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January 7, 1944  
9:13 a.m.

Robert  
Doughton: Hello, Henry. How are you?

HMJr: Fine. I hadn't seen you in a long time.

D: No.

HMJr: I had nothing special but I just would kind of like to have the pleasure of your company.

D: Well, that's very sweet and kind and thoughtful. I don't believe I can -- I appreciate it very much your thoughtfulness, your friendship and your hospitality, but I don't believe I can make it today. If you've anything you want to see me about, I'll try to run down this afternoon.

HMJr: No, there's no hurry. I....

D: My folks are not very well, and I've got some appointments with the Departments this morning.

HMJr: Well, we could -- how about Monday?

D: Well, Monday I won't be here.

HMJr: You won't be here?

D: I could run down this afternoon.

HMJr: All right. What time?

D: Whatever time suits you this afternoon.

HMJr: Well, let's say around....

D: Two or three o'clock.

HMJr: What's that?

D: Two or three o'clock. Anywhere along there.

HMJr: Three o'clock would be perfect for me.

D: Be right at your office at three o'clock unless I let you -- notify you otherwise.

HMJr: Thank you.

D: Thank you. Good bye.

Conference in Secretary Hull's Office  
January 7, 1944  
9:30 A.M.

Present: Secretary Hull, Dean Acheson, Mr. Crowley, Mr. Cox,  
Mr. Currie, Secretary Morgenthau and Mr. White

The British representatives, Lord Halifax, Mr. Ben Smith and  
Sir David Waley joined the meeting at 10:00 A.M.

The meeting was held in response to a request by Secretary Morgenthau  
made to Secretary Hull via Mr. Acheson. The request was pursuant to the  
suggestion of the President made in reply to the memorandum on the British  
dollar position which had been submitted to the President by Secretary  
Morgenthau and Mr. Crowley.

Before the British arrived the Secretary briefly reviewed the situa-  
tion and suggested that when the British did join the meeting that there  
be submitted to them the recommendations which had been agreed upon in  
the memorandum submitted to the President. Mr. Currie distributed copies  
of a list of the items to be submitted to the British with the explanation  
that Mr. Crowley's organization had been reviewing the items being shipped  
under Lend-Lease aid to the United Kingdom with a view to eliminating  
those items which in the light of the present situation it seemed advis-  
able to discontinue or curtail. (A copy of the list is appended)

Mr. Acheson expressed the view that the British would want to know  
whether the program being suggested by the American Government was for  
the purpose of curtailing British gold and dollar balances or for the  
purpose of eliminating those items in Lend-Lease shipments which were  
deemed to be embarrassing to send for political reasons. He said it  
was important for us to have clearly in mind what the objective of the  
program really was and to indicate to the British candidly what we did  
have in mind.

Secretary Morgenthau replied that he thought that decision had been  
agreed upon on the previous day and that Acheson had given his approval  
to the submission of the program to the British with the explanation as  
he (Secretary Morgenthau) had just stated it. Mr. Acheson repeated that  
there seemed to be some misunderstanding. He said he had given his  
approval to the presentation of the program ~~if it were~~ based on the  
assumption that we were not looking at it from the point of view of the  
British gold and dollar position but rather from the point of view of  
the political feasibility of including the indicated items in the Lend-  
Lease shipments.

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White said that he didn't understand how the two aspects of the case could be kept distinct. He said that what might be regarded as political feasibility when the British Treasury had only several hundred millions in gold and dollar balances might well be politically indefensible if the British had several billions. The question of political feasibility, he stressed, was closely related to the size of the British balances. He said he couldn't understand why Mr. Acheson kept insisting upon the "either/or" interpretation. He thought it would be clear to all concerned that the political feasibility of including certain items in Lend-Lease to U.K. would depend in part on the size of the British balances and on whether they were increasing or decreasing.

Acheson replied that it seemed to him that it was important to know now whether the list which we were submitting included everything or whether we intended to take other measures if action on that list failed to reduce the balances to some pre-conceived level. That, he believed to be the essential decision to be made now. The Secretary responded that he could only repeat what he thought he had made clear before, namely, that for the present this program was all they were going to undertake. What the circumstance would be later he could not say. In any case he did not intend to tie his hands now by any statement which would exclude the possibility of adopting additional measures if we later decided such additional measures were desirable.

Secretary Hull stated that he knew very little about the financial aspects of the case and presumed that after this meeting that the Secretary of the Treasury would continue whatever discussions were necessary that related to the financial aspects of the problem.

It was finally agreed that Mr. Crowley should submit the program to the British explaining that those were the items which under present circumstances it seemed wise to examine with a view to their elimination or curtailment for reasons of political expediency.

When the British representatives arrived Mr. Crowley presented the case as agreed upon.

Lord Halifax replied to Mr. Crowley. He said that in considering this problem his government would like to have before it the whole program and not isolated parts. He stated that the former Exchequer had written a letter to the Secretary of the Treasury setting forth the position of the British Government with respect to its international financial position but unfortunately had not yet received a reply to it. White remarked that there must be some misunderstanding inasmuch as he remembered that a reply to that letter was sent to Sir Kingsley Wood soon after Secretary Morgenthau had received the letter. Secretary Morgenthau said we would be glad to furnish Lord Halifax with the file

on the matter and instructed White to see that Lord Halifax received a copy of our letter to Sir Kingsley Wood along with the pertinent dates of the correspondence. Lord Halifax went on to say that he was, of course, quite willing to accept the views expressed by this government as to the political difficulties involved in the inclusion of any particular category of items in the Lend-Lease aid but he hoped that any such discussion would be against the background of the views of his government with respect to the international financial situation confronting the British Government. He hoped that discussion would be based upon the whole picture so that his government would not feel that measures were being considered which reflected a non-acceptance of the views of the British Government as expressed in the letter of Sir Kingsley Wood and other British Treasury representatives.

Mr. Ben Smith spoke briefly in support of Halifax's position. He also added that difficulties were created in London for British representatives here when London read in the newspapers a report copied from U.S. press that the shipping of capital goods to U.K. under Lend-Lease aid had been stopped by agreement between the British and American Governments when in fact there had been no such agreement. Mr. Currie pointed out that the statement which appeared in the press did not emanate from the Lend-Lease Administration and was not to be regarded as official. He said there had been some discussions on that matter with the representatives of the British Supply Mission which had been going on for some time prior to Mr. Crowley's taking over the Lend-Lease Administration.

Mr. Crowley added that under the powers which he was operating the decisions on what items to include or exclude were unilateral decisions and not decisions that required any agreement between the British and American Governments. However, he said that did not mean they were not eager to discuss each proposed step with the British, and expected that after such consultation there would usually be agreement on the desirability of making any change that the Lend-Lease people decided to make.

Sir David Waley said that he was saddened at the trend of events with respect to Lend-Lease arrangements. He said that when he had discussed the reverse lend-lease of raw materials with Mr. Stettinius early in the year that he thought that both countries were moving toward a real pooling of the resources of both countries in the spirit of the Lend-Lease agreement. He thought that the British had taken an important step in that direction when it had included provision for the lend-leasing in reverse of raw materials from the British Empire. He felt that the program now being suggested was a step in the opposite direction; while his government was moving forward by adding to its contribution to the war effort we were moving backward by considering measures for reducing our contribution. He emphasized that he fully appreciated the great generosity the United States had already displayed in its aid to the British people but felt deep concern that steps were contemplated purportedly on political grounds when the effect sought

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for was to keep down British dollar and gold balances. He said that if the measures proposed were designed chiefly to curtail British dollar and gold assets that the procedure would "not be very tasty" to his colleagues and members of Parliament.

The Secretary replied that it was for that reason that proposal was being presented in the terms in which Mr. Crowley had presented it. Mr. Waley asked whether it might not be possible for the Secretary to set his views down in writing so that he could transmit them to his government. The Secretary answered that he preferred not to; that he had made clear what his views were during the discussion and that Sir David should be able to explain to his government on his return to London just what views were expressed at this meeting. Waley then asked if he might not get a letter from the Secretary to the Exchequer explaining that he (Waley) had been given the views of this government and would transmit them to his government — or something to that effect. The Secretary replied that he would be glad to give him a letter of that kind and said if he (Waley) would come to his office at 4 o'clock that afternoon the letter would be ready.

The meeting adjourned with the understanding that Mr. Crowley's organization was to begin discussions on the various items with the appropriate British representatives.

H. D. White

C O P Y

We believe that certain questionable items such as the following should be discontinued from Lend-Lease:

- A. Shipments of capital goods such as machinery, installations, etc.
- B. Off-shore purchases such as Iceland fish, Caribbean sugar, oil from outside the United States, etc.
- C. Civilian goods for Jamaica, Southern Rhodesia, the Middle East, etc.
- D. Pulp and paper.
- E. Tobacco for the armed forces.
- F. Certain other controversial items.

C O P Y

CERTAIN OTHER CONTROVERSIAL ITEMS:

Under this category are included such items as those parts of the rental or charter of vessels which are open to question, agricultural machinery and other types of equipment which have a relatively long life, certain raw, semi-fabricated and fabricated materials whose end use is subject to question, items procured from one part of the British Commonwealth for lend-leasing to another part in the same or similar form, and items lend-leased to the British Empire for which the United States has to make substantial imports from third countries, etc.

January 7, 1944  
11:16 a.m.

HMJr: Hello.

Fred  
Smith: Hi.

HMJr: Fred, that release you spoke of that you want  
to get out on alcohol.

S: Yeah.

HMJr: That's all right.

S: It's all right?

HMJr: I haven't read it very carefully. I'll have to  
rely on you.

S: It's all right. It's....

HMJr: The only thing is you don't, at all, mention  
the Commissioner Hannegan. He's taken a great  
interest in this thing.

S: Well, this -- the reason for that was that it  
was done by the men upstairs who handle the  
Enforcement Agencies.

HMJr: Yeah.

S: And, I....

HMJr: But I'd like to....

S: I think we ought to -- I think that's right. We  
ought to....

HMJr: I'd like to bring Hannegan into the picture.

S: Yeah. Okay.

HMJr: And if you'll do that, it's okay.

S: All right.

HMJr: Thank you.

S: Yep.

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... being  
... in the  
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...

*FB*

*100-100000-100000*

Fred Smith  
Room 2504

Secretary Morgenthau announced today that the Treasury henceforth will require daily reports of wholesale transactions in distilled spirits as a means of intensifying the Treasury's drive against Black Market conditions in the liquor industry.

The daily reports, to be filed with District Supervisors of the Alcohol Tax Unit of the Bureau of Internal Revenue, will enable field officers to make immediate investigations as to the source and disposition of liquor moving into consumption. Names and addresses of all parties involved in such transactions must be reported, with amounts and kinds of spirits transferred.

By enabling the Treasury to put tracers promptly upon every consignment of liquor where circumstances appear unusual or suspicious, the new regulations should contribute substantially to drying up sources of tax-paid spirits now entering the Black Market, Mr. Morgenthau said.

Reports previously have been made to the Unit monthly.

Stewart Berkshire, head of the Alcohol Tax Unit, said that the forms which importers, wholesalers,

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bottlers and rectifiers must file daily are known to the trade as the Records 52 series. The amendments to existing regulations are set forth in Treasury Decisions 5314 through 5323.

District Supervisors may waive the requirements for daily filing in specific cases.

Mr. Berkshire said that in addition to scrutinizing closely all transactions in the wholesale liquor field, the Unit is taking precautions to see that increasing quantities of inferior spirits coming on the market are released to the public only under labels that adequately describe them.

Certain types of imports, particularly, are being checked. Many samples are too bad, in the opinion of Treasury chemists, even to be given the designation of "Imitation Whiskey." The description "Colored Distilled Spirits" has been devised for some such beverages whose chief claim to resemblance to whiskey is the presence of a little burnt wood or other flavoring.

Labelling changes also have been forced in some instances on domestic bottlers of blended

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liquors, and close supervision is being maintained in this field.

Criminal or civil actions have been instituted against alleged Black Market operators in a number of major cities throughout the country in recent weeks as the Treasury attacked the problem through regulations governing fair trade practices and other Internal Revenue laws, as well as under provisions of the Emergency Price Control Act.

TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE,  
Friday, January 7, 1944.

Press Service  
No. 40-16

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January 7, 1944  
12:10 p.m.

JEWISH EVACUATION

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

MR. PEHLE: This has to do with a conversation Mr. Riegelman and I had yesterday.

In the first place, Riegelman mentioned that you, Mr. Morgenthau, had Hull committed to discuss with Lord Halifax a revision of the British White Paper.

H.M.JR: May I interject? That is wholly untrue.

MR. PEHLE: I know. I will try to explain how I think that statement happens to be made.

H.M.JR: That is wholly untrue. I wish it was true.

MR. LUXFORD: Maybe it is truer than you think.

MR. PEHLE: It may work out that way, Mr. Secretary. This is what seems to be the fact. The thing is moving very fast. Riegelman told me that following your call to Lord Halifax, Palin, of the British Embassy, called Riegelman and said that Lord Halifax was very worried, that he was going to have to discuss this subject with you; and Riegelman said the subject was the Reigner plan and the British attitude on it.

Riegelman said that that had been changed now, and Mr. Hull was handling it and would take it up with Lord Halifax.

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H.M.JR: How did he know?

MR. PEHLE: Because Mr. Long had told him.

H.M.JR: Let's get the record straight. Somebody told you?

MR. PEHLE: Thorold. And I said to tell Thorold that the matter was now in Mr. Hull's hands and Lord Halifax should talk to Hull.

As I recall, when we were in Mr. Hull's office you mentioned the fact that you had put in a call for Halifax, and the arrangement was made that Mr. Hull would take that thing over.

In any event, Halifax was very disturbed that he would have to defend the British position to you, and he was told that Mr. Hull was going to talk to him about it.

Now, the British position is that terrible cable that we got that said you couldn't find a place to put these people, and therefore you couldn't get them out.

Now, if you are going to find a place to put them, there are several possibilities, but one of the possibilities is Switzerland. In connection with any of those neutral countries, Switzerland says, "We will take these people if somebody will guarantee to put them some place else at the end of the war," which we went into with Leavitt, and he is giving you a memorandum.

Now, there are two possibilities about where to put them at the end of the war. One of them is for the United States and the British Government to make an agreement that they will take them. State has refused to do that.

The other is to put them into Palestine. And so when the British say that they don't know where to put these people, that has now come to be a discussion of whether the Palestine policy ought to be changed, as I get it.

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And therefore Riegelman says that Hull is committed to raise this thing with Lord Halifax. Lord Halifax knows that and he is getting from London all the documentation, and the State Department is pushing the British on the White Paper policy.

I can't be more definitive.

H.M.JR: The last time I went to see Hull - not this time - Hull said to me--

MR. PEHLE: Volunteered--

H.M.JR: Yes. "I am studying the White Paper and I hope to be able to do something."

To get our record straight, when Rosenman was over here he asked me whether I was doing anything on that. I said I wasn't. He said he was and not to get crossed up on it.

MRS. KLOTZ: Rosenman?

H.M.JR: Yes.

MR. PEHLE: Now, Riegelman talked rather frankly about some of the people over there. In the first place he said - some of this he may have told you already - some of it I don't think he has. He said that Breckinridge Long, he is convinced, as he told you, is not anti-Semitic.

I told him I didn't care whether Breckinridge Long was anti-Semitic or not; the thing was, he wasn't doing what he ought to.

He said Breckinridge Long wasn't very smart and was scared to death of the Treasury, and you, and that obviously your talking with him had given him a severe shock - when you talked to Mr. Long outside of Mr. Hull's office. Riegelman said, in his own words, that it got

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now so every time my name, even, was mentioned, Long stood up and saluted. So you get the feeling.

Riegelman said that Long had told him that any time any of these matters came in, he could break into the office to get his approval, and they are really very much on the defensive.

H.M.JR: That just doesn't add up, that is all. I mean, if they are so scared, why do they send a sneaky cable out, like that (snaps fingers).

MRS. KLOTZ: But it does add up.

H.M.JR: No, I mean if they are so afraid they would say, "Well, we are so scared of Morgenthau we better not send something we know the Treasury doesn't like without first talking to the Treasury--"

MR. PEHLE: Let me go a little further.

H.M.JR: Either Riegelman is one of the smartest, trickiest fellows I have met in a long time, or one of the dumbest.

MR. LUXFORD: I would put it that perhaps he is inexperienced.

MR. PEHLE: He is smart in many respects, but we all know that he misjudged State and their motives completely from the beginning. But I don't have much doubt that they are terribly worried.

Now, let me explain more fully what I think they are worried about. They are not concerned that the World Jewish Congress plan for France and Rumania will get very far, and my own feeling is that it will never get very far. They are very concerned lest the one thing that is done to save the Jews is the J.D.C. plan. Now, remember, the J.D.C. plan is Treasury from the beginning, because when it started the cable came in here that raised these conditions.

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We sent a memorandum to you on August 26 which you approved. In this office I asked you if I could bring those facts to the attention of the J.D.C. They had not been brought to their attention. So we got the J.C.D. into the picture.

H.M.JR:

MR. PEHLE: So, this much I knew. We got the J.D.C. into the picture. They have the money, they are experienced, and they are driving ahead.

Now, if the one thing that is done in this field is the thing that the Treasury pushed, and State has done nothing, they are very, very worried about the situation.

MRS. KLOTZ: That makes sense. That adds up.

MR. PEHLE: At least Riegelman, I am convinced, thought that the second cable to Harrison was a good thing. I don't doubt he thought it was a good thing. They are so worried about the whole situation now that they will do panicky things. I have no doubt about that.

But I know they are worried. He told me they were worried that the only thing that will be done is this thing that the Treasury came in - he said Mr. Labouisse told him after they left me yesterday - "How can we explain about the Treasury giving the State Department orders to send out cables? We haven't any plan of our own; we haven't accomplished anything. How can we say the Treasury views aren't right?"

H.M.JR: What made him say that?

MR. PEHLE: To Riegelman.

MR. LUXFORD: They recognize they are vulnerable.

MR. PEHLE: Labouisse I have only seen twice, I think. As far as I know, he is on the right side of

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the fence. He works for Acheson, which to me is a good sign.

Now, Riegelman says the he and Labouisse, when they cleared with Hull - the cable containing the text of the license - put at the end of the memorandum - I don't know who signed the memorandum - Long was away at the beginning of the day - "I think you ought to authorize a group of us to re-canvass these problems in the Department and to prepare some plans."

H.M.JR: Who said that?

MR. PEHLE: It was said in the memorandum to Hull which Hull approved.

H.M.JR: Who drafted it?

MR. PEHLE: It was drafted, according to Riegelman, by Riegelman and Labouisse. The group to work on it are Riegelman, Labouisse, Livingston, Merchant, and Travers. He said all those people recognize that nothing has been done, that the Intergovernmental Committee isn't functioning, that the State Department is in a terrible hole and something should be done.

Labouisse, particularly, said he was going to get into it. He was mad about it, and he said when he got into it, he was going to get in up to his neck.

Now, I am very pessimistic about their accomplishing much, but it is an indication of what is going on over there.

H.M.JR: I will say this much for Riegelman, he does tell us a lot.

MR. LUXFORD: Wonderful.

MR. PEHLE: Yes, he does. That was not told on the record or I am sure he wouldn't speak as frankly. But he did tell us a lot. And it is useful to have him tell us that.

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Now, he also made this point, that State Department doesn't think much of the World Jewish Congress. To what extent he was expressing his own views and not other people's, I don't know. He said that everybody over there felt that the Joint Distribution Committee was a fine organization and did effective work.

Now, that has a lot of ramifications, too. It is a more conservative organization.

MRS. KLOTZ: Well, I think he belongs to the school that would think well of the J.D.C. and not the other.

H.M.JR: The very first time I had him at the house he started to say that he had been in Africa and Egypt, and began to talk about the Arabs and all that, and the World Jewish Congress in Palestine.

I said, "Look, Billy, I am not interested in whether you are Semitic or anti-Semitic, one bit.

MR. LUXFORD: But that kind of a cross-current is used to stop these things from going forward.

MRS. KLOTZ: Because, unlike you - I mean, you don't give two whoops about Zionism, but at the same time, you are interested in finding a place of refuge for these homeless people. I don't feel he is a bigger person, by any means.

H.M.JR: I agree with you.

MR. PEHLE: He wasn't sure, he said, that we recognized the importance of that message that went out in a hurry to the British Government that said we viewed their comments with astonishment. He said that this Government has only viewed things with astonishment in half a dozen cases in its history, and most of those were when we were ready to declare war on somebody. That is the strongest diplomatic language that can be used.

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H.M. JR: The last word on that: I got a note from Oscar Cox yesterday that Hull had answered. We called up Hull's office and found he didn't have an answer and said if he didn't have an answer, would he please send another cable to Winant, which he said he would do. That was yesterday.

MR. PEHLE: I got the message, and Riegelman was asked to draft that cable.

H.M. JR: We kept you posted. We are good up here.

MR. PEHLE: Riegelman also admitted that Breckinridge Long's testimony before that House Committee was deliberately misleading. It contained false statements and they were made deliberately to cover up the inaction of the State Department.

MR. LUXFORD: I think we haven't any people over here, Mr. Secretary, that talk as freely to State people.

MRS. KLOTZ: I was going to say before, I don't think he is very clever, because he can be loyal.

H.M. JR: That worries me. If he talked that freely - I don't say anything to him - I don't want to say anything to Hull - but I know that there are people around who are friendly, who report things back, but I am always worried about - if they are going to be friendly, they can also be unfriendly.

MR. PEHLE: I would be very careful, Mr. Secretary. It is also known around the Foreign Funds Control that he sees you socially. He mentions in every conversation, "Well, when I see the Secretary next week" - he makes a point of mentioning it. I am sure he talks loosely.

H.M. JR: Well, I don't know whether it is good or bad.

MR. PEHLE: It is useful as long as we use him.

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H.M.JR: You and I were both hot under the collar yesterday, but whether we moved too quickly--

MR. PEHLE: No, I think this is very good to have in the record, because it shows that not only is this man over there not a spy for the Treasury, but that we are mad at him. It is a wonderful thing.

MRS. KLOTZ: I agree with that. It worked out that way.

H.M.JR: You think so?

MRS. KLOTZ: Oh, yes.

MR. LUXFORD: By all means, give it to him.

H.M.JR: You can't refuse not to.

MR. PEHLE: May I say one more thing?

H.M.JR: One more thing.

MR. PEHLE: Mr. Leavitt said to me that he knew from sources outside the Treasury that you and Mr. Long had had a very strong talk about these things, and that Mr. Long was very affected by it. In other words, that is known now.

H.M.JR: I didn't talk.

MR. PEHLE: I didn't mean that.

MRS. KLOTZ: That is the point, that they are doing the talking.

MR. PEHLE: It is known outside the two Departments and it will have a very healthy effect.

H.M.JR: You know he asked to see me. You were there.

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MR. PEHLE: Yes, sure. Oh, I think all that is to the good, Mr. Secretary.

H.M.JR: I did it very pleasantly.

MR. PEHLE: Well, you must have been reasonably firm.

H.M.JR: I was. You know what I told him, don't you?

MR. PEHLE: Yes, you told us.

MRS. KLOTZ: Would you repeat it again?

H.M.JR: Well, what he told me, he said, "You know everybody thinks I am an anti-Semite."

I said, "Not only that, but they think you are the number one in the State Department."

So he said, "Well, you help to change that opinion."

I said, "I don't know whether I can or not."

MRS. KLOTZ: He said, "Will you help"?

H.M.JR: Yes. I said, "They consider you the number one in the whole Department." The part that I thought of at the time - I told him this country was founded by religious refugees coming over from persecution all over the world, and it was founded as a refuge, and that was the concept of this country.

He said, "Well, I agree."

I said, "That is wonderful; we agree."

It is true, you know.

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MR. LUXFORD: Someone emphasized that in a newspaper column in the last two or three days.

H.M.JR: People forget.

MRS. KLOTZ: Yes, in another connection.

H.M.JR: They forget why people came to this country in the first place. Every one of them were religiously persecuted people.

Well, now when are you gentlemen going to have your opus on the State Department?

MR. DuBOIS: Probably early next week, Mr. Secretary.

H.M.JR: What is taking you so long?

MR. DuBOIS: We have already gotten our material together.

MRS. KLOTZ: There is a memorandum to you saying it will be ready next week.

MR. PEHLE: It is a very vital document, Mr. Secretary, and the more we talk to the World Jewish Congress, and these people come in - it just adds to the evidence that you can build.

H.M.JR: Did you get a good story from Leavitt on the children?

MR. PEHLE: He is sending a memorandum on that. We are also asking him to come down.

H.M.JR: You see - would you make a note to find out how many committees there are in existence to bring child refugees over here? I know there is a Marshall Field Committee, but how many more are there? Let's get that straightened out. I don't know whether they are all coordinated. You might find out from what's his name - the attorney for Marshall Field.

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MR. PEHLE: You want to know the name?

H.M.JR: Don't you know it? I will tell you in a minute.

(The Secretary calls Miss Thompson on the White House phone.)

Hello, Tommy. Good morning.

Tommy, on bringing refugees into this country - I know how much interest Mrs. Roosevelt has had. Is Marshall Field the only committee on this thing - the Marshall Field Committee - on bringing child refugees over here?

Yes.

Well, now who is the spark plug there? I mean, Marshall Field doesn't do it. The man who does the work.

Could you let Mrs. Klotz know?

Who is Marshall Field's attorney?

Lewis Weiss.

Just your own impression - does Mrs. Roosevelt have confidence in that Committee? Have they done much?

Yes, well, I want to get the story.

But what I want to know, who is the best person to talk to? Is it Weiss, or this other person?

Would you let Mrs. Klotz know?

I thank you. (End of conversation)

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H.M.JR: I think you will find that Leavitt said something about having gotten the attorney when he wanted the money. The attorney is Lewis Weiss. Don't you know who he is?

MR. PEHLE: He belongs to a very good law firm in New York.

H.M.JR: Yes, he is one of the best lawyers in New York. He is the attorney for "PM" and Marshall Field. The story is that it was he who got Marshall to go into these newspapers.

MR. PEHLE: Oh, oh, I have seen a write-up.

H.M.JR: Psychoanalysis, and all that - that they needed something to express themselves.

MR. PEHLE: There is a very interesting article on that.

H.M.JR: Well, somebody once said of him that he said, "Through psychoanalysis I got some of my best clients."

MRS. KLOTZ: Oh, yes, he and Marshall Field.

H.M.JR: Then he got Marshall Field to do this to express himself. It has done wonders for Marshall Field.

MRS. KLOTZ: And for everybody else.

H.M.JR: What is the name of Marshall Field's psychiatrist? It is a foreign name - anyway, I don't know but what Weiss wouldn't be as good an approach as any. Mrs. Roosevelt is going to town on this thing.

MR. DuBOIS: You would be surprised, Mr. Secretary, at the amount of Congressional interest and criticism of the State Department. We have been going through the Congressional record on this thing. There have been a lot of speeches by various Senators and Congressmen.

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H.M. JR: Good, there is nothing now; we are sitting tight. Did the J.D.C. cable go? There are three now; the one for the World Jewish Congress, the one for the children of France - was there a third one?

MR. PEHLE: Yes, the one through the Vatican. I don't know whether it has gone yet, but it is going. We'll keep after it.

H.M. JR: All right. Now go back and take care of I.T. and T.

MR. LUXFORD: We will.

H.M. JR: Well, I did, you know. I told them when they were about to sell the thing for nineteen million dollars--

MR. PEHLE: The Spanish thing--

H.M. JR: The Spanish thing was stopped?

MR. PEHLE: The Rumanian thing they got through when nobody else did. It was before the policy was fixed and they went to the President.

H.M. JR: Are you sorry?

MR. PEHLE: Oh, sure.

H.M. JR: But we did stop the Spanish.

MR. PEHLE: Yes.

H.M. JR: What are they trying to do now?

MR. PEHLE: They want to borrow twenty million dollars from the Swiss, and the Swiss are interested that they get paid back in free dollars so it will be exempt from our control. So they are working out a big deal that involves the U.S. Commercial Company and pesetas and gold. But if we understand it, the crux of the matter is that I.T. and T. are trying to get favorable terms from the Swiss because they can deliver it free from the U.S. Government control.

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H.M.JR: Just remember, Leo Crowley is now in a position - at no time was he in so much of a position to like the Treasury. Not only have we got all this other thing, but this "Q" regulation of the Federal Reserve Board - it is a life and death fight between him and the Federal Reserve. Whichever way we go, it will be settled. But don't use that unless it is something good.

Wait a minute, didn't I send one of the three of you something about Gillette getting safty razors out of Germany?

MR. PEHLE: You sent it to Mr. Paul.

MR. LUXFORD: That was signed by Mr. Paul last night.

MRS. KLOTZ: Yes.

MR. PEHLE: We figured out Mr. Riegelman must have told you about that.

H.M.JR: That is right.

MRS. KLOTZ: They are spies, Mr. Morgenthau.

MR. PEHLE: I am going to tell him not to tell you things and require us to do a lot of work.

H.M.JR: Are they doing things?

MR. PEHLE: Swedish subsidiary, in defiance of our orders and the orders of the head office, got razor blades from Germany. They sell them to Sweden.

H.M.JR: Oh, I was afraid I was using some the Nazis made and might cut myself and bleed to death.

MR. PEHLE: Selling them in Sweden.

H.M.JR: A Gillette branch?

- 16 -

MR. PEHLE: They have branches all over the world.

H.M.JR: But when I get a Gillette blade made in U.S.A., it is made in U.S.A.?

MR. PEHLE: Yes.

MR. LUXFORD: It is still contrary, though, to our Trading with the Enemy provision.

H.M.JR: All right.

MR. LUXFORD: It is not all right, but we can't do anything about it.

H.M.JR: Incidentally, we had Lord Halifax and Mr. Ben Smith, who I thought might be the American speculators. He is the new head of Procurement for the English, and Sir David Waley, and according to Harry White and Oscar Cox - about dollar balances - we just gave them the works this morning. We had a very successful meeting on dollar balances. Acheson was there. Waley just left himself wide open and I picked it up and both Cox and White were very pleased. We did a beautiful job.

MR. LUXFORD: Is this the one Preston said you had a month on?

H.M.JR: Yes.

MR. LUXFORD: You didn't waste any time.

H.M.JR: No, no, Waley is leaving tonight. We did a beautiful job. The thing they said was really very funny - just to gossip a minute - "You are doing it for Russia, why not for us?" Crowley said it was a good answer.

I said that when Stalin met with these people and they started talking, Stalin said, "How many English divisions are fighting the Germans today?" They said, "About three." Stalin said, "United States, how many have you got?" "About three." So then he told them how many the Russians have - three hundred, or whatever it is.

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So then he said, "How many casualties have you had since the beginning of the war?" Each country told him. Then Stalin said, "Every morning before breakfast we Russians have that many casualties."

And today - because we didn't want to be rude - but when they ask why we don't question the Russians, when the English - how many years have they been in the war? Four years? And they have got three divisions facing Germans today - maybe four. I don't want to exaggerate. That is all they have got fighting the Germans.

MR. PEHLE: That is the best answer, too.

H.M.JR: They beat their breasts - why don't we question the Russians.

MR. LUXFORD: You didn't get a chance to read that memo on the Russian matter, did you?

H.M.JR: Which one?

MR. LUXFORD: The one we were talking about the other day.

H.M.JR: I have got to go downstairs. You fellows approached that thing wrong.

MR. LUXFORD: We understand that fully.

H.M.JR: I want to see the economic thing first. We will find a legal way to do it.

MR. DuBOIS: We have got it, Mr. Secretary - the appendix. It has got the economic and political and military all in there.

H.M.JR: All right, but I want to find out what is the potential trade. You fellows missed that.

MR. LUXFORD: In the analysis we made of it, it didn't make any difference. The military and political significance is greater than the other.

Mr. Riegelman of State dictated over the telephone late Saturday, January 8, 1944, the following paraphrase of a cable from Winant:

London 139

January 7, 1944  
8 P. M.

Referring to my 8826 dated December 19 I held further discussions personally with Mr. Eden relevant to the problem of issuing licenses covering the financial transactions involved in the evacuation from France and Rumania of certain Jews referred to in Department's 7506 of November 27 and 7969 of December 18 and Mr. Eden has just addressed a letter to me in this connection. The foreign office, he advises, has contacted its Embassy in Washington regarding this topic and Lord Halifax has received instructions which, in his conversations with Mr. Morgenthau, indicate the lines which he is to follow.

The following is a quotation from Mr. Eden's letter which I offer for the purposes of the record:

"Briefly stated this Government finds itself in agreement with the United States Government insofar as the financial aspects of the question are concerned. It is our feeling nevertheless that resulting from the proposed financial measures transportation and accommodation problems may develop which might be embarrassing not only to this Government but to your own. Subject to this reservation and to the indicated safeguards this Government is prepared to agree with the financial proposals. It is my presumption that no further detail in this connection is required at this time in view of the fact that the question will now be directly discussed by Mr. Morgenthau and our Embassy and it is my hope that the results of such discussions will be to our mutual satisfaction."

You are requested to inform Secretary Morgenthau.

Winant.

January 7th, 1944.

33

Memorandum on the Evacuation of 5,000 Children  
From France

In July and August, 1942, large scale deportations of refugee Jews from France took place. At that time parents were given the choice of either taking their children with them or leaving them in the custody of child care organizations. Many parents chose the latter alternative and as a result thousands of children became a charge upon an organization known as the OSE, a medical and child care agency which has been subventioned by the J.D.C. for many years. Efforts were started immediately, as a result of requests from France, that a 1,000 children be brought out of France to the U.S. The U.S. Committee for the Care of European Children was approached and agreed to sponsor the admission of these children, giving the requisite guarantees for their maintenance and care. The State Department agreed to authorize the issuance of quota visas for the children on the basis of a letter of guarantee sent to the Attorney General by the U.S. Committee. The J.D.C. agreed to underwrite 4/9ths of the cost of transportation and maintenance of the children.

As the deportations increased in volume there were many more children for whom it was deemed imperative that visas be secured. The matter was again discussed with the State Department and visas for an additional 4,000 children were promised by the State Department under the same conditions as before.

In the meantime, during the months of August, September and October, the problem of getting the first group of one thousand children ready for emigration, having them brought to the American Consulates for medical examination, and securing the personal data, was being carried on by representatives of the Quakers and JDC in France. Other organizations keenly interested in the evacuation of the children included the International Y.M.C.A. and the local French refugee bodies.

Although permission had been secured in principle from the Vichy authorities for exit visas for the children, this was renewed and revoked during the month of October. Finally, as a result of the strong pressure of the American Charge d'Affairs, Mr. Pinkney Tuck, the authorities agreed to let the first 500 children leave the country. The children were all assembled, baggage packed, train travel arranged for, the ship chartered for their passage. A group of 28 escorts consisting of pediatricians, child care workers and trained social workers was assembled to be sent to Lisbon to escort the children to this country. The boat on which the escorts left departed for Lisbon on November 7th, 1942. The American invasion of North Africa on November 7th closed the borders of France with the complete occupation of the so-called unoccupied section of France. Despite the efforts of the local French committees to secure exit visas for the children, they were not forthcoming.

Donald Lowrie, who was in charge of the International Y.M.C.A. working in France, went to Switzerland and from there undertook to secure the entrance of the children into Switzerland. The Swiss authorities took the position that they would have to have the guarantee of a responsible government that the children would be re-evacuated after the war. This request of the Swiss government was taken up with the State Department and with the British government. The State Department pointed out that it was impossible for it to give such a guarantee

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to the Swiss government since it meant in effect binding a subsequent administration for the issuance of visas to children who might by the end of the war become adults. It is believed that this problem was discussed at the Bermuda Conference on Refugees. The suggestion that arose from the Bermuda Conference was that the Allied Nations join in a declaration to the neutral countries pledging that they would re-admit to their respective countries all refugees who were forced by reason of persecution to leave those countries. It took many months to secure the consent of all the governments concerned to subscribe to such a declaration. The text thereof has not yet been made public.

We believe that the Swiss government was persuaded to approach the Vichy authorities to permit the children to leave France by via of Spain. This request of the Swiss government, which was based entirely upon humanitarian grounds, was refused by the French. Nevertheless, Donald Lowrie and representatives of the JDC and other agencies in Switzerland have continued to press the Swiss government to make a second demarche to the effect that Switzerland herself would be prepared to give asylum to the children. Switzerland has continued to request the formal guarantee of re-evacuation.

On November 11th, 1943, the Colonial Secretary announced to the House of Commons that the unused portion of the Palestine certificates authorized under the White Paper, viz. 30,000 immigration certificates, would remain available for use after March, 1944. The Colonial Secretary stated that due to the war, it was not possible to fill the quota under the White Paper and therefore the life of these certificates would be prolonged indefinitely.

On the basis of this announcement the JDC approached the State Department and asked whether there was any objection to our going to the British Embassy requesting that the British government set aside sufficient Palestine certificates to assure the evacuation from Switzerland of the children after the war. In this matter a requisite guarantee could be given to Switzerland. The State Department interposed no objection whatsoever to such a proposal and this was made to the British Embassy on November 23rd, 1943. Mr. Hayter of the British Embassy agreed to transmit this suggestion to the Foreign Office in London. Subsequently, we were advised that the State Department had associated itself with this request and had likewise communicated with the Foreign Office to have such certificates set aside for these children. On January 3rd, 1944 (letter dated Dec. 31, 1943) the JDC received a letter from Mr. Hayter, copy attached hereto, pointing out that the Palestine government would find difficulty in reserving such certificates until after the war and expressing the hope that the general assurance given to the neutral states about the eventual repatriation of refugees might be sufficient to meet the requirement of the Swiss government. The JDC replied as per copy attached.

On December 28th, 1943, the JDC was asked by the State Department whether the guarantee which had been given by the U.S. Committee for the maintenance of 5,000 children in this country was still valid and whether reaffirmation of this guarantee would be given. Such a reaffirmation was agreed to by the U.S. Committee and a letter sent to the Attorney General confirming the readiness of the Committee to provide for 5,000 children in the event they were admitted to the U.S. The JDC agreed to underwrite approximately \$2,000,000 of the estimated cost of some 4-4 1/2 million dollars which the guarantee entailed. On the basis of this reaffirmation, the State Department notified the British government that

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it stood ready and renewed its offer to take 5,000 children under the original plan which it had approved in October, 1942. The whole question of the guarantee and of the children was to have been discussed at the meeting of the Intergovernmental Committee on January 4th, 1944, but the outcome of that meeting is not yet known to us.

We have recently been receiving urgent cables from Switzerland requesting that the necessary guarantee be given to the Swiss government. Such a guarantee can only be given by a responsible government since no private agency would be in a position to assure the Swiss authorities that it would be able to move the children out of Switzerland when the war is over.

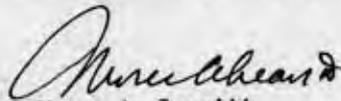
It is of interest to record that during the period when the plight of these children was made known in the Fall of 1942 other countries came forward to guarantee asylum to the children. For example, Canada stated it would take 1,000; Argentina agreed to take 1,000; several other South American countries agreed to take smaller numbers. The President of the Dominican Republic offered to take 3,500. At one time, counting certificates available to the Hadassah, that there were 20,000 visas available for the children, although the top number of children who could be evacuated was probably not more than half that number.

It should finally be recorded that about 120 children from Spain and Portugal were brought to the U.S. under the guarantee of the U. S. Committee.

Restrictions as to the children were set up: children of enemy nationality had to be less than 14 years of age; children of Allied nationalities had to be less than 16 years of age. There was no minimum limit on the age of the children.

As of the date that this memorandum is being dictated, it is unknown whether the requisite guarantees have been or will be given to Switzerland so that she could make the necessary approach to the French authorities to permit the children to leave either via Spain, from which they could emigrate to the U.S., or to enter Switzerland for the duration.

At the present time, children are being deported from France and there is a relentless hunt being conducted by the Gestapo to locate the children hidden in private homes in order to intern them into concentration camps in preparation for their deportation eastward.

  
Moses A. Leavitt

MAL:JO

LINE

ENDED

38

**ALL Roads to Holy Country  
Awaiting Jewish Admission**

*By Special to The New York Times*

LONDON, Nov. 25—The British Government announced today that it would allow Jews who are legally entitled to enter Palestine but have been unable to do so because of the war to be admitted under conditions similar to those provided. Col. Oliver Stanley, Colonial Secretary, who made the statement in the House of Commons, indicated, however, that there would be no change in the basic policy laid down in the White Paper of May, 1939.

"It provided for the admission to Palestine of 75,000 Jewish immigrants during a period of five years ending March 31, 1944, subject to the criterion of the economic absorptive capacity of the country," he reminded Parliament. "It was contemplated that there should be an annual quota of 15,000 and in addition, as a contribution toward the solution of the Jewish refugee problem, 25,000 would be admitted as soon as adequate provision for their maintenance was secured."

"The war has prevented the fulfillment of this program. The number of Jews who entered Palestine legally or illegally up to Sept. 30, 1943, against a total of 75,000 to be admitted under the existing quota system, was 42,000. There are then 33,000 who it may be fairly assumed would have entered it before March 31, 1944, but for the exigencies of war."

"The British Government has been considering this position and has reached the conclusion that it would be undesirable to close the doors of Palestine to those persons on account of the quota system."

BRITISH EMBASSY  
WASHINGTON 8, D. C.

December 31st, 1943

(Received Jan. 3, 1944)

Ref: 608/26/43

Dear Mr. Leavitt,

We have now had a reply from London about the suggestion you made to me for a guarantee to the Swiss Government that a certain number of Immigration Certificates into Palestine be reserved for refugee children who escape to Switzerland.

The Foreign Office tell us that there would be difficulty in committing the Palestine government to guarantee the reservation until after the war of a number of Immigration Certificates.

They hope, however, that the recent assurance to neutral states about the eventual repatriation of refugees should meet the requirement of the Swiss Government to some extent.

I believe that the whole subject is to be considered by the Executive Committee of the Inter-governmental Committee on refugees at its meeting on January 4th.

Yours very sincerely,

W. G. Hayter

Mr. Moses A. Leavitt,  
Secretary  
The American Jewish Joint  
Distribution Committee,  
270 Madison Avenue,  
New York, 16, N. Y.

January 7th, 1944.

Mr. W. J. Bayler  
British Embassy  
Washington 8, D. C.

Ref: 608/26/43

Dear Mr. Bayler:

It was with the greatest disappointment that we received your letter of December 31st advising us that your Foreign Office stated that there would be great difficulty in committing the Palestinian Government to guarantee the reservation of a number of immigration certificates until after the war. The suggestion which we made to you was based on the assumption that if those children who are now in dire danger of deportation and death were in a neutral country there would be no question but that Palestine certificates would be available to them for entering Palestine. In effect, we were asking for these certificates to be issued to the children now, with the reservation that they would be en route to Palestine only after an indefinite stay in Switzerland. The lives of the children would in that way be saved.

We have just recently received word from our correspondent in Switzerland that deportations of Jews from France are continuing, that there are now 1,500 new children whose parents have been deported and for whom there is the greatest danger of being picked up and likewise deported.

We understand that our Department of State has just renewed its offer to take 5,000 children from France under the original plan for accepting such refugee children from that country which had been agreed to by the United States Government before the rupture of relations with France in November, 1942.

We would take the liberty to urge you as strongly as we can to communicate with your Foreign Office again for a reconsideration of the position taken, as outlined in your letter to us. We very much doubt that the general assurance, which I am glad to note, has been given about the eventual repatriation of refugees, would meet the special request which has been made by the Swiss Government that the United States and British Governments guarantee the evacuation of the children after the war. When we discussed

Mr. W. J. Hayter

2.

January 7th, 1944.

this suggestion with our overseas Chairman, Dr. Schwartz, he stated that when he was in Switzerland and conferred with the Swiss authorities on this problem, they were adamant on the condition that a responsible government extend such a guarantee. They were not prepared to take the guarantee of either a private agency or of a provisional government.

Sincerely yours,

Moses A. Leavitt  
Secretary

MAL:JO

January 7, 1944  
2:27 p.m.

40

HMJr: I have an idea which I think might interest you.

Fred  
Smith: Good.

HMJr: As a result of this release on liquor, see?

S: Yeah.

HMJr: And when they talk about liquor not even being imitation whiskey, but it's just colored distilled spirits.

S: Yeah.

HMJr: Now, I know that when they started to clean up Georgia, because I got a memorandum on it, they found that a house in Brooklyn was sending stuff down to Georgia, and from there it was being sold.

S: Yeah.

HMJr: I wonder why we can't, in my chart room, get some of this stuff, show what it looks like, have a little picture, map of Brooklyn, and show how it goes down to Georgia and then what it sold for and the whole thing, you see? What it needs is a good window-display man.

S: Yeah.

HMJr: You can get one from the department store here -- what's the one that's so cooperative?

S: I know there is one. Ted will know.

HMJr: Yeah. And put on a little exhibit.

S: Uh huh.

HMJr: And if it looks all right -- Hecht's is the one, I think.

S: Yeah.

HMJr: We could then bring in the boys and say, "This is the way the thing is done, and this is what we are doing about it."

S: Uh huh.

HMJr: And show them -- they'd love to see the kind and what it sells for -- how it goes from Brooklyn down to Georgia and what happens to it.

S: Yeah.

HMJr: One of the things I think you'll find is that when they put on a label "Colored Distilled Spirits" it's most likely so small that nobody will be able to see it.

S: Yeah.

HMJr: That's one of the things we can change because we control the labels.

S: Uh huh.

HMJr: See?

S: Yeah.

HMJr: And, supposing -- if we're going to do something I want to do it quick. See?

S: Okay.

HMJr: Now, the case -- the report -- the stuff that they did down in Georgia recently would be as good as any.

S: Yeah. Well, I'll get right on it, right now.

HMJr: And contact somebody and let's see how it looks.

S: Okay.

HMJr: But this is straight public relations a la Morgenthau.

S: A la Morgenthau. (Laughs) On pie.

HMJr: On pie.

S: (Laughs) Okay. We'll get right at it.

HMJr: All right.

January 7, 1944  
3:30 p.m.

DISPOSITION OF SURPLUS COMMODITIES

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

MR. SULLIVAN: And I fought for an hour and a half with him. He said, "It is altogether too much work. You have these eleven regional offices; there will be so many thousands of items in each one."

I said, "Cliff, if you are going to sell a million suits of underwear in New York, doesn't it make any difference to you whether you have five million in Philadelphia or not?"

He said, "It might, but it is an awful lot of work getting the statistics together. That is the basic thing you go ahead on, and you never can map out with any intelligence, merchandise--"

H.M.JR: What is the matter with the man?

MR. SULLIVAN: When we got out of the hearing this morning, he said, "I am inclined to think you may be right about that. There is such a thing as being too close to the Treasury."

H.M.JR: I am trying to get the man from Portland, Oregon. Did Ted tell you?

MR. SULLIVAN: No.

H.M.JR: He has a store out there - the best department store - the most successful on the whole

- 2 -

Pacific Coast. It may not be the biggest, but it is the most important. He owns it. The fellow lost his wife. I just had a feeling he might want a man about fifty - very, very able merchant. But he has no ties.

He must be terribly rich, because - I don't know, a store like that, I wouldn't be surprised, would make a half million dollars a year.

MR. SULLIVAN: We are going to need three or four people like that.

H.M.JR: He knows where we could get merchandising fellows, because I imagine, in his store - twenty-five million a year, which for Portland is something--

(Mr. O'Connell entered the conference.)

MR. SULLIVAN: The more I get into this the more convinced I am that we need a chain-store fellow, too.

H.M.JR: This fellow has no connections, no Wall Street connections - nothing. That is what I was looking for.

I think the fellow is Frank, of Meier and Frank.

MR. SULLIVAN: That is what you had in mind when you said I shouldn't go any further with calling those people?

H.M.JR: Yes, because I don't want to get people connected with Lehman Brothers, and all the rest.

This fellow doesn't have to be financed. You might get hold of Meier and Frank.

Hewas married. He married the boss' daughter and finally has the whole business himself.

- 3 -

MR. O'CONNELL: I don't have much of a gang. Lynch went home sick and Mac left a few minutes ago. Mac wanted us to get together with you today, and I suggested putting it off until Monday because there were a couple of subcommittees tomorrow.

MR. SULLIVAN: Joe is right.

H.M.JR: You want me to set a time now?

MR. O'CONNELL: Certainly Monday we will be ready. There are several meetings tomorrow. Mac wanted it today, I think - I know he did, in fact.

MR. SULLIVAN: They only had one they could report on.

H.M.JR: How about three o'clock Monday?

MR. O'CONNELL: Sure.

H.M.JR: What do I call it?

MR. O'CONNELL: The Baruch Committee or contract termination.

MR. SULLIVAN: It is your post-war group.

MR. O'CONNELL: Then I will tell McConnell.

MR. SULLIVAN: Norman Cann is coming back. Bob rushed the news over here yesterday thinking we might want to give a press release, because one part of the Knutson story was that the key men had left. I told Bob to keep the information to himself, that if it was ever to be used for that purpose, the time to use it was after Congress got back and not while they were away.

H.M.JR: I just sort of mentioned in passing - old man Doughton was down today. He walked in here

- 4 -

with what looks like a five-pound box of candy for Mrs. Morgenthau. So that is how he feels. I simply mentioned it. "Well," he said, "that is the kind of thing you have got to expect. You can't get anything out of the Bureau." He gave me case after case of waiting three and four months.

I told him - I said, "Look, the next time that you have got something you don't think is right, will you call me on the phone?" He said, "Absolutely." I got the word from somebody - oh, you told me--

MR. SULLIVAN: Last night.

H.M.JR: I am not going to worry.

MR. O'CONNELL: Did you talk to Stanley?

MR. SULLIVAN: Yes.

MR. O'CONNELL: Surrey made such checks as he could on the staff working with the Minority, and he was convinced it was a one-man show on Knutson's part.

H.M.JR: Surrey didn't get that?

MR. O'CONNELL: No, Surrey talked to the Minority Clerk, and that sort of thing.

H.M.JR: Nobody reported to me.

MR. O'CONNELL: I just learned it late last night and was going to report it to you today, and when Randolph left he told me what Hannegan told you (Sullivan) last night - all in the same tenor, that Knutson was on his own, that he hadn't talked to the other members of the Minority on the Ways and Means Committee as far as the Clerk knew, though he didn't write them.

(Mrs. Klotz entered the conference.)

- 5 -

MR. SULLIVAN: George was very cordial this morning, personally.

H.M.JR: Did he call you "John"?

MR. SULLIVAN: Yes. (Laughter)

H.M.JR: Have we sold our horses yet?

MR. SULLIVAN: We have been doing all right on them. This meeting this morning was a good meeting.

H.M.JR: What committee was that?

MR. SULLIVAN: It is the subcommittee on this particular subject, and it is a part of Senator George's post-war committee. The main issue they are going to decide is whether or not Congress should set up an over-all commission to decide general policy questions in directly operational agencies.

MR. O'CONNELL: In all post-war matters.

MR. SULLIVAN: Disposition of surplus materials and plants.

H.M.JR: Are they going along the same track as Mr. Baruch?

MR. SULLIVAN: Fairly parallel, I think.

(The Secretary had a telephone conversation with Mr. Doughton, as follows:)

cc-D. W. Bell

47  
January 7, 1944  
3:50 p.m.

HMJr: Hello.

Robert  
Doughton: Hello.

HMJr: Henry talking.

D: Yes, Bob Doughton. There's a matter I forgot that I aimed to mention to you, Henry, and that is the Federal Reserve Board has recently promulgated an order, or is promulgating one, requiring the State Banks to clear their checks at par.

HMJr: Yes.

D: Now, they don't allow -- they can't get any interest on their deposits from their corresponding banks and to go -- they're very much upset about it down there. I've got a brother who is President of a chain of small State Banks and I had a letter from Mr. W. H. Wood today sending a copy of a letter he had sent to Mr. Spence, Chairman of the Banking and Currency Committee here.

HMJr: Yeah.

D: Mr. Wood is President of the American Trust Company, the largest bank in our State, at Charlotte. And they are very much upset about it, and it's going to knock a lot of the small banks out of business. Above all things, that ought not to be done right now. We've got enough trouble down there without putting any more salt in their sores, and if that could be headed off at least until after a certain date later on this year -- at least.

HMJr: I see. That date wouldn't be November, would it?

D: How's that?

HMJr: That date wouldn't be November, would it?

D: That's what I had in mind. If it has to be done, you know, it would be a most inopportune and unfortunate time now.

HMJr: Yeah.

D: Get all the little banks, you know, mad and they've got a lot of influence. With all the other trouble we've got, I don't know where we'd be. I just thought maybe you'd be able to get in a word somewhere about it high up.

HMJr: Well, I've been a kind of a by-stander. This is something between the Federal Reserve Board and Crowley. We've been sort of on the sidelines, but I'll look into it, Bob.

D: I understand that the F.D.I.C., Federal Deposit Insurance Corporation, which has, you know, the responsibility for these bank -- insuring these bank deposits....

HMJr: Yeah.

D: ....that they are very much opposed to it. That's what Mr. Spence told me today, the Chairman of the....

HMJr: That's correct.

D: ....Committee on Banking and Currency.

HMJr: That's correct.

D: Yeah. I do hope they won't put that order into effect right now if there's anything that can be done. It's really serious.

HMJr: Well, right now, I'm kind of the ham in the sandwich -- I'm in between two pieces of bread on that.

D: Yes. Well, I just called it to your attention. I don't know whether you should do or could do. I just thought I'd familiarize you with it.

HMJr: Well, now that you've called me, I'll look into it much more than I have.

D: Well, I thank you very much.

HMJr: Righto.

D: Good bye.

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H.M.JR: I haven't had good reason to take sides; now I have.

MR. O'CONNELL: That is quite a fight.

H.M.JR: Oh, boy, oh boy! When Leo gets mad he gets red in the face. Leo pulled a fast one. He has got about all he can swing.

MRS. KLOTZ: I am going to sit down and cry. It breaks my heart, it is so sad.

H.M.JR: Crowley said, "I tell you what I have decided to do. It is very embarrassing for you to have to make up your mind and advise Preston Delano what he should say when he testifies for Banking and Currency, on this "Q" regulation, so," he said, "I went around to see the Chairman and I told him I thought it was a waste of time to call Delano."

He said, "That will sort of relieve you of trying to make up your mind.

MR. SULLIVAN: Leo did this?

H.M.JR: So I said to Leo, just as we were going into the State Department, on English dollar balance, I said, "You know, Leo, I have kind of got my mind on something else, it may slip me. Would you mind telling Bell about this yourself?"

"Why," he said. "This confidence man, Ransom, runs up there and they tell him to take five or ten minutes. He has been there ten days testifying."

I can say this for Leo, that has been on the books for ten years. Now they suddenly dig it up just as soon as Steagall dies. Why it has been on the books ten years--

MR. O'CONNELL: It has, too.

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H.M.JR: I have been kind of leaning a little bit Leo's way. I think that Preston Delano, down the hall there - it does look to me as though it is the last thing for the little banks.

What it is, is this: The little banks - I think you have to pay ten cents on a check.

MR. O'CONNELL: Five, I think.

H.M.JR: So the Chase Bank says, "You send it in to us and we will clear it for you and not charge you anything."

MR. O'CONNELL: They will absorb the charge.

H.M.JR: "Leave the extra money you have on deposit with us." The law says you can't pay interest on demand deposits, but if they clear all their checks for them and absorb that five or ten cents, it is equivalent to paying interest.

What I am telling you, Ransom took a half hour to explain and then I didn't understand it. It does help the little banks, and the banks like to take it in their stride. It is a nice convenient thing. But one bank down in Jacksonville had seven hundred thousand deposits and decided to do the same thing, and over night it got seven million deposits on it.

Whichever way I go, I am in the soup. How do you know so much about this?

MR. O'CONNELL: Norm Tietjens talked to Cy Upham about it. We are having our lawyers look into the thing a little bit from the legal angle.

H.M.JR: Now it is political. Just stall it until a certain date.

- 8 -

MR. SULLIVAN: Incidentally, when you see the President you might remind him that it is just five weeks from Tuesday until the slate is filed in New Hampshire.

Treasury Department  
Division of Monetary Research

Date Jan. 8, 1944 19

**D**

Re: Miss Chauncey

The original of this letter was handed to Mr. Fitzgerald yesterday just prior to the Secretary's appointment with Sir David Waley (at 4:00). The Secretary signed the letter and handed it to Sir David.

L. Shanahan

MR. WHITE  
Branch 2058 - Room 214½

January 7, 1944.

Dear Sir John:

You have doubtlessly been informed of the conference held in Secretary Hull's office this morning on the subject of lend-leasing certain categories of items to the British Empire. As you know, in addition to Secretary Hull, there were present among others Lord Halifax, Sir David Waley, Mr. Crowley and myself. I am glad that Sir David Waley will be able to explain to you personally and in detail the views which we expressed at the conference.

I should like to take this opportunity to express our admiration for the effective manner in which Sir David has carried out his difficult duties in Washington.

With best wishes for the New Year.

Sincerely,

Sir John Anderson,  
Chancellor of the Exchequer,  
London, England.

1/7/44 - Miss Ayers handed to Mr. Fitzgerald.

HDW:grs  
1/7/44 FILE COPY

January 7, 1944  
4:11 p.m.

Operator: Operator.

HMJr: Hello.

Operator: Yes, sir.

HMJr: Mr. Gray, from the State Department -- he's on the wire -- Fitz' wire.

Operator: There you are.

David Gray: Hello, Mr. Secretary.

HMJr: Mr. Gray.

G: Yes, sir.

HMJr: What I find is this -- we got a memorandum, at least I did, from the President on the question of French currency.

G: That is -- that is, after operations or something?

HMJr: Well, no, the question of printing it, you see?

G: Uh huh.

HMJr: What should be on it.

G: Yes.

HMJr: Mr. White was trying to get hold of Mr. Dunn and has been unsuccessful, trying to explain to Mr. Dunn what it was. You see?

G: Uh huh.

HMJr: As I understand, heretofore, our contact on this has been with Mr. Dunn.

G: Yes, sir.

HMJr: And it's a question of our printing currency, and for some reason, to our surprise, the President has taken some very strong personal position.

G: I see.

- 2 -

HMJr: Now, what I will do is, I'll have Mr. White send over to Mr. Hull, attention of you, right away....

G: All right, sir.

HMJr: ....a copy of this memorandum which came in to me and it's based on that.

G: I see, sir.

HMJr: Now....

G: Well, then I'll take it right in and then I'll call....

HMJr: I had thought that that had gone, but the reason it hadn't gone was that Mr. White hadn't been able to get Mr. Dunn.

G: I see, sir.

HMJr: But, I'll....

G: I'll just wait for the memo, Mr. Secretary, and then I'll -- we'll call you back as to who'll be there.

HMJr: I thank you.

G: Thank you very much, sir.

HMJr: Bye.

January 7, 1944.

My dear General Clark:

It was a pleasure to receive your letter of December 27 with the news that the apples arrived in good order.

You were more than kind to tell me that the Drew Pearson column was not based on anything you had written. I was entirely sure that it was not and I regret only the annoyance it may have caused you.

I continue to draw inspiration from my visit to the front with you. It gave me a point of view that enables me, I think, to keep my eye on the ball and to work more effectively.

We are just about to enter on the Fourth War Loan campaign with good prospects; for I think there is a good deal more realization now than a few months ago that we at home are an essential part of the team with you at the front.

The tanks went to Aberdeen for a looking over. We expect to get them soon.

I send most sincere regards coupled with most fervent and prayerful good wishes for all that lies ahead of you and your men.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Lieutenant General Mark W. Clark, USA  
Headquarters Fifth Army  
A.P.O. #464  
C/o Postmaster  
New York, N. Y.

WJ

January 7, 1944

My dear Mrs. Clark:

I thought you might be interested in the letter which I received from General Clark; also a copy of my reply to him.

With kindest regards,

Sincerely yours,

(Signed) *H. Morgenthau, Jr.*

Mrs. M. W. Clark,  
Kennedy-Warren Apartments,  
Washington, D.C.

## HEADQUARTERS FIFTH ARMY

Office of the Commanding General  
A. P. O. #464

December 27, 1943

Hon. Henry W. Morgenthau  
Secretary of the Treasury  
Washington, D. C.

Dear Mr. Morgenthau:

The beautiful box of apples arrived today in fine condition, and I want to thank you for sending them to me. They will be a great treat for me and my immediate staff. Although some apples are now coming into the market in Italy, they do not compare with our American fruit, and particularly the ones which you have sent.

I hope the tanks which we sent to you finally reached their proper destination and that you were able to make use of them in your War Bond drives.

I was shocked yesterday to receive a clipping of an article by Drew Pearson in which he quotes me as resenting official visitors coming into the Fifth Army area in Italy. He inferentially indicated that I was referring to your visit here. Needless to say, I have never made such a statement, for my views are entirely the opposite. I have always felt that it was advantageous for both civilian and military officials to visit this theater in order to obtain first hand information on the situation and of the difficult terrain through which we are fighting. Besides, visitors like yourself, when appearing among the troops, are a stimulus to their morale for it makes them realize that the people in official positions at home are interested in their welfare and are here to see how they can help. As a matter of interest, I am always consulted before visitors come and have in every case indicated my desire to have them visit our area.

Our progress has been slow for, as you know, the terrain has been difficult. However, we are advancing and will continue to do so.

Again thanking you for the fine present, I am

Yours sincerely,

*Mark W. Clark*

MARK W. CLARK  
Lieutenant General, USA,  
Commanding.

January 7, 1944

Dear Anna:

I was delighted to sign the 51 citations which you sent me on January 4th. I hope that the Victory Square meets with great success.

Affectionately yours,

**[Signed] Henry**

Mrs. John Boettiger,  
The White House,  
Washington, D.C.

THE WHITE HOUSE  
WASHINGTONJan. 4<sup>th</sup> '44

Dear Henry -

Here is something I wrote you about a long time ago, and which you said you would try to take care of. I hate to be a pest - but we (John + I) did get this damn Victory Square started and it has done a good job!

I go to N.Y. in the a.m. but will be back Saturday.  
Love to you and Ethel.

Anna

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

January 7, 1944

FROM Fred Smith 

Here are the Fourth War Loan speeches that we have agreed upon:

January 17, 9:00 - 10:00 PM, will be the opening broadcast. Dudley is working on the show, of which you will be a major part. It will not be a speech, as such.

January 19: You are to speak in Cincinnati, in the evening. The audience will consist of several hundred of our bond workers from that area.

Some time between the 20th and 23rd you are making a five minute speech as one of the governmental leaders who are scheduled to plug the War Loan Drives.

On January 30, we will take over "We the People." At present that is scheduled for Springfield, Illinois, but Levy is coming to Washington Monday and we think we can find a better place, to develop a newer and better story than Lincoln.

The above are the only speeches so far scheduled. Ted wants you to speak sometime during the drive in New England, and in New Orleans or Texas. You would like to go into the far middle west.

Ted would also like you to do a report to the nation in the closing of the drive.



• • • ■  
UNITED STATES TREASURY

62

**WAR FINANCE COMMITTEE FOR OHIO**

Third Area Committee  
Cin'ti Gas and Electric Building  
Fourth and Main Sts.  
**CINCINNATI, OHIO**  
MAIn 1101

John J. Rowe, Chairman  
Cincinnati, Ohio

Roy D. Moore, Ohio State Chairman  
Phil J. Trounstine, Associate Chair

January 7 1944.

*Specs Cleared  
with Gamble*

The Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D. C.

Dear Secretary Morgenthau:

I want to express our great pleasure that we will have the honor of having you with us as the main speaker at our War Finance dinner for workers on the evening of January 19th. We appreciate your acceptance of our invitation tremendously and we will do everything we can to have a representative attendance of our workers, paying particular attention to geographic distribution so that we will have representation from every suburb and every township, as well as a few from neighboring counties.

I will much appreciate it if you will let me know when you will arrive and what time during the day or afternoon before the dinner you will have available, and whom you would like to meet. I understand that Phil Trounstine would like to arrange a little reception before the dinner in your honor.

Yours very truly,

Chairman  
Third Area Committee

JJR:es

January 7, 1944

TO THE BANKS OF THE UNITED STATES:

The Treasury Department again is counting on your indispensable aid in a great War Loan campaign.

From the reports of State and local War Finance Committees, I know with what fine spirit your employees and officers have served in previous successful Drives. Everywhere, from the smallest village to the largest city, your people have been in the forefront of these efforts, accepting this task of war financing as a special opportunity for service.

In the Fourth War Loan Drive which starts January 18, more emphasis than ever before will be placed on borrowing the largest possible amount from individual investors, and thorough, systematic, personal solicitation of your depositors and neighbors is essential to success.

With colossal military operations imminent in both Europe and Asia, the oversubscription of every Fourth War Loan quota--National, State and local--is of vital importance. Our fighting men are looking to us to back them up. We must not--we dare not--fail in our responsibility.

Sincerely,

(Signed) H. Morgenthau, Jr

EBB:dft

From: The National Broadcasting Co.  
Trans-Lux Bldg.  
Washington, D.C.

Address of the Honorable Walter F. George, United States Senator from Georgia and Chairman of the Senate Committee on Finance, delivered over the National Broadcasting Company network Friday, January 7th, at 10:45PM.

During the month just ended, our Federal government spent nearly 7½ billion dollars. Excluding Christmas Day and Sundays, this was an average of about 287 million dollars each business day, or approximately 36 million dollars for each working hour. Over 90 cents of every dollar spent in December went to pay war costs. According to the latest official estimates, Federal expenditures will run almost a fifth higher during the next six months than they have since last June. During the current fiscal year, the government will spend 57 billion dollars more than it will receive in taxes. The necessity of borrowing most of this sum will raise the national public debt on next June 30 to around 200 billion dollars, or to practically one thousand, 500 dollars for each man, woman and child in this country.

In view of these astronomical figures, which dwarf our experience in any previous war, it is no small wonder that the American people have been asked to pay taxes which in many cases, I am sure, seem almost unbearable, and that the Congress is devoting its attention to raising still more revenue. In these times, we often find ourselves faced with two evils between which we must choose. We must fight the enemies of mankind or lose our freedom; likewise we must each of us pay our share of the tremendous cost of this war or suffer the much worse consequences of serious inflation.

The Constitution places upon the Congress the responsibility of determining the manner in which the revenue needs of the government should be met. Any suggestion that taxation become a political issue, or that tax policies either within the Congress, or within the Departments, be considered as such, must necessarily make it extremely difficult, if not impossible, to arrive at a constructive, or equitable tax program, particularly in time of war.

However, one must not lose sight of the fact that the power to tax carries with it the power to destroy; therefore, those of us charged with the responsibility of levying taxes would be derelict in our duty if we were blindly to accept and place our stamp of approval upon each and every Departmental proposal advanced.

In placing additional tax burdens upon the American people, especially at this time, Congress must give careful consideration to the existing tax burden on our people, the rapidity with which this burden has been increased in the past few years, and the effect additional burdens would have on our immediate and post-war economies.

Congress has, without stint, appropriated practically every dollar asked for by those charged with the responsibility of directing and prosecuting the war. The huge expenditures can only be met by taxation and borrowing. Everyone agrees that, without disrupting our economy, as much as possible of these expenditures should be paid for by taxation.

Few people, however, realize the extent of the increase in tax burden in recent years. Since 1940, Federal tax collections have risen approximately 600 percent. For the fiscal year 1940, total Federal tax collections amounted to 5 billion, 925 million dollars, whereas for the fiscal year 1944 they will approximate 41 billion dollars.

In the period from 1936 to 1939, prior to the start of our defense and war programs, a married person with two dependents having a net income of 4 thousand dollars paid an annual income tax of 12 dollars. Today such an individual pays 484 dollars and 97 cents on the same size income. For the years 1944 and 1945, assuming no change in income, the tax will amount to 532 dollars and 22 cents because of the required payment of the unforgiven tax. This represents an increase of 520 dollars and 22 cents, or approximately 4 thousand, 335 percent.

A married person with no dependents and having a net income of 3 thousand dollars paid an annual tax of 8 dollars in the period 1936-1939. In 1940 his tax was increased to 30 dollars and 80 cents, an increase of 285 percent; in 1941 this tax was further increased to 138 dollars, an increase of 348 percent over the previous year; in 1942 it was further increased to 324 dollars, an increase for the year of 135 percent; in 1943 it was again increased to 405 dollars and 28 cents, a one year increase of 25 percent, making a total increase of 397 dollars and 28 cent or 4 thousand, 966 percent since 1939. If we include the unforgiven tax payable in 1944 and 1945 and assume no change in net income, this individual will be paying a tax of 445 dollars and 78 cents in each of these years, or an increase of 5 thousand, 472 percent over what he paid in each year from 1936 to 1939, inclusive.

Few persons realize that under the existing law, with the carry-over of the 1942 or 1943 tax required to be paid in 1944 and 1945, no individual, no matter how high his income, will have left more than \$25,000, assuming his income remains constant and that his uncanceled tax is paid out of current income. When we give account, as we should, to Federal and State income, excise, and sales taxes, State property taxes and taxes of political subdivisions, it is obvious that the present Federal individual income tax is extremely burdensome. If the individual income tax rates recommended to the Congress recently by the Treasury Department had been adopted, no individual, no matter how high his income, would have left after taxes in 1944 and 1945 more than approximately 12 thousand dollars.

Within less than 3 months following the enactment of the 1942 Revenue Act, which was estimated to raise 7 billion, 952 million dollars of additional revenue, the Congress was advised by the President that we should collect not less than 16 billion dollars of additional funds by taxation, savings, or both, during the fiscal year 1944. This figure was subsequently reduced to 12 billion dollars, and when the Secretary of the Treasury presented his recommendations to the Committee on Ways and Means on October 4, 1943, it had been further reduced to 10 billion, 579 million, 300 thousand dollars; moreover, probably less than half of this sum would actually have flowed into the Treasury during the fiscal year ending June 30, 1944. Of the total amount the Treasury recommended that 6 billion, 528 million, 500 thousand be raised from individual income taxes, 1 billion, 138 million, 100 thousand dollars from corporate taxes, 401 million, 600 thousand dollars from estate and gift taxes, and 2 billion, 511 million, 100 thousand dollars from increased rates of tax on existing selected excise taxes and the levying of new excise taxes on candy, chewing gum, and soft drinks.

Note that over 60 percent of the additional revenue recommended by the Treasury Department would have come from individual income taxes. Those of us who make it our business to keep closely in touch with many people in all walks of life realized immediately that the incomes of the great bulk of the American people could not stand this increase in tax. While many persons receive higher incomes as a result of the war, there are thousands of government employees, school teachers and professional people who are not enjoying one cent more than before the war. Most of these persons have patriotically invested in United States War Savings Bonds. If the tax rates proposed by the Treasury were to be adopted, many of these purchases would cease, or be curtailed, and probably insurance premiums and payments on mortgages could not be met by these persons.

The repeal of certain taxes which had been imposed previously by the Congress was suggested. These were: the tax on transportation of property, which brings in nearly 200 million dollars annually, and the Victory tax, which yields 3 billion, 500 million dollars a year. Repeal of these taxes would of course necessitate higher rates of other taxes in order to protect the revenue. The proposal for integrating the Victory tax with the regular income tax would have excused some 9 million persons from any income tax whatsoever. These persons now contribute about 300 million dollars a year toward paying the cost of the war.

Many of us in Congress and elsewhere think that we have about reached the bottom of the barrel with respect to raising additional revenue from present sources of taxation. Possible new alternatives to which we might turn are compulsory savings, a tax levied only on incomes which have increased as a result of the war, or a general retail sales tax. These have been consistently opposed. Hence the Congress has been unable to raise more than a fifth of the additional revenue recommended by the Treasury. There appears to be general agreement in the Congress that raising more than this amount, without resort to new methods, would disrupt our economy, not only for the present, but for years to come; moreover, we might make it extremely difficult for our returning soldiers to find employment.

In the bill recently reported out by the Senate Finance Committee, which will be considered in the Senate next week, changes in individual income tax provisions, higher rates of tax on corporations, and increases in excise and postal rates will bring in 2 billion, 275 million, 600 thousand dollars of additional revenue in a full year of operation.

The Senate Finance Committee bill retains the present rates of individual income taxes, with the exception that the Victory tax has been simplified by making it a 3 percent tax for everyone regardless of family status. The earned income credit is disallowed and the previously permitted deductions for certain Federal excise taxes paid are discontinued, with the result that income tax computations will be considerably simplified. The net effect of these changes is to raise 664 million, 900 thousand dollars of additional revenue spread throughout the income scale.

The Finance Committee did not adopt the Treasury Department's suggestion for raising the rate of tax which applies to the normal earnings of corporations, because it was felt that such a step would interfere with the normal distribution of dividends, which are already subject to double taxation and of which a large proportion is paid to individuals in the lower income groups. The rate of the excess profits tax levied on corporations is raised from 90 to 95 percent, and the credit allowed to companies using the invested capital method of computing excess profits tax is reduced at certain levels. In order to protect the smaller corporations, the specific exemption for excess profits tax purposes is raised from 5 thousand dollars to 10 thousand dollars. These changes, together with less important ones affecting corporation taxes, will bring in 502 million, 700 thousand dollars.

The bill reported out by the Senate Finance Committee will raise one billion, 108 million dollars from increases in the rates of certain excise taxes applying, in the main, to luxury items, and in postal rates.

The figures just cited add to 2 billion, 275 million, 600 thousand dollars, which at least in the past was considered to be a lot of money. It still represents a considerable sum, although not as great as I believe should and could be provided if opposition to new methods could be overcome.

I think I can assure you that there is little opportunity for making inordinate profits out of war when corporate war profits are taxed at 95 percent and individual incomes are taxed by the Federal government alone as high as 90 percent, as will be the case under the Senate Finance Committee bill. I also want to assure you that the tax committees of the Congress, aided by their staff of experts, and by the Treasury Department, are giving serious attention to simplifying income tax computations for the more than 50 million taxpayers now on the rolls. Until greater steps can be taken toward simplification, it is hoped that you will bear with us and recognize the fact that it is difficult to achieve equity in taxation, especially under very high rates, without the introduction of provisions which are sometimes complicated merely because they are designed to fit special cases where hardship might otherwise result.

One further thing will interest you. The rates of certain Social Security taxes, now at one percent each on employers and employees, were scheduled to rise to 2 percent on January 1, 1944, but the Senate Finance Committee has frozen these rates at the one percent level. This action was taken on the basis of facts which indicated, in the opinion of the majority of committee members, that the amount of the social security funds now held in trust by the government is ample to meet prospective needs over several years without the increase in rates.

Unlike some measures passed by the Congress, tax legislation cannot hope to please either all the people some of the time or some of the people all the time but I have firm faith that each one of you stands ready and willing to meet your share of the cost of this costliest of wars. Many in Congress believe that an additional tax burden upon the same taxpayers of 8 billion dollars would shatter the public morale.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*File* 67

DATE 1/7/44.

TO Secretary Morgenthau

FROM R. E. McConnell

There is transmitted herewith the final drafts, approved December 31, 1943, by the Joint Contract Termination Board, of Statement of Principles for Determination of Costs Upon Termination of Government Fixed Price Supply Contracts, Uniform Termination Article for Fixed Price Supply Contracts, and Statement of Policy as to Removal and Disposition of Property in Connection with Contract Termination.

*R. E. M.*

UNIFORM TERMINATION ARTICLE FOR FIXED PRICE SUPPLY CONTRACTS

Article \_\_\_\_\_ Termination at the Option of the Government. (a) The performance of work under this contract may be terminated by the Government in accordance with this Article in whole, or from time to time in part, whenever the contracting officer shall determine any such termination is for the best interests of the Government. Termination of work hereunder shall be effected by delivery to the contractor of a Notice of Termination specifying the extent to which performance of work under the contract shall be terminated, and the date upon which such termination shall become effective. If termination of work under this contract is simultaneous with, a part of, or in connection with, a general termination (1) of all or substantially all of a group or class of contracts made by the \_\_\_\_\_ Department for the same product or for closely related products, or (2) of war contracts at, about the time of, or following, the cessation of the present hostilities, or any major part thereof, such termination shall only be made in accordance with the provisions of this Article, unless the contracting officer finds that the contractor is then in gross or wilful default under this contract.

(b) After receipt of a Notice of Termination and except as otherwise directed by the contracting officer, the contractor shall (1) terminate work under the contract on the date and to the extent specified in the Notice of Termination; (2) place no further orders or subcontracts for materials, services or facilities except as may be necessary for completion of such portions of the work under the contract as may not be terminated; (3) terminate all orders and subcontracts to the extent that they relate to the performance of any work terminated by the Notice of Termination; (4) assign to the Government, in the manner and to the extent directed by the contracting officer, all of the right, title and interest of the contractor under the orders or subcontracts so terminated; (5) settle all claims arising out of such termination of orders and subcontracts with the approval or ratification of the contracting officer to the extent that he may require, which approval or ratification shall be final for all the purposes of this Article; (6) transfer title and deliver to the Government in the manner, to the extent and at the times directed by the contracting officer (i) the fabricated or unfabricated parts, work in process, completed work, supplies and other material produced as a part of, or acquired in respect of the performance of, the work terminated in the Notice of Termination, and (ii) the plans, drawings, information and other property which, if the contract had been completed, would be required to be furnished to the Government; (7) use his best efforts to sell in the manner, to the extent, at the time, and at the price or prices directed or authorized by the contracting officer, any property of the types referred to in subdivision (6) of this paragraph provided, however, that the contractor (i) shall not be required to extend credit to any purchaser and (ii) may retain any such property at a price or prices approved by the contracting officer; (8) complete performance of such part of the work as shall not have been terminated by the Notice of Termination; and (9) take such action as may be necessary or as the contracting officer may direct for protection and preservation of the property, which is in the possession of the contractor and in which the Government has or may acquire an interest.

(c) The contractor and the contracting officer may agree upon the whole or any part of the amount or amounts to be paid to the contractor by reason of the total or partial termination of work pursuant to this Article, which amount or amounts may include a reasonable allowance for profit, and the Government shall pay the agreed amount or amounts. Nothing in paragraph (d) of this Article prescribing the amount to be paid to the contractor in the event of failure of the contractor and the contracting officer to agree upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this Article shall be deemed to limit, restrict or otherwise determine or affect the amount or amounts which may be agreed upon to be paid to the contractor pursuant to this paragraph (c).

(d) In the event of the failure of the contractor and contracting officer to agree as provided in paragraph (c) upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this Article, the Government, but without duplication of any amounts agreed upon in accordance with paragraph (c), shall pay to the contractor the following amounts:

- (1) For completed articles delivered to and accepted by the Government (or sold or retained as provided in paragraph (b) (7) above) and not theretofore paid for, forthwith a sum equivalent to the aggregate price for such articles computed in accordance with the price or prices specified in the contract;
- (2) In respect of the work under the contract terminated as permitted by this Article, the total (without duplication of any items) of (i) the cost of such work exclusive of any cost attributable to articles paid or to be paid for under paragraph (d) (1) hereof; (ii) the cost of settling and paying claims arising out of the termination of work under subcontracts or orders as provided in paragraph (b) (5) above, exclusive of the amounts paid or payable on account of supplies or materials delivered by the subcontractor prior to the effective date of the notice of termination of this contract, which amounts shall be included in the cost on account of which payment is made under subdivision (i) above; and (iii) a sum equal to \_\_\_\_\_% of the part of the amount determined under subdivision (i) which represents the cost of articles or materials not processed

1. Not to exceed 2%.

2. \_\_\_\_\_%  
by the contractor, plus a sum equal to \_\_\_\_\_% of the remainder of such amount, but the aggregate of such sums shall not exceed 6% of the whole of the amount determined under subdivision (i), which for the purpose of this subdivision (iii) shall exclude any charges for interest on borrowings;

- (3) The reasonable cost of the preservation and protection of property incurred pursuant to paragraph (b)(9) hereof; and any other reasonable cost incidental to termination of work under this contract, including expense incidental to the determination of the amount due to the contractor as the result of the termination of work under this contract.

The total sum to be paid to the contractor under subdivisions (1) and (2) of this paragraph (d) shall not exceed the total contract price reduced by the amount of payments previously made for articles delivered prior to termination and by the Contract price of work not terminated. Except to the extent that the Government shall have otherwise expressly assumed the risk of loss, there shall be excluded from the amounts payable to the contractor as provided in paragraph (d)(1) and paragraph (d)(2)(i), all amounts allocable to or payable in respect of property, which is destroyed, lost, stolen or damaged so as to become undeliverable prior to the transfer of title to the Government or to a buyer pursuant to paragraph (b)(7) or prior to the 60th day after delivery to the Government of an inventory covering such property, whichever shall first occur.

(e) The obligation of the Government to make any payments under this article: (1) shall be subject to deductions in respect of (i) all unliquidated partial or progress payments, payments on account theretofore made to the contractor and unliquidated advance payments; (ii) any claim which the Government may have against the contractor in connection with this contract, and (iii) the price agreed upon or the proceeds of sale of any materials, supplies or other things retained by the contractor or sold, and not otherwise recovered by or credited to the Government, and (2) in the discretion of the contracting officer shall be subject to deduction in respect of the amount of any claim of any subcontractor or supplier whose subcontract or order shall have been terminated as provided in paragraph (b)(3) except to the extent that such claim covers (i) property or materials delivered to the contractor or (ii) services furnished to the contractor in connection with the production of completed articles under this contract.

(f) In the event that, prior to the determination of the final amount to be paid to the contractor as in this article provided, the contractor shall file with the contracting officer a request in writing that an equitable adjustment should be made in the price or prices specified in the contract for the work not terminated by the Notice of Termination, the appropriate fair and reasonable adjustment shall be made in such price or prices.

(g) The Government shall make partial payments and payments on account, from time to time, of the amounts to which the contractor shall be entitled under this Article, whether determined by agreement or otherwise, whenever

2. To be established at a figure which is fair and reasonable under the circumstances.

in the opinion of the contracting officer the aggregate of such payments shall be within the amount to which the contractor will be entitled hereunder.

(h) For the purposes of paragraphs (d)(2) and (d)(3) hereof, the amounts of the payments to be made by the Government to the contractor shall be determined in accordance with the Statement of Principles for Determination of Costs upon Termination of Government Fixed Price Supply Contracts approved by the Joint Contract Termination Board, December 31, 1943. The contractor for a period of three years after final settlement under the contract shall make available to the Government at all reasonable times at the office of the contractor all of its books, records, documents, and other evidence bearing on the costs and expenses of the contractor under the contract and in respect of the termination of work thereunder.

Statement of Principles for Determination of Costs Upon Termination  
of Government Fixed Price Supply Contracts.

The following is the "Statement of Principles for Determination of Costs upon Termination of Government Contracts approved by the Joint Contract Termination Board, December 31, 1943" referred to in paragraph (h) of the Uniform Termination Article applicable to the termination of fixed price supply contracts at the option of the Government.

1. General Principles. The costs contemplated by this Statement of Principles are those sanctioned by recognized commercial accounting practices and are intended to include the direct and indirect manufacturing, selling and distribution, administrative and other costs incurred which are reasonably necessary for the performance of the contract, and are properly allocable or apportionable, under such practices, to the contract (or the part thereof under consideration). The general principles set out in this Statement are subject to the application of any special provisions of the contract. Certain costs are specifically described below because of their particular significance, and, as in the case of other costs, should be included to the extent that they are allocable to or should be apportioned to the contract or the part thereof under consideration.

(a) Common Inventory. The costs of items of inventory which are common to the contract and to other work of the contractor.

(b) Common Claims of Subcontractors. The claims of subcontractors which are common to the contract and to other work of the contractor.

(c) Depreciation. An allowance for depreciation at appropriate rates on buildings, machinery and equipment and other facilities, including such amounts for obsolescence due to progress in the arts and other factors as are ordinarily given consideration in determining depreciation rates. Depreciation as defined herein shall not include loss of useful value of the type covered by subparagraph (f).

(d) Experimental and Research Expense. General experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes.

(e) Engineering and Development and Special Tooling. Costs of engineering and development and of special tooling; provided that the contractor protects any interests of the Government by transfer of title or by other means deemed appropriate by the Government.

(f) Loss on facilities - Conditions on Allowance. In the case of any special facility acquired by the contractor solely for the performance of the contract, or the contract and other war production contracts, if upon termination of the contract such facility is not reasonably capable of use in the other business of the contractor having regard to the then condition and location of such facility; an amount which bears the same proportion to the loss of useful value as the deliveries not made under the contract bear to the total of the deliveries which have been made and would have been made had the contract and the other contracts been completed, provided that the amount to be allowed under this paragraph shall not exceed the adjusted basis of the facility for Federal income tax purposes immediately prior to the date of the termination of the contract, and provided further that no amount shall be allowed under this paragraph unless upon termination of the contract title to the facility is transferred to the Government, except where the Government elects to take other appropriate means to protect its interests.

(g) Special Leases. (1) Rentals under leases clearly shown to have been made for the performance of the contract, or the contract and other war production contracts, covering the period necessary for complete performance of the contract and such further period as may have been reasonably necessary; (2) costs of reasonable alteration of such leased property made for the same purpose; and (3) costs of restoring the premises, to the extent required by reasonable provisions of the lease; less (4) the residual value of the lease; provided that the contractor shall have made reasonable efforts to terminate, assign, or settle such leases or otherwise reduce the cost thereof.

(h) Advertising. Advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances.

(i) Limitation on Costs Described in Subparagraphs (d), (e), (f), (g), and (h). In no event shall the aggregate of the amounts allowed under subparagraphs (d), (e), (f), (g), and (h) exceed the amount which would have been available from the contract price to cover these items, if the contract had been completed, after considering all other costs which would have been required to complete it.

(j) Interest. Interest on borrowings.

(k) Settlement expenses. Reasonable accounting, legal, clerical and other expenses necessary in connection with the termination and settlement of the contract and subcontracts and purchase orders thereunder, including expenses incurred for the purpose of obtaining payment from the Government only to the extent reasonably necessary for the preparation and presentation of settlement proposals and cost evidence in connection therewith.

(l) Protection and Disposition of Property. Storage, transportation and other costs incurred for the protection of property acquired or produced for the contract or in connection with the disposition of such property.

2. Initial Costs. Costs of a non-recurring nature which arise from unfamiliarity with the product in the initial stages of production should be appropriately apportioned between the completed and the terminated portions of the contract. In this category would be included high direct labor and overhead costs, including training, costs of excessive rejections and similar items.

3. Excluded Costs. Without affecting the generality of the foregoing provisions in other respects, amounts representing the following should not be included as elements of cost:

(a) Losses on other contracts, or from sales or exchanges of capital assets; fees and other expenses in connection with reorganization or recapitalization, anti-trust or federal income-tax litigation, or prosecution of federal income tax claims or other claims against the Government (except as provided in paragraph 1(k)); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

(b) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

(c) Expenses due to the negligence or wilful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

(d) Costs incurred in respect to facilities, materials or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

(e) Costs which, as evidenced by accounting statements submitted in renegotiation under Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended, were charged off during a period covered by a previous renegotiation, may not be subsequently included in the termination settlement if a refund was made for such period, or to the extent that such charging off is shown to have avoided such refund.

4. To the extent that they conform to recognized commercial accounting practices and the foregoing Statement of Principles, the established accounting practices of the contractor as indicated by his books of account and financial reports will be given due consideration in the preparation of statements of cost for the purposes of this article.

5. The failure specifically to mention in this statement any item of cost is not intended to imply that it should be included or excluded.

Final draft approved  
December 31, 1943

STATEMENT OF POLICY AS TO REMOVAL AND DISPOSITION OF  
PROPERTY IN CONNECTION WITH CONTRACT TERMINATION

The speedy adjustment of cancelled contracts depends to a large extent on the prompt removal and disposal of completed articles, component parts, work in process, raw materials and equipment in the possession of the contractor at the time of cancellation. So long as the war continues it is essential to clear the contractor's plant as soon as possible so that it may return to the production of other needed war materials and to make available for other war production any property which can be used for that purpose. After the war the speedy disposition of such property is essential in order to clear the contractor's plant for a return to civilian production. To that end it is essential that broad powers of disposition be vested in the procuring agencies, and that a central agency should be designated to which may be transferred property not disposed of by the procuring agencies and no longer required by them.

In some cases legal title to the property in the possession of the contractor has passed to the Government; in others, it remains in the contractor. In either case the problem is essentially the same and there is need for policies permitting uniform administration. Therefore, the following steps should be taken promptly upon cancellation or substantial modification of any contract.

1. As soon as possible after receipt of notice of cancellation or modification of any contract, the contractor should submit lists of property no longer required for the performance of the contract to which the Government is entitled or which are the property of the Government. Separate lists should be prepared of (1) machine tools and other production equipment, (2) completed articles, subassemblies and component parts, (3) work in process (4) supplies (5) materials, and (6) scrap. Partial lists should be presented from time to time giving preference to those items which, in the opinion of the contractor or the procuring agency, are immediately needed in war production either in the contractor's plant or elsewhere. The list should contain an adequate description of each item and should show the ceiling and current established market prices for each item if readily available and any readily available information as to the cost of each item to the contractor. Where the contractor wishes to retain or acquire an item, he should state the price at which he is willing to accept the item. Failure to list an item should not prevent the contractor from claiming reimbursement therefor in the final settlement and in connection with final settlement the contractor may furnish additional information as to the cost of any item.

2. Where the contractor has an option to purchase or lease or other contract rights in any item, he should promptly indicate whether he desires to exercise such rights or is willing to waive them. If he indicates the former, disposition of the property should be made in accordance with the terms of the contract.

3. While the lists are in course of preparation and as the necessary information becomes available the procuring agency and the contractor should seek to make immediate disposition of any items which can be readily disposed of. If, in the judgment of the procuring agency, the item is one which it would be appropriate for the contractor to retain or acquire the procuring agency should endeavor to negotiate an agreement for such retention or acquisition. If the procuring agency determines that the item should be disposed of to someone other than the contractor for purposes of war production, the procuring agency should endeavor to arrange for such disposition through the contractor or direct. Prior to the cessation of hostilities, any item not disposed of to the contractor or to others for purposes of war production, which the procuring agency does not desire to retain for its own use or that of any other governmental department, may be disposed of by the procuring agency or by the contractor with the approval of the procuring agency for any purpose not inconsistent with the policies of the Board. It is expected that the power of disposition for any purpose other than for war production or to the contractor will be transferred in whole or in part by action of the Board to the central agency as it becomes ready to undertake such activity.

4. Each procuring agency may exercise complete discretion as to the price at which any item may be disposed of subject to such pricing policies or formulas as may be established by the Board or under its authority, including any specific instructions referred to in paragraph 9 hereof. In the absence of specific action by the Board the procuring agency will endeavor to dispose of property at prices which it may regard as representing fair values under the existing circumstances observing the following general policy as to determination of fair value:

- a. Where there is an established market price for the item an effort should be made to obtain that price with due allowance for the condition of the item, its location and the cost to remove it to a place of disposal, and the selling cost including cost of preparation for sale.
- b. Where there is no established market price, consideration should be given to the foregoing factors and any other available information including the cost of the item, and the speed with which the item can be re-processed or otherwise run back into use. It is recognized that disposal prices will in many instances bear little, if any relationship to cost.
- c. Substantial portions of property involved in contract termination, particularly work in process, jigs, dies, fixtures and specially designed items having no known commercial application, may have no value except as scrap. A prompt effort should be made to determine promptly what items are properly classified as scrap and to effect prompt disposition of such items.
- d. In cases where disposition is made to a contractor or supplier for the purpose of performing a war production contract consideration may be given to any lesser value of the item to the contractor or supplier for that purpose, if war production will thereby be facilitated.

If disposition cannot be made at prices determined in accordance with the foregoing, then until such time as the central agency becomes ready to undertake disposition of the property, sale may be made by the procuring agency under such other regulations as it may prescribe for the purpose of adequately testing the market.

5. Unless the contract otherwise provides, the contractor may, at any time after receipt of termination notice, remove from his plant and store at his own risk, any property, and the Government, with the consent of the contractor, may remove and dispose of any property listed in accordance herewith prior to final settlement. At all events, unless the contract otherwise provides, any property not disposed of in the manner hereinbefore provided within sixty days from receipt of a list covering the particular item should, upon demand of the contractor, be removed from the contractor's premises by the procuring agency unless the procuring agency shall previously determine that the item is not chargeable to the Government and does not belong to the Government. In the event that any such property is not so removed upon demand, the property may be stored by the contractor at the expense and risk of the procuring agency or on the contractor's premises or, if he determines that space is not available for that purpose, then elsewhere. In such a case the contractor should take reasonable precautions for the protection of the property and should notify the procuring agency of the action taken. If it is later determined that the procuring agency was not obligated to take property which was removed or disposed of prior to final settlement, an adjustment should be made in the final settlement which will allow the contractor the current disposal value of the property at the time of removal.

6. Any property which comes into the hands of the procuring agency in connection with contract termination which is not disposed of as hereinbefore provided and which has been determined by the procuring agency to be surplus to its needs should be reported to the central agency for disposition. Upon receipt of such report the central agency shall with reasonable promptness take possession, accountability, and full responsibility for any further maintenance or utilization removal, protection, storage, sale or other disposition of the property. The central agency shall consult with the procuring agency as to the disposition of any property of special military significance. The procuring agency shall have the right to remove and store for the account and at the risk of the central agency any property so reported, pending action by the central agency.

7. The procuring agency shall render all reasonable assistance to the central agency in performing its obligations under paragraph 6. The central agency shall be authorized to use any existing storage or other facilities which the procuring agency finds it practicable to make available to it.

8. Transfers to the central agency shall be made without value but the central agency shall make periodic reports to the procuring agency as to the

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aggregate estimated value of items transferred, valuations to be based on disposal values at the time of transfer to the central agency, as estimated by the central agency.

9. Any disposition of property by the procuring agencies or the central agency shall be made subject to such regulations as the particular agency may prescribe but only in conformity with policies or determinations of the Board and under applicable rulings of the War Production Board, the Office of Price Administration or any other duly authorized agency. At the request of any procuring agency or the central agency or on its own initiative, the Board may establish or approve pricing formulas under which any article or class of articles may be sold by a procuring agency, may designate the appropriate agency to sell any article or class of articles, and may prohibit or condition the sale of any article or class of articles by a procuring agency.

10. The foregoing provisions relate solely to property in the hands of prime contractors. In order to carry out the basic policies of speedy adjustment of contracts and prompt clearance of plants, the same principles should be applied to property in the hands of subcontractors of any level where the subcontractor submits lists of such property prepared in accordance with paragraph 1, with the certificate of the prime contractor that the items listed are believed to be properly allocable to the prime contract, or any other satisfactory evidence of that fact.

JAN 7 1944

My dear Senator:

I have just finished reading the very excellent minority report which you and Senators Walsh, Connally and Lucas have filed in opposition to the recommendations of the majority of the Senate Finance Committee for amendments to the renegotiation statute.

You are so completely in the right in this matter that I could not let the occasion pass without expressing my sentiments in the matter and the hope that your views will prevail. If there is anything I can do to be helpful do not hesitate to call on me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Robert M. LaFollette, Jr.  
United States Senate  
Washington, D. C.

JJO'C.Jr/lsw  
1-6-44

JAN 7 1944

My dear Senator:

I have just finished reading your minority report on the amendments to the renegotiation statute. The report is excellent, and I could not let the occasion pass without expressing to you my belief that you and your colleagues are performing a real public service.

You are so completely in the right in this matter that I am confident your views will prevail. If there is anything I can do to be helpful do not hesitate to call on me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

H onorable David I. Walsh  
United States Senate  
Washington, D. C.

JJO'C.Jr/lsw  
1-6-44

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(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Tom Connally  
United States Senate  
Washington, D. C.

JJO'C.Jr/lsw

1-6-44

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(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Scott W. Lucas  
United States Senate  
Washington, D. C.

JHC'C.Jr/lsw  
1-6-44

*M*

# United States Senate

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- EUGENE D. MILLIKEN, COLO.

January 7, 1944

The Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D. C.

My dear Mr. Secretary:

I have your note relative to the minority report on amendments to the renegotiation law which Senators Walsh of Massachusetts, Lucas, Connally, and I submitted. I certainly appreciate your writing me that you approve of the statements made therein and I want to thank you for your offer of assistance.

With kind regards, I am

Sincerely yours,

*Robert M. La Follette, Jr.*

RML:McC

## MEMORANDUM FOR THE SECRETARY.

January 7, 1944.

Mail Report

Fan mail is fast recovering from its Christmas slump, and increasing in interest at the same time. This week's bond mail doubled last week's in number, about one-half of the communications relating to the Fourth Drive. Slogans, poems, and songs arrived by the dozens, but ideas for posters -- frequently submitted during the other pre-Drive periods -- were rare. From organizations and individuals came many assurances of support, and there were fewer letters than usual complaining that Government extravagance or New Deal mismanagement had already spelled defeat for the Drive.

Though bond redemptions through this office were a little higher than they were last week, the total of 39 is far below the peak reached in the early fall. A total of 42 complaints about delays in processing bonds or in paying interest included only 21 from personnel of the War Department.

Except for a few barbed demands for simplified forms, tax matters again went almost unnoticed. Miss Porter's Reader's Digest article, along with the early distribution of a few of the new forms, opened the way for protests against their complexity. A few theater officials wrote at length, in a last minute attempt to avert the proposed tax increase on admissions, and there were several run-of-the-mill ideas for increased revenue.

Difficulties with coins, currency, and checks, and also with foreign fund regulations, accounted for most of the week's miscellaneous communications.

Received from the White House during 1943 were 6,991 pieces of mail (organized postcard campaigns not counted). This strikes a fair average between our low year of 1940,

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Memorandum for the Secretary.

January 7, 1944.

when 4,910 letters were received and our alltime high of 1942, with 12,759.

Of the approximately 7,000 pieces received this past year, the Correspondence Division handled 3,497, or almost exactly half. The peak month was June, with the lowest receipts in December.

*J. C. Forbush*

General Comments

Sydney S. Jalkut, Counselor at Law, N.Y.C. I wish to complain with regard to the unusual and unnecessary delay in the New York Customs Philatelic Control Unit. Air Mail letters containing British and Colonial postage stamps are delayed 3 weeks and longer; there is one addressed to me which has not been released, although held for 5 weeks. There is just no sense at all to this and it would seem that Air Mail, for which an additional fee is paid, should be given prompt attention by the necessary authorities. \* \* \*

Lic. Antonio Uroz, Editorial "Hemisferio", Mexico, D.F. The magazine HEMISFERIO (Hemisphere), is glad to present to your attention its most respetuos votes of prosperity for the coming year. Ferferishly we wish that in the course of same, Your Excellency could continue the brilliant work begun in pro of the welfare of your Nation. As to our part, in the year 1944, wish to continue, and bettering the work that in pro of continental fraternity we begun with the publication of the Magazine Hemisferio. We feel sure that the sacrifices that with that purpose we are doing will meet with the reward of valuable help and sympathy that Your Excellency would give us.

Antonio C. Gonzalez, Former United States Minister, Attorney and Counselor at Law, N.Y.C. \* \* \* One of our clients, The Chicle Development Company, a subsidiary of the American Chicle Company, back in 1913 and 1916, suffered damage, destruction and losses to its property in Mexico, due to revolutionary acts, approximating \$200,000. \* \* \* By subsequent Congressional action in the passage of the Bill, known as the "Settlement of Mexican Claims Act of 1942", the Commission was established as the American Mexican

- 2 -

Claims Commission, who notified our client that its claims had been approved in the sum of \$60,563.82, with interest thereon from May 15, 1924, to November 19, 1941, amounting to \$3,646.77. Within the prescribed thirty-day period, our client signified its intention to accept the appraisal. Due certification of this claim was made to you under the Act, and on Sept. 13, 1943, our client received a first payment of 30% of the principal amount. \* \* \* We are informed that on November 22 last, the United States received from the Mexican Government the further sum of \$2,500,000, and to date no distribution thereof has been made, and it is our understanding that no immediate steps for distribution are contemplated. It is because of this situation and the anxiety of our client to receive payments on account of its claims, reduced to the amount certified, as expeditiously as possible, that prompts this communication to you. The losses suffered by our client were sustained about thirty years ago and to further delay the payment of the adjusted claim seems unjust and inequitable, especially where no provision is made for interest on the amounts withheld. These features were not envisioned when our client's acceptance of the appraisal was given. We do not believe that it is either the intention or desire of the Government to arbitrarily or without good cause withhold or delay the payments to which our client seemingly is entitled. Our information, if correct, warrants the assumption that there are funds presently available for distribution, and the hope is herein expressed that it will be convenient so to do. \* \* \*

Edmond W. Thomas, President, The First National Bank, Gettysburg, Pa. We felt it was in order to acknowledge your letter of thanks, dated December 22, 1943, for

- 3 -

the cooperation of financial institutions in assisting in making the survey as represented on Form TFR-500. \* \* \* It was our experience that people generally responded in a splendid manner. Your acknowledgment of the support of the financial institutions in the United States, which includes this 86-year old institution, is somewhat of an innovation and one worthy of acknowledgment, which we are pleased to give, and at the same time, to assure you of our continued cooperation.

G. L. Lewis, Happy Valley Ranch, Riverside, Calif. Not having heard from you in reply to a previous letter, which was sent to you some weeks ago with a list of foreign investments I hold, and since this matter is of some URGENCY, for me, Sir, I am again communicating with you about the matter, to which I hope you will give your personal and prompt attention. This war is bearing down pretty hard on elderly people of fixed incomes, of which I am one; on top of that, no technical knowledge that I possess seems to interest either the Army, Navy, or private firms, so I can earn nothing that way! \* \* \* The only way I can finance myself is by cashing in on a Canadian Government 3 and 1/2% Refunding Loan of 1934 amounting to \$1,000 Canadian value. Would your Treasury Department give me the benefit of the OFFICIAL rate of exchange on this deal, Sir? I have \$500 on deposit in a Vancouver, B.C. bank, but I can't draw on it! I think people are being treated just as badly almost as if Hitler were in control! It is INHUMAN! \* \* \*

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Favorable Comments on Bonds

Erna Maier, N.Y.C. To the great event that I had the honor today to be sworn in as a new citizen of the United States of America, I take the liberty to open the Fourth War Loan Drive with a War Bond of \$18.75. Will you please be so kind and send me this bond in my name -- Miss Erna Maier, 797 Crotona Park North, Bronx, New York. I wish everybody would appreciate to be here in this God-blessed country, and help as much as possible to fight the enemies and win the war.

Mrs. Ella K. Alschuler, Hotel Windermere, Chicago, Ill. I note that again the Treasury Notes, Series A, for tax anticipation, are excluded from the coming War Loan campaign. Since these are the only kind suitable to the small taxpayer, I am wondering why the discrimination. Surely it could do no harm to allow those for whom the A Notes are the most practical investment, to buy them as their campaign contribution. \* \* \* An uncomfortably large proportion of my funds are tied up in War Bonds, most of which pay no current income, and the others very little. To me it would be a distinct help if I could participate in the campaign through purchase of the Tax Saving Notes. At least from these, I could receive some benefit, whereas if I buy the bonds now, it is most unlikely that I shall be alive to collect the principal when due. Cannot the A Treasury Notes be included in campaigns in the future? \* \* \*

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Unfavorable Comments on Bonds

Mrs. R. C. Hagan, Uniontown, Pa. I have just received my "certificate of achievement" for my bond sales during the Third War Loan Drive. Now, I want you to know that I was very glad to do the work, and proud that I was able to do it as well as I did. And I shall be just as happy to go and work just as hard during the next Drive. But I am writing this to ask why in the name of common sense, at a time like this, anyone should think of giving us these certificates? Surely it must cost a great deal to print them, and we are being told all the time about the paper shortage. It must take quite a lot of somebody's time to do the work of filling in names and mailing and addressing them. \* \* \* I am a loyal Democrat, by birth, inclination, and even marriage. I've never criticized anything that the Administration has done. In fact, I think you're all wonderful and doing a grand job in Washington, and I've had many a battle in defense of the President and the whole New Deal. But I do think this is one way in which you can and should save a lot of money and I just had to tell you.

G. D. Krick, Kane, Pa. Suppose I should be shot at sunrise, as I notice it is becoming increasingly more in bad taste for one to say what he really thinks, if it does not coincide with the views of our National Leaders. I am a retired railroader, trying to live economically on a small pension. Have just passed my 66th birthday, and so far, have purchased a couple thousand dollars in Defense Bonds. Am wondering if I could reasonably be expected to buy any more in this latest Drive, in view of the disclosures of useless spending by my Government. To note, Senator Hugh Butler's disclosures in regard to Latin America. To note, the ill-advised spending of 100 million

- 6 -

dollars on the Canol Oil Project by an incompetent General and his adviser. Could cite other examples but these two make me feel it is like pouring our tax money down a rat hole. Wishing you luck in your new Drive.

John S. Pratt, Bristol, Pa. (Repeat complaint on payroll savings plan at the Fleetwing Incorporated Division of Kaiser Cargo Company, Bristol, Pa.) \* \* \* Insofar as Fleetwing is concerned, nothing has happened to date. I know one employee who agreed to have them deduct one \$18.75 Bond a week -- his idea was to get a bond each pay. They owe him 17 bonds to date, and he has the first one to get yet. I myself filled out a printed form they have, which serves notice on the company to discontinue the deductions of an employee. This is also four weeks old and nothing has happened about that. Six thousand employees here are dissatisfied with the company's system of distribution. Writing letters to them is useless. The whole setup in this plant seems to be to discourage an employee from buying bonds. You will also note my desire for secrecy as to my complaint. I am 56 years old and don't want to lose my job. This would be the result should the company learn of this. On the other hand, I also would like to see my bonds now and then, for believe me, Mr. Morgenthau, this Federal tax sure hurts a fellow's paycheck, and the sight of a bond now and then goes a long way in soothing the tax hurt. Thanking you in advance for any relief you can get us in this matter, and I do hope you can send a personal investigator into the plant, just to see how rotten their system is.

F. A. Dragonette, Assistant Cashier, Southern Arizona Bank & Trust Co., Tucson, Ariz. (Pima County War Finance Committee) \* \* \* Our purpose in writing is to see if something can be done about the apparent "red tape" pertaining to lost bonds. In selling War Bonds

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we have assured customers that in case of loss, payment could be stopped and new bonds secured in approximately six months' time. To date, we have not been able to secure any such service from either your Washington or Chicago agencies. We realize, of course, that the volume of work to be done must make it difficult for the Treasury personnel. While it does seem that after the original papers are filed by responsible parties, the time element should be the only deterrent factor. We have several cases outstanding where we have been called upon to secure additional affidavits, six and nine months after original affidavits supporting the loss has been filed. This is very difficult to explain to the average individual who has never owned securities before, and who after such a long delay begins to feel his money is lost. It does not help us to sell him more bonds. \* \* \*

Minnie Berne, Ozone Park, Long Island, N.Y. This is to inform you of an incident that occurred on Dec. 31, 1943, at 12:50 p.m. in the Canal Street Branch of the Corn Exchange Bank of New York. I am employed by the American District Telegraph Company and received my pay check and went to the above-mentioned bank with the intention of purchasing a bond. I spoke to the manager and he replied that they were too busy. I have heard several other people remark that he told them the same thing the previous week. I was under the impression a bank was never too busy to sell bonds. There must have been a few hundred people who cashed their checks in that particular branch of the bank today, and I am wondering just how many of them would have bought bonds if the manager had had the time and the courtesy to give to these people.

Mrs. J. F. Roberts, Taft, Calif. My son, Raymond S. Roberts, is an enlisted member of the armed forces stationed in Alaska. In May, 1941, he began purchasing bonds through the Pay Reservation Plan with the stipulation they were to be sent to the above address. In

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February 1943, he was home on furlough and found we had received no bonds. However, he continued buying until April 1943, when he discontinued until bonds were received. Upon his request I wrote War Bond Division in Chicago, Ill., and received a reply on July 29 stating his account had been established and Bonds would be sent. In November I wrote again but received no reply, and to date, no bonds have been received. The postal authorities have asked me to write directly to you. Will you please investigate? I'm sure all of us want to cooperate in buying bonds, but the men in service should at least receive the bonds they purchase. \* \* \*

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Unfavorable Comments on Taxation

John A. Galvin, Attorney at Law, Fillmore, California. I suggest that your income tax experts step down and out for awhile, and allow Joel Kupperman to work out a simplified form of income tax report.

Mrs. Hannah F. Edison, New York City. \* \* \* I am fortifying myself with some of the simple rules of arithmetic such as two and two is four in order to be more prepared for the new tax forms; but I feel nothing short of Joel Kupperman can do the trick. \* \* \* What I want to get across to you, if you haven't already guessed, is that I have an idea that will perhaps simplify the tax forms to a great extent. Naturally there will be a lot of bellowing by the Treasury experts because they haven't minds simple enough for simple things. \* \* \*

Alan D. Whitney, Winnetka, Ill. I earnestly hope that this comes to your attention, or at least to that of one of your high Assistants. In furthering this end, I shall be as brief as possible. In September 1941, the Internal Revenue Bureau disallowed a deduction in the 1939 income tax return of Esther Witkowsky, 5555 Everett Ave., Chicago, since deceased on January 3, 1942. As her agent who filed her returns, I handled the penalty payment for her. However, the 1942 Revenue Act reversed the previous ruling. \* \* \* I filed a claim for refund of the 1941 assessment on January 18, 1943, as executor of the estate of Esther Witkowsky, then already deceased. I will not enumerate the voluminous correspondence on this case which has since ensued unless you so request, nor can I do more than say that I have made several calls at the Chicago Office of the Collector. I have been

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informed in recent months that the claim is allowed and will be paid. I have been to the expense of furnishing two certified copies of letters testamentary at \$1.00 each, all to collect \$10. Yet the refund check has not arrived, and nearly a year has elapsed since I filed the claim. My last two letters to T. C. Atkeson, Division Head, Commissioner of Internal Revenue, are both unanswered. God alone knows what that all means. If you have not read the beginning article in January 1944 Reader's Digest, I suggest that you do. We may win the war, and yet perish in a morass of our own making -- red tape. Please see that I get this \$10.04 plus 69¢ interest, as already allowed.

Lloyd H. Wright, San Gabriel, Calif. I think it is the duty of the Treasury Department to refer the present income tax law back to Congress for drastic revision, if for no other reason than on the ground that it is practically unenforceable because of its complexity. In strict adherence to the truth your "Instructions" to taxpayers only adds confusion to the already impossible complexity of the law. Many competent authorities have made valuable suggestions for the law's revision. It is your duty and opportunity to insist on revision before attempting to administer the law.



THE SECRETARY OF STATE  
WASHINGTON

January 7, 1944

Dear Henry:

Thank you very much for your letter of January sixth and the memorandum regarding wheat for Italy.

Sincerely yours,

A handwritten signature in cursive script that reads "Cordell Hull". The signature is written in dark ink and is positioned below the typed name.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

JAN 7 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Mayor La Guardia's request concerning remittances to Sicily and postal communications with Italy.

The War Department on October 12, 1943 dispatched a cable prepared by the Treasury Department to the Allied Commander in the Mediterranean Theatre for his review outlining a procedure whereby remittances could be effected from the United States to individuals residing in Sicily and including a proposed general license to authorize such remittances. In reply the Theatre Commander advised that the program as proposed appeared to be feasible and that the necessary arrangements were being worked out to place it into operation. The Treasury and War Departments requested that these arrangements be expedited. On November 21, 1943 the Theatre Commander recommended certain modifications in the method of holding the dollar proceeds of the remittances. On November 29, 1943 the Treasury submitted a cable to the War Department for dispatch setting these recommendations and again stressing the urgency of the matter. This was followed by a message to the Theatre Commander on December 21, 1943 requesting an immediate reply to our outgoing cables in view of increasing public pressure. Treasury is now sending a further cable to Italy urging that the Theatre Commander take immediate action.

On November 9, 1943 the Theatre Commander advised the Treasury and War Departments that it was planned to resume postal communications with Sicily, Sardinia and other parts of occupied Italy on December 1, 1943. On November 26, 1943 the Theatre Commander advised that these plans had been postponed pending the solution of various problems that had arisen. The Treasury Department stands prepared upon the request of the Theatre Commander to modify its regulations on financial and commercial communications with enemy territory.

I am attaching for your signature a letter to Mayor LaGuardia informing him of the reasons for the delay in placing these programs into effect and advising him again that we expect arrangements for the initiation of these programs to be completed in the near future.

(Signed) H. H. H. H. H.

HDW:WHT:WMT:Dr1 1/6/44

Dear Fiorello:

I have your letter of December 31, 1943 in regard to remittances to persons residing in the liberated areas of Italy and postal communications with those areas.

The Treasury and War Departments are aware of the desirability of setting up arrangements for limited support remittances to and postal communications with the liberated areas of Italy immediately as conditions in those areas permit. The Theatre Commander has been advised of the urgency with which these matters are viewed and has been urged to expedite the necessary arrangements.

I am in sympathy with your deep interest in these matters. The delays have been necessitated by military considerations in Italy. It is expected, however, that the necessary arrangements for the initiation of these programs will be completed in the near future.

Sincerely,

The Honorable Fiorello H. LaGuardia,  
Mayor of the City of New York,  
New York 7, New York

HDW:WRT:WMT:ff 1/6/44

O

THE WHITE HOUSE  
WASHINGTON

January 4, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

As this was evidently started by LaGuardia with the Treasury Department, will you be good enough to run it down -- both matters -- and let me know what to tell "the Little Flower"?

F.D.R.

D

(1-4-44)

1944 JAN 4 11 10 AM

W. H. C. CLERK  
OFFICE



CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK 7, N. Y.

December 31, 1943.

The Honorable  
Franklin D. Roosevelt  
President of the United States  
Washington, D. C.

My dear Mr. President:

I have been "yessed" from department to department and therefore would like to bring two matters to your attention so that we may get some action.

First, on November 11th I received a letter from the Secretary of the Treasury in reply to a letter I had written you, in which the Secretary informed me that all arrangements had been made for the transmission of a limited amount of money, each month, by residents of the United States, to family or relatives in Italy. I followed through and received the approval of the Secretary and of OWI to use the information in one of the weekly broadcasts to Italy. Since that time, nothing has happened. On making inquiry, all I can get is that the matter is approved, and finally I learn from the Department of State that it is now up to the Army.

May I respectfully suggest that the matter be located, if it is in the Army, so that the transmission of money may start without further delay. All details have been worked out and I am sure it will do a great deal of good for morale and goodwill here as well as in Italy.

The other matter is that of the re-establishment of postal service between the United States and liberated parts of Italy. This I hear has been approved all around and still it has not yet started. Just why, and who is holding this up I have been unable to ascertain. So a push is needed here too. This service will be very helpful.

With kind personal regards, I am

Sincerely yours,

Mayor

January 7, 1944

MEMORANDUM TO HARRY L. HOPKINS

This is in reply to the questions asked in your memorandum of January 5 concerning the movement of capital from the United States to Latin America.

We have been aware for some time of a movement of speculative private capital from the United States into Latin American countries on an increased scale in comparison with past years. However, the capital movement consists generally of small amounts carried out in a large number of transactions. We are not aware of any large capital movements, large in total or in individual blocks, nor are we aware of any organized movement that would run into large amounts. On the whole, we estimate that the total movement of capital from the United States into Latin America is not in excess of \$75 million per year on the part of private interests. This capital has been invested in real estate, in small commercial and industrial undertakings, and in liquid form for speculation on possible currency appreciation.

Investments in Latin America unquestionably yield very high rates of return. The 7 percent you mention as a return for non-speculative investments is not a high rate of return for Latin American countries. In some countries 9 percent is the current rate of interest on short-term fully guaranteed securities and we are aware of even higher rates of return for good investments.

One motive for capital moving to Latin America, in addition to obtaining a high rate of return, might very well be the evasion of United States taxes. Our income tax law provides for taxation of income earned abroad generally, but I know that it is relatively easy to evade these taxes. We have been informed of a number of cases of Americans cloaking their investments in the names of the nationals of other countries and the Bureau of Internal Revenue is now moving on such cases. The income tax rates of Latin American countries where such taxes exist at all are much lower than those of the United States and therefore it becomes profitable for Americans to cloak the identity of the investor. This inducement increases as our tax rate grows higher here.

- 2 -

At the present time there exist no conventions between this country and the nations of Latin America covering tax evasion, but exploratory conversations have been going forward for some time and there are good prospects for the conclusion of such conventions with Brazil, Peru, Colombia, Venezuela, Paraguay, Guatemala and Mexico.

In addition to the foregoing, relatively small amounts of capital, owned chiefly by foreigners, have left the United States for Latin American countries because of a fear of the tightening of the restrictions imposed by Foreign Funds Control. Of more importance recently, however, has been the speculative purchase of Latin American currencies in response to rumors that they were going to appreciate vis-a-vis the dollar.

These last-named influences have been most significant in the case of Mexico where, notwithstanding the small aggregate of the flow, the Mexican authorities have indicated that they were seriously disturbed at its inflationary impact. This complaint was made most sharply early last summer. In our opinion the inflationary influence of such flows of funds was exaggerated, first because the amounts involved were not large compared to the increase in purchasing power arising from other sources and secondly, because their nature was not such as to be markedly inflationary in effect.

There are ample powers for checking these flows of funds if measures are taken in cooperation with another government. We do not, however, think it desirable to undertake such measures, nor has the Mexican government indicated any desire to interfere with the inflow.

(Signed) H. Morgenthau, Jr.

7/6/43  
THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

January 5th  
19 43

MEMORANDUM FOR THE HONORABLE HENRY MORGENTHAU, JR.

Someone told me the other day that wealthy Americans, fearful of taxes and dissatisfied with low interest rates, are sending millions of dollars of speculative capital to Mexico and South America. They are getting interest rates of 7% on things not particularly speculative.

Do you think there is anything that should be done about this or, at any rate, could you turn this over to someone who could let me know what the facts are?

Cordially yours,

*Harry L. Hopkins*  
HARRY L. HOPKINS

*M*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

JAN 7 1944

TO Secretary Morgenthau  
FROM Randolph Paul

For your information and further to my memorandum of January 4:

Foreign Funds Control was advised on January 5 by the New York Federal Reserve Bank that they had received instructions from the Central Bank of Bolivia to transfer \$200,000 from its account to the account of the Central Bank of Argentina.

Pursuant to Collado's request with regard to Bolivian transactions, Pehle advised Collado of this operation. There was apparently no disposition in the State Department to interfere with the consummation of this transaction and it has been effected.

R. E. P.  
*By J. D. [unclear]*

JAN 7 1944

Dear Mr. Crowley:

I refer to my letter of December 15, 1943, regarding the lend-leasing to the Government of India of 100 million ounces of silver from the stocks of the United States Treasury for the purpose of combatting inflation.

There is enclosed a letter from Mr. Donald M. Nelson in which he states that it is the view of the War Production Board that the lend-leasing of this silver will not interfere with the domestic need for silver for use in the war effort. Accordingly, the Treasury Department is prepared to proceed with the lend-leasing of this silver to the Government of India as soon as you arrange an appropriate agreement for the return to the United States Treasury of an amount of silver bullion equivalent to the total number of ounces of silver so transferred.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Leo T. Crowley,  
Administrator,  
Foreign Economic Administration,  
Washington, D. C.

Enclosure.

EMB/jm 1/3/44

WAR PRODUCTION BOARD

WASHINGTON, D. C.

December 23, 1943

IN REPLY REFER TO:

Dear Mr. Gaston:

I have your letter of December 18 requesting my views with respect to the lend-leasing to the Government of India of 100,000,000 ounces of silver from the stocks of the United States Treasury for the purpose of combating inflation.

After careful consideration of all pertinent factors, I wish to advise that it is the view of the War Production Board that the lend-leasing of this amount of silver from the stocks of the United States Treasury will not interfere with the domestic need for silver for use in the war effort.

Sincerely,

  
Donald M. Nelson  
Chairman

Mr. Herbert E. Gaston  
Acting Secretary of the Treasury  
Treasury Department  
Washington, D. C.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

January 7, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 29, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*EMB*

FEDERAL RESERVE BANK  
OF NEW YORK

January 6, 1944.

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended December 29, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

The Honorable Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington 25, D.C.

Enclosure

COPY

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS  
(In Millions of Dollars)

Week Ended December 29, 1943 Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	Total Debits	DEBITS			Total Credits	CREDITS			Other Credits	Not Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
		Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits		Gold	Proceeds of Sales of Securities (Official) (b)	Transfers from Official Australian Account	(c)				
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war(h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war(i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war(j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
<b>1943</b>													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3	59.5	35.3	0.1	24.1	121.4	-	-	41.5	36.9	+ 68.9	-	-	-
Nov. 4 - Dec. 1	48.2	24.4	5.8	18.0	83.4	-	-	3.5	79.9	+ 35.2	-	-	-
Dec. 2 - Dec. 29	36.2	15.6	-	22.6	123.5	-	-	35.0	88.5	+ 85.3	-	-	-
<b>Week Ended:</b>													
December 8	12.7	7.2	-	5.5	24.8	-	-	15.0	9.8	+ 12.1	-	-	-
December 15	11.2	3.7	-	7.5	30.9	-	-	5.0	25.9	+ 19.7	-	-	-
December 22	5.4	1.9	-	3.5	42.0	-	-	-	42.0	+ 36.6	-	-	-
December 29	8.9	2.8	-	6.1	25.8(k)	-	-	15.0	10.8(k)	+ 16.9	-	-	-

Average Weekly Expenditures Since Outbreak of War  
 France (through June 19, 1940) \$19.6 million  
 June 19, 1940 to March 12, 1941) \$27.6 million  
 March 12, 1941) \$54.9 million  
 1941) \$20.1 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 6.0 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(In Millions of Dollars)

Week Ended December 29, 1943

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	D E B I T S			C R E D I T S					D E B I T S			C R E D I T S			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C			Net Incr. (+) or Decr. (-) in \$ funds (e)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Net Incr. (+) or Decr. (-) in \$ funds (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1 + 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3 + 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3 + 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0 - 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4 - 3.4
1943															
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8 + 11.0
Sept. 30 - Nov. 3	31.5	-	31.5	83.9	-	0.1	-	83.8	+ 52.1	44.9	41.5	3.4	41.7	-	41.7 - 3.4
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	-	5.8	-	94.6	+ 82.0	5.7	3.5	2.2	18.3	-	15.3 - 12.6
Dec. 2 - Dec. 29	40.4	-	40.4	38.1	-	-	-	38.1	- 2.3	38.1	35.0	3.1	20.7	-	20.7 - 11.4
Week Ended:															
December 8	10.9	-	10.9	16.8	-	-	-	16.8	+ 5.9	16.0	15.0	1.0	5.5	-	5.5 - 10.5
December 15	7.8	-	7.8	2.9	-	-	-	2.9	+ 4.9	6.8	5.0	1.8	4.8	-	4.8 - 2.0
December 22	7.2	-	7.2	10.8	-	-	-	10.8	+ 3.6	0.1	-	0.1	16.1	-	16.1 + 16.0
December 29	14.5(f)	-	14.5	7.6(f)	-	-	-	7.6(g)	- 6.9	15.2	15.0	0.2	0.3	-	0.3 - 14.9

Average Weekly Expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war (to Dec. 29, 1943)	13.9 million.
	8.0 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.  
 (b) For monthly breakdown see tabulations prior to October 8, 1941.  
 (c) For monthly breakdown see tabulations prior to October 14, 1942.  
 (d) For monthly breakdown see tabulations prior to September 29, 1943.  
 (e) Reflects changes in all dollar liabilities on deposit or maturing in one year.  
 (f) Does not reflect transactions.  
 (g) Includes \$ 3.9 million received from New York, New York, and \$ 3.5 million received from New York, New York.