35,000 tons so diverted from the Middle East to Italy. We understand that there is now a stockpile of approximately 75,000 tons in the Middle East.

- c. War Shipping Administration has been credibly informed that there are in Syria 80,000 tons of wheat and 20,000 tons of other grains that are being held for a higher-than-market price, but which are for sale.



F. Schneider  
Associate Deputy Administrator

January 6, 1944

My dear Cordell:

Re: Wheat for Italy

I am sending you herewith confidential information which I received from Mr. Schneider of the War Shipping Administration, which I thought would be of interest to you.

Sincerely yours,

(Signed) Henry

Honorable Cordell Hull,  
Secretary of State,  
Washington, D.C.

NOT TO BE RE-TRANSMITTEDCOPY NO 12U.S. SECRETBRITISH MOST SECRETOPTEL No. 7

Information received up to 10 A.M. 6th January, 1944.

1. NAVAL

One of H.M. Submarines possibly sank an 8,000 ton ship off Western NORWAY on 28th December and probably sank another ship in about the same position on 2nd January. One of H.M. destroyers bombarded PESARO on 3rd/4th. A U.S. Cruiser and a U.S. Destroyer sank an unidentified blockade-runner on 4th about 630 miles West of ASCENSION Island.

2. MILITARY

Italy to noon 5th. Eighth Army. Heavy fighting continued throughout 4th in Coastal Sector.

Fifth Army. In the centre of the front some tactical features were captured against strong opposition and U.S. advance elements are reported to have entered S. VITTORE.

3. AIR OPERATIONS

Western Front 5th. 520 escorted Fortresses and Liberators sent out to attack objectives in GERMANY and FRANCE dropped 458 tons on KIEL and 188 tons on objectives in the RHUR: They also dropped a total of 359 tons on airfields at BORDEAUX and TOURS with good results. Enemy casualties reported 95.15.20. for loss of 24 Bombers and 12 Fighters. 63 Bombers and 146 Fighters attacked military constructions in Northern FRANCE dropping 147 tons

5th/6th. Aircraft despatched: STETTIN 358, BERLIN 13, KREFELD 11, SOLINGEN 7, ESSEN 4, Military constructions Northern FRANCE 3, Sea-mining 6, Intruders 9. No details STETTIN yet, 17 aircraft outstanding so far.

Yugoslavia 4th. Total of 48 Mitchells bombed BRODAC 55 miles West of BELGRADE and ZAVNIK, dropping 70 tons.

Bulgaria 4th. 29 escorted Fortresses dropped 72 tons on DUPNITSA railway centre.

TREASURY DEPARTMENT

Regraded Unclassified