

Diary

Book 701

February 10-14, 1944

- A -

	Book	Page
Appropriations, Treasury		
Appropriation Bill for Fiscal Year 1945: Taber's attack on waste, inefficiency, etc., outlined in Thompson memorandum - 2/11/44.....	701	28, 34
a) Discussion by Treasury group - 2/13/44.....		212

- B -

Bankhead bill
See Financing, Government: War Savings Bonds
(4th War Loan Drive)

- C -

Canada		
See also War Refugee Board		
Reduction of Dollar Balances - White memorandum - 2/10/44.....		5
China		
Generalissimo's message to FDR - 2/12/44.....		142
a) Discussion by Treasury group - 2/13/44.....		217
b) Conference of State, War, and Treasury to discuss next step - 2/14/44.....		276
(See also Book 702, page 137 - 2/19/44)		
1) Message received by War Department from American Embassy, Chungking.....		279
2) White proposed cable to Adler.....		282
Adler instructed to hand resignation to Kung - 2/12/44.....		159
a) Kung accepts resignation as of February 29, 1944: See Book 703, page 109		
Currency now held by Chinese banks: Adler asked for informal report on - 2/12/44.....		160
Kung to be informed of United States attitude toward his statement on "repayment of the \$500 million United States credit extended to China" - 2/19/44: Book 702, page 140		
a) Adler-Gauss cable - 2/23/44: Book 703, page 108		
Claire, Richard S.		
See Deferments, Military		
Correspondence		
Mrs. Forbush's mail report - 2/11/44.....		46

- D -

D'Aprile, Cosimo		
See Deferments, Military		
Davis, Thomas McP.		
See Deferments, Military		
Deferments, Military		
Deferments approved by Bell in absence of HMJr - 2/13/44		229
Claire, Richard S.		
D'Aprile, Cosimo		

Deferments, Military (Continued)

Deferments approved (Continued):

Davis, Thomas McP.
DeWind, Adrian W.
Lefton, Sidney P.
Luxford, Ansel F.
Manners, Theodore R.
Michlin, Louis
Murray, Regal E.
Swanick, Arthur J.

DeWind, Adrian W.

See Deferments, Military

- E -

Eire

See War Refugee Board

Emergency Committee to Save the Jewish People of Europe

See War Refugee Board

- F -

Financing, Government

Refunding (Bond and Note) between 4th and 5th War Loans -

Haas memorandum - 2/12/44..... 701, 118

Refunding and 5th War Loan discussed by Bell, Haas,
Murphy, Eccles, Sproul, Rouse, and Piser -

Bell memorandum - 2/21/44: See Book 702, page 194

War Savings Bonds

4th War Loan Drive

Banks' participation (borrowing) discussed -

2/13/44..... 179

Bankhead bill (newspaper advertising) discussed -

2/13/44..... 187

France

Leroy-Beaulieu, M.: Collaborationist activities

outlined in White memorandum - 2/11/44..... 62

- I -

India

American Mission, New Delhi, advised concerning

requirements of drugs and medical supplies - 2/12/44 161

a) Reply - 2/23/44: See Book 703, page 98

Ireland

See War Refugee Board

Italy

See War Refugee Board

- J -

Jones, Rufus

See War Refugee Board

- L -

Book Page

Lefton, Sidney P.
See Deferments, Military
Leroy-Beaulieu, M.
See France
Luxford, Ansel F.
See Deferments, Military

- M -

Manchester Guardian
See War Refugee Board
Manners, Theodore R.
See Deferments, Military
Michlin, Louis
See Deferments, Military
Murray, Regal E.
See Deferments, Military

- N -

Newspaper Advertising
See Financing, Government: War Savings Bonds
(4th War Loan Drive)

- O -

Office of War Information
See War Refugee Board

- P -

Palestine
See War Refugee Board
Pickett, Clarence
See War Refugee Board

- R -

Refugees
See War Refugee Board
Revenue Revision
Simplification of Income Tax
Discussed by Doughton and Bell - 2/10/44..... 701 2
Statement by HMJr - 2/12/44..... 109
Doughton-HMJr conversation - 2/13/44..... 206
Paul-Bell conversation with Doughton outlined in
Paul memorandum - 2/14/44..... 272
Resumé memorandum - Paul - 2/21/44: See Book 702,
page 193

Revenue Revision (Continued)

Simplification of Income Tax (Continued)

Cooperation between staffs of Treasury and Joint Committee discussed by Treasury group - 3/1/44:

See Book 706, page 19

HMJr's visit to Doughton and George reported to Treasury group - 3/3/44: Book 706, page 6

a) Conference in HMJr's office planned

Conference of Treasury group and Internal Revenue group - 3/6/44: Book 706, page 186

a) HMJr's visit to Bureau discussed - 3/6/44: Book 707, page 5 and Book 706, page 197

b) Draft of proposed statement after conference with George and Doughton discussed: Book 707, page 18

c) Paul agenda for conference: Book 707, page 19

Conference with Senator George and Congressman Doughton discussed in Sullivan memorandum:

Book 707, page 22

Conference; present: HMJr, Gaston, Sullivan, Smith, and Surrey - 3/8/44: Book 707, page 136

Byrnes-HMJr conference on George-Doughton-Treasury plan - 3/8/44: Book 707, page 158

Vinson-HMJr conference on George-Doughton-Treasury plan - 3/8/44: Book 707, page 180

Byrnes'-Vinson's point of view discussed by Treasury group - 3/8/44: Book 707, page 199

a) FDR's proposed letter: Doughton-George-Treasury conference reported: Book 707, page 206

1) Sullivan memorandum after talking to Byrnes and Vinson: Book 707, page 208

b) FDR's letter - as sent - 3/9/44: Book 708, page 37

c) HMJr's letter to Doughton and George and FDR's approval thereof discussed by Treasury group - 3/10/44: Book 709, pages 200, 213

Soldier Vote

War Department report to Congress - (February 4, 1944)..701 129

Spain

See War Refugee Board

Stabilization Fund

Report covering fiscal year ending June 30, 1943 sent to FDR - 2/14/44..... 286

Swanick, Arthur J.

See Deferments, Military

Taber, John (Congressman, New York)

See Appropriations, Treasury

- W - (Continued)

	Book	Page
War Refugee Board (Continued)		
Conference of Treasury group - 2/13/44.....	701	165, 234
a) HMJr (en route to Florida) brought up to date		240
1) Stimson's attitude discussed.....		241
2) Fund raising by outside agencies discussed..		
Pickett, Clarence: Rufus Jones asked to urge to get to associate himself with Board - 2/13/44.....		234, 267
a) Jones reply - 2/16/44: See Book <u>702</u> , page 60		
Office of War Information handling of material discussed by Davis, Gaston, and Pehle - 2/14/44.....		283
Emergency Committee to Save the Jewish People of Europe: Will Rogers, Jr.-Lord Halifax correspondence concerning - 2/14/44.....		285
a) New York Post advertisement.....		8
b) Turkey - trip there by representative discussed in correspondence between Committee-Treasury- State - 2/15/44: Book <u>702</u> , page 38		



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

February 10, 1944

MEMORANDUM FOR THE SECRETARY'S FILES

Justice Byrnes called me this morning to say that he had been trying to get in telephone communication with the Secretary but had found that he was not feeling very well and was taking a rest out of town so he was phoning me a message to pass on to the Secretary.

He said that last week he had talked to the Secretary about the tax bill and suggested to him that the bill be approved; that he realized we had asked for ten billion and only got two billion, but he thought it was better to take what we could get and be satisfied for the moment. Since then he had read the memorandum which the Secretary had sent to the President with his covering note of February 3. He said he had not realized that the tax bill was so full of loopholes until he had read this memorandum, and after reading it he had come to the conclusion that the President just could not sign the bill. He did not want the Secretary to feel that he was telling him one thing to his face and another thing to the President behind his back. He wanted us to know that he had changed his mind about the bill and this change had come about as a result of reading the Treasury's memorandum.

I told him I would pass this on to the Secretary.

SWB





THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

February 10, 1944

MEMORANDUM FOR THE SECRETARY'S FILES

Congressman Doughton telephoned me today and said that he wanted to talk to the Secretary about a program which the Committee is developing. Mr. Doughton was told that the Secretary is out of town and in his absence he asked to talk to me.

He said that the Committee had under consideration the matter of tax simplification and they expect to start work on it shortly. He was hoping that they could look forward to complete cooperation from the Treasury and that the Committee could get the benefit of any views which the Treasury had on the matter. He said he hoped the Treasury would be flexible in their views and not come up with set ideas which could not be changed. He was certain there would be very close cooperation if this were true.

I told the Congressman that I was quite certain the Secretary was just as interested as the Committee in tax simplification and that he would do everything he could to cooperate with the Committee to achieve this objective.

-oOo- *SWB*

February 12, 1944

I talked to the Secretary this morning over the telephone about this matter and told him that I had mentioned to Mr. Doughton that the Secretary was passing through town on Sunday and it was just possible he might want to talk to him then. I told him that Mr. Doughton said if he did want to talk to him he would be available any time Sunday.

The Secretary said he did not want to see anybody on Sunday except the Treasury people, and that



- 2 -

Mr. Paul and I should see Mr. Doughton on Monday after we had discussed the matter at the staff meeting Sunday.

deWB

Treasury Department
Division of Monetary Research 4

Date 2/11/44 19

To: Miss Chauncey

For your files. Original sent
to Mr. Bell.

MR. WHITE
Branch 2058 - Room 214½

February 10, 1944

Mr. D. W. Hall

Mr. White

Subject: Reduction of Canada's dollar balances.

1. As you know, we have been exploring both with the Canadians and United States agencies concerned, the possibilities of reducing Canada's balances to the agreed on minimum of \$300 to \$350 million. On December 31, 1943 Canada's dollar balances totalled \$649 million as compared with \$319 million on December 31, 1942.
2. In December, 1943, after meeting with Dr. Clark of Canada, we wrote to the various United States agencies concerned and informed them that future contracts in Canada were not to be placed for financial reasons and asking them for a list of contracts which could be cancelled or taken over by the Canadian Government without hindrance to the war effort. We also kept the individual agencies concerned informed of the Canadian suggestions which concerned their particular agency. We have not as yet received complete replies to our inquiries but we did receive sufficient information to warrant going ahead on the matter.
3. Therefore, a meeting was called for February 8th with representatives of Foreign Economic Administration, Army, National Reserve and Navy to examine the situation and to determine what measures could be taken in the immediate future to reduce Canadian balances.
4. As a result of the meeting of February 8th we have drawn up a list of measures which could be discussed with Dr. Clark. The list is attached hereto. It will be noted that in those cases where the suggestion was originally received from the Canadian Government "Can." in parentheses has been placed in front of the item. The list does not include \$46.8 million which Dr. Clark has informed us Canada still owes on account of goods delivered under Cansop regulations, 1.9. reimbursable 1 cent-1 penny, and \$22 million which Dr. Clark says Canada plans to spend this quarter for the purchase of American tanks in England. Furthermore, the list does not contain items which are still being explored, such as reimbursement by Canada for past United States Army expenditures for materials purchased in Canada which have been loaned to the British Empire.
5. It will be noted that the items given on the attached list total between \$200 million and \$250 million.
6. I do not know how many of these items the Canadian Ministry of Finance will accept, but I have written to Dr. Clark to inquire when he expects to be in Washington so that we might discuss these matters further.

Measures which could be taken to reduce Canada's dollar balances

	<u>Amount Involved</u>
(Can.) A. Reimbursement by Canada of U. S. expenditures on Canex requisitions 1/	\$ 40 to 50 million
(Mr. Angell of FEA said that the amount involved was only \$32 million, but FEA has invariably been too low on such estimates.)	
(Can.) B. Canada to reimburse Metals Reserve for \$1,350,000 of capital advances for operation of marginal mines producing zinc, lead and copper	\$ 1,350,000
C. Canada to take over paying the subsidies on output of these marginal mines.	\$ 1,200,000
(Figure given is approximate amount saved in one year of operation.)	
D. Transfer to the Canadian Government of contracts for the purchase of nickel from Falconbridge which contracts, in effect, provide for payment of subsidy by the United States	\$ 1,680,000
(The outstanding contract is for \$8,400,000 but according to Metals Reserve, the amount saved would be the subsidy part, which is about 20% of the whole.)	
E. Elimination of Canadian participation in contracts for purchase of New Caledonia nickel	\$ 2,250,000
(The remaining dollar commitment is \$4,500,000 of which Canada gets half and Australia the other half. Unless some arrangements are worked out to get this on straight reverse lend-lease from New Caledonia, the elimination of Canadian participation would not involve a savings to the United States Government but it would involve a transfer of the dollar receipts from Canada to Australia. Mr. Currie said that FEA was now looking into the matter and promised to report back.)	

(Can.) F. Canada's offer not to submit bills in respect of expenditures incurred by Canada for U. S. account for airfield development in Northwest and also reimbursement of U. S. Government for past expenditures for permanent airfield development \$ 30 to 50 million

(Mr. Hickerson of State indicated that this offer had already been accepted but that final action was awaiting word from the Navy. The War Department has already agreed.)

(Can.) G. Canada to assume refining and distribution costs of gasoline used to meet British commitment in connection with Air Training Plan \$ 15 million

H. Canada to pay for crude petroleum used to meet British commitment in connection with Air Training Plan \$ 9 million

(The British, of course, could be asked to pay for this petroleum instead of the Canadians but Mr. Currie feels it would be preferable to ask the Canadians first.)

I. Cancellation by Navy Department of contract for PB2B planes to be lend-leased to the United Kingdom and New Zealand, including past as well as future additional costs \$ 45 to 80 million

(About \$20 million of total represents reimbursement for past costs and the Navy indicated that a more exact figure on this would be forthcoming in the immediate future.)

J. Termination and cancellation of War Department contracts \$ 76 million

(These include some suggestions made by Canada but for the most part are new War Department suggestions.)

Total . . . \$ 221 to \$286 million

1/ Canax requisitions were for articles which the United States furnished to Canada to replace goods (not necessarily the same goods) previously purchased by Canada in the United States and incorporated in articles furnished by Canada to the United Kingdom. These requirements were filed with Lend-Lease by the British Ministry of Supply Mission and charged to the United Kingdom account. This method of requisitioning was discontinued in May, 1943.

America Declares War Upon Massacre

Great Britain too has a part to play!

When the President created the War Refugee Board, he established a bridgehead in the battle against massacre. His definition of the board is forthright and clear:

"It was urgent that action be taken as soon as possible to intensify the plea of the Nazis to exterminate all the Jews and other minorities of Europe."

Thus, the two prerequisites of rescuing the Jewish people of Europe have been attained:

1. To stop the slaughter of the European Jews has been recognized as an immediate war aim.
2. To carry out a practical program of rescue, a special, new, powerful instrument was created by the President.

The President's board is the powerful and effective machine, established, at last for saving, among others, Hitler's No. 1 victim, the stricken Jews of Europe.

Significant of the President's high resolve to achieve concrete results is the composition of this board—to wit, three of the most important Cabinet members dealing with diplomatic, economic and military matters—Secretaries Hull, Stimson and Morgenthau.

WITH the appointment of Mr. John W. Pehle as Executive Director of the War Refugee Board, the road is surely paved for immediate and effective action. The choice of Mr. Pehle is singularly fortunate and Mr. Pehle himself is to be congratulated on his appointment as an important, an humanitarian and history-making a position—for the War Refugee Board is America's high command in the opening battle against massacre.

Only a Bridgehead

It must be understood, however, that a bridgehead is not the battle itself—it is only the foothold that precedes the battle. The President's great move must be interpreted, not as an excuse for relaxation, but as an urgent plea to re-energize. On the contrary, it must be recognized as a rallying cry—as a stern warning that there is now no time to be lost.

REHEARSED as we are that America has taken up Hitler's challenge and the

question of Jewish survival—this alone is not enough. In our time of global war one government alone cannot solve problems of international character. The problem of saving the Jews requires the cooperation of other governments in the whole inter-Ally relationship and the cooperation of a few neutrals as well.

THE Emergency Committee has presented to the War Refugee Board a complete plan of rescue—a product of world recognized experts. It contains proposals covering various practical possibilities of rescue, employing the cooperation of neutrals as well as of Allied nations.

Palestine—Nearest Haven

RESCUE is mainly a problem of geography. Even were the United States wide open to all escaping Jews, it would be of little immediate help, because of the barriers of many countries, and the ocean to be crossed. The rescue, therefore, has to proceed along shorter and safer roads. These lead to Cyprus, to North Africa, to Turkey, to Spain. One road, however, is shorter and swiftest. It leads to Palestine.

PALESTINE is the closest and most practical haven for the escaping Jews. From Bulgaria to Palestine is nearer than from New York to Miami. It is only a few days removed from the Axis-cumulated by short, quick water-routes, by train, or even by land! Palestine is the only country where a population of Jews (600,000 in number) are ready and waiting to receive an equal number of their escaping brethren, to share with them their bread and their homes. There is plenty of room in Palestine for newcomers. Even the former pro-Arab British High Commissioner for Palestine, Viscount Samuel, admitted this in a debate last year in the House of Lords, when he declared:

"According to my last visit to Palestine, that country is faced with a shortage of labor. Large numbers of refugees could be absorbed at the present time without detriment, indeed with advantage, to the Arabs, adding permanent prosperity to the country. While conferences and talks have been proceeding, month after month, the Nazis have been proceeding with killing the Jews."

THERE is room in Palestine, a country that hunts the European Jews. There never was, there is not now, any justification whatsoever for keeping the doors of this country closed to the escaping Jews. There is no justification for the anti-Jewish discrimination laws which exclude the Jews alone from entering Palestine. These discriminatory laws are the remnants of the shameful period of Mukich and of appeasement politics.

THE heroic armies of the United Nations are today sweeping back the military borders of the Nazi Attila. It is time that the diplomatic and spiritual leaders of the United Nations sweep away the remnants of those ignominious and monstrous compromises and concessions before Hitler and his poster. A united public opinion in this country must demand that these discriminatory laws against Jewish immigration to Palestine be abolished immediately so that they no longer bar the way of escape to untold thousands.

Britain—The Key

THIS too is not an insurmountable obstacle. The only practical key to the salvation of the Jews in Palestine, is England, which gave the world the Magna Charta, the blueprint of liberty and humanity. It is only necessary for this great and gallant ally to realize that the Jews stand in Eastern Europe as they themselves did four short years ago at Dunkirk.

IT is not in the tradition of Parliament, which ring in the speeches of Edward Burke, Disraeli and Churchill, that they will not rise in this great moment to take their part in halting one of history's most cruel massacres.

THE people of England abhor these discriminations. They have been condemned in public by the Archbishop of Canterbury, who so eloquently said, calling for action, at this very point: "We all stand before the bar of history, of humanity and of God."

The Emergency Committee believes that the time has come when we must impress upon this great and heroic ally, Britain, that Israel as well as the people of Coventry and Warsaw are innocent children of God. It believes that a united public opinion must appeal to a democratic government and the oldest Parliament, which hold the key to the salvation of the Jewish people, to open wide the doors of sanctuary—Palestine.

In the Name of Humanity

In urging this, we in urging our own citizens to back the President and the War Refugee Board and Mr. Pehle, the Emergency Committee explicitly avoids political considerations. It is not the business of the Emergency Committee to urge or to work for any post-war definite political settlement. It is not the task of this Committee to effect changes in the political status of Palestine. The demand to open the doors of Palestine today is humanitarian, not political. To keep the doors of Palestine shut is—politics, as Lord Cromwell, former Secretary of State for Colonies, admitted in candidly in a debate in the House of Lords: "It is not an economic but a political problem."

We do not speak in the name of politics, but in the cause of humanity and compassion:

Declare the doors of Palestine open to the Jews about to be rescued from the neighboring countries . . . and that Great Britain will play its part in the battle against massacre.

EMERGENCY COMMITTEE TO SAVE THE JEWISH PEOPLE OF EUROPE

One East Forty-fourth Street, New York 17, N. Y. Murray HW 2-7277.

EXECUTIVE BOARD

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SECRETARY DIRECTOR: Mr. John W. Pehle, 44 East 44th Street, New York 17, N. Y. Telephone: MU 2-7277. General Public, Anonymous.

With the appointment of the President's War Refugee Board, we are entitled to state with gratification that our own endeavors and untiring struggle have been crowned with spectacular success. It is gratifying also that leading men and newspapers of America acknowledge this fact and pay tribute to the Emergency Committee.

Secretary Tolson, in his message of January 26th to the Committee, stated: "I think all the officers and members of the Emergency Committee to Save the Jewish People of Europe, has contributed to this project, and that under creating an agency with authority to inaugurate program of action to reverse the victims of Nazi barbarism. The Committee has kept itself free from collateral entanglements and has concentrated on the creation of an official agency to do this job. Now that the War Refugee Board is in existence the Committee will definitely direct its efforts to assist the Government in every way possible in the personal judgment of the task and to keep alive the hope of future in the hearts of Jewish people of Europe."

Wendell Willkie, in a message to the Committee on January 26th, stated: "On July 22 in a message to the Emergency Committee to Save the Jewish People of Europe, I urged the creation of a United Nations Agency in order to provide tangible evidence of hope and aid to the countless victims of Hitler's barbarism. The justice and merit of the cause which your Committee is seeking to accomplish has resulted in the formation of such a commission. The first step has been taken. We must now exert our energies to implement the findings of this commission. Your tireless service will justify the awakened conscience of the world."

The Washington Post, in an editorial on January 26th, stated: "... The industries speakback done by the Emergency Committee to Save the Jewish People of Europe has contributed to this project, and the Committee is likewise entitled to credit for the President's far-reaching move."

The Christian Science Monitor, in an article dated January 26th, stated: "... The President's move is the outcome of pressure brought to bear by the Emergency Committee to Save the Jewish People of Europe, a group made up of both Jews and non-Jews that has been active in the Capital in recent months..."

WON'T YOU HELP?

We appeal to all thoughtful individuals, organizations, and groups to help us in our fight to save the Jewish people of Europe. We need your help in every way possible. Please send us your name, address, and telephone number, and we will send you our literature and information. We will also send you a copy of our report on the situation in Europe.

EMERGENCY COMMITTEE TO SAVE THE JEWISH PEOPLE OF EUROPE
1 East 44th Street, New York 17, N. Y.

Please use your own name and address. Do not use the name of your organization.

NAME _____
ADDRESS _____

This is a copy of the Emergency Committee to Save the Jewish People of Europe. Please send it to your representative. Please make it a point to send it to your representative. Please make it a point to send it to your representative.

FEB 10 1944

Dear Mr. Stettinius:

As I view the question of the practical measures which should be taken at once to make effective the President's policy of rescuing Jews and other persecuted minorities from the Nazis, opportunity exists now for a forceful attack on one of the very roots of the problem, namely, collaboration by the Axis satellite governments in the East extermination program.

It is apparent that Allied successes in the war have shaken to its foundations the resolution of East collaborators outside of Germany and have implanted in their minds a fearful apprehension of the fate which will be theirs in the day of Allied victory. There are also indications that perhaps the least whole-hearted collaboration given to Germany by her satellites have been the measures designed to assist Hitler in his organized massacre of Jews, e.g., forced deportations to Poland and the prevention of escape to neutral countries.

In view of the foregoing, I think that it is of utmost importance for this Government to commence at once an organized and concentrated effort to make clear, by all appropriate means, to all Axis satellites, including the Vichy Government, that this Government views in the most serious light their assistance in any form to Hitler's program to exterminate the Jews and other similar groups, regarding all such action as criminal participation in organized murder. This Government's determination to do everything in its power to rescue such unfortunate who are in danger of death should also be brought home to the satellites with special force in order not only to give them a clear view of our attitude in the matter but also to make apparent to them the opportunities which exist for assisting in the execution of our policy. The object of this attack is, of course, two-fold: (1) To get the satellites to desist from aiding Hitler's campaign, and (2) By clearly stating our own policy in the matter to offer the occasion for actual assistance to us if they care to give it. Needless to say, a campaign of this character should not be limited to the making of formal representations but should be carried out through all appropriate means, now or hereafter available. Moreover, such representations should be constantly repeated at every available opportunity.

- 2 -

It is, of course, desirable that other Allied Governments participate in this effort. However, our Government's action alone in the matter may be of the greatest significance, and it should not, I believe, be delayed pending the collaboration of others. Rather they should be informed of our action and invited to take parallel action.

I am not unmindful of the fact that our Government may already have taken some action along the lines indicated. However, I feel that it is extremely urgent that a new and perhaps more concerted effort should be undertaken at once, using as a starting point the President's new and unequivocal statement of policy.

I would greatly appreciate having as soon as possible a full statement of all action of this kind heretofore taken and being kept informed of such new efforts as are made.

Very truly yours,

(Signed) J.W. Pehle

J. W. PEHLE
Acting Executive Director

Mr. E. R. Stettinius, Jr.,
Under Secretary of State,
Washington, D. C.

JBF:ATL:bbk - 2/10/44

STRICTLY CONFIDENTIAL

February 10, 1944

In discussing another matter with Mr. Bundy of the War Department today he said he hoped the War Refugee Board was going to stay entirely away from the Palestine issue. I told Bundy that Secretary Hull had raised the matter at the second meeting of the War Refugee Board saying that the State Department and the Administration would soon be called upon to take a position on the resolution pending in Congress on this matter. The Board seemed to agree that it should not get involved in the controversy over Palestine as a home for the Jews and I advised Mr. Bundy that I was following such a policy. Bundy said that the War Department and the State Department were going to appear before Congressional committees (this may be in secret session) in opposition to the pending resolution on the ground that it will stir up a revolt among the Arabs. He said Stimson was very concerned lest action be taken which would cause the Moslem world to start trouble behind our line.

I repeated to Bundy that the War Refugee Board was staying silent on the resolution pending before Congress although obviously if the doors of Palestine were opened for at least temporary refuge it would ease the work of the War Refugee Board enormously.

/s/ J. W. Pehle

JWPehle:mgt 2/10/44

Port-au-Prince, Haiti, February 10, 1944.

No. 2559

Subject: Haitian Contributions to the War Relief
Fund.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

In reference to my despatch no. 2521 of January 31, 1944, regarding measures taken by the Haitian Government in rendering assistance to refugees from Nazi persecution, I have the honor to report that as of February 7th President Lescot appointed the following to a Committee of Aid for Refugees:

President Lescot - President

Mr. W. H. Williams
Co-President of the
Banque Nationale de
la Republique d'Haiti- Treasurer

Mr. Abel Lacroix
Secretary of State for
Commerce, Finance and
National Economy - Member

Mr. J. W. Thomsen
Manager, Royal Bank
of Canada - Member

Mr. Gontran Rouzier
Under-Secretary of
State for Interior
and for Information
and General Police - Executive Secretary

As a first contribution to this fund President Lescot turned over \$500 which represented the proceeds, in the amount of \$462.20, taken from a showing of a film of the President's visit last fall to Canada, United States and Cuba together with incidental

cc: Chauncey, Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H. D. White, Pehle, Files.

- 2 -

contributions.

At its first meeting on February 7th the newly appointed Committee endorsed the President's plan, as outlined in my despatch no. 2521 under reference, to obtain funds, (1) by a special State lottery for \$10,000; and (2) by a special issue of 5 centime postage stamps.

Respectfully yours,

J. C. White.

VC:mlk
File:711
To Dept: Original &
 hectograph.

AIRGRAM

FROM

Dublin

Dated: February 10, 1944

Rec'd. Feb. 22, 4 p.m.

Secretary of State,

Washington.

A-7, February 10, 4 p.m.

Reference the Department's circular airgram of January 26, 1944, 7:00 p.m., regarding the rescue and relief of war refugees.

In the course of a conversation on February 9 with the Secretary of the Department of External Affairs, I discussed the policy outlined in the President's Executive Order, explaining that all the facilities of the United States Government will be devoted to the rescue of Axis victims as far as possible. As a result of our discussion I feel that the most which this Legation could accomplish in carrying out the President's policy would be the obtaining of permission for the entry of some 500 Jewish children into Eire. The reasons for this discouraging conclusion are given below.

The most important question to be considered by our government in asking Eire to become an asylum for war refugees is that of security. United States Army and Navy installations are located in Northern Ireland which is being used as a depot and gathering point for forces and supplies to be used in coming operations. Northern Ireland is separated from neutral Eire by an almost completely unguarded border. At the same time there is a continual stream of personnel from various branches of the British forces who come to Eire on leave. The ease with which information can be picked up by enemy agents here is all too apparent. If adult refugees were allowed to come to Eire, enemy agents included among them would be in a position to do direct harm to our war effort in

cooperation

-3- Dublin, A-7, February 10, 4 p.m.

cooperation with German and Japanese officials here. For this reason we strongly believe that it would be wiser for adult refugees to be sent to an area farther removed from the theaters of war. I am confidentially informed that the Irish Government would likewise be unwilling to take the responsibility presented by a large number of refugees who might be a danger to Allied as well as Irish security.

A second important factor governing the attitude of the Irish Government is that of the scarcity of food. Eire's overall food supply is barely sufficient for her present population and she is finding it necessary to import from a third to a half of her wheat supply from United Nation's stocks. All available evidence indicates that the food situation will deteriorate in the course of the next year. The pressure which this constantly growing scarcity puts on the de Valera administration tends to make it distinctly inhospitable to a large number of refugees unless the United Nations are prepared to supply them with food and clothing.

I believe it would be possible, however, to arrange for the reception and indefinite stay here of a maximum of 500 Jewish children. I fully realize that such a small concession provides only a fractional answer to the war refugee problem, but the factors outlined above should make it clear that the local facilities are extremely limited.

To answer the specific questions raised in the Department's airgram:

- (a) The Irish Government has no strict exclusion policy with regard to war refugees, who have not attempted to enter this country because of the impossibility of obtaining transportation. It would, however, for the reasons given above not permit a large number of war refugees to enter Eire.
- (b) Eire does not encourage the entry of war refugees for the reasons given above.
- (c) The failure of Eire to encourage and cooperate in the entry of refugees affects the inability of refugees to reach this country in that no small group of refugees can reach Eire because

of

-3- Dublin, A-7, February 10, 4 p.m.

of the lack of transportation, while the entry of a large enough group of war victims to make the chartering of a neutral vessel worthwhile would have been definitely discouraged by the Irish Government.

The possibility of gaining entry into Eire for even a small number of refugees is predicated on the difficulty of getting them here. Irish ships have no facilities for carrying passengers, nor do any other ships touching at Eire except the cross channel steamers from England. The War Refugees Board must, therefore, arrange for transportation in the event that Eire is chosen as an asylum for even a small number of victims of persecution and war.

GRAY

ASB/TMD

COPY

February 10, 1944.

TO: Mr. Stettinius
FROM: J. W. Pehle

Attached hereto is a proposed cable to Ambassador Hayes in Madrid designed to get further cooperation from the Spanish Government on the war refugee problem.

This action has been cleared with the Treasury, the War Department and UNRRA.

(Signed) J. W. Pehle

Attachment

cc: Miss Chauncey, Miss Hodel, Messrs. Laxford, DuBois, Stewart, Friedman, Lesser, E.M. Bernstein, White, Paul, Gaston, Pellack

COPY

CABLE TO AMBASSADOR HAYES, MADRID

Refer to our No. 207 of January 25, 1944, with reference to War Refugee Board.

In formulating a program of immediate action the Board has resolved that one of the projects which should be pushed with greatest speed is an effort to facilitate the evacuation of as many Jewish and other war refugees as possible from occupied areas to Spain.

The Board feels that the most feasible way of accomplishing this extremely urgent task is: (a) To remove from Spain as rapidly as possible refugees now there, thus making room for more and (b) To obtain from the Spanish Government the greatest possible relaxation of border and other controls and other action designed to encourage the entry of refugees into Spain, as well as an unambiguous public statement of Spain's willingness to receive refugees.

With the object of establishing a moving belt which will carry refugees from occupied areas through Spain to refuge elsewhere, the following concrete proposals have been agreed upon by the Board. (1) In view of the establishment of a camp in North Africa which is ready to receive refugees, a substantial number of refugees now in Spain can be moved to such camp and the transfer should be facilitated. (2) In order to take care of new refugees, particularly stateless refugees and those lacking the protection of their government, who will arrive in the future and to effect their removal from Spain on an involuntary basis if necessary, the Spanish Government should be asked to maintain reception camps in which future arrivals will live. As a basis for obtaining the necessary action by the Spanish Government they should be advised (a) that the War Refugee Board will make the necessary arrangements for financing the maintenance of the camps in Spain and the support of the refugees, and (b) that the War Refugee Board will assume responsibility for removing as rapidly as possible from Spain the stateless and unprotected refugees in the camps, emphasizing that arrangements are presently being made for the prompt removal from Spain of a substantial number of such refugees to the camp already established in North Africa. In this connection, the recent evacuation of refugees to Palestine may also be recalled. (3) The Spanish Government should be requested in the strongest manner possible to take effective steps to encourage the entry of more refugees into Spain. In addition to the relaxation of border and similar controls, there should be made public in as nearly an official manner as possible an announcement indicating what is to be done and, above all, that entry of refugees into the country is permitted.

The Department is in full accord with the above program of the Board and you are instructed at the earliest possible moment to approach the Spanish Government with a view to obtaining their agreement to the plan. You should also undertake immediately a study to determine the practical measures that will be necessary to put the plan into operation in Spain, including questions of financial necessities.

It is important to bear in mind that it is the policy of this Government to move promptly to Camp Lyautey as many refugees as there are facilities for. Accordingly, our Government's representatives should make every effort to encourage the voluntary migration to the Camp of the greatest possible number of eligible persons now in Spain. This evacuation operation should, of course, be executed as rapidly as possible.

You should report to the Department as soon as possible the progress that is being made in this matter.

cc: Miss Chauncey, Miss Hodel, Messrs. Luxford, DuBois, Stewart, Friedman, Lesser, E.M. Bernstein, White, Paul, Gaston, Pollack

JBF:bbk - 2/9/44

MLR-147

PLAIN

London

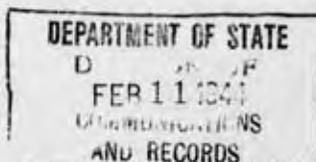
Dated February 10, 1944

Rec'd 3:40 p.m.

Secretary of State,

Washington.

1154, Tenth.



In note dated February 8, ~~Foreign Office~~ requests remittance for charitable relief at Vatican as follows (telegrams 52, January fourth and 744, January twenty-ninth):

"I am sorry there has been some delay in replying but the technical details of transfer present serious difficulties. These have, I hope, been overcome and we have authorized His Majesty's Minister at the Vatican to spend 20,000 dollars worth of lire for this charitable relief work. Would you please therefore send to the Finance Officer, Foreign Office, the sum of 4968 pounds eighteen shillings tenpence the equivalent of 20,000 dollars?

We should be grateful if you would ask the American Jewish Joint Distribution Committee, who have, I believe, provided the funds, to refrain from making any public

-2- #1154, Tenth from London.

any public disclosure of the fact that they are financing relief in Rome until after Rome is occupied by the Allies. If publicity were given to this scheme we should be subjected to all sorts of demands from Allies and from Jewish organisations to permit remittances to enemy territories of a kind which we have always felt bound to refuse. It might be very difficult for us to explain the special circumstances of this case and that it cannot be taken as a precedent and we trust therefore that the Joint Distribution Committee will be discreet.

We have asked Osborne to let us know the names of recipient organisations in Rome so that future remittances might be made direct from the United States of America if desirable. Would it be possible to transfer future remittances through the machinery used by your government to finance the United States representative at the Vatican or to borrow lire or obtain them from the Holy See so that the latter and not the enemy would obtain the equivalent in Swiss francs?

I should be grateful for your comment on this suggestion".

WINANT

WTD

NOT TO BE RE-TRANSMITTEDCOPY NO 14U.S. SECRET
BRITISH MOST SECRETOPTEL NO. 47

Information received up to 10 A.M. 10th February, 1944

1. NAVAL

One of H.M. Destroyers hit off ANZIO but proceeding to port. A hospital ship reported being attacked by air yesterday evening in BAY OF BENGAL 40 miles South of VIZAGAPATAM: no further details. Two of H.M. Sloops sank a U-boat early yesterday afternoon 270 miles South West of CAPE CLEAR. Later same afternoon one of the Sloops accompanied by another Sloop sank a U-Boat 280 miles South West of CAPE CLEAR. This makes three U-boats destroyed by 2nd Escort Group in 16 hours.

2. MILITARY

Italy 8th Army. Bad weather and much snow in mountains.
5th Army. Heavy street fighting in CASSINO. Both sides using tanks.
6th Corps. Enemy counter-attacks repulsed and line remains unchanged.

Burma Japanese infiltration, threatening our L. of C. in BUTHIDAUNG area, continues. There has been severe fighting in area of their penetration 8 miles North West of BUTHIDAUNG. Our troops repulsed an attack 4 miles North of BUTHIDAUNG.

3. AIR OPERATIONS

Western Front 9th. 114 medium, 20 light, and 104 fighter bombers with fighter escort attacked military constructions in Northern FRANCE. 87 Medium bombers attacked TERGVIER Railway centre South East of AMIENS and other objectives in Northern FRANCE. Day's casualties: Enemy 2 destroyed, ours one medium bomber, one fighter missing.

9th/10th. 16 Mosquitoes bombed objectives in North West GERMANY: one missing.

Italy 7th/8th. 38 Wellingtons dropped 72 tons on PADUA Railway Centre: one Wellington destroyed.

8th. Total 106 Liberators attacked three airfields North of ROME dropping 166 tons.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

February 11, 1944

CABINET MEETING

The President said he had nothing of interest to report.

Mr. Stettinius. He said they were getting very favorable reports from Argentina. He thought they had taken rather drastic steps to eliminate the Axis influences from their country and it looks as though they were going to declare war on Germany and cooperate with the United Nations.

He then discussed some of the problems that he is having with Spain, and said that it looked as though the tactics the British had been using are now interfering with what the State Department is trying to do.

The President said to let him have the facts in the case and he might send a message to Winston Churchill about it.

The President then said that he had today talked with Winfield Riefler, who was just back from London, about the German supply line. He said they are having their whole supply of certain critical materials interfered with on the Russian front, and there are two or three spots, probably one in Finland and one in Czechoslovakia, that were producing certain vital war materials for the Germans. He thought it might be a good idea to send some heavy bombers over these places. Mr. Stettinius said he would talk to Under Secretary Patterson about the matter.

I reported on the results of the War Bond Drive up to date and then told the President that we had quite a printing problem in connection with our 1944 income tax declarations. We wanted to defer the filing date from March 15 to April 15 but it will be rather difficult to get the printing done even



- 2 -

for that date if the tax bill is held up too long. I told him it would greatly facilitate our work if the tax bill could be signed by tomorrow night.

He turned to me and said, "Signed! I haven't yet indicated that I am going to sign it." He said further that he, Jimmie Byrnes and Fred Vinson will go into a huddle over the week end on the tax bill and they may have something the first of the week. All three more or less indicated that they were in favor of a veto of this bill.

Mr. Patterson. He told the President that our troops on the Italian beachhead were in a rather serious predicament. There is very heavy fighting and we are out-numbered by the Germans. He said some of our boys, including the British on this front with us, had been in steady action for sixteen days now.

The President asked him if we are not going to get relief by sending in two divisions. Patterson said yes, those two divisions are on their way but they have not yet arrived. He said the weather has been unfavorable for the use of airplanes. He said also on the Cassino front, that line is receiving very heavy blows from the Germans. Apparently they are concentrating on these two areas.

Mr. Patterson said that he had just gotten some reports back from the Southwest Pacific. I did not get the names of the areas, but he said in one area they wiped out a whole Japanese division, and they were having a great success so far at every place they have tackled.

Secretary Knox spoke up and said he had just seen some moving pictures of one of those islands which was recently attacked by the bombers. He said he had never seen such complete destruction and did

- 3 -

not see how any form of life could exist after the bombers got through with the place.

Mr. Biddle. He said that if the President wanted another ground on which to veto the tax bill he could use the fact that the bill authorizes the Tax Court as the court to which the contractor can appeal his case. He said the Tax Court is not a court of appeal, but an administrative court. Furthermore, he said that to clog up the Tax Court with these cases is going to delay final settlement for several years.

Bob Patterson said he did not feel that this was a serious point in the tax bill because he felt that the contractors would be satisfied with the treatment they would receive from the War and Navy Departments. He said there has been some threat about going to the courts, but when it is all over they are usually very well satisfied and they know very well they will not get better treatment from the court.

Mr. Biddle said that the sedition cases, to which the President referred in a previous Cabinet meeting, are to be tried in March. He said there are thirty-two individuals involved in these cases.

Mr. Walker and Mr. Knox had nothing to report.

Mr. Ickes. Mr. Ickes said that we are going to have rather serious trouble with both oil and coal. He said they had run into a lot of bad luck on the new tankers that had just recently come out. They have been found defective and over fifty of them have been tied up in order to correct these defects. He said also that some of the tankers are being used as storage depots in European waters and something should be done to stop that. He said the 20-inch pipe line which had recently been completed had had over seventy breaks which, of course, interferes with the supply in the east. He said it might be late March before this is corrected. Tank cars

- 4 -

are very short. He said stock piles of coal are being rapidly exhausted and while he does not think we will have so much difficulty this winter, we will before next winter is over unless something is done to increase production.

Mr. Byrnes and Mr. Vinson joined in quite a discussion of the coal miners' situation.

Mr. Ickes said he had one other matter, and that was the Whittington Committee. Congressman Whittington has been holding hearings on the King's River (California) project. He said the Army engineers are behind a bill to turn this project over to them for development. Mr. Ickes said the Interior Department is against it and thinks that something should be done to call the engineers off.

The President said he remembered the project and thought he disapproved it about a year ago. He told the Army engineers it was not a navigable stream and could not be developed. Under Secretary Patterson said he would look into it.

Secretary Wickard. He discussed weather conditions throughout the country. He said in the last forty-eight hours crop conditions have been improved materially as a result of heavy snowfalls throughout the middle west and the east. He said they had not, however, had any heavy snow in the mountains, which meant that we might have a shortage of water supply next summer for irrigation purposes.

Secretary Jones had nothing.

Secretary Perkins discussed the cost of living index and strikes.

Mr. McNutt. He talked about the hearings on a bill which would give blanket deferment to lumbermen. He said he thought the newspaper crowd who wanted to get pulp for more newsprint were behind this bill.

- 5 -

General Fleming. He said there was a great deal of interest in the President's message on the inter-regional highway and there probably would be hearings before Congressional committees before long.

Mr. Crowley had nothing.

Mr. Blandford discussed war housing situations, saying that generally speaking his organization had met this problem throughout the country. There are still one or two tight places, but he thought they would be remedied before many months. At the present time they have 2,000 vacancies at Willow Run.

Messrs. Byrnes, Vinson and Nelson had nothing.

SWB

February 11, 1944

28

TREASURY APPROPRIATION BILL
Fiscal Year 1945

MA

On consideration of the Bill on the floor of the House, Mr. Taber made a personal attack on the Secretary of the Treasury, in which he stated that "the Treasury is being run just like Mr. Morgenthau's farm," quoting from the New York World-Telegram of September 13, 1943, which referred to the sale of the Secretary's dairy herd and depicted the delapidated condition of the dairy farm.

Mr. Ludlow replied that the discussion of the matter was "making a Roman holiday of Mr. Morgenthau and his dairy farm."

Mr. Taber alleged waste, inefficiency, and incompetence in the Treasury Department and he offered the following amendments for reductions in our appropriations, each of which was voted down:

Bureau of Accounts	\$ 30,000
Treasurer of the United States	175,000
Bureau of Customs	500,000
Bureau of Engraving and Printing	350,000

In addition, Mr. Taber offered an amendment reducing the appropriation for the Office of the Secretary by \$23,000 to eliminate 5 messengers. He was sustained on this amendment by a teller vote of 97 to 90. The House Committee already had reduced the amount for the Secretary's Office to eliminate 9 messengers so that there would be a total reduction of 14 messengers. Congressmen Ludlow, O'Neal, and Cochran were furnished with information as to the work of these messengers and they supported the Treasury but nevertheless the amendment was sustained.

An amendment offered by Mr. Taber to reduce the Foreign Funds Control by \$250,000 was sustained by teller vote of 63 to 60.

We may get the cuts for the Office of the Secretary and Foreign Funds Control restored in the Senate.

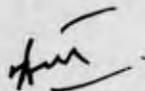
- 2 -

Mr. Taber also made critical comments about the Office of the General Counsel, the Tax Legislative Counsel, the Division of Tax Research, and the Division of Research and Statistics, but he offered no amendments to reduce the amounts of the appropriations for those offices.

The House Committee itself in reporting the Bill reduced the regular appropriation for the Public Debt Service by \$1,100,000 on the assumption that the installation of accounting machines and labor-saving devices would result in substantial savings in the Office of the Register. The Public Debt officials have never been satisfied that such installation should be made but a further survey is being made.

The Committee also reduced the appropriation for the Bureau of Internal Revenue by \$9,500,000 on the theory that we would be unable to recruit to fill 3200 additional positions. Mr. Graves has every expectation of accomplishing this recruitment and protest will be made to the Senate for restoration of this sum.

Attached is a detailed analysis of the debate and action on the Bill.



February 11, 1944

SYNOPSIS
OF
DEBATE AND ACTION
IN
HOUSE OF REPRESENTATIVES

ON
TREASURY APPROPRIATION BILL,
Fiscal Year 1945

Criticism of Secretary:-

During the debate on the Treasury-Post Office Departments Appropriation Bill, Representative Taber attacked the Secretary, both in his personal capacity and as head of the Treasury Department.

Representative Taber began with an attack on the Secretary in his personal capacity, saying:

"On the 18th day of November 1943, the Ways and Means Committee of the House reported a bill amending the tax law. That bill contained a provision that hereafter no deductions should be allowed for losses on account of so-called hobbies. Immediately there followed an advertisement of the Secretary of the Treasury, Henry Morgenthau, Jr.'s, dairy herd for sale at auction. Very evidently Mr. Morgenthau realized that hereafter he would not be permitted to use his losses upon his dairy herd as a deduction on his taxable income. Very evidently Mr. Morgenthau was torn between two forces: One, his loyalty to his President, the head of his Cabinet, and his duty not to advertise the fact that the farmers were not receiving a price for their dairy products that would net them a profit; and, another, his duty to his own financial structure which was imperiled by the provisions in the tax bill. Very evidently he chose his own financial interest, and protected it just as far as he might. Perhaps some of the President's friends might say he sold the President down the river; * * *

Following the above, Mr. Taber quoted an excerpt from the New York World-Telegram of September 13, 1943, which referred to the sale of the Secretary's dairy herd and depicted the dilapidated condition of the dairy farm. Representative Fish then intervened and pointed out that the Secretary is now in the apple growing business and "has now become one of the foremost apple knockers in Dutchess County". He added that perhaps "he (the Secretary) plans to solve post-war unemployment problems by growing enough apples so that there will be plenty to go around". Fish inferred that prior to the Secretary's purchase of the dairy farm, the buildings were the finest in his entire district, adding that "I would hate to think that Mr. Morgenthau, this eminent

(B.)

businessman, the Secretary of the Treasury, could have brought ruin and havoc to the finest farm in my part of the state". At this point, Representative Gross took up the criticism of the management of the dairy farm, and stated that "it just looked to me like one of those cases where a man was spending money on a farm to avoid paying income tax, to reduce his income tax".

At the end of the above discussion, which Representative Ludlow referred to as "making a Roman holiday of Mr. Morgenthau and his dairy farm", Representative Taber remarked:

"The worst of this whole business is that this same man who is running a farm is the chief executive of the Treasury of the United States. He is the Secretary of the Treasury and the Treasury is being run just like Mr. Morgenthau's farm."

After listing examples (see analysis by bureaus) of alleged wastes, inefficiency, and incompetence in the Treasury Department, Representative Taber concluded:

"It is such a picture as I have here presented that establishes beyond dispute total incompetence of the Treasury Department - waste, inefficiency, and incompetence are rampant at every turn. Every day that President Roosevelt continues that type of incompetence he is failing to support the boy who is fighting our battles overseas and working against the war effort. How much longer are the people at home and the boys overseas going to permit the boy overseas to have this kind of support from their Commander in Chief."

On Wednesday, February 9, the appropriation bill was read for amendments. Representative Taber directed his efforts towards reducing appropriations rather than criticizing the Secretary. Opposing him at nearly every turn were Representatives Ludlow and O'Neal, and on one occasion Representative Cochran.

During the debate on Representative Taber's amendment to decrease the number of messengers in the Office of the Secretary, Representative Ludlow stated:

"The Office of the Secretary of the Treasury is one of the most important in the United States, we all know how closely and intimately it is integrated into the war effort. We should not do anything here for the sake of chipping off a few dollars that would cripple the Secretary of the Treasury."

Representative O'Neal reiterated the views of Mr. Ludlow. He paid tribute to the Treasury Department as being "one of the greatest departments in the Government, with the Office of the Secretary one of the most important offices connected with both war and civil functions of the Government."

(c)

Congressman O'Neal read from a list of 41 Treasury officials, citing the fact that they were "career" men, with from 20 to 40 years' service in the Government. "These men," he stated, "are the men in the key positions. They are responsible for the work that goes on in the Treasury Department." Mr. O'Neal's complete statement is as follows:-

CONGRESSMAN O'NEAL:

furthermore, we speak of these people down there as though they had newly come into the Government service and that they have some strange political philosophy which makes them see things differently from sensible people. All that sort of thing goes on day by day. I would like to read to you just briefly, the names of the leading men in the Treasury Department. Whether they are newcomers or not in the Government service will appear from what I read here. We can then see whether they are people who have enjoyed the confidence of the people of America, not only of this administration but of the administrations which have preceded this one. This list is as follows:

Name	Title	Bureau or office	Number of years in Government service
D. W. Bell	Under Secretary	Secretary	33
W. N. Thompson	Administrative assistant to Secretary	do	27
Charles R. Schoeneman	Technical assistant to Secretary	do	37
Charles S. Bell	do	do	18
Wm. T. Hoeschfinger	Assistant to Under Secretary	do	36
T. F. Wilson	Director of Personnel	Personnel	28
Elmer L. Irey	Coordinator, Enforcement Agency	Secretary	27
Francis C. Rose	Assistant to Assistant Secretary	Secretary	37
Frank A. Birgeford	Chief Clerk	Chief Clerk	41
Donald A. Right	Superintendent of Treasury Buildings	Superintendent	35
Russell B. Beach	Assistant Director, Research and Statistics	Research and Statistics	19
William S. Brightman	Commissioner of Public Debt	Public Debt	47
Edwin L. Kirby	Assistant Commissioner of Public Debt	do	27
Marvin Wesley	Chief, Loans and Currency	do	43
Melvin R. Lowman	Chief, Public Debt Accounts	do	35
Edward F. Bartlett	Commissioner of Accounts	Accounts	37
Robert W. Maxwell	Assistant Commissioner of Accounts	do	19
Joseph Greenberg	do	do	34
Guy F. Allen	Chief Disbursing Officer	Division of Disbursement	42
Harry R. Schwalm	Chief, Section of Surety Bonds	Accounts	39
Alvin W. Hall	Director, Bureau of Engraving and Printing	Engraving and Printing	39
Clark R. Long	Assistant Director, Bureau of Engraving and Printing	do	27
Thomas F. Slattery	do	do	21
Harry J. Anstinger	Commissioner of Narcotics	Narcotics	28
Will S. Wood	Deputy Commissioner of Narcotics	do	42
George O. Barnes	Assistant to Treasurer of the United States	Treasurer of the United States	42
M. E. Blinde	Administrative Assistant, Treasurer of the United States	do	39
John P. Wenzel	Chief Counsel, Internal Revenue	Internal Revenue	37
Clifton E. Mack	Director of Procurement	Procurement	20
George Landisk, Jr.	Assistant to Director of Procurement	do	33
Robert LaFevre	do	do	33
Thomas F. Murphy	Deputy Director of Procurement	do	32
E. B. Van Veen	Attorney for Government	Internal Revenue	25
Harold N. Graves	Assistant Commissioner of Internal Revenue	do	33
Norman D. Cunn	Deputy Commissioner of Internal Revenue	do	46
D. Spencer Ellis	do	do	35
George J. Schoenemad	do	do	35
W. R. Woolf	Chief, Intelligence Unit, Internal Revenue	do	35
W. E. Johnson	Commissioner of Customs	Customs	34
Frank Dew	Assistant Commissioner of Customs	do	34
Frank J. Wilson	Chief, Secret Service	Secret Service	25

All of them have had from 18 to 20 and 30 years' service. They are not what you gentlemen are prone to call New Dealers, Socialists, or what not. Those men have 10, 15, and 30 years of trained service, loyal service, service that has been approved of in these Government agencies for a great length of time. They are responsible for the work that goes on in the Treasury Department. There is a Secretary of the Treasury over them who changes, but the chief work, as you gentlemen know, is done by the staff. These are the men in the key positions. When we criticize a department, I think we must realize that an old Department like the Treasury is in safe, sound, and I might say even conservative hands.

(D.)

During the debate on an amendment to reduce the appropriation for Foreign Funds, Representative Cochran remarked that Congress should not be too critical of the Treasury Department. Referring to the Secretary, he said:

"As for me, I want to praise the Secretary of the Treasury and his associates for the grand job they have done and will continue to do.

"I am willing to reduce expenditures, but I am not going to cripple a department that has made such an excellent record.

* * * * *

"After reading the hearings I reached the conclusion that praise rather than criticism is due the Treasury Department."

- - - - -

SUMMARY, BY BUREAUS

On the following pages will be found a summary of the various amendments and criticisms, as related to particular bureaus:--

The attached 11 pages may be boiled down to the following:

Mr. Taber made a futile effort to reduce a number of the appropriations for the Treasury Department, but he was voted down in each instance except one item calling for a further reduction of 5 messengers in the Office of the Secretary and one reducing the appropriation of Foreign Funds Control by \$250,000. We may get both of these items restored in the Senate.

Immediately following his general remarks on this bill, Mr. Taber devoted considerable time to a discussion of the activities and estimates of appropriations of certain bureaus and offices of the Department. During such discussion, many criticisms were expressed, most of which were general; others were quite personal. The criticisms related primarily to "inefficient" administration of the functions of the Department, and in specific cases, to alleged waste of appropriated funds.

While Mr. Taber was successful in obtaining reductions (on the floor) only in the "Office of the Secretary" and the "Foreign Funds Control," charges of various kind were made by him against the Bureau of Accounts (including the Division of Disbursement), the Office of the Treasurer of the United States, the Bureau of the Public Debt, the Bureau of Customs, the Bureau of Internal Revenue and the Bureau of Engraving and Printing. On the motion of Mr. Taber, votes were taken on proposed reductions in Customs, Treasurer, U. S., Bureau of Accounts, and Bureau of Engraving and Printing, but such proposals were defeated.

Some of Mr. Taber's proposals, including excerpts from his comments, are given below:

OFFICE OF THE SECRETARY

Reduction in Messengers

The estimate for the Office of the Secretary as approved by the Bureau of the Budget was in the amount of \$437,000. The House Appropriations Committee reduced this amount to \$422,692 (a reduction of \$14,308). This reduction covered the salaries of 9

- 2 -

messengers, and decreased the messenger force in the Secretary's Office from 27 to 18. The following comment was made by the House Committee in its report on the bill:

"The Committee believes that the number of messengers now assigned to this office is excessive, compared to the number of executive personnel served by them."

To support its action, the House Committee inserted a limitation in the appropriation text of the Secretary's Office, limiting to 18 the number of messengers which may be on duty during the fiscal year 1945.

On February 8, Mr. Taber referred to the messengers on the roll of the Secretary's Office. His comments were to the effect that the reduction in the messenger force did not represent a good job of cutting because there were only 13 people (officials) on the Secretary's payroll who would have any justification for being served by a messenger, and most generally, one messenger should be able to service "a couple of" people.

On February 9, Mr. Taber offered an amendment on this item, reducing the amount reported by the House for the Secretary's Office from \$422,692 to \$400,000, by further reducing the number of messengers from 18 to 13. In presenting the reason for the amendment, Mr. Taber stated that less than 13 people in the Secretary's Office were entitled to messenger service. He also referred to vacant positions on the roll, - stating:

"There have always been vacancies on this office roll and there are vacancies now; vacancies that exist because of surplus appropriations."

A question was taken on the amendment and on a division (demanded by Mr. Taber), there were - Aye's 56; Noes 53. Mr. Ludlow demanded a teller's vote, and with the Committee again divided, the tellers reported - Aye's 97; Noes 90, so the amendment was agreed to. This reduces the messenger force in the Secretary's office from 27 to 13.

Congressman Ludlow was promptly advised in a letter from Mr. Thompson that the reduction of 14 messengers would seriously impair the operations of the Secretary's office. Mr. Ludlow was requested to endeavor to have the item of 18 messengers restored to the bill when it was finally approved by the House. Apparently, he did not have an opportunity to make this effort.

In connection with these messengers, it should be pointed out that the 8-hour work day requires a certain number of messengers to report earlier than the regular opening hour, and it is also necessary that a certain number of messengers work after the regular closing hour. With only 13 messengers, it will be necessary to pay some of them overtime (at the rate of time and one-half) for the extra hours which they will be required to serve. There is also the question of annual and sick leave to be considered. Allowing 26 days' annual and 11 days' sick leave for each messenger, it will require the services of two of these messengers for relief purposes only. Therefore, the net number of messengers allowed is only 11.

FOREIGN FUNDS CONTROL

Excessive Promotions

The Budget estimate for Foreign Funds Control was in the amount of \$4,500,000. The bill as reported by the House recommended \$4,250,000, or a reduction of \$250,000.

- 4 -

On February 8, Mr. Taber, in discussing this estimate charged that there had been "tremendous advances in salaries" within this organization. In this connection, Mr. Taber stated:

"Their (Foreign Funds) licensing activities have been reduced from 190,000 cases in 1942 to 120 in 1943. The applications sent to Washington have been reduced one-third and the percentage sent to Washington is down 14%, yet the number of high-priced employees in the Department goes up by 8 and in the field by hundreds."

On February 9, Mr. Taber offered an amendment reducing the amount for Foreign Funds Control from \$4,250,000 as reported in the bill to \$4,000,000.

Referring to raises in salaries, he stated,

"He (Mr. Pehle) does, of course, want to raise their salaries; he has raised them time and time again. There are some of them who have had 3 or 4 step-ups - not automatic promotions under the Ranspeck Act, but 3 or 4 step-ups from grade to grade."

In closing his remarks, Mr. Taber referred to "these so-called economic analysts", and stated that the average salary of the Foreign Funds group was \$4,788, and that there was no excuse for the employment of so many of these "high-pay" personnel.

Congressman Case (Republican), at the conclusion of Mr. Taber's remarks, offered an amendment to further reduce the Foreign Funds allowance to \$3,825,000. However the Case amendment was defeated. Despite splendid defense of this item by Congressmen Cochran, Ludlow, and O'Neal, the Taber amendment was carried by a teller's vote of 63 to 60 which was demanded by Mr. Taber after a division vote of 56 Aye's and 60 Noes. Mr. Taber's action took \$250,000 from Foreign Funds.

RESEARCH GROUPS

The House Committee approved the estimate for Tax Legislative Counsel as submitted. However, it reduced the Budget estimate for the Division of Tax Research and the Division of Research and Statistics by the respective amounts of \$21,555 and \$20,000. In Mr. Taber's discussion on the floor, he covered the 3 research divisions simultaneously, stating that the estimates were "all out of line", and charging, "They have offered nothing to the Ways and Means Committee except to jumble up the whole operation." He further stated: "I think it can be said without fear of contradiction that these people are responsible for muddling the income tax and the terrific blanks the people are obliged to fill out."

In this connection, while commenting on the Office of the General Counsel, Mr. Taber stated, "What we need this office and the Tax Counsel also for is difficult to follow."

- 6 -

While Mr. Taber made the foregoing comment, he offered no amendments affecting the research or tax units.

BUREAU OF ACCOUNTS
(Including the Division of Disbursement)

Duplication of Functions

The Budget approved \$847,900 for the Bureau of Accounts and \$4,000,000 for the Division of Disbursement, and the House Committee in reporting the bill approved \$830,000 and \$3,750,000, respectively. In discussing these items on February 8, Mr. Taber, after criticizing some of the accounting functions of the Bureau of Accounts, charged -

"There is a duplication in the administrative setup of these organizations (Bureau of Accounts and Division of Disbursement) and unquestionably there is a duplication between this setup and the personnel setup in the Department under Mr. Wilson."

On February 9, Mr. Taber offered an amendment reducing the Bureau of Accounts to \$800,000 "to get rid of some of the operations of the Bureau of Accounts which are duplications." The amendment was defeated by a vote of 71 to 67.

PUBLIC DEBT

The House Committee reduced the Bureau of the Public Debt's regular appropriation in the amount of \$1,100,000, stating that in the light of the report of its special investigating staff there appeared to be a possibility for substantial savings through the adoption of mechanical labor-saving devices.

On February 8, Mr. Taber charged that the Bureau of the Public Debt had failed to carry into effect a recommendation made 4 years ago by a Treasury investigating committee for the installation of accounting machines and labor-saving devices which he contended would have resulted in substantial savings in the Office of the Register of the Treasury. He further

- 7 -

stated that "all the way through the Bureau of the Public Debt and the War Finance organization is the same old-fashioned, antiquated, obsolete method of doing business."

As to Mr. Taber's charges, it should be pointed out that the Bureau of the Public Debt has never determined to its own satisfaction that the proposed installation of accounting machines in the Register's Office and the other changes tentatively recommended by the Departmental Committee in 1940 could be accomplished in such a manner as to effect economy without impairing the integrity of the Public Debt records. The Commissioner of the Public Debt is taking steps to have a survey made of the proposed changes which constitute the basis for the reduction, with the view of determining whether or not they are feasible.

OFFICE OF TREASURER OF THE
UNITED STATES

Mutilated Currency

On February 8, Mr. Taber, on the basis of a report of the investigators of the appropriations committee, charged that:

"In the Office of the Treasurer of the United States, 50% of the currency destroyed is fit for reissue. This waste should be stopped. They destroy paper by burning and do not save the pulp. This is gross waste."

Mr. Taber's information on this subject is grossly inaccurate. As a matter of fact, only a very small percentage of the currency destroyed is fit for further circulation. Some banks are not sorting the currency as carefully as others, and a survey is now under way which will disclose the particular Federal Reserve Banks that are not cancelling according to the prescribed standard of fitness.

With respect to the charge that paper currency should be burned:

Under general direction of the Under Secretary, this matter has been under study for some time by Dr. Wollner, a highly competent chemist, the Director of the Bureau of Engraving and Printing, and the Commissioner of the Public Debt. Certainly, redeemed currency, for such retired public debt securities as ordinarily are destroyed, should be salvaged to the extent possible. The presence of the "distinctive" feature presents difficulties in making the salvaged product available for commercial use, but the entire subject is now being carefully studied by the Department.

On February 9, an amendment, reducing the amount for salaries for the Office of the Treasurer of the United States by \$175,000 was offered by Mr. Taber. The reduction was requested on the premise that savings due to the installation of the card-check system were not fully reflected in the 1945 estimates, and also because no reduction had been made from the 1944 appropriation base for work

- 9 -

which would be completed this year (backlog of checks). The amendment was defeated by a teller vote of 96 to 86.

BUREAU OF CUSTOMS

Vacancies

Mr. Taber intimated that funds for certain vacancies in the Customs Service that could not possibly be filled under war conditions had been included in the estimate of appropriation for this bureau, and offered an amendment reducing the amount covered in the bill by \$500,000. The amendment was defeated by a teller vote of 94 to 93.

According to the Bureau of Customs, Mr. Taber's charge is entirely unfounded. No money was included in the appropriation estimate for the particular vacancies to which he refers.

BUREAU OF INTERNAL REVENUE

Vacancies

The Committee reduced the estimate of this Bureau by \$9,500,000. Commenting on this estimate, Mr. Taber said,

"There are presently 3200 vacancies and this with other expenses would justify a saving of \$11,500,000."

The Bureau of Internal Revenue will protest this reduction of \$9,500,000 to the Senate Committee. The House Committee completely overlooked the fact that Internal Revenue must have its full quota of employees in 1945 in order to collect the revenue. There are no "vacancies" in the Bureau, - recruitment is even ahead of schedule, and according to Mr. Graves there is good prospect that the full complement of employees will be enrolled by July 1st. It is essential, therefore, that the \$9,500,000 be restored to the appropriation.

- 11 -

BUREAU OF ENGRAVING AND PRINTINGImproved Management

On February 8, Mr. Taber, in commenting on a reduction by the Committee of \$750,000 in the item "Bureau of Engraving and Printing", said "Certain cuts were made in the Bureau of Engraving and Printing because of things we felt could be improved in the management." Another charge was made to the effect that the "mechanical wiper" should be used in the Bureau, but that "the Secretary of the Treasury had prohibited its use."

As to the "mechanical wiper", this proposal was never submitted to the Secretary. While there is such a device, the Bureau has never reached a decision that it could be satisfactorily adapted to its work.

On February 9, Mr. Taber offered an amendment reducing the estimate of appropriation for this Bureau by \$350,000. The reduction was declared as being upon the premise that the increase of \$350,000 for printing cigarette stamps was not justified because Bureau of the Budget had estimated that tax receipts on tobacco would be \$28,000,000 less in 1945 than in 1944. (The Bureau of Engraving and Printing bases its program for cigarette and tobacco stamps on estimates supplied by the Bureau of Internal Revenue. It is not understood how Mr. Taber reached the erroneous conclusion that these funds were not necessary.)

The amendment was defeated by a teller vote of 85 to 84.

MEMORANDUM FOR THE SECRETARY.

February 11, 1944.

Mail Report

Without new "incidents" to stimulate it, this week's mail was less spirited than for some time; but its volume was again heavy. There were the usual questions about tax obligations, requests for refunds, and suggestions as to other sources of revenue. Now and then completed copies of Form 1040 were addressed directly to this office. Although demands for simplification of forms seem now to have passed the peak, there were still many suggestions as to how report forms, as well as taxes, may be simplified. A few belated comments on the Vivien Kellems tax strike almost without exception upheld her action; however, at the same time, more correspondents than usual favored the Treasury Department's tax recommendations rather than the measures just enacted by Congress.

Bond matters brought the real bulk of the mail. While most of the comments about the Fourth Drive were as cordial and confident as ever, correspondents occasionally said that certain quotas might not be met, or that responses by individuals in certain localities were disappointing. Three or four writers pointed out that the War Finance Division had made a mistake in failing to stand behind Emil Placek, the banker who threatened to report to ration and draft boards those refusing to buy bonds. Many requests were made for bonds of smaller denomination, and nearly a dozen suggestions for the Fifth Drive were offered for consideration. From week to week the idea of tax refunds in the form of War Bonds has steadily gained ground.

In all, 57 bonds were submitted for redemption -- a decided increase over the number for last week. Twenty-five employees of the War Department reported

- 2 -

Memorandum for the Secretary.

February 11, 1944.

that they had not yet received the full number of bonds paid for through payroll deductions, and nearly as many other persons complained of delays in various bond transactions.

Few abusive or anonymous communications were received, and other miscellaneous receipts included nothing new or unusual.

Kay Pearson

General Comments

Mrs. Daniel Dowling, North Hollywood, California. I wrote and asked Mr. Fulton Oursler, "The Peoples Reporter", if he would suggest on his program that men and women gainfully employed might help pay for the war by presenting a bond to our dear Uncle Sam. I hope many of them do, and here is one from my husband and me; he is on duty at present so my signature will do for both of us. We feel as President Roosevelt, that the present tax bill is unrealistic, and we want to do our part. P.S. We buy bonds regularly and extra ones in each Drive. Our first one is dated November 1941, and we have never cashed one, not bragging, just glad we can do it.

W. Van Benschoten, Highland Stamping and Manufacturing Company, Limited, Santa Monica, California. I am presuming on an acquaintance dating from the several times you were at our family home in Fishkill to write you this letter. * * * Today our home here in Santa Monica was visited by a miserable pair of representatives of the Office of the Treasury Department, carrying a search warrant to search the premises for a "hoard of gold coins". Probably I should have been flattered, but the officers were officious, ignorant and a disgrace to any Government service. * * * Three days ago, because of inefficiency, we discharged a servant whose ignorant prancing included her many exploits in turning in to the F.B.I. "suspicious characters". Today we were faced with this. * * * My wife was alone in the house at the time, and she naturally refused the men admittance until she could locate me or my brother, who is associated with me in business. I was, unfortunately, in conference with engineers at Douglas Aircraft, but reached my home shortly after the arrival of the two Treasury agents. It was a nerve-wracking experience

- 2 -

for my wife, and the result has been she is now under the doctor's care. As a manufacturer of Aircraft parts, since long before Pearl Harbor, and as a loyal citizen earnestly trying to assist the War effort, it would seem that I might be entitled to the courtesy of an examination of my antecedents and my standing in my community before the vague maunderings of a discharged servant were given credence, and inspired, apparently, by nothing more substantial than a collection of old pennies in my desk drawer. * * * Our entire house was searched, all our personal and private possessions gone over by two yokels representing the U. S. Treasury Department. It would seem that this unwarranted intrusion, most upsetting to say the least, is of sufficient importance to cause some inquiry on your part. * * *

H. S. Cooper, Wilkes Barre, Pa. The writer intends to take up a certain matter with a number of Senators, Congressmen, Radio Commentators, and Columnists. Before doing so, I wish to have some information relative to Russian Bonds and Certificates of Participation, as they affect your Form T.F.R.-500. As I do not wish to make any statements which are not correct, I am asking you two questions. (1) What is the reason for your ruling that the above-named obligations are not to be listed on your Form T.F.R.-500? I am aware, of course, that these obligations have been repudiated by Dictator Stalin. Does this mean that the decent middle-class Americans have been sold out again, ala New Deal? (2) As a matter of information, I would like to know if you required that other defaulted foreign government bonds, etc., be listed on your Form T.F.R.-500? I refer to South American and European bonds. If so, perhaps they should also repudiate them, and thus relieve themselves of their

- 3 -

obligations, and let the victims take the loss. Said victims being already about ruined by huge taxes, in order that millions more can be squandered on them. (The defaulters.) * * *

Matthew F. Van Tassell, Rt. #1, Kingston, N.Y. Am herewith enclosing another \$5.00 which I want to give to my country. I do wish I could make it a thousand times that; and it would be, but I'm 77 years old and can have but temporary employments. But I will do all that I can and it makes me happy to do it. I might add that I was born in the house where I now live, alone.

Dr. Ezediel Landau, President, and William Rosen, Society Lawyer, Jewish Friends Society, New York City. The Jewish Friends Society, Incorporated, is composed mainly of individuals who have sought and found a refuge and a haven in this country. No one can better realize than they the untold sufferings being endured by the Jews of the Nazified and Nazi-dominated countries of Europe, where legal rights and agreements are being flouted by ruthless force, and where the fundamental elements of human kindness and common decency are no longer existent. * * * We, who have always cherished freedom for ourselves and those in our midst wish to do our share, however slight, to aid in the noble work of your committee. For that reason, we are enclosing herewith check to your order in the sum of \$200.00. Rest assured that this sum is entirely disproportionate to our wishes for the committee's success.

- 4 -

Favorable Comments on Bonds

Miss C. A. McHugh, Former U. S. Attorney, Christodora House, N.Y.C. * * * The War Bonds I have were purchased during my days of earning power, when my salary met all needs and left a surplus. They are the most admirable security in the world, and combine the very best security elements for people on an earning base with many years yet to run. But if you created an issue designed particularly to repay monthly to older people whose earning days are over, and spending days have begun, you could, by charging the present value interest and principal, bring out a security which would automatically mature monthly or quarterly, and the interest could be added to the cost of the bond. * * * Anyway, if it could be arranged, it would meet a huge need. You have done a stupendously fine job of war financing - I made a study of fiscal systems under Dr. Bogart after the last war, and I know better than most people what a splendid service you have rendered to the class which are usually victims of optimistic speculators. But this one need - of older people past income days and already into spending days, doesn't seem covered by your present issues. Thank you.

John Singleton Smith, Minister, First Christian Church, Exeter, Nebraska. Some two or three weeks ago, I wrote you a letter of complaint with regard to difficulties experienced in the purchase of War Bonds at the local Post Office. Subsequent to the writing of that letter, events have taken such a turn as to precipitate a frank and open discussion between the Postmaster and myself, as a result of which we have arrived at a thoroughly satisfactory and amicable understanding. Furthermore, I have discovered that there were extenuating circumstances in behalf of the local Postmaster of which I was not aware. I therefore take the liberty of requesting that you no longer entertain the complaint above referred to, and that you take or cause to be taken no action in connection therewith. In short, in the words of our Commander-In-Chief: "Let's get on with the war."

- 5 -

Unfavorable Comments on Bonds

H. A. Gehringer, Accountant, The Irwin Auger Bit Co., Wilmington, Ohio. We have for some time been filling out War Savings Bonds, Payroll Savings, Sales Report. But the time has come when we must give priority to some of our own reports. We report to the chairman of our county each month the same information which we give you, and also break down our purchases through the Federal Reserve Bank, according to their request. We therefore feel that one of these reports should be deleted and we ask you to advise us as to which one of the three reports we are making on War Bonds is the most important. You, no doubt, realize that the handling of payroll deductions, the keeping of the records, and the purchase of bonds is in itself a large and additional task to the many which have been added because of the war. We are sorry that we must write this letter to you but a halt must be called somewhere.

Arthur J. Mott, Principal, High School, North Attleboro, Mass. Early last year the North Attleboro High School put on a Drive for the sale of War Bonds. * * * It was our understanding that if we raised \$75,000 within the specified time, the school would have the privilege of naming a pursuit plane, and would have sent to the school, pictures of the plane. We carried the campaign through and ended it on last February 12, with the total amount raised in excess of \$106,000. As yet, however, the school has not received any pictures of the plane. To most adults this is a small matter, but the pupils are disturbed and dissatisfied. They feel that they carried out their part of the bargain and have been deprived of what was promised them. We were the first school, as far as I am able to ascertain, that did this sort of thing. Other schools have since conducted similar campaigns and have received pictures of material bought, and in some cases, the school has been shown the actual equipment purchased. I know you

- 6 -

are a very busy man and this is a very trivial matter, but we do want our young people to retain their enthusiasm for, and loyalty to all national endeavors.

Mearl Munson, The Toggery, Wellman, Iowa. * * * The Treasury is vigorously denying any such instructions as a Nebraska banker has announced as his policy to force the Fourth War Loan Drive. The spokesman for the Treasury states that this is a free country, and such methods as the Nebraska banker is trying to use are absolutely unnecessary. * * * We Bond Drive workers here in this little town agree that no houses should be painted yellow, etc., but we have worked in the past with the thought in mind that this money had to be raised and the Government could and would use compulsory measures, if need be -- are we right in this thought? We are told that if we do not get the money the first round, we will be called on to go out the second time, and finish the job, which we have had to do in the past. It might be interesting to know that two-thirds of the workers out here are ex-service men. * * * The ex-service men have taken this job with the thought that it was their duty and a pleasure to take part, yet they have had the thought that buying War Loan Bonds was more or less a compulsory measure by their Government. We are often asked the question, "How much should I buy?" Our answer has been, "Buy all you can". * * * We find in the final check-up on the individual bonds purchased that there is more interest taken in the buying of War Loan Bonds by the lower income groups; while the larger income groups do buy bonds, they are more interested in investing their money in another farm, or expanding their business in order to make more money or defer a son from the service. These larger income groups do not take our answer so seriously as do the lower income groups. * * * We ex-service men understand the drafting of men for the service in time of war, and have been wondering why not draft the money? If the Government really wants this money, why not make it compulsory for every individual to invest a certain percentage of their income in War Loan Bonds. * * * If the Treasury feels

that it has been so easy to raise the past War Loans, why have so many people put in so much time and worked so hard to collect same? Eighty percent of the people must be seen personally by the workers or no bonds would be sold to private individuals. If the Department has not investigated enough to know the amount of work performed in obtaining the quotas, why make statements that it is easy to raise the money? Each bond drive is getting harder.

Guy Cook, Cashier, Foster County State Bank, Carrington, N.D. As War Finance Committee Chairman for my County, I have been an interested on-looker to the unfortunate controversy between your Department and Mr. Placek of Wahoo, Nebraska. I say unfortunate because it has had so much publicity over the radio and through the press and has had some very unfavorable reactions in our County, as I am sure it has had in many others. While your Department position may be the democratic one, I am afraid that a good many of us field workers feel more favorable to the realistic side of Mr. Placek. * * * We are the field men and hear the refusals to buy bonds, and in many cases, do not have any patience with the reasons for the refusal. There are many conscientious objectors and we have no quarrel with them, as for the most part, they are willing to give of their service to some non-combat service. The non-buyers that I am referring to are those who at heart are disloyal as I believe those are the ones to whom Mr. Placek had reference. I do not for one minute believe that it was your intention to give comfort to such people, but in fact, that was what your Department statement has done. * * * At the time that your Department statement came out that you would ask for the removal of Mr. Placek if he went ahead with his plans, I had some of my solicitors come and ask to quit. They felt that you were not getting back of them. Then too, they reported that some of the lukewarm bond buyers were now refusing to buy at all as they had heard your statement and felt that no

- 8 -

compulsion could be used against them. Viewing it from a realistic rather than an idealistic point, I believe that your Department statement has done an immense amount of harm -- I know that a lot of others have the same idea. Your Department should do something to counteract it or it will have quite a bearing on future bond drives.

John W. Speckman, (Lawyer), Philadelphia, Pa. (Copy of letter addressed to the Federal Reserve Bank, Philadelphia, Pa.) Matilda M. Duncan died recently, and among her effects was a \$500.00 Series G Bond. One of the persons interested in the estate was willing to take the bond, and I called at your office and was there informed that it could not be transferred. * * * I consequently turned it in to the Girard Trust Company, and a few days ago I received \$481.00 for the bond, the estate thereby losing \$19.00 and two months' interest between the time when it was sent to your office, and the remittance finally received. It seems to me that this is simply theft on the part of the Government. The parties in this matter were willing to retain the bond, but they were forced to redeem it at a loss, the Government therefore unjustly profiting in the sum of \$19.00 and two months' interest on the \$500.00. The Government is evidently stealing pennies from dead men's eyes, and how the Government can expect its citizens to be honest and honorable in their transactions after its action in such matters as this, I cannot understand. * * * Any business institution or bank, which would conduct itself in this manner, would be subject to severe criticism and would be put out of business. The estate, of which I am executor, had no choice in this matter, excepting to allow the unjust deduction of this amount or to burn the bond, since it could do nothing with it, and I do not believe that the general public know that

- 9 -

the Government would resort to such petty theft, under circumstances like this case, and which might frequently arise in the future. * * * I surely will advise any of my clients in the future to be cautious in subscribing for bonds issued under such circumstances.

Allen Germain, Brooklyn, N.Y. * * * I feel that the system of numbering the War Loans is psychologically bad. Here we are at the 4th War Loan, with the 5th one in prospect. People are already starting to say, "Gee, the 4th!". Unfortunately, the 5th will bring home again the fact that the war is becoming long; and people don't get excited about that thought. Constructively, may I suggest that, instead of numbers, the Loans be called by names. For example, a good name, instead of the 4th War Loan, would have been the "Invasion Loan". It brings home the urgency of making the Loan a success. It's exciting, and it makes the people feel that their money is actually going for some big thing in the war effort. I refer, of course, to the effect on the man in the street, the fellow you want to buy "E" Bonds, but who doesn't seem to be doing his job better than 50 or 60%. The coming War Loan might still be called the "Invasion Loan" instead of "The 5th War Loan", because the invasion process will cover a period of time. As the campaign goes further, the next war loan could be called, "The Advance" or "Forward March" Loan. * * *

Manton D. Martin, Treasurer, Saint Paul's Church, Rahway, N.J. Last month I personally presented a coupon cut from 3 3/8% Treasury Bond 1943-47 (\$500) for payment at the Federal Reserve Bank, New York. It was turned back to me with the statement that the bond was called in June, 1943. It seems to me that when I presented the previous coupon last July the clerk there might have said to me, "You know this bond has been called", or words to that effect, instead of making me hold the bond and coupon for six

- 10 -

months, thereby losing the interest entirely and the re-investing of \$500. True, I suppose the list was advertised SOMEWHERE (the clerk suggested possibly Hoboken), but it seems to me a rather small position for Uncle Sam to establish, not to have informed me when I presented the JUNE coupon. In these times when all of us are urged continually to buy, buy, buy more bonds, that such a system should have been resorted to for the sake of doing a poor Church out of \$8.43 and the loss of the use of \$500 for six months. Such treatment is not conducive to further purchases. I suggest that such tactics be eliminated, and that when an individual presents a coupon for payment that he be informed that the bond has been "called". Under the circumstances, if you can see your way clear to remit the above Church \$8.43 for interest lost, we should greatly appreciate it. * * *

Geo. M. Craig, President, Merchants National Bank, Port Arthur, Texas. Hardly a day passes that someone does not apply, usually for a short-time loan, and offers as collateral an E, F, or G, U. S. Government Bond. When we tell them we are forbidden to accept such collateral, they usually cash the bond. We cannot understand why you enforce such restrictions.

Telegram sent to Stephen Early by William J. Bessey, San Antonio, Texas, and referred to the Treasury for handling. In 1942 I purchased 8 War Bonds on the first offer; of these I received 3. In 1943 my wife was taken ill. Her sickness cost me about \$1,100.00; still under the doctors now. * * * January 19, 1944, I was taken sick; have to leave work; the doctor says I am obliged to be operated upon. I have corresponded with the War Bond Office in Chicago; they kept referring me to the Citizens Personnel Office of Fort Sam Houston. Mr. Aird says his office has complied with all the

- 11 -

regulations and sent papers back to Chicago Office, as required. It seems very strange that I have to beg for my own money so I can be operated upon and pay my hospital bills. Now, Mr. Early, I wish you would advise me what steps to take in this matter. * * * This statement will be verified by the Post Engineering Department at Fort Sam Houston. * * *

R. F. Zahm, President, Raub Supply Company, (Plumbers, Tanners & Heating Supplies), Lancaster, Pa. We understand, of course, under present conditions all officials are busy. However, we cannot find an excuse for the failure of the Vice President of the Federal Reserve Bank to answer his mail for nearly a month. We are attaching a copy of our letter to Mr. L. E. Donaldson, of the Federal Reserve Bank of Philadelphia, under date of January 18. We feel strongly that your printed advertisement with reference to Tax Anticipation Bonds should have been not only clear to purchasers, but also all your Fiscal Agents should have been fully informed. If these bonds could not be redeemed at maturity with the small rate of interest of less than $\frac{1}{2}$ of 1%, that statement should have been made in your printed matter. We realize this interest, which is due us, represents little, if anything, in dollars and cents as we will pay at least 90% of it immediately for Excise Profits Tax, however, if any Department of the Government should act on a straightforward principle, it should be the Treasury Department. Certainly we are using all efforts to impress everyone with the value of War Bonds, and the attempt to chisel a few dollars because of failure to properly explain the intention of the Treasury Department seems difficult to understand. Will your Department kindly instruct the Federal Reserve Bank to follow our letter and return these bonds to us if they are not subject to redemption after maturity? We have a considerable number of Tax Bonds B-45 for use and also Series C, in addition to several hundred thousand in War Bonds.

- 12 -

Horace J. Taber, Secretary, Greenwich Savings & Loan Association, Greenwich, N.Y. Your circular letter of the 5th has arrived at a very opportune time. We have assumed that we were duly qualified selling agency for War Bonds, but now we are informed by the Federal Reserve Bank of New York that we cannot enter subscriptions direct for our customers for the 2½% Treasury Bonds, but must do it through some commercial bank, and they have returned to us a subscription for \$1,000, 2½% Treasury Bond, made by our Vice President. Naturally, this does not make us feel very enthusiastic about trying to sell War Bonds. Our institution is the only financial institution in this little village that is advertising War Bonds. We advertised during the Third War Loan and we have been advertising during the present one. The National Bank here has not spent one nickel advertising any of the War Bonds, and yet we are not qualified to take subscriptions. We are just about to enter a subscription for \$5,000 for our own account. In fact, the application is made out and about ready for mailing. However, if we cannot enter this subscription direct, the same as any other financial institution, my personal feeling is that we will not enter the subscription at all. If we are good enough to sell Series "E" and Series "G" Bonds, it seems to me that we ought to be good enough to sell the others.

- 13 -

Favorable Comment on Taxation

F. W. Seieroe, Deputy Collector, Internal Revenue Service, Butte, Montana. I am writing this letter in regard to the recent effort of a Cleveland, Ohio, paper to make the Treasury Department look ridiculous, telling how five deputies get five different answers to the same income tax problem. I feel confident that the newspaper furnished a rough outline of the problem, and when these men gave the details to the deputies, each had to make up his own details -- details which, of course, would affect the tax liability. I surely hope the Department will look into this and defend these Deputies -- if they deserve it. This is about the cleverest sabotage effort I have heard of -- an attempt to instill distrust into the minds of the people, and this at a time when we are swamped with preparation of income tax returns.

- 14 -

Unfavorable Comments on Taxation

Anonymous - Postmarked, Flushing, N.Y. More power to Vivien Kellems! I hope to God that more people have the guts to speak up and express themselves. To be sure, if any one even dares to speak up, and even dares to defend himself, he is immediately hopped on by this bureaucratic government and branded as disloyal. Is it any wonder why people are hating the Administration more and more, and why people have so little faith in the New Dealers? * * *

Mrs. C. A. Brenner, Denver, Colorado. (Enclosing newspaper clipping on graft in construction of Army base.) In regard to Miss Vivien Kellems, and your remark about her actions smacking of disloyalty, I would like to know what this other article smacks of. You must have a name for it. I am very much in favor of Miss Kellems' stand, until the people like you, and the bureaucrats in Washington do something about the terrible waste of money by our Government.

White speaks to me^r
about this 62

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 11, 1944

TO Secretary Morgenthau

FROM Mr. White

Subject: Collaborationist activities of M. Leroy-Beaulieu

M. Leroy-Beaulieu, a former Inspecteur de Finance in Vichy France, is now attached to the French Supply Mission in the United States although documented evidence of his active collaboration with the Germans is reported to be in the hands of the Purge Commission of the French Committee of National Liberation. According to French economic warfare authorities, M. Leroy-Beaulieu was permitted to come to Washington at the strong personal request of M. Monnet and for this reason nothing is now being done about the charges against M. Leroy-Beaulieu.

During a recent debate in the Consultative Assembly in Algiers one of the Communist delegates, M. Marty, charged that M. Leroy-Beaulieu, former Vichy Counsellor on Foreign Trade, was attached to Commissariat of Production and Commerce under M. Diethelm for the purpose of aiding the enemy by sending supplies to France through the Allied blockade. M. Diethelm denied that M. Leroy-Beaulieu belonged to his Commissariat and claimed that it was not intended to use him and that he was not in North Africa. M. Marty stated that the intelligence authorities would discover many interesting things if they investigated M. Leroy-Beaulieu.

The Treasury representatives in Algiers report that in the dossier sent to the Purge Commission M. Leroy-Beaulieu is accused of having signed an agreement with Italy to send strategic material from France and French Africa to the Axis forces in Libya during the African campaign and with having undertaken negotiations with the Germans to have Germany replace the United States as a source of imports for French Africa. In May 1943 M. Leroy-Beaulieu was interviewed by Treasury representatives in Algiers to obtain information on financial and economic conditions in France. During this interview M. Leroy-Beaulieu

Division of Monetary
Research

- 2 -

stated that he had approached the United States Embassy in Vichy in 1942 to request that the Allies not bomb France so that the Germans would not move French industrial plants and workers to Germany or Central Europe.

At the time of the French Armistice M. Leroy-Beaulieu was Financial Attache to the French Embassy in Washington. In July 1940 he was recalled to Vichy to serve as Director of Foreign Commerce for France. He also was Director of the French Line, which has been consistently pro-Vichy. Under the Vichy regime M. Leroy-Beaulieu was assistant to M. Couve de Murville on the French-German armistice commission and accompanied him from Vichy France to North Africa in March 1943. In November 1943 M. Couve de Murville was dismissed as Secretary of Finance for suspected collaborationist tendencies.

FEB 11 1944

TO: Under Secretary Stettinius
FROM: J. W. Pehle

You will recall that, in announcing the setting up of the War Refugee Board, the President stated that he expected to obtain the cooperation of all members of the United Nations in carrying out the task of the Board. While cables have been sent to our representatives abroad asking them to explain our new program to the governments to which they are accredited, it would appear to be advisable to send further cables along the lines of the one we recently sent to Winant to our representatives with the other United Nations.

I attach a proposed cable and, if you agree, I would appreciate having it despatched at once.

(Signed) J. W. Pehle

Attachment.

DRAFT OF CABLE TO OUR REPRESENTATIVES ACCREDITED
TO ALL THE UNITED NATIONS, EXCEPT GREAT BRITAIN

The following telegram is sent at the request of the President's War Refugee Board:

Refer to Department's cable of January 25 concerning the President's Executive Order establishing the War Refugee Board and declaring the policy of this Government.

In discussing this matter with the Foreign Office of the government to which you are accredited, you are requested to make it clear that the establishment of the War Refugee Board represents this Government's determination to effectively carry out without delay the policy to take all possible measures for the speedy rescue and relief of the refugees of Europe.

Although this Government on its part intends to take all possible action with all possible speed, we hope that this effort will not be unilateral and we wish to make it clear that it continues to be the policy of this Government to encourage and participate in effective cooperative efforts with other governments.

As the President has stated, the Board of course will cooperate fully with all interested international organizations.

You are requested to make clear to the government to which you are accredited the position of this Government and our desire for its cooperative action. You should explore with the appropriate officials of the Foreign Office the possibility of implementing such cooperation through the issuance by this Government of a declaration of policy similar to that made by the President and the issuance by the Foreign Office of instructions to its representatives in other countries comparable to the instructions contained in the Department's telegram of January 25.

Please keep us informed on this matter.

COPY

February 11, 1944

Dear Mr. McCloy:

I am transmitting herewith for your information a copy of a telegram sent to the British Embassy, Washington, by the British Foreign Office. Also attached is a copy of a letter which I am today sending to Mr. Stettinius on this matter, together with a copy of the proposed reply to the British telegram.

I will take this matter up with you or Mr. Bundy when I have received the views of the State Department on the proposed reply.

Very truly yours,

/s/ J. W. Pehle

J. W. Pehle
Acting Executive Director

Mr. John J. McCloy,
Assistant Secretary of War,
War Department.

JMP:ngt 2/11/44

FEB 11 1944

Dear Mr. Stettinius:

Reference is made to your letter of February 5, enclosing a copy of a telegram dated January 25 from the British Foreign Office to the British Embassy here, concerning the issuance of a declaration regarding Hitler's extermination of the Jews of Europe. The advice of War Refugee Board is requested.

There are of course two important phases of carrying out the announced policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death. One is the taking of action designed to get the Hitlerite forces and particularly their subordinates and their satellites to cease committing atrocities against the Jews and other civilian victims of enemy savagery. The other is the taking of action designed to rescue the persecuted minorities of Europe from death despite the attitude of our enemies.

The essential feature of the first phase of this job, as I see it, is to convince the leaders and the people in Germany and Germany's satellites that this Government and other members of the United Nations view most seriously the policy being followed by the enemy and are determined to see to it that those responsible will be punished. This involves not only the making of appropriate statements and representations, but also making them under such circumstances as will convince the leaders and the people in enemy countries that we mean business and seeing to it that such statements are brought home to these groups.

A program of this character offers the best potentialities for saving hundreds of thousands of lives. The number of persons we can reasonably hope to rescue despite the attitude of our enemies obviously cannot be compared with the far greater number which might be saved from death by changing the attitude of enemy governments and particularly their functionaries and subordinates.

If it is a fact that, as the British state, there is little evidence that the 1942 declaration perceptibly lessened the persecution of the Jews, the question arises as to whether this declaration was issued under such circumstances and was given such publicity in the enemy countries as to maximize the effectiveness of what was said in the declaration.

- 2 -

In this connection, it must be borne in mind that the 1942 declaration was issued at a time when Germany and her satellites had high hopes for victory. A declaration issued at a time when Germany and her satellites knew they have lost the war has potentialities so great that it can hardly be compared with the declaration which was issued in 1942.

The statement by the British that the 1942 declaration seemed to indicate to the Germans a means whereby they could distress and embarrass the Allies is not fully understood. So long as any government participating in such a declaration is determined to do all in its power to prevent the murder of the Jews, and this fact is made clear to the Germans by action as well as words, it is difficult to see how any such statement could embarrass such government. On the other hand, if the position of such government is that expressed by certain British officials to our Embassy in London in December (see Cable 8717 from Winant, December 15) - in simple terms that they were apparently willing to accept the probable death of thousands of Jews in enemy territory because of "the difficulties of disposing of any considerable number of Jews should they be rescued" - and if this attitude is known to the Germans by virtue of the actions if not the words of such government, then the contention that a declaration might embarrass such government has some significance.

With respect to the statement on the punishment of atrocities issued at the Moscow Conference, there is merit in the contention that if this declaration had specifically mentioned the atrocities against the Jews, Hitler and his cohorts might have been more convinced of our attitude on their treatment of these people. In this connection, it is noted that the British themselves place chief reliance on the 1942 declaration rather than the Moscow declaration. In view of the fact that Hitler has always specially singled out the Jews - reserving, as Secretary Hull stated in his address before Congress on November 18, "for the Jews his most brutal wrath" - there is much to be said for the fact that any statement on our part which omits any specific reference to the Jews loses much of its effectiveness in Germany and among her satellites by reason of the omission.

We are now mapping out a program of action which we feel that this Government might take designed to get Germany and her satellites to desist in their persecution of the Jews and other minority groups in Europe. In this connection, we have been actively considering the issuance of a strong declaration relating specifically to the murder of the Jews.

- 3 -

We expect to have ready in the near future for submission to the members of the Board a declaration which we feel might be issued by this Government. It is anticipated, of course, that the declaration would be issued by the President.

In the meantime, it is suggested that a reply along the lines of the attached be sent to the British Embassy here. This reply has been cleared with the Treasury Department and, upon receipt of your approval, I will be glad to clear it with the War Department. When the reply is sent to the British, it is suggested that you send the text of the reply, together with the text of this letter, to Ambassador Winant for his use in discussing this matter with the British in London.

I am sending a copy of this letter and its enclosure to Mr. McCloy of the War Department.

Very truly yours,

(Signed) J.W.Pehle
J. W. Pehle
Acting Executive Director.

Enclosure.

Honorable Edward R. Stettinius, Jr.,
Under Secretary of State,
Department of State,
Washington, D. C.

PROPOSED REPLY TO THE BRITISH EMBASSY.

The War Refugee Board, which has been charged with carrying out the announced policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death, has under consideration the type of action which this Government might take, designed to get the Hitlerite forces and particularly their subordinates and their satellites to desist in their persecution of the Jews and other minority groups in Europe.

In this connection, the War Refugee Board has under active consideration the issuance by this Government of a strong declaration relating specifically to the murder of the Jews. It is important that the leaders and the people in Germany and Germany's satellites be convinced that this Government and other members of the United Nations view most seriously the policy being followed by the enemy and are determined to see to it that those responsible will be punished. This involves not only the making of appropriate statements and representations but also making them under such circumstances as will convince the leaders and the people in enemy countries that we mean business and seeing to it that such statements are brought home to these groups.

A program of this character offers the best potentialities for saving hundred of thousands of lives. The number of persons we can reasonably hope to rescue despite the attitude of our enemies obviously can not be compared with the far greater number which might be saved from death by changing the attitude of enemy governments and particularly their functionaries and subordinates.

Your Foreign Office states that there is little evidence that the 1942 declaration perceptibly lessened the persecution of the Jews. The question therefore arises as to whether this declaration was issued under such circumstances and was given such publicity in the enemy countries as to maximize the effectiveness of what was said in the declaration.

In this connection, it must be borne in mind that the 1942 declaration was issued at a time when Germany and her satellites had high hopes for victory. A declaration issued at a time when Germany and her satellites know they have lost the war has potentialities so great that it can hardly be compared with the declaration which was issued in 1942.

- 2 -

The statement by your Foreign Office that the 1942 declaration seemed to indicate to the Germans a means whereby they could distress and embarrass the Allies is not fully understood. So long as the governments participating in such a declaration are determined to do all in their power to prevent the murder of the Jews, and this fact is made clear to the Germans by action as well as words, it is difficult to see how any such statement could embarrass such governments.

Whether this Government will issue a declaration on Hitler's atrocities against the Jews depends on whether we feel that the issuance of such a declaration would help to save some Jews from death.

JEDuBois:ecr 2/10/44

~~CONFIDENTIAL~~ COPY

OFFICE OF
THE UNDER SECRETARY OF STATE
WASHINGTON

February 5, 1944

Dear Mr. Pehle:

Mr. John Russell, Second Secretary of the British Embassy, has just called at the Department and left with us the attached copy of a telegram dated January 25 sent to the British Embassy here by the British Foreign Office. You will note that a reply is requested and we should greatly appreciate the advice of the War Refugee Board as to the reply.

With best wishes,

Sincerely yours,

Hayden Raynor,
Special Assistant to
the Under Secretary

Enc.

Mr. John W. Pehle,
Acting Executive Director,
War Refugee Board,
Treasury Department,
Washington, D. C.

COPY

Executive officers of World Jewish Congress in London have for some time been pressing us to give favourable consideration to a proposal that United Nations should issue a new declaration concerning continuing execution of German policy of exterminating Jews in Europe. They have recently reverted to this proposal and in favour of it have maintained that deportation of Jews from Greece, Bulgaria, France and other parts of Europe and their mass execution in Poland are being systematically continued and that situation of Jews remaining in occupied territories and satellite countries is becoming increasingly perilous. They maintain that omission of any specific reference to crimes against Jews from Moscow declaration on German atrocities has caused deepest anxiety and disappointment among Jews throughout world.

2. H.M.G. are not in favour of issue of any new declaration specifically concerned with atrocities against Jews, their attitude in matter was made clear in their declaration of 17th Dec. 1942. There is nothing that could now be added to that declaration and it seems unlikely that any repetition of it would be any more successful than was original declaration in restraining Germans. There is little evidence that 1942 declaration perceptibly lessened persecution of Jews. On contrary it seemed to indicate to Germans a means whereby they could distress and embarrass Allies while among Jews it raised hopes and expectations of far-reaching action whose fulfillment has in circumstances of war proved impossible as U.S.G. will be aware from their experience at Bermuda conference and after world Jewish Congress may be moved in part by a desire to secure from Allies some statement which they could represent as constituting a measure of recognition of separate national status for Jews.

3. Since however world Jewish Congress is mainly American in inspiration and in view of pressure which they will doubtless seek to bring to bear on U.S.G. in election year, we should prefer, before turning down present proposal, to have an indication of U.S.A.'s views and if possible some assurance that we may count upon their support, should a similar request be made to them.

CANADIAN EMBASSY
AMBASSADE DU CANADA

Ottawa, February 11, 1944.

Dear Mr. Pehle,

With reference to our conversation
the other day, I am enclosing herewith two copies of
a statement made by the Minister of Mines and Resources,
The Hon. T.A. Crerar, regarding the Government's policy
on refugees, which you may find of some interest.

Yours sincerely,

Paul Tremblay

John W. Pehle, Esq.,
Room 288 1/2,
Main Treasury Building,
Washington, D.C.

PRESS STATEMENT ON REFUGEES MADE BY THE MINISTER
OF MINES AND RESOURCES

The Prime Minister on July 9th made in the House of Commons a general statement of Government policy on refugees and reviewed the steps already taken and those contemplated by the Government as their contribution to the relief of these unhappy victims of Nazi persecution. I am now able to make public further actions taken by the Government in this connection.

One of the main conclusions reached at the meeting held last spring in Bermuda between representatives of the United Kingdom and the United States was that concerted international action was essential since the refugee problem could only be solved by co-operative effort. This meeting proposed that the Intergovernmental Committee on Refugees should be re-organized so as to extend its powers and its membership. Detailed proposals were later submitted by the Executive Committee of the Intergovernmental Committee to 49 Governments and these proposals were at once accepted by the Government of Canada.

Their principal effect is -

- (1) to expand the membership of the Committee (hitherto limited mainly to countries of the American continents and western Europe) so as to include all countries other than the enemy powers;
- (2) to extend the activities of the Committee (previously restricted to refugees from Germany and Austria) so as to include as far as practicable all persons wherever they may be, who, as a result of events in Europe, have had or may have to leave their countries of residence because of the danger to their lives or liberties because of their race, or religion or political beliefs;

- 2 -

- (3) to empower the Committee to undertake negotiations with neutral or allied states and private organizations for the preservation, maintenance and transport of refugees and to receive and spend private and public funds for these purposes;
- (4) to invite in due course all member governments to contribute to the cost of the maintenance and transport of refugees (hitherto Member States have provided only administrative expenses and other costs have been met from private sources);
- (5) to arrange that the United Nations Relief and Rehabilitation Administration should, if possible assume responsibility for refugees in any areas in which it may be operating.

It is to be hoped that these proposals will be accepted by all the Governments concerned and that there will thus be established an effective method of securing continuous international cooperation and financial support for the maintenance and transportation of the refugees who are already outside enemy territory or may succeed in escaping to neutral or allied countries.

The Canadian Government has also undertaken to institute at once on its own behalf certain further measures for the relief of refugees. A substantial number of refugees who have not succeeded in finding a place of abode for the duration of the war are in Spain and Portugal and their placement is one of the urgent aspects of the problem. It has been decided to authorize a further movement of refugees from this area to Canada and to facilitate this movement the Immigration Branch of the Department of Mines and Resources is re-opening its office in Lisbon. An Immigration official is now at Lisbon for this purpose and to issue the necessary visas.

- 3 -

Sympathetic consideration is also being given by the Canadian Government to persons of enemy nationality who having been interned in the United Kingdom were brought to Canada under special arrangements in 1940. Whilst some of these were dangerous the majority were found to be refugees from enemy persecution. Some have been allowed to return to the United Kingdom and most of those remaining have been temporarily released in Canada for employment. The need for thorough investigation to determine beyond doubt the political sympathies of those so released necessitated certain restrictions which, whilst not limiting their capacity to perform useful service in Canada, made close surveillance possible. These restrictions are now under review and may be relaxed in the near future.

November 2, 1943.

THE AMERICAN JEWISH
JOINT DISTRIBUTION COMMITTEE, Inc.
270 MADISON AVENUE, NEW YORK 16, N. Y.

February 11, 1944.

Mr. John W. Fehle, Acting Executive Director
War Refugee Board
Treasury Department
Washington, D. C.

Dear Mr. Fehle:

I enclose copies of two cables which we have received today from Lisbon in which I am sure you will be interested. I hope that Hirschmann will look into the availability of Turkish shipping, although I would assume that Barlas must have explored that possibility pretty thoroughly. It would, however, be interesting to know why Turkish shipping cannot be provided.

Sincerely yours,

Moses A. Leavitt
Secretary

MAL:JG

Dear Mr. Pehle: Herewith a copy of my letter to Mr. Bell which is self-explanatory

February 11, 1944.

Mr. John O. Bell
Division of International Communications
Department of State
Washington, D. C.

Dear Mr. Bell:

We respectfully request a priority for Robert Pilpel for a Clipper reservation to Lisbon during the week of February 14th, or as soon thereafter as possible. Mr. Pilpel is in possession of his passport and a Portuguese visa. He is proceeding to Lisbon as our staff representative and under normal circumstances we would not request a Clipper priority for him. However, with the creation of the War Refugee Board and the new developments that have taken place in the last days, it is of the greatest importance to us that Mr. Pilpel arrive in Lisbon as soon as possible in order to bring Dr. Schwartz a complete and detailed verbal report of the situation as it affects the rescue of refugees.

I have discussed this matter with Mr. Pehle, Acting Executive Director of the War Refugee Board, who has indicated to me his interest in Mr. Pilpel securing such a Clipper reservation. You may wish to communicate with Mr. Pehle.

According to our information, the first Portuguese boat due to sail for Lisbon is on February 29th. This would mean that Mr. Pilpel would not arrive in Lisbon until the middle of March or perhaps later. A Clipper priority would give us an additional month's time for Dr. Schwartz to plan his rescue activities.

We trust that this request will receive your sympathetic and favorable consideration.

Sincerely yours,

Mass A. Leavitt
Secretary

MAL:JO

copy to JV Pehle

INCOMING CABLE

1250

LISGARECEIVED AND STENCILED
FEB. 11, 1944

GUOXY P0960 LISGA VIA RGA 60 5 2100
HLE LEAVITT
JOINT DISTRIBUTION COMMITTEE
270 MADISON AVENUE NEW YORK

632 YOUR LIS BARLAS ADVISES POSSIBILITY EXISTS TRANSFER SEVERAL THOUSAND
CHILDREN TRANSISTRIA DIRECTLY TO PALESTINE VIA TURKEY PROVIDED NEUTRAL
SHIPPING FACILITIES AVAILABLE STOP WE HAVE BEEN NEGOTIATING WITH PORTUGUESE
COMPANIES BUT OUTLOOK NOT FAVORABLE STOP WE CONTINUING EFFORTS HERE BUT IF
YOU CAN FIND OTHER POSSIBILITIES WOULD BE MOST HELPFUL

JOSEPH SCHMANS

INCOMING CABLELISBON

1253

GUCHF PC965 LISBOA VIA RGA 93 5 2100

Received and Stencilled Feb. 11, 1944

ELT LEAVITT JOINT DISTRIBUTION COMMITTEE
270 MADISON AVENUE NEWYORK

SIXTHIRTYSIX JUST ARRIVED FROM SPAIN STOP AS RESULT DEPARTURE PALESTINE GROUP
NORMAL FOR REFUGEES SPAIN REDUCED TO SEVENHUNDRED FIFTYTHOUSAND PRESENTS MONTHLY
STOP HOWEVER VIEW POSSIBILITY IMMINEENT ARRIVAL ADDITIONAL FOURHUNDRED SEPHARDIC
JEWS FROM OCCUPIED TERRITORY AN RECOMMENDING NO REDUCTION SPANISH BUDGET THIS
TIME AND MAY BE COMPELLED ASK FOR INCREASE STOP AMBASSADOR HAYES AGREES SEPHARDIC
GROUP SHOULD BE INCLUDED BORNEMAFRICAN PROJECT WHICH MOSES BECKELMAN NOW
ARRANGING IN SPAIN STOP IN THIS WAY SUBSTANTIAL NUMBER EXPECTED NEWARRIVALS
MAYBE EVACUATED WILL KEEP YOU ADVISED

JOSEPH SCHWARTZ

OFFICE OF
THE REPRESENTATIVE
OF
THE UNITED STATES OF AMERICA

Algiers, February 11, 1944

CONFIDENTIAL

No. 106

Subject: Transmitting copy of report concerning the condition of Jews in Italy, Sicily and Sardinia.

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Department's circular airgram of January 26, 1944, 7:00 p.m. and to transmit as of interest to the Department a report with its enclosure regarding the condition of Jews in Italy, Sicily and Sardinia.

It is noted that the report has been made available to the Secretaries of the Combined Chiefs of Staff, but out of abundance of caution and in the light of the Department's special interest in the question, I am forwarding a copy direct.

Respectfully yours,

Selden Chapin,
Counselor of Embassy, in Charge

Enclosure

1. Report dated February 8 with enclosure

840.1

PFW:mom

Single copy to Department.

cc: Chauncey, Abrahamson, Aksin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H.D. White, Pehle, Sargoy, Files.

Enclosure No. 1 to Despatch No. 106 of February 11, 1943
from Algiers

C
O
P
Y

ALLIED FORCE HEADQUARTERS
Military Government Section

CONFIDENTIAL

8 February 1944

SUBJECT: Condition of Jews in Italy, Sicily and Sardinia

TO : The Secretaries, Combined Chiefs of Staff,
1901 Constitution Ave., Washington, D. C. (2)

Major General J. H. Hildring, Chief, Civil Affairs
Division, War Department, Washington, D. C. (2)

Major General S.W. Kirby, Director of Civil Affairs,
War Office, Whitehall, S.W. 1 (2)

War Office, (C.A. 3(b)), Whitehall, S.W. 1 (1)

Mr. R. D. Murphy, American Minister (2)

Mr. Harold MacMillan, British Resident Minister (2)

1. The attached copy of an interim report on the conditions of Jews in Italy, Sicily and Sardinia is forwarded for your information, and it is requested that you will disseminate the particulars therein contained to such other authorities as may be interested.

2. Certain details contained in the report are considered to require clarification, or further explanation. These are:

(a) Prisoner of War (PW) Camps referred to in para 1 are camps established for the care and administration of Allied ex-PW recovered from the German forces, and should properly be referred to as Ex-PW Camps.

(b) The figures given in para 2 should be understood to refer to refugees, displaced, or lately interned Jews, and should not be confused with those Jews who are normally resident in Italy, who, if they had been interned, may now have returned to their homes.

- 2 -

(c) In para 3 the designation "M.I. Room" has been taken from British military terminology, and is the abbreviation for "Medical Inspection Room". It is understood that the "M.I. Room" will, in fact, be a medical centre for the care and treatment of the local Jewish community.

(d) Regarding medical supplies, as mentioned in para 4. Between 1 January and mid-February 800 Long tons gross of medical supplies are phased for delivery. Of this quantity 400 Long tons gross has already arrived, and the situation should be satisfactory in future.

(e) Para 8, communications. International Red Cross enquiries and message forms are now being distributed, and with the early resumption of foreign mails with Italy, Sicily and Sardinia correspondence will be greatly facilitated.

3. Further reports on the condition of Jews will be furnished from time to time. Meanwhile their interests are being watched, and such assistance as is possible will be dispensed to those in need.

A. T. MAXWELL

Colonel, Acting Chief,
Military Government Section

CONFIDENTIAL

ALLIED CONTROL COMMISSION
INTERNEES & DISPLACED PERSONS SUB-COMMISSION
Office of the Director

30th January, 1944

SUBJECT: Conditions of Jews in Italy, Sicily and Sardinia

TO : Military Government Section,
Allied Force Headquarters

Reference your MGS-383-5 of 15 Dec. 43 and MGS-383-5 of 3 Jan. 44.

Registration of non-Italians resident as free citizens in liberated Italy has not yet been undertaken. It is, therefore, difficult to submit a complete factual report at this stage.

1. GENERAL

The following is compiled from information in the possession of this Sub-Commission, supplemented by reports received from Region 1, Region 2, Chief Liaison Officer, A.C.C., and the Jewish Chaplain, No. 2 District. The report called for from Region 6 is not yet to hand.

No Jewish problem, as understood in other European countries, exists in Italy. The Sub-Commission has handled approximately 3,000 Jews in liberated Italy. Amongst these have been native Italian Jews, who have been either released from internment or displaced from their normal places of residence by reason of military operations; refugees from Germany, Poland, Austria, Czechoslovakia and Yugoslavia who reached Italy before or during the war, and refugees received recently from the Dalmatian Islands. These have been cared for in ex-internment camps at FERRAMONTI (Cosenza) and PALERMO (Sicily), in No. 1 and No. 2 P.W. Camps at BARI and NAPLES, and in Transit Camps in LECCE Province (While en route to Middle East).

2. NUMBERS.

It is difficult to estimate the total number of Jews in liberated Italy. Numbers resident in or passing through camps are known, but there are many scattered throughout the country whose numbers can only be estimated. In Many towns and villages are individual groups, and others are to be found in remote districts where they took refuge during the Fascist regime. From time to time, groups who have been hiding, apply for assistance and are received, and there have been instances of Jews who have been afraid to disclose their identity, but revealed themselves on seeing Jewish soldiers of the Allied Forces.

- 2 -

The distribution of known Jews is, approximately, as follows:-

(a) <u>ITALIAN MAINLAND</u>	
FERRAMONTI CAMP	: 1300
No. 1 P.W. Transit Camp, BARI	: 650
No. 2 P.W. Transit Camp, NAPLES	: 100
From the Dalmatian Islands (in Transit Camps LECCE Province en route to Middle East)	: 300
SALERMO	: 50
LAGONEGRO	: 40
Villages near and around CASTEL-LUCCIA- INFERIORE in the Province of POTENZA	: 200
In and around the town of:	
BARI	: 500
NAPLES	: 500 - 600
TARANTO	: 100 - 200

It would be reasonable to estimate the total number of Jews at 5,000 to 6,000, about half of whom are accommodated in established camps.

- (b) SICILY (Region 1).
The number being cared for by the Sub-Commission at PALERMO is 58, comprising Yugoslavs, Czechoslovaks, Poles and one Albanian. In addition, it is estimated that 25 Jews are living in the Island, as permanent residents.
- (c) SARDINIA (Region 6).
Report not yet received but few, if any, believed to be in the Island.
- (d) LIPARI ISLANDS.
None.

3. ORGANIZATION.

The Jewish instinct for community organization has again been demonstrated. Prior to the Allied landings, the Union of Jewish Committees, "DELASEM", with a Central Office in Northern Italy, cared for Jewish immigrants. Contact with this body ceased in October last, but local representatives in liberated territory have formed local committees which continue an independent existence.

At FERRAMONTI, where the camp had been in existence for several years, the Jewish group has organized itself into a well-disciplined community. Recently this Committee have assisted in the foundation of a Communal Organisation at BARI, where no Community existed before the war. It is proposed to set up a Jewish M.I. room in connection with the latter.

In NAPLES the old Jewish Community is re-established and is rendering assistance to those of their own faith seeking advice on individual problems.

- 3 -

- The establishment of local committees is of value in that they provide
- (a) a recognized channel for the transmission of official instructions affecting the Community in general, and
 - (b) responsible bodies able to exercise control over the Community and eliminate frivolous and unsubstantiated individual petitions for official consideration.

They are also able to exercise a measure of control in domestic matters and to assist in the registration of refugees and the collection of personal data.

No restrictions other than those necessary for camp discipline and security purposes are imposed upon camp inmates.

4. HEALTH

The general standard of health is good. In camps men and women internees with medical and nursing experience attend to the needs of their fellows and supplement the services of Camp M.O's. Separate hospitals for Jewish refugees have not been set up but they share equally with other refugees the facilities provided by camp hospitals, and by civil hospitals for more serious medical and surgical cases.

Medical supplies have been provided and although not sufficient for more than bare requirements, Camp inmates have been better off than the surrounding population. The small Community in Sicily has maintained a good standard of health and medical supplies have been reasonably adequate. At FERRAMONTI the situation has not been so favourable, but is improving slightly with the arrival of shipments from abroad. An urgent need for medical and surgical supplies, however, still exists.

5. CLOTHING

There has been a considerable demand for clothing, particularly for women and children. Assistance has been given to men by the distribution of salvaged military uniforms. Liaison has been established with the American Red Cross and a shipment of clothing has been received during the last few days. These are being distributed equitably and it is hoped to alleviate immediate problems. Generally speaking, ex-internees are better off than refugees from forward areas as the former, having lived in camps for a considerable period, have been able to acquire a certain amount of clothing by purchase.

6. SYNAGOGUES.

No synagogues are known to exist outside camps. In camps Rabbis provide for the religious requirements of their Communities.

- 4 -

7. FINANCIAL STATUS.

Refugees and ex-internees are generally in need of financial assistance but, among ex-internees in particular, there are a number with considerable amounts of money in their possession. Those in Camps receive full rations in kind, or part rations and a subsistence allowance.

8. FAMILIES.

Almost invariably no news of families has been received by refugees since leaving their homes, in some cases, three or four years ago.

9. POLITICAL INTERESTS.

Jews, individually and as Communities, have been emphatic that they have no interest and no wish to take part in either local or national political life. On the contrary, most express a strong desire to be allowed to enter Palestine where they expect to be free from political influences and persecution.

10. TRADE.

On the whole Jewish traders and business men are operating and conducting their businesses normally. Recently one Jew was prosecuted and convicted of black market operations and this action was approved by his own Community. Allegations of black market trading have been made against other Jews but the foregoing is the only known case of proceedings having been brought. Many are in employment.

11. ANTI-SEMITISM.

No signs of anti-Semitism have been noted.

12. MORALE.

Considering their past experiences and privations, the morale of the Jewish population is high. Nearly 200 of the male Jewish, but non-British residents of FERRAMONTI CAMP have expressed a wish to join Palestinian Units of the British Army.

13. CONCLUSIONS.

Refugees and ex-internees of the Jewish faith represent a small proportion of the number being handled. They have received their share of relief and financial and other assistance according to availability. It is recognised that their lot is hard but liberation has brought about material improvement in many ways. Their capacity for organization and the services rendered to their Communities by the many educated and professionally qualified Jews amongst them

- 5 -

have been advantages not enjoyed by refugees of other nationalities. The only known cause of unrest has been, and is, the delays in repatriation, or evacuation, which have been unavoidable.

For the Director:

/s/ V. M. Hammer,

V. M. HAMMER,
Lt.-Colonel
Deputy Director.

P.S. Since the above was signed the following cablegram has been received from Region 6:

"Practically no civilian Jews in Sardinia. There were only fifteen last census 3 July 43 and since these have left island".

FEB 15 1944

To: Mr. E. R. Stettinius, Jr.
From: J. W. Pehle

We are advised that the Swedish press reports that the Slovakian government has undertaken the registration of all Jews in Slovakia as a prelude to their deportation. It is said that there are about 15,000 Jews still remaining in Slovakia and that their deportation is being pressed on the Slovakian government by Germany.

We have been informed that Dr. Josef Tiso, the president of Slovakia, is a Roman Catholic priest. We have also been informed that Hungary has recognized the government of Slovakia.

It is of the utmost urgency that all possible pressures promptly be brought to bear on Dr. Tiso and the Slovakian government to persuade them to desist from further aiding and abetting the Nazis in the slaughter of Jews. Tiso and his government must be made to understand that this Government views most seriously and will take into account any part that may be played by him or by any of his subordinates in the deportation or other persecution of Jews in Slovakia.

It is suggested that the good offices of the Vatican might properly and profitably be sought as a means of communicating the views of this Government to Dr. Tiso. The Vatican might also be requested to advise the Hungarian government of this Government's position and to suggest that Hungarian pressure on Slovakia would not be unwelcome. Furthermore, every effort should be made to induce the Vatican to express to Dr. Tiso its own disapproval of the Hitlerian persecution of Jews and particularly of the contemplated deportation of Jews from Slovakia.

Accordingly, it is suggested that this Government communicate immediately with the Apostolic Delegation in Washington in connection with this matter. Since time is of the essence, I would appreciate the earliest possible expression of your views.

(Signed) J.W. Pehle

2-12-44

By airmail 2/11/44

La Paz, Bolivia, February 10, 1944

Confidential

No. 3122

Subject: Comments on Possibility of Relief in Bolivia
of Jews and Other Victims of Enemy Persecution.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Department's circular airgram of January 26, 1944, 7:00 p.m., concerning the rescue and relief of the Jews of Europe and other victims of enemy persecution. Reference is also made to the Department's telegram 160, February 2, 4 p.m., indicating that this Embassy's report, as requested in the circular airgram, should be based on the knowledge of the Embassy, without approaching the present Bolivian authorities.

In response to the itemized queries in the Department's airgram:

(a) The extent to which Jewish war refugees are at present permitted to enter Bolivia is practically impossible to determine in the present political circumstances in Bolivia. The Embassy has, however, received two indications of general policy in this respect from Major Gualberto Villarroel, the President of the Bolivian Junta.

The first of these indications was received as an answer to a routine note which this Embassy on December 13, 1943 had addressed to the Bolivian Ministry of Foreign Affairs on the subject of the Inter-Governmental Committee in London, a week before the December 20 revolution. The revolutionary government took this note as a basis for a reply which was sent to this Embassy as a note verbale

cc: Chauncey, Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H. D. White, Pehle, Files.

- 2 -

on December 27, 1943, in which it was stated that Major Villarroel had made the following declaration in an interview with the press (in translation):

"The Government of Bolivia will accredit a representative before the Intergovernmental Committee in London, in conformity with the suggestion made by London Emerson to all the American countries. Its conduct with respect to Semites will be in accordance with that adopted by the other nations of the Continent. Within the country, nationals and foreigners shall enjoy the same guarantees under the Political Constitution of the State without distinction as to whether they are Jews or not."

(A full translation of the note verbale was transmitted to the Department with this Embassy's despatch no. 2838 of December 29, 1943.)

The second of the indications occurred during the course of the only conversation held between Ambassador Boal and Major Gualberto Villarroel, President of the Bolivian Revolutionary Junta, on the evening of February 3, 1944. As reported in this Embassy's telegram 409, February 4, 10 a.m., Major Villarroel informed Ambassador Boal that he has absolutely no racial prejudices or feeling against the Jews, that the Jews are being allowed to continue in Bolivia, and that the only "concern" of the Bolivian Junta is that Bolivia obtain in future immigration persons who are technically qualified to fulfill the needs of the Bolivian economy.

This "concern" of the Bolivian Junta is a reflection of a general resentment - which has had unusual opportunity for expression during the period following the revolution of December 20 when there has been an outburst of pent-up criticism - a resentment that Jewish immigrants admitted to Bolivia in recent years have competed with established Bolivian merchants and small shop-keepers when many of these immigrants were officially admitted for the purpose of engaging in agriculture. During the first week or so following the revolution, certain of its participants or followers were reported as threatening to move all of such "agricultural" immigrants to agricultural areas, but this seemingly momentary idea appears now to have been abandoned. The President of the Revolutionary Junta, in making a public reply to a letter

- 3 -

which was addressed to him by Jose Antonio Arze, leader of the PIR (Partido Izquierda Revolucionaria), seemingly made an opportunity to deny the rumor concerning a supposed plan to move the Jewish immigrants to agricultural regions. (An examination of Arze's letter indicates that he did not bring up the subject.) Villarroel stated in his reply (free translation):

"I must declare, however, that the government had not thought of the solution you suggest to the problem of Jewish immigrants, whereby you wish to take them to the agricultural zones, an idea which in 1942 the PIR deputies proposed through draft law no. 209 presented in the legislature. I think that many of the Jews in Bolivia are not suited to agriculture, being more suited to commerce, etc., and the fact that they were victims of a passport visa deal, admitted as agriculturalists, does not justify forcing them to do work they are unfitted for. I have always held that the value of a man cannot be judged by his race but by his labor and his yield."

(The full text of Villarroel's reply was reported in this Embassy's despatch no. 2966 of January 21, 1944.)

Another cause for local resentment concerning Jewish immigrants in recent years is that many of them purchased the privilege of entering Bolivia, at comparatively large fees, from Bolivian Consuls in Europe who were part of a ring in which the then Bolivian Foreign Minister, Eduardo Diez de Medina, was involved. This scandal resulted primarily, of course, in resentment against the Bolivians who sold the visas rather than against the Jews themselves, since even the Bolivian public which tended to resent the presence and competition of the Jews could understand the willingness of such victims of Nazi tyranny to resort to any method to find a place of refuge.

There are no accurate statistics concerning the number of Jewish refugees at present in Bolivia, but it is believed that from eight to ten thousand have entered Bolivia in the past nine or ten years, that about two-thirds of that number were German or Austrian (the remainder being Polish, Czech and to a lesser extent of other eastern European nationalities), and that about one-half of the total or about 4,000 have now left Bolivia for other countries such as Argentina, Chile, Peru and the United States. Most of the

- 4 -

Jewish refugees who entered Bolivia have appeared to be from a lower intellectual and economic level than those who have entered the United States. It seems probable that most of the refugees who entered Bolivia tried to obtain permission to enter other countries, such as the United States, before coming to Bolivia. Although the average economic level of the Jews who came to Bolivia was not high, and although many of them were impoverished by Nazi tyranny and their purchase of Bolivian visas, they have been able to make enough money in Bolivia to live on the same economic basis as white Bolivians. Since white Bolivians are a comparatively small percentage of the population, and since the Jews are largely concentrated in the cities (about 40 percent in La Paz, about 30 percent in Cochabamba, and the balance in other places), the Jews have been unusually conspicuous despite their comparatively small numbers, and consequently the more resented.

Despite the statements of the President of the Junta, the Junta's Minister of Government (Major Alberto Taborga, notorious for his arbitrary measures) issued a resolution a few days after the December 20 revolution denying entry to Bolivia to a particular German Jewish technician now in Santiago, Chile, which the Hochschild Mining organization wished to bring into the country. The Hochschild organization renewed the application without success and has now decided to do nothing further about the case until political circumstances appear to be more favorable. On the other hand, the Bolivian Revolutionary Junta on December 31, 1943 granted 'juridical status' to a Jewish organization, the Sociedad Cultural Israelita, presumably as a gesture to indicate lack of prejudice. (See this Embassy's despatch no. 2974 of January 21, 1944.) Despite the statements of Bolivian authorities which have been made, or which may be made in the future, it seems probable that the reaction from the immigration of Jews into Bolivia during the past nine or ten years will result in Bolivia's not being a promising place of refuge for Jews in the immediate post-war period.

With respect to non-Jewish refugees from Nazi tyranny, and other non-Jewish emigration from Europe in the immediate post-war period, there have been many casual expressions by Bolivian officials indicating a recognition of the need for further immigration to develop the Bolivian economy. If immigrants were willing and able to settle in the eastern lowlands of Bolivia, which transportation facilities will undoubtedly eventually make the most important part of the country because of its rich agricultural land, it is believed that the Bolivian authorities at that time might very possibly be responsive to plans for large-scale migration. As an in-

- 5 -

dication of the possible attitude of the Bolivian authorities toward large-scale organized immigration into Bolivia, there is enclosed a translation of a letter on this subject addressed by the Junta Minister of Government and Immigration to the Junta Minister of Agriculture and Colonization (as published in the La Paz newspaper El Diario on January 20, 1944). This letter seems to contemplate the possibility of large post-war immigration into Bolivia sponsored or assisted by the Bolivian Government, but it emphasizes principally the necessity for recovering to the Government all lands which are not being used in conformity with existing law.

As a further recent indication of the trend of thought in Bolivia on this subject, it is also of interest to note that a writer of the Liberal Party recently indicated that the Party's program should include: "(b) Promotion of immigration into Bolivia, asking the United Nations to assist in bringing to Bolivia from 300,000 to 500,000 refugees from the countries occupied by Germany."

(See this Embassy's despatch no. 3071 of February 4, 1944.)

It should be borne in mind, however, that the narrow, provincial outlook of Bolivians, in their comparatively isolated country, tends to breed resentment against all outsiders. Those immigrants who have been most successful in establishing themselves in Bolivia have been of such nationalities as Yugoslav and Italian and they have gradually become accepted because they were not prone to live apart in separate "colonies".

(b) The extent to which Bolivia actually encourages and cooperates in the entry of Jewish and non-Jewish European refugees cannot be determined at present.

(c) The only instance in which a person who might be classified as a refugee (a German Jewish electrician now in Santiago, Chile) has been refused admittance to Bolivia since the revolution of December 20, 1943 is the instance of the technician for whom the Hoehschild mining organization made an application which was rejected - and upon being repeated again was again rejected.

Recommendations. When normal relations with a Bolivian Government are restored, I believe that the most effective means of speeding Bolivian cooperation in the rescue and relief of the victims of enemy oppression might be to suggest to the Bolivian Development Corporation (a semi-autonomous corporation established for the purpose of promoting the development of the Bolivian economy with the use of Export-

- 6 -

Import Bank funds and funds of the Bolivian Government) that it consider the feasibility of preparing and presenting to the Bolivian Government a plan for colonizing certain of the eastern tropical areas of Bolivia with agricultural refugees. The use of this agency for this purpose would not only be likely to promote the speed with which a plan might be prepared and carried out, but it would be likely to promote the efficiency of the plan and would at the same time provide a convenient method of safeguarding the expenditure of funds for the purpose.

I do not believe that any of the private organizations of Jews or of European nationality groups could be counted on to contribute anything very effective to a program for immigration into Bolivia and rehabilitation on any noteworthy scale.

Respectfully yours,

Robert F. Woodward
Charge d'Affaires a.i.

RFW/mvs.
800

Enclosure: Translation, as stated

To Department in original and hectograph

Enclosure no. 1 to despatch no. 3122, dated February 10, 1944
from American Embassy, La Paz, Bolivia.

Translation

Source: El Diario
January 20, 1944

Communication addressed by the Minister of Government
and Immigration of the Bolivian Revolutionary
Junta to the Minister of Agriculture and
Colonization concerning the Desira-
bility of making Preparation for
Post-War Immigration.

Mr. Minister:

In this grave hour of destiny for the entire world, in which the foundation of present organization threatens to be shaken, leaving a free field for a new social structure, it is necessary not to close our eyes to the urgency which exists for the preparation of a realistic and scientific solution for the basic problems of nationality.

In the face of this reality, which does not permit equivocation, the Ministry in my charge, taking its due share of the labor which is appropriate to it and which is warranted by the present emergency which confronts the world, considers that it is its duty to set forth aspects which, because of their fundamental character, require the consideration of the Ministry of Agriculture and Colonization, in order that within a carefully prepared system of cooperation and planning between all or most of the agencies of the State, there may be found a satisfactory solution to the benefit of the institutional and material interests and progress of the country.

Upon the termination of the present war, the survivors of this formidable historical disturbance, wide-eyed before the aspect of the devastation of their fatherlands and homes, shall set forth toward these nations of our America in search of work which will give them new life and renewed hopes. In these circumstances, the principal task of the Ministry of Immigration will consist in the most careful selection of the persons who knock at the doors of the fatherland, in order that their presence among us may be of positive utility and may constitute a factor for progress and collective well-being. It should take care that these migratory currents shall be healthy, of known productive activity, free from prejudices, possessed of capital

- 2 -

and disposed to conform with the discipline which may be required of them.

But if these brilliant nuclei of workmen do not find an appropriate and proper environment, either physically or economically, to develop their productive and consuming potentialities, what will they do after arriving in our territory? It is possible that they may disperse, some of them adapting themselves to the city environment as small shopkeepers, some dying and others emigrating anew to other lands which may offer a more substantial reception to this class of vitalizing currents. This has unfortunately been the experience in our country up to the present.

To avoid these possible consequences, the Ministry of Agriculture and Colonization under your able direction has the duty of preparing the ground--that is, those geographical areas which have means of access to nearby centers of consumption, in order that Bolivia may receive the currents of immigration which it should, accepting the quota that is appropriate to it in accordance with the most urgent necessities. And this cannot be done if we do not consider our agricultural problem which includes colonization, on a political basis, on the following vital points of view: economic, social and technical. Little would be accomplished by the State action if consideration were given only to the agricultural aspects with the eye of a farmer, without entering into the heart of the problem which is based upon a juridical plan for the appropriation of land in the feudal and semi-colonial economy of the country.

It is an axiomatic truth that for the purpose of colonization lands are required, and therefore the measures for making these available should be the following:

1. Expropriation of properties which, having advantageous conditions derived from the social progress, are not fulfilling the retributive function to which the community has a right in compensation in accordance with the provisions of Article 17 of the Political Constitution of the State. Upon taking this measure, care should be taken that no disadvantage is suffered by the agriculturists already established on the lands comprised in such measures, which agriculturists could be grouped into productive cooperatives under the care of the State in order to be converted into productive and consuming elements on a noteworthy scale.

- 3 -

2. The decreasing of reversion to the control of the State of all public lands whose claimants have not complied with the conditions set forth in the Law of October 25, 1905, under the provisions of which these lands were granted with complete liberality and entire lack of foresight.

There has been much discussion concerning a modus operandi for making use of administrative procedure for this recovery, and some have believed that only a law might bring about such reversion (to the State).

Invoking the fundamental interests of the country and making use of the full attributes of the de facto Government, there should be issued a decree law which would require the review of all claims to public lands for the purpose of ascertaining whether the grants have complied with all of the conditions stipulated as the reasons for their titles.

The cited law of October 25, 1905 sets forth as a sine qua non the condition that at least one family shall live on each 1,000 hectares. Consequently, if non-compliance with this requirement is proved in any case, the grant shall be declared void, despite the fact that Supreme Decree of June 26, 1921 was a hasty attempt to repeal Article 28 of the Supreme Regulatory Decree of June 20, 1907 which judiciously established this penalty.

The objective of the Organic Land Law with respect to the concrete point under discussion is in a high spirit of precaution on behalf of community interests, as is manifested and emphasized in its Regulations, issued on the basis of the same inspiration and at the same time. The Decree of June 26, 1921 which endeavored to abolish the penalty of cancellation of titles was issued in another era and as the result of the influence of other interests which, as always occurred, were not the interests of the majority.

To eliminate this cloud of uncertainty and doubt which has been caused by the conflict between the law and a simple decree, we must search for such assistance as we may obtain from the general principles of Law, and in doing so we find a solution for the difficulty of justifying the cancellation of titles, which should operate in accordance with the following of these principles: "that in bilateral contracts there is always implicit the condition /that the contract may be voided/ in case one of the parties fails in his commitment" with the difference that the Executive does not need to go to

- 4 -

a tribunal in search of justice, but that it may declare the recovery through administrative channels, originating the action in order that the private person may, if he considers that his rights have been damaged by this administrative act, present himself before the Supreme Court of Justice in an administrative claim-suit.

The Ministry of Immigration at present in my charge takes the liberty of suggesting these measures of a fundamental character without presuming in the least to invade the attributes that pertain to your Ministry, but with the objective of contributing, however little, to the study and solution of this problem which it considers vital.

This occasion affords me the opportunity to reiterate to you the expressions of my most distinguished consideration.

(Signed) Major A. Taborga
Minister of Immigration

Lima, February 11, 1944.

No. 9017

Subject: Peruvian Attitude toward Rescue and Relief of the
Jews of Europe and Other Victims of Enemy Persecution.

STRICTLY CONFIDENTIAL

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

Referring to the Department's circular airgram of January 26, 1944, 7 p.m., I have the honor to report regarding the Peruvian attitude toward the rescue and relief of the Jews of Europe and other victims of enemy persecution.

The substance of the Department's airgram under reference was communicated to the Peruvian Minister for Foreign Affairs and Worship in the Embassy's note no. 1662 of February 1, 1944. After outlining the action taken by President Roosevelt, it was stated in the note to the Foreign Office that the Government of the United States would appreciate an expression of the views of the Peruvian Government concerning this question, especially with reference to (a) the extent to which war refugees from Europe are permitted to enter Peru, (b) the extent to which Peru encourages and cooperates in the entry of these refugees into Peru, and (c) the limitations, if any, which Peru imposes on the entry into the country of war refugees from Europe.

The reply of the Minister for Foreign Affairs will be communicated to the Department as soon as it is received. It is anticipated, however, that such reply will be delayed and that it will be noncommittal or negative.

Copies of the Department's airgram were transmitted to the American Vice Consuls at Arequipa and Iquitos with a request for comment on the situation in those two districts. This information will be transmitted to the Department in a subsequent despatch.

cc: Chauncey, Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H. D. White, Pehle, Files

- 2 -

The background of the Peruvian attitude toward Jewish political refugees still is an accurate reflection of the feeling in Peru today. Although at the time of the Evian Conference in 1938 the Embassy at Lima reported in its telegram no. 11, March 25, 7 p.m., 1938, that Peru would be glad to cooperate in assisting German and Austrian political refugees, and that substantial numbers might come to Peru provided they were not tainted with Communism, the reaction in Peru was unfavorable. The Embassy's despatch no. 356, dated March 30, 1938, reported upon an editorial in El Comercio of Lima. The paper, incidentally, was referred to as "pro-Fascist". El Comercio expressed alarm at the prospect of large numbers of Jewish or communist immigrants' coming to Peru. Other press comment was along similar lines. In July of 1938, La Cronica of Lima editorially opposed the entry of thousands of political refugees, on the grounds that Peru had internal problems and that charity begins at home. The Embassy had reported in its telegram no. 42 of June 29, 1 p.m., 1938, that Peru was prepared to admit substantial numbers of refugees but preferred intellectuals and agriculturalists, and would not accept merchants. Later in 1938, as reported in telegram no. 85, November 24, 2 p.m., the official attitude was much less favorable. According to the Peruvian Minister for Foreign Affairs, Peru then was willing to accept a limited number of political refugees provided they were (1) agriculturalists, (2) specialists of various kinds, or (3) industrialists with substantial capital. The Foreign Minister also stated that he had issued orders some months previously to withhold visas from Jewish immigrants in order to stop an avalanche of such refugees from reaching Peru. He said that he later had relaxed the restrictions to permit the entry of a few and that 176 Jewish immigrants had been admitted into Peru during the four months prior to November, 1938.

Consular report no. 148, dated September 17, 1938, also reported that Peru had excluded Jews by means of a confidential circular, dated September 9, 1938, addressed to Peruvian consular officers. In despatch no. 673 of September 30, 1938, the Embassy reported regarding the attitude of the Peruvian Government toward the immigration of Jews. The report indicated a definite uneasiness about the subject on the part of the Peruvian authorities. In his report S.R. No. 63, dated December 22, 1938, the Commercial Attache reported on developments in Peru relating to Jews. His report reflected a decided anti-Jewish feeling in commercial circles.

Peru, however, is a member of the Intergovernmental Committee on Refugees. Mr. Francisco Garcia Calderon, then Peruvian Minister to France, was the Peruvian representative at the Evian meeting in 1938. Mr. Alfredo Benavides, then Peruvian Minister to Great Britain, represented Peru as the delegate to the Executive Committee at the London meetings which were held at the time of the Evian Conference.

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- 3 -

Turning to the situation that exists at the present time, the recent case concerning Polish Jew refugees in Germany involves security factors, as well as a reluctance to admit these Jewish refugees into Peru, and so is not a clear indication of the Peruvian attitude toward such refugees. Reference is made to the Embassy's despatches no. 8655 of December 29, 1943, no. 2868 of January 25, 1944, to telegram no. 81, January 21, 11 a.m., from the Department, and to the Embassy's telegram no. 105 of January 22, 3 p.m.

It is not a matter of record how closely Peruvian consular officers adhered to the restrictive instructions issued in 1938, but about three years later, with the passage of various emergency laws, all immigration applications had to be referred to the Foreign Office for approval and each case was handled on its own merits. It is extremely doubtful if the restrictive policy has been relaxed.

There have been instances of anti-Semitic agitation in Peru during the past year, including a bill introduced in Congress which would restrict the commercial activities of Jewish merchants. While the Jewish problem in Lima is not as acute as it is understood to be in La Paz, for example, there is no doubt that there is an incipient anti-Semitic sentiment in the country. In connection with reports on post-war political problems, it was noted that almost all Peruvian comment about immigration was to the effect that Peruvian policy probably will be restrictive, that Peru wants white immigrants of good agricultural and artisan types (probably Catholics preferred), and that a merchant class of immigrants which might take business from Peruvians, as the Japanese have done, would not be welcome. Reference also is made to the Embassy's despatch no. 9001, February 9, 1944. The governing class in Peru fears Communism, dislikes Jews, and does not want to admit into the country any elements that might aggravate racial, religious and social problems. These views will determine the immigration policy of Peru.

An article in the Catholic weekly newspaper Verdades of November 20, entitled "Latin America and European Refugees", gives a view which probably is fairly representative of Catholic, conservative opinion in regard to the question of receiving refugees in Peru. Describing as laudable the endeavor to help innocent victims of the European war, the writer thinks that such endeavors should not provoke new problems for other countries by extending hospitality to elements that might endanger the "solid bases of our Ibero-American personality, our Catholic tradition, and the intangibility of our respective nationalities". Being even more specific, the writer states that "under no circumstance should we accept the imposition of offering asylum to foreigners of contrary religious beliefs, of excessive liberal customs, and of moral norms different from our own". To do so would bring about a grave problem for the country's religious unity and its national ideals.

- 4 -

With specific regard to the points raised in the Department's airgram, it may be said that, for all practical purposes, Jewish refugees are not permitted entry into Peru. So far as is known there is no restrictive policy operating against other non-Axis nationals, but in actual practice all applications for visas are closely scrutinized for security reasons. Secondly, Peru gives no encouragement to the entry of political refugees, particularly Jews. Its cooperation in this problem has been limited to a routine participation in the activities of the Intergovernmental Committee on Refugees. In the third place, regarding the failure of Peru to cooperate in the entry of political refugees, Peru might take the position that its cooperation is unnecessary in any material way, since such refugees could find safe places of residence in countries much closer and more accessible than Peru.

Peru might make some small contribution to an international fund for the relief of refugees or might agree to accept temporarily, if not permanently, a limited number of immigrants. It is likely that there would be so many reservations that in actual practice Jewish immigration still would be discouraged. The plain fact remains that Jews are not welcome, and most victims of Nazi oppression who are urgently in need of assistance supposedly are Jews.

1/ There is enclosed a memorandum prepared by Mr. Holland Welch, Second Secretary of Embassy, regarding the Jewish colony in Peru, while the information elicited by Mr. Welch from the Jewish leaders with whom he talked indicates that Jews are not welcome in Peru, it also fails to give evidence of serious persecution of the Jews or of undue hardships suffered by them.

This Embassy is of the opinion that little assistance or even real sympathy can be expected from Peru in the problem of relieving the Jews of Europe.

Respectfully yours,

George H. Butler
Charge d'Affaires a.i.

Enclosure:
Memorandum by
Mr. Welch

711-Refugees
MEW GHB bw

To the Department in
Original and Hectograph

e

Enclosure No. 1 to Despatch No.
9017 of February 11, 1944, from
American Embassy, Lima.

STRICTLY CONFIDENTIAL

February 11, 1944.

Jewish Colony in Peru

There are about 3,000 Jews in Peru, according to information received from the three different Jewish organizations. There is the Sociedad de Beneficencia Israelita de 1870, which has a membership of 503 persons, of which 406 came from Germany and the rest from Austria, Czechoslovakia, Poland, and nearby countries. Walter Neisser is the President of this organization. Although the society dates back to 1870, Mr. Neisser told me that it did not have more than ten members before 1933. By 1935 there were 68 members and all of the others came to Peru after 1938 and up to the outbreak of the war.

There is also the Union Israelita del Peru, the president of which is Max Heller. Mr. Heller has told me that most of the members in his organization are from Rumania, Czechoslovakia, Poland, and some from Austria. This association has 500 members but it takes in only the heads of families and Mr. Heller estimates that these 500 families probably number 2,000 persons.

The third Jewish organization is the Sociedad de Beneficencia Israelita Sefardi, of which Jacobo Franco is president. This society is made up of Jews from the Near East, with a handful of Jews from Spain. Mr. Franco has told me that there are 200 members and that this includes members of families.

The presidents of all three of these organizations have a long list of complaints about the anti-Jewish attitude of the present Peruvian Government and they lay most of the blame for their troubles at the door of Dr. Self y Muro, Minister for Foreign Affairs. The presidents of the organizations claim that Jewish immigrants were welcome during the Leguia administration, somewhat restricted during the Sanchez Cerro regime, treated with liberality during the Benavides administration until after 1933, but given almost no consideration by the Prado Government after 1939. They claim that the anti-Jewish propaganda spread by the German Government and by the Nazi Party in Peru has been responsible for the growing dislike that high Peruvian officials have had for Jews. It will be obvious that their remarks do not seem to be borne out by their figures. That is to say, Mr. Neisser claimed that most of the members of the society of which he is president came to Peru in 1938 and 1939.

The presidents of the associations are able to cite a large number of specific cases where the Peruvian Government, after the outbreak of the war, showed animosity to the Jewish people. They

- 2 -

told me that in 1940 the Jewish societies asked the Ministry for Foreign Affairs to permit them to bring into Peru 200 children of Jews in countries occupied by the Germans. They said that many of these were the children of Jews in concentration camps or were orphans of Jews. The three societies planned to place these children in Jewish homes in Peru and they were willing to guarantee to the Peruvian Government that the children would not become public charges. Their request was refused and they claimed that some official in the Foreign Office said that it was too bad that they could not accommodate the children but that the difficulty was that the little ones would eventually grow up into Jews. They said that Dr. Frederick Lachmann, noted archaeologist from Palestine and the possessor of a British passport, endeavored in 1942 to obtain a temporary visitor's visa which would enable him to spend fifteen days in Peru. The Foreign Office denied the request until the British Government intervened and after the exchange of some official notes Lachmann was permitted to come here for fifteen days in 1943.

They told an instance where a Jew travelling from Chile to Ecuador endeavored to obtain a transit visa for Peru but that this was refused by the Foreign Office. As a matter of fact this trip was made anyway when the traveller learned that no transit visa was required by persons travelling by plane and stopping over night in Lima.

Mr. Heller showed me a letter from the Koh-I-Noor Pencil Company of New York in which Mr. Heller was requested to obtain from the Peruvian Government permission for one of their travelling salesmen, William Danjosek, a Czech citizen and the bearer of a Czech passport, to remain four days in Peru in transit to Bolivia and Chile. Mr. Heller said he made the request but that the Foreign Office had refused it. It was Mr. Heller's opinion that the visa was not granted because the man's name was Jewish. Mr. Heller admitted to me, however, that he did not know if this salesman was Jewish.

In 1939 the Jewish society told the Peruvian Government that they could bring to Peru from Czechoslovakia a large and important factory owned by five Jews. They said that the factory would be moved here lock, stock and barrel and that the owners would bring with them ample finances. Although the Ministry of Fomento and certain other branches of the Peruvian Government were anxious to see the factory brought here, the presidents of the societies claimed that the Minister for Foreign Affairs intervened and stopped the negotiations.

The societies have wanted to open a school here and to bring from Buenos Aires an educator who is Jewish but the Peruvian Government has refused to give them a license for the operation of the school or a visa for the teacher.

- 3 -

The presidents of the societies say that they have tried to bring in at least one Jewish Rabbi so that they could open their own synagogue but that the Peruvian Government has stopped that and there is now no religious meeting place, although all three societies have their own club rooms.

The heads of the organizations cited many other instances similar to those given above, but I made no notes of them.

Incidentally, they complained that the Lima High School, an American institution, also had a quota for Jewish students and that it was practically impossible for Jewish residents to get their children entered in this educational institution.

In discussing these matters with the heads of the Jewish societies I, of course, made no references to the Department's airgram or to any other instructions or to negotiations with the Peruvian Government. Most of these men have long known that I have been interested in all of the various foreign colonies in Peru.

Rolland Welch

RW fa bw

U.S. SECRET
BRITISH MOST SECRET

OPTEL No. 48

Information received up to 10 A.M. 11th February 1944

1. NAVAL

Convoy of 37 ships from NORTH RUSSIA has arrived in home waters. Weather in ANZIO area deteriorated yesterday and is expected to persist throughout the day.

2. MILITARY

Italy To noon 8th Army. Patrolling in Coastal Sector, movement in mountains held up by snow and heavy rain.

5th Army. Fighting in CASSINO continues, the enemy have launched a strong attack against the high ground west of the town, no details yet.

6th Corps. Strong pressure maintained by the enemy and heavy fighting in progress.

Burma ARAKAN. Heavy fighting continues 8 miles North West of BUTHIDAUNG, Japanese have suffered many casualties and their attacks have been held everywhere. TAUNG BAZAAR has been re-captured by British troops.

2. AIR OPERATIONS

Western Front 10th 141 Fortresses covered and supported both ways by 35 squadrons of fighters dropped 312 tons on BRUNSWICK through scattered cloud with unobserved results. Enemy casualties reported 85:23:83, Ours 29 Fortresses and 7 fighters missing. 27 Liberators dropped 63 tons on an airfield in HOLLAND through thick cloud. 66 escorted Marauders (one missing) attacked military constructions in NORTHERN FRANCE and 31 bombed airfields at POIX and BEAUVAIS. Typhoons destroyed 6 enemy aircraft in the air and four on the ground in PARIS Area, one typhoon missing.

10th/11th. 54 aircraft despatched: BERLIN and AACHEN 25 Mosquitoes, Sea-mining 21, Leaflets 5, ORLEANS and South West FRANCE 3.

Italy 8th. Total of 84 escorted heavy bombers bombed railway centres at PIOMBINO, PRATO and VERONA and 87 medium bombers attacked CISTERNA, SIENA RAILWAY CENTRE and a railway bridge North West of ROMA. In the Eastern battle area fighters attacked snowbound M.T. and claim 46 vehicles destroyed and over 50 damaged.

Albania 8th Fighters damaged two 2,000 ton ships and two landing craft off the coast.

TREASURY DEPARTMENT

1944 FEB 12

STATEMENT ON INCOME TAX SIMPLIFICATION

by

Secretary of the Treasury

Henry Morgenthau, Jr.

Today fifty million taxpayers are demanding simplification of their income tax returns. They have every right to simplification. We in the Treasury recognize their right and have done everything the law allows to meet their demands.

We cannot afford to let the business of making out income tax returns needlessly consume millions of man hours desperately needed in our war effort. Some complexity was tolerable in a peacetime income tax applying to five million people. It is intolerable in a wartime income tax applying to ten times that many.

The record shows that, had the Treasury's recommendations for simplification been heeded, tax returns would be far less perplexing than the complicated forms which confront us today. Yet the complexity of these forms is being laid at the Treasury's door. Let me make clear that the Treasury cannot act as a free agent in drawing up tax returns. It acts under

- 2 -

a law passed by Congress. Treasury proposals for changes in the law which would greatly simplify returns have fallen on deaf ears. Not until those changes are made can the Treasury accord American taxpayers the simplicity which is their right.

In 1941 the Treasury developed and Congress adopted a short income tax form to enable the growing number of small taxpayers to do their tax arithmetic more easily. At that time I pointed out that "we ought not to take into the income tax system millions of new taxpayers with small incomes without simplifying the way in which their tax is computed." (Senate Finance Committee Hearings, Revenue Act of 1941, page 4).

But instead of moving toward greater simplicity, we have veered off in the opposite direction. The principle of the short form has been grossly violated, first, by the highly complicated Victory tax and, second, by the forgiveness feature, both of which were strongly opposed by the Treasury. Moreover, many opportunities for simplification to which the Treasury has called attention have been ignored.

- 3 -

When the Victory tax was first considered in Congress, the Treasury exposed its complexities to the Senate Finance Committee and submitted alternatives which would have avoided setting up a separate tax with a separate base, separate exemptions, and separate rates. Since the enactment of the Victory tax, the Treasury again and again has advocated its integration with the income tax. Last October before the Ways and Means Committee I stressed "repeal of the Victory tax as the first and most important single step toward tax simplification." (Hearings, Revenue Revision of 1943, page 6). But the Victory tax with its devastating decimals is still with us.

In the face of the refusal to abandon the Victory tax we cast about for ways to alleviate its inexcusable complexity. We offered six alternative proposals to simplify the 1943 Victory tax. One was accepted - - converting the misnamed postwar credit into a simple current credit. By accepting it, Congress cut away the red tape of reporting War Bond purchases, insurance premiums and debt payments. Another suggestion, that the Victory tax rate for 1943 be

- 4 -

changed to a flat 3 percent rate, was rejected at that time. However, this change is made for 1944 in the 1943 Revenue Bill.

Apart from Victory tax integration, the Treasury has made a number of other recommendations in the past two years to simplify the job of filing returns. In March 1942, we urged the repeal of the earned income credit because it complicated tax computations without substantially favoring earned income. (House Ways and Means Committee Hearings, Revenue Revision 1942, page 81). I repeated this recommendation in 1943, (House Ways and Means Committee Hearings, Revenue Revision 1943, pages 6 and 7) stating that "the elimination of the earned income credit would make possible a further important simplification through the consolidation of the normal tax and the surtax into one tax schedule." This proposal was adopted in the 1943 Revenue Bill and will be reflected in the 1944 tax declarations and returns. But an invitation to misunderstanding remains in the form of the Victory tax. If it had been merged with the regular income tax as the Treasury proposed, we would have one tax schedule instead of the three that now stand side by side.

- 5 -

Last October I also recommended to the Ways and Means Committee withholding at graduated rates, as a further move to simplify the income tax. (House Ways and Means Committee Hearings, Revenue Revision 1943, page 7.) Had this recommendation been accepted, withholding would have applied to taxpayers' full liability rather than merely to their partial liability under the normal tax and the first bracket of surtax. This would have reduced the problem of year-end refunds and additional payments and, even more important, would have spared millions of wage earners the time and trouble of filing tax declarations.

The need for simplification and the precise measures the Treasury has brought forward to achieve it have been underscored by Mr. Randolph Paul, General Counsel of the Treasury, both in his statement before the Senate Finance Committee last November (Senate Finance Committee Hearings, Revenue Act of 1943, pages 25-34) and in a series of public addresses. (October 15, 1943, before the Chicago Chapter of Chartered Life Underwriters; November 22, 1943, before

- 6 -

the National Tax Association; January 7, 1944, before the Indiana State Bar Association; January 14, 1944, before the Second Annual Institute on Federal Taxation of Rhode Island State College.)

The Treasury has also submitted other simplification proposals for public consideration. One of these would extend the privilege of using the short income tax form to anyone with less than \$4,000 or perhaps \$5,000 of income instead of \$3,000 as at present. Another would relax the present requirement relating to outside income other than salaries from \$100 to a higher figure, thereby relieving additional taxpayers of filing tax declarations. A third proposal would all but eliminate returns for persons whose tax is fully withheld. They would be required to submit only a few simple facts and the Treasury would do the rest.

In its drive for simplification the Treasury has not relied solely on the much maligned "experts". Field surveys have been conducted to get taxpayers' ideas and reactions. In the summer of 1942 we interviewed and enlisted the aid of some 500 employers throughout the country in developing a system of withholding. Last fall, after we had simplified

- 7 -

the short form as much as we thought we could within the bounds of the law, we tried it out on several hundred people. They gave us a clearer picture of the trouble zones in our income tax returns. We made a number of changes at their suggestion. So we do have some confidence that, tough as it is, the short form is about as well-suited to the needs of the little fellow as the law will permit.

But that is not enough. We must go further. We cannot go the whole way without the active aid of Congress.

February 12, 1944

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING PAPERS,
Saturday, February 12, 1944.

Press Service
No. 40-69

The Secretary of the Treasury today called attention to the fact that the subscription books for the three issues of marketable securities will close, and the Fourth War Loan Drive will terminate, at the close of business February 15. These issues are the 2-1/2 percent Treasury Bonds of 1965-70, the 2-1/4 percent Treasury Bonds of 1956-59 and the 7/8 percent Treasury Certificates of Indebtedness of Series A-1945. Sales of the three issues of savings bonds, Series E, F and G, and of Series C Savings Notes, will, of course, continue.

Subscriptions for the three issues of marketable securities which are placed in the mail up to midnight of February 15 will be treated as timely subscriptions. As previously announced, all subscriptions for savings bonds and savings notes received at the Federal Reserve Banks or at the Treasury of the United States up to the close of business February 29 will be credited to the Drive.

o o o

Treasury Department
Division of Research and Statistics

117

D Date _____ 1944

To: Secretary Morgenthau

From: Mr. Haas *HA*

Mr. Bell has been given a
copy of the attached memorandum.

[Handwritten signature]

Florida

AA

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE February 12, 1944

TO Secretary Morgenthau

FROM Mr. Haas *AA*

Subject: Bond and Note Refunding Between the Fourth and Fifth War Loans

SUMMARY

- (1) Between March 15 and June 15, \$4.7 billions of securities other than bills and certificates will come up for refunding.
- (2) It is assumed that the bills and certificates maturing during this period will be rolled over.
- (3) A single operation in March, comprising all other issues, is recommended.
- (4) The suggested refunding issues are a 1-1/2 percent note due September 15, 1948, and a reopening of either or both of the 2-1/4 and 2-1/2 percent bonds currently being offered.

I. The Issues to be Refunded and the Problems Surrounding the Refunding

(1) Between now and the end of the fiscal year, \$11.6 billions of Treasury or guaranteed issues other than bills will mature or become callable. Of these, \$6.9 billions are certificates of indebtedness which it is assumed will be rolled over; and the remainder, \$4.7 billions, are Treasury or guaranteed bonds or notes. The table below shows the amounts outstanding of each of these securities, their call or maturity dates, their tax status, and their yields, based on bid prices, as of February 9, 1944.

Amount out- standing	Security and tax status*	Call or maturity date	Bid price Feb. 9	Yield based on bid price
(Millions of dollars)			(Decimals are thirty-seconds)	(Percent)
515	1% Treasury note (W)	3/15/44	100.01+	.66
95	3-1/4% FFMC bond (P)	3/15/44	100.08	.56
1,519	3-1/4% Treasury bond (P)	4/15/44	100.17+	.25
571	1% RFC note (T)	4/15/44	100.04	.29
779	3% HOLC bond (P)	5/1/44	100.19	.33
835	3% FFMC bond (P)	5/15/44	100.22	.36
416	3/4% Treasury note (W)	6/15/44	100.04	.39
<u>4,730</u>				

* (T) - Taxable
(P) - Partially tax-exempt
(W) - Wholly tax-exempt

Secretary Morgenthau - 3

(2) It seems advisable to refund all of these issues, as opposed to redeeming them in cash, in order to minimize the drain on the cash balance.

(3) The maturity or call dates of the issues involved are staggered between March 15 and June 15. A single refunding operation, probably to be conducted during the week commencing Monday, February 28, with all securities to be exchanged as of March 15, is recommended. To offer a new refunding issue on each date, or to reopen the same issues several times over a three-month period, would appear to be an unnecessarily complex procedure, and one which would engage attention and energies which might better be devoted to preparations for the Fifth War Loan.

(4) Such an exchange would have to be made attractive to the holders of the issues which are redeemable later than March 15. It is suggested that the best method of accomplishing this is to give these holders the option of:

- (a) Retaining the last coupon on their old issues and acquiring the refunding issues at par plus accrued interest to the cash redemption date (maturity or call as the case might be) of the issue surrendered, or
- (b) Turning in their coupon with the old issue, receiving the interest due them to the date of exchange, and acquiring the new issue at par.

The procedure which would be more advantageous to particular holders would vary, and would depend on the relative coupon rates of the issue held and the refunding issue, as well as the tax-exemption status of the former. For example, a holder of the wholly tax-exempt note due in June, who was subject to a relatively high rate of tax, would probably prefer to retain the final coupon on the old security and pay accrued interest on the new; one whose tax liability was small might prefer the higher coupon on the new issue, even though it would be taxable. Other holders, who dislike paying odd amounts of accrued interest, might prefer the option under which they would receive the new securities at par, irrespective of their tax status. In any event, some special arrangement with respect to interest would be necessary because of the length of time by which the redemption of some of the issues would be anticipated.

Secretary Morgenthau - 4

II. Ownership of the Maturing Securities

The most important consideration governing the choice of refunding issues is the ownership of the maturing securities. The table on the next page shows the distribution of ownership on December 31, 1943, of each of the seven maturing issues, as shown in the Treasury Survey of Ownership of Government Securities.

From the data presented in the table and in the attached chart, it is evident that it will be necessary to include in the offering, issues which will be acceptable to two widely separated classes of investors:

- (1) Commercial banks which hold approximately 47 percent of the maturing issues, and
- (2) "All other investors," including insurance companies, savings banks, corporations, trust accounts, partnerships, and individuals, who own approximately 43 percent of the securities in question.*

* The remaining 10 percent is held by Federal Reserve Banks and by Federal Government agencies and trust funds.

Ownership as of December 31, 1943, of Securities
 Maturing or Callable March 15-June 15, 1944
 Excludes Certificates and Bills

	Par value -- Millions of dollars				Percentage distribution			
	Commer- cial banks *	Federal Reserve Banks, Government agencies and trust funds	All other inves- tors	Total out- stand- ing **	Commer- cial banks *	Federal Reserve Banks, Government agencies and trust funds	All other inves- tors	Total out- stand- ing **
1% Treasury note 3/15/44 (W)	118	89	309	515	23	17	60	100
3-1/4% FFMC bond 3/15/44 (P)	27	8	60	95	28	8	63	100
3-1/4% Treasury bond 4/15/44 (P)	583	267	668	1,519	38	18	44	100
1% RFC note 4/15/44 (T)	497	11	63	571	87	2	11	100
3% HOLC bond 5/1/44 (P)	411	35	334	779	53	4	43	100
3% FFMC bond 5/15/44 (P)	484	26	326	835	58	3	39	100
3/4% Treasury note 6/15/44 (W)	105	60	251	416	25	14	61	100
All issues **	2,225	496	2,011	4,730	47	10	43	100

* Includes only those reporting to the Treasury Survey of Ownership of Government Securities.

** Figures do not necessarily add to totals due to rounding.

W Wholly tax-exempt
 P Partially tax-exempt
 T Taxable

Secretary Morgenthau - 6

The issues to be refunded split logically into two groups, consisting of the five taxable or partially tax-exempt issues on the one hand, and the two wholly tax-exempt issues on the other. This split is shown in the following table, which indicates that on December 31, 1943, commercial banks held 53 percent of the taxable or partially tax-exempt issues, but only 24 percent of the wholly tax-exempt issues.

Class of investor	Holdings of			
	Five taxable or partially tax-exempt issues		Two wholly tax-exempt issues	
	Millions of dollars	Percent	Millions of dollars	Percent
Commercial banks	2,002	53	223	24
Federal Reserve Banks, Government agencies and trust funds	347	9	149	16
All other investors	<u>1,451</u>	<u>38</u>	<u>560</u>	<u>60</u>
Total*	3,799	100	931	100

* Figures do not necessarily add to totals due to rounding.

As the maturity dates of these issues approach, it may be expected that there will be a considerable further shift of the five taxable and partially tax-exempt issues into bank portfolios. Thus the bulk of the refunding operation will involve bank investors. Because it is highly probable that a large portion of the banks' holdings of the maturing high-coupon bonds was acquired in the market at prices to yield considerably less than the coupon rate of the several issues, and for other reasons discussed in the following section, it is felt that a short-term security will be most satisfactory to effect the bank refunding.

Secretary Morgenthau - 7

On the other hand, many of the nonbank investors, who, on December 31, held 38 percent (\$1.5 billions) of the maturing taxable or partially tax-exempt issues, will undoubtedly not be satisfied with a short-term low-coupon security. Such holders have generally held these bonds over a considerable period of time, and thus the return on them has approached the coupon rate.* In addition, in some instances, nonbank holders probably received them in exchange for obligations bearing a higher interest rate. All but \$234 millions of the 3-1/4 percent Treasury bonds were issued originally in exchange for bonds of the Fourth Liberty Loan which bore interest at 4-1/4 percent; and the greater portion of the FFMC's and HOLC's was distributed originally to creditors of farmers and home owners, whose indebtedness was being refinanced.

"All other investors" hold substantially the largest portion of the two issues of wholly tax-exempt Treasury notes to be included in the refunding. Inasmuch as the principal consideration to these investors is tax-exemption, it may be expected that a large portion of the notes in the hands of "all other investors" would not be exchanged in any event. This is not so likely to be the case with the partially tax-exempt issues. Thus it would appear that the problem with respect to nonbank investors is to offer an exchange primarily satisfactory to the holders of the 3-1/4 percent Treasury bonds and the guaranteed issues, but which it is hoped will be attractive to at least some of the nonbank holders of the wholly tax-exempt notes.

It would seem, therefore, that the needs of the holders of all the issues involved in the refunding operation might best be met by the offering of:

- (1) A Treasury note which will be attractive chiefly to banks, and
- (2) A long-term bond which will be acceptable to "all other investors," with the exception, as noted previously, of many of the holders of the two wholly tax-exempt Treasury notes.

* Only \$63 millions of the nonbank holdings are in the low-coupon RFC notes.

Secretary Morgenthau - 8

III. Recommended Issues

It is recommended that a two- or three-way exchange offering be made, consisting of a 1-1/2 percent note and a reopening of either or both of the restricted 2-1/4's and 2-1/2's included in the present War Loan drive. These recommendations, particularly the reopening of the drive issues, would, of course, have to be reviewed after the close of the War Loan drive, when the amount of the 2-1/4's and 2-1/2's then outstanding and their post-drive market prices will be known.

A 1-1/2 percent note should have particular appeal to bank investors. This maturity sector has been neglected in recent offerings, the last issue being the 1-1/2's of September 15, 1947, which were put out in July 1943, in the amount of \$2.7 billions. There is no question but that an offering in this maturity range would be favorably received by the banks and also by some other institutional investors.

A 1-1/4 percent note would also be attractive to banks and would be more economical financing for the Treasury. Such a note would be too thin to insure a satisfactory exchange, however, if it were made to mature on March 15 (or even February 1), 1947; and if made to mature on December 15, 1946, it would fall on top of an existing note maturity of \$3.3 billions (the largest note now outstanding).

A 1-3/4 percent bond has been suggested in some market circles as an alternative to a note. A note seems preferable, however, as it would contribute more toward the dual objectives of maintaining and increasing the liquidity of the banking system and financing the war at a reasonable cost. It is not believed, therefore, that a security eligible for bank investment, with a coupon rate higher than 1-1/2 percent, should be included in the present offering. It should be mentioned in this connection that bank earnings are satisfactory and that the banks were given an opportunity to acquire a relatively high coupon issue (a 2 percent bond) last October.

For investors other than banks, a reopening of the restricted 2-1/4's, or 2-1/2's, or both, would appear to be a logical solution. Much depends, however, upon the reception of these issues during the current War Loan drive and their subsequent market values. If neither of the issues is quoted at a premium, there would be no incentive for holders of the

Secretary Morgenthau - 9

maturing issues to exchange their securities for them. Exchanges would drift toward the notes, most of which would eventually find their way into bank portfolios. On the other hand, a high premium would result in an unusually attractive exchange offering which would pull exchanges away from the note and build up a weak technical position in the long bonds.

The following table gives an indication of the yield bases and probable prices of the issues discussed above. The pricing of these issues is, of course, preliminary.

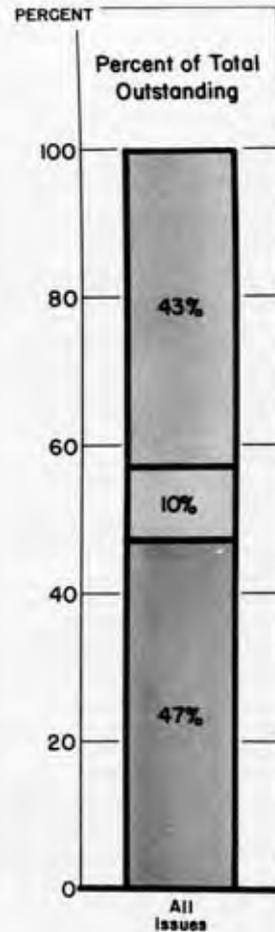
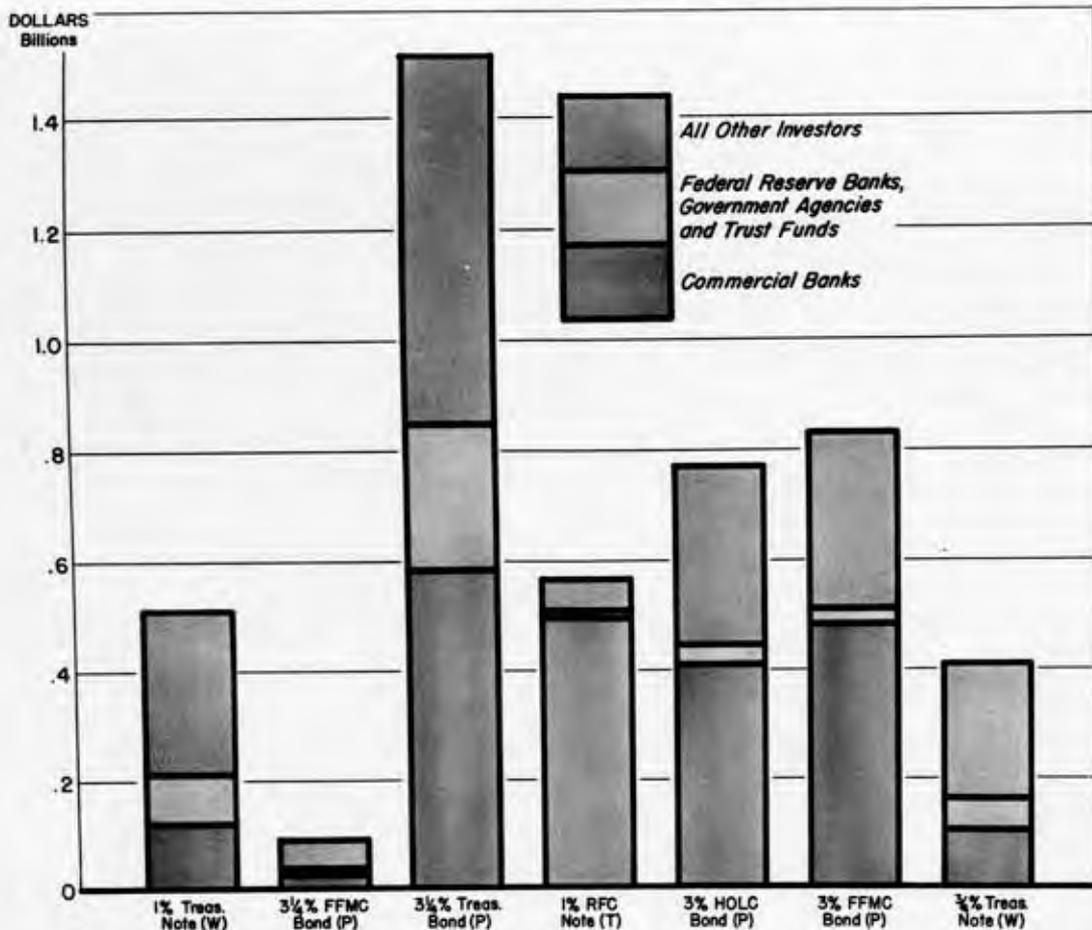
	Estimated yield basis*	Probable price
1-1/4 percent note due February 1, 1947 (2 years, 10-1/2 months)	1.22	100-2/32+
1-1/4 percent note due March 15, 1947 (3 years)	1.24	100-1/32
1-1/2 percent note due September 15, 1948 (4 years, 6 months)	1.45	100-7/32
1-3/4 percent bond due June 15, 1950 (6 years, 3 months)	1.73	100-3/32+
1-3/4 percent bond due September 15, 1949-51 (5 years, 6 months- 7 years, 6 months)	1.72	100-5/32

* Based on closing bid prices, February 9, 1944.

Attachment

OWNERSHIP OF SECURITIES MATURING OR CALLABLE MARCH 15 - JUNE 15, 1944

As Reported in the Treasury Survey on December 31, 1943



127

25

February 12, 1944.

My dear Mr. Secretary:

Your letter of February 4, in reply to the Secretary's letter of January 28, has been received during his absence from Washington.

I shall be glad to bring your letter and its enclosure to Mr. Morgenthau's attention as soon as he returns, and I know he will appreciate your giving him the information they contain.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Henry L. Stimson,
Secretary of War,
Washington, D. C.

KP/dbs

WAR DEPARTMENT
WASHINGTON, D. C.

*Henry saw 2/13/44 -
said "F. S."*

February 4, 1944.

Dear Henry:

I wish to acknowledge your letter of January 28, with the inclosed clipping from the Herald Tribune as to soldier voting by proxy.

The War Department on January 5, 1944, filed a formal report with the Chairman of the House Committee on Election of President, Vice President, and Representatives in Congress, dealing with H. R. 3348, 78th Congress, which was a bill to enable soldiers to vote by proxy. A copy of that report is inclosed for your information.

The War Department did not consider the legislation from the point of view of substance, that being a matter of Congressional policy, or from the point of view of the constitutionality of the proposed procedure.

Sincerely yours,

Henry L. Stimson

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



January 5, 1944

Honorable Eugene Worley,
Chairman, Committee on Election of President,
Vice President, and Representatives in Congress,
House of Representatives.

Dear Mr. Worley:

The War Department has given careful consideration to H. R. 3348, 78th Congress, a bill "To enable soldiers to vote by proxy", which provides as follows:

"That it is the sense of the Congress that the several States should enact appropriate legislation to enable each person in the armed services of the United States (hereinafter referred to as "soldier") and eligible to vote in the respective election districts or precincts to appoint by designation, signed by the soldier and authenticated by his commanding officer, any person who is a qualified voter in the ~~soldier's~~ election district to cast the ballot of the soldier in any general or special election held in his election district, such designee to have authority to act for the soldier in all electoral matters or proceedings and such designation to be valid for the duration of the hostilities in which the United States is now engaged and for six months thereafter unless sooner rescinded by formal verified notice by the soldier to the election officials of his election district or until the death of such soldier is certified by the appropriate department to the proper election district officials.

"SEC. 2. That the Secretary of War and the Secretary of the Navy be, and they hereby are, authorized to cooperate with the appropriate State agencies in the distribution, execution, and collection of such designations".

The War Department subscribes to the principle of members of the armed forces voting in any election in which they are eligible to vote, and will give such assistance and encouragement as it can to the exercise of voting rights by such members, but such

assistance and encouragement should not be permitted to impede essential military functions in any way.

The War Department strongly objects to that provision of the bill which would require the Department, in case of death of an eligible voter in the military service, to certify such fact to the proper election district officials. Such requirement is believed to be administratively impracticable and, if imposed upon the Department, would seriously interfere with the war effort. It is suggested that the fact of death of any such person could be certified to the appropriate Secretary of State who could in turn, certify such fact to the proper election district officials. Certification of death would, of necessity, have to be delayed until the deceased's next of kin had been officially notified of that fact.

A further objection to the bill is that it would require the soldier's designation of a proxy to be authenticated by his commanding officer. In this connection, it is believed that a more practicable method would be to authorize authentication of such designations by any commissioned officer, or warrant officer.

If modified as suggested above, the War Department would interpose no objection to the enactment of the bill, H.R. 3348.

No worthwhile estimate of the cost of the proposed legislation can be made.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

(Sgd.) Henry L. Stimson

Secretary of War

January 28, 1944

Dear Henry:

I am enclosing herewith, for your consideration, copy of letter and clipping which I have received from Randolph Burgess.

Yours sincerely,
(Signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

Per Proctor 5:03

January 28, 1944

Dear Randolph:

I was glad to receive your letter of January 26th and have taken the liberty of forwarding it and the clipping to Secretary Stimson for his consideration.

With kindest regards,

Yours sincerely,

(Signed) Henry

Dr. W. Randolph Burgess,
State Chairman, War Finance Committee,
1270 Sixth Avenue,
New York, N. Y.

134

NY Herald Tribune Jan 25 1917
Simple Soldier-Vote Plan
To the New York Herald Tribune:
In the current discussion as to absentee voting I would suggest the simple plan of permitting the absentee voter to cast his vote at his home by proxy.
All the machinery necessary would be a scrap of paper and a pen or pencil. Merely announce in the usual manner by which orders are issued a simple form of power of attorney, appointing some trusted person at home—wife, father, friend, legal adviser—as attorney with authority to perform all functions as to voting, which could be done by the voter were he present in person.
Legality of this plan would be as easily handled as any of the complex methods under discussion. And the advantages would be manifold, including almost complete absence of expense, saving of time, preservation of the rights of the states and perhaps most important at this time, the preservation of the secrecy of the ballot.
The attestation of the power of



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE
NEW YORK



270 SIXTH AVENUE
NEW YORK CITY
CIRCLE 6-3100

January 26, 1944

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

Dear Henry:

The soldiers vote, I suppose, is outside the Treasury preserves, but I know that nothing that concerns the soldiers is outside the range of your interest. I, therefore, call to your attention the attached clipping which seems to have a lot of sense. There may be some reason this can't be done, but from many points of view it would seem to offer a way out of some of the present difficulties.

While it is too early to be very sure of the drive, it seems to me to be going pretty well.

As I told Ted Gamble, we are hoping some time before many days you will be able to spend a day in New York and do a little visiting, as you did at the time of the Third Loan. It would be very helpful.

Sincerely yours,

W. Randolph Burgess
State Chairman

*AS*MEMORANDUM

February 12, 1944.

TO: The Secretary *TLS*
FROM: Mr. Sullivan

Attached hereto is a memorandum from Director Mack setting forth the important declarations of surplus property made to us from the Services, and stating the progress in the disposition of the same.

AAS

MEMORANDUM

February 12, 1944.

TO: The Secretary T L S
FROM: Mr. Sullivan

Attached hereto is a memorandum from Director Mack setting forth the important declarations of surplus property made to us from the Services, and stating the progress in the disposition of the same.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

February 12, 1944

OF THE DIRECTOR

MEMORANDUM TO MR. JOHN L. SULLIVAN
ASSISTANT SECRETARY OF THE TREASURY

In response to your inquiry concerning the status of substantial accumulations of surpluses declared to Procurement Division by the War Department, the following is submitted:

HORSES AND MULES

War Department indicates about 22,000 to be surplus. Since November 11, 1943 to date 14, 129 have been reported to us in various locations throughout the United States. A total of 3,871 have been sold and auction sales arranged for scheduled completion by March 10.

HARNESS

Since December 8, 1943, 19,322 complete sets of Harness and approximately 5,000,000 component parts have been declared surplus. Requests for Bids were released January 8, 1944, the same day Office of Price Administration cleared price ceilings. Bids scheduled for opening January 25, 1944, but extended to February 2, 1944, because of necessity to send samples to West Coast. Bids are now being tabulated and sales will be completed next week.

MOTOR VEHICLES

TRUCKS: Light and medium weight - various type bodies, 1939 and earlier models. Approximately 10,000 to be declared. A total of 1,807 declared thus far to our Field Offices since last week in January to date. Arrangements completed with Office of Price Administration whereby price ceilings established and discussions with industry relative to disposition concluded this week. Instructions to Field Offices relative to immediate sale will be released Monday.

- 2 -

MOTORCYCLES: Indicated total to be surplused approximately 10,000. A total of 4,367 reported thus far since December 21, 1943. The Office of Price Administration has indicated that they will establish price ceiling Monday, February 14, 1944, whereupon sales procedure will be immediately undertaken.

PASSENGER VEHICLES: Various models mostly low price cars, all new vehicles. A total of 7,583 thus far have been declared, beginning November 2, 1943. A total of 1,385 have been transferred to Federal agencies. The Bureau of the Budget is analyzing Budget estimates to determine number required for Federal agencies' use and expects to complete analysis next week whereupon sales of balance will be made.

SHEARLINGS

Indicated 21,000,000 square feet to be declared. Since January 25, 1944, 3,112,569 square feet have been declared to us. United Nations Relief and Rehabilitation Administration have stated that they can use the entire quantity declared thus far.

SHOOKS

A total of 1,395,000 (knocked down and wire strapped) have been declared since January 15, 1944, and are now being offered to Federal agencies. If there is no need by the Federal agencies a program for public sale will be submitted.

CHICKEN WIRE

Since January 17, 1944, 22,503 rolls have been declared. (Indicated total: 46,384 rolls). This is now being offered to Federal agencies and thus far 10,000 rolls have been transferred to the Marine Corps. Upon clearance with Federal agencies, if any balance remaining, program for public sale will be submitted.

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The War Department has advised that they intend to declare surplus to us substantial quantities of construction and electrical equipment, cutting tools, and medical supplies, but declarations have not yet been received.

We received this morning a declaration for approx-

- 3 -

imately 75,000 dry cell batteries of various types, a large part described as being over 18 months old and they are located at various parts throughout the United States.


Clifton E. Mack
Director of Procurement

Treasury Department
Division of Monetary Research

140

Date 2/12/44 19

To: Mrs. McHugh

The Secretary will be interested
in seeing this.

H.D.W.

MR. WHITE
Branch 2058 - Room 214

Wagner 2/14/44

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 12, 1944

TO Secretary Morgenthau

FROM Mr. White *HW*

Subject: Exports to Russia

1. In December, 1943, U.S. exports to Russia totalled approximately \$345 million as compared with about \$337 million in the previous month.

2. Among the principal non-military items were:

- Motor trucks (all sizes) (\$20 million)
- Dried eggs (\$17 million)
- Canned meat (\$11 million)
- Butter (\$10 million)
- Wool cloth and dress goods (\$7 million)
- Pork, pickled and salted (\$6 million)

3. Among the munitions sent were:

- 123 P-39 pursuit fighters
- 119 P-40 pursuit fighters
- 359 medium tanks
- 200 50 cal. anti-aircraft machine guns
- 279 40 mm. anti-aircraft guns
- 33 3 in. 50 cal. naval anti-aircraft guns
- 50 5 in. 38 cal. naval anti-aircraft guns
- 3,599 scout cars.

4. Shipments to Eastern Russia, presumably on Russian boats via Vladivostok or some other Siberian port, during the last seven months of 1943 averaged more than \$130 million per month. It is an interesting commentary on the Japanese attitude towards Russia that they allow this large volume of goods to go to Russia to be used against their only important ally, Germany.

THE WHITE HOUSE
WASHINGTON

12 February 1944

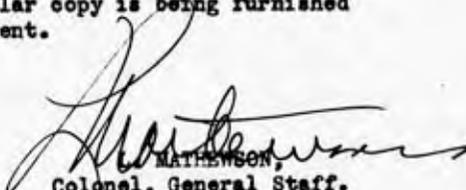
SECRET

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Forwarded herewith for your information are extracts from a message sent to the President by Generalissimo Chiang Kai-Shek, dated 3 February 1944, which Admiral Leahy directed be sent to you.

A similar copy is being furnished the State Department.


MATHEWSON,
Colonel, General Staff.

1 Incl -
Msg, Chiang Kai-Shek to
President, 3 Feb 44.

RECEIVED
Department of the Treasury
Feb 14 1944
TO SECRETARY
Department of the Treasury

SECRET

SECRET

3 February 1944

From: Generalissimo Chiang Kai Shek
To : President Roosevelt

I have received your message dated 26th January transmitted by Ambassador Gauss and I deeply appreciate your efforts to help me and my government. I have consulted with Dr. Kung regarding the suggestion contained therein and have requested him to acquaint the Ambassador and General Stilwell's representative with the decisions he and I have agreed on. I trust that very shortly a solution satisfactory to both our countries may be reached. I wish to assure you that Dr. Kung and I have exerted our utmost to meet your wishes short of jeopardizing China's economic front to the breaking point, and short of endangering the morale of our people in the prosecution of continued resistance.

Regarding the proposals of the American Treasury Department embodied in a previous telegram you sent to me, Dr. Kung has replied directly and in detail to Mr. Morgenthau. I shall be glad if you could find time to look over them, for they give a concise picture of China's financial and economic situation.

SECRET

February 12, 1944

TO: Mr. Raynor
FROM: J. W. Pehle

Attached is a redraft of the cable to Steinhardt on Hirschmann which, insofar as possible, meets the points raised by the State Department.

I think it is very important that this cable go out today. Please advise me as to the action taken.

(s) J. W. Pehle

JWP:ngt 2/12/44

TELEGRAM

AMERICAN EMBASSY,
ANKARA.

Please refer to the Department's no. 68, January 25, in regard to the establishment of the War Refugee Board. The Acting Executive Director of the Board, John W. Pehle, has informed the Department that in conformity with the President's order of January 22, the Board proposes to appoint Mr. Ira Hirschmann, who is now in Turkey in a private capacity, as the Acting Special Representative of the Board with the designation by the Department as Special Attache to the Embassy on war refugee matters. The President's order provides that the State Department shall appoint such Special Attaches on the recommendation of the Board, that they shall have diplomatic status, and that their duties and responsibilities shall be defined by the Board in consultation with the State Department.

If this meets with your approval, you should immediately advise Hirschmann that he is so designated and that he is to have diplomatic status. It is assumed that there will be no objection on the part of the Turkish Government to this designation, although you may in your discretion approach the Turkish authorities informally if you consider it necessary or advisable to do so. You are requested to confirm by telegram Hirschmann's designation or to advise us promptly if there is any reason why the designation should not be effective at once.

You should advise Hirschmann that:

- (a) He is charged with the duty and responsibility of carrying out the Board's policies and programs in Turkey;
- (b) He is responsible to the Ambassador and should discuss his activities and problems with him regularly and fully;
- (c) The Embassy will provide him with the necessary communications facilities in carrying on his official duties.

- 2 -

(d) He shall extend all possible assistance to the Ambassador in carrying out the instructions contained in the Department's reference telegram;

(e) He shall work with and give all possible assistance to public and private agencies operating in Turkey in this field regardless of whether such organizations are American, foreign or international;

(f) He shall develop and assist in the development of programs and implementation of measures for the rescue, transportation, maintenance and relief of refugees;

(g) He shall forward to the Board recommendations and frequent reports on progress of work and difficulties encountered;

(h) In so far as the Trading with the enemy Act is concerned, the Secretary of the Treasury has vested in the War Refugee Board and its representatives in the field full authority to communicate with enemy territory to carry out the purposes of the Order. The Secretary of the Treasury has also delegated to the War Refugee Board and its representatives the power to authorize any public or private agencies, who may be subject to the provisions of our Trading with the enemy Act, to communicate with enemy territory for the purpose of carrying out the Order. Hirschmann is authorized to act accordingly.

After receipt of confirmation of Hirschmann's designation further detailed instructions will follow from time to time.

JED:JWP:mgt 2/12/44

IG-1

PLAIN

London

Dated February 12, 1944

Rec'd 9:18 p.m.

Secretary of State,
Washington.

1222, Twelfth.

FOR SECRETARY OF THE TREASURY AND THE WAR REFUGEE
BOARD FROM CASADAY.

Since February 1 the MANCHESTER GUARDIAN has devoted three editorials to the War Refugee Board and its program. The first two were brief, owing presumably to lack of specific information but all have been strongly favorable to the Board's objectives and have urged the establishing of a similar board here. Quoted below are excerpts from a lengthy editorial in today's GUARDIAN: "The United Nations have never in the last eighteen months faced the refugee problem boldly. The refugees from Axis, and especially Hitler's, persecution are of all peoples and all kinds, but the great majority are Jews, and one says eighteen months because that is roughly the period during which the policy

-2- 1222, Twelfth, from London

policy of 'extermination' has been practised, as it still is, with the full knowledge of all of us. If there have been one or two slight signs that here and there the full fury of the terror has recently been abated it is nevertheless true that in general it is being carried out with the old ferocity. In Denmark and in France for instance children between the ages of two and twelve have been seized, herded together, and deported to the 'unknown destinations' which almost certainly mean death. It is now fourteen months since the House of Commons stood in silence to show its condemnation of such horrors. But apart from very slight changes in our own immigration rules and some slight and unspecified efforts in neutral countries all that has been done is to hand over the work of rescue and relief to the Intergovernmental Committee in London. This body, consisting of a large number of governments and not even yet fully constituted, is little likely to get at the insistent, practical work that is needed, however able and willing may be its officials. The main responsibility must necessarily
be with

-3- 1222, Twelfth, from London

be with Britain and the United States. To rely on this antiquated machine, crawling and creaking its slow way along, is to show that we have never recognized this to be an urgent problem, though urgency is its essence.

At this moment President Roosevelt has taken a step which holds out the promise of that sort of practical action which has hitherto been largely lacking. By executive order, whose text is now available, he has established a war refugee board consisting of the Secretary of State (Mr. Hull), the Secretary of the Treasury (Mr. Morgenthau), and the Secretary of War (Mr. Stimson)."

After summarizing the main provisions of the executive order the editorial continues: "Even this bare summary proves that, to say the least, the scheme provides precisely the machinery that has all along been needed. It is said that Mr. Roosevelt was moved to act by the information reaching him that little was in fact being attempted. Public opinion in the United States will now expect results. Public opinion in this country should not be satisfied with less workmanlike machinery or with smaller results.

The Intergovernmental

-4- 1222, Twelfth, from London

The Intergovernmental Committee and UNRRR. will proceed in their leisurely way with plans for eventual remedies. These are of great importance, but we have done wrong in assuming, as the British and American Governments have hitherto assumed, that next to nothing can be done for immediate measures of rescue and relief. The American Government has clearly abandoned that defeatist, timid view, and we should follow suit. We should establish the same sort of working machine. We should lend our aid by appointing a general director here and special officials abroad, by setting up temporary camps, by encouraging the border countries through assistance and also through example, and by more freely opening our own country, since about the admission of refugees we remain obstinately and discredibly mean. It is never possible to say much openly about what is being done, or may be done, in neutral countries lest the German spite discharges yet more poison, but one has only to mention what Sweden has done for Norwegian refugees and for the Danish Jews to realise how much more an energetic

-5- 1222, Twelfth, from London

energetic British-American policy could still accomplish. The Turks also should be stimulated to understand that their ally Britain expects them to encourage the escape of Balkan refugees over their borders, and every effort should be made to explain to the now hesitant satellites how carefully their conduct in this question is being watched. There is one other contribution we can make. We should announce that Palestine cannot and will not be shut to refugees after the present limit for immigrants is reached. No single one of these expedients will do much in itself, but practised all together they would reduce the sum of misery."

WINANT

NWC

No. 14561

EMBASSY OF THE
UNITED STATES OF AMERICA

Rio de Janeiro, February 12, 1944

SUBJECT: Jewish Refugees in Brazil

The Honorable
The Secretary of State
Washington, D. C.

Sir:

I have the honor to refer to the Department's circular airmail of January 26, 1944 (7 p.m.) concerning the Jewish refugee question.

The discussion contained in the Department's airmail has been brought emphatically to the attention of the Brazilian Foreign Office and is now receiving the careful study of the Secretary General, Ambassador Iano Velloso, who states that he intends to bring the matter urgently to the personal attention of President Vargas, with a view to establishing a more definite policy towards the acceptance by Brazil of Jewish and other refugees as an emergency measure.

Pending any definite action of this type, it may be stated that, according to best information available, about 50,000 Jews have entered Brazil since 1925. Best estimates indicate that there are now in Brazil about 70,000 foreign-born Jews, 10,000 Sephardic Jews whose families have been here for years, and 32,000 children of the above foreign-born Jews, or a total of 112,000. Most of these Jews are

- 2 -

in Rio de Janeiro, Sao Paulo and Porto Alegre. About 90% of them are in cities.

The greatest legal obstacle now existing to the free admission of Jews in Decree-Law 3175 of April 7, 1941, which makes it very difficult for any European to obtain a visa for Brazil. This does not discriminate against Jews but naturally affects them. The exceptions to this restrictive Decree-Law are, as regards temporary visas, that the admission is permitted of a person who can show means of subsistence and can return to his country of origin within two years, and, as regards a permanent visa, of (a) a person who transfers from abroad the equivalent of US\$20,000 in foreign exchange, (b) a technician of proven merit whose services are needed in Brazil, and (c) a person of outstanding reputation.

The above-mentioned Decree-Law gives to the Minister of Justice full jurisdiction in the execution of immigration regulations. This function has been, for practical purposes, delegated to Dr. Ernani Reis, a secretary in the Ministry of Justice, whose word is very powerful in all immigration matters. He has the reputation of having a very restrictionist viewpoint, although no actual instance is known of anti-Jewish discrimination on his part.

On the other hand, a somewhat favorable piece of legislation, as regards European refugees, is a "Portaria" No. 4941 of July 24, 1941, which granted permanent status for the duration of the war for persons who entered Brazil on temporary visas, but only for those who left their country of origin prior to January 1, 1941. This legislation enabled a number of refugees to take employment or go into business.

There is in Rio de Janeiro a Jewish Colonization Association of English origin. This organization is aimed particularly at facilitating the immigration of Jews for the purpose of engaging in agriculture. It has built two agricultural colonies for them.

CONFIDENTIAL

The local Director of this organization said that, in his opinion, the high policy of the present Brazilian regime is not anti-Jewish, but that there

- 3 -

are anti-Jewish individuals at work in it at certain critical points. He described as the two principal anti-Semites (1) the Director of the Departamento de Povcamento of the Ministry of Labor, now a member of the Council of Immigration and Colonisation, and (2) Dr. Ernani Reis, mentioned above.

END CONFIDENTIAL

In general Jewish refugees are kindly treated in Brazil once they have arrived here. They are not free to enter the liberal professions, but that is only because they are foreigners. They have set themselves up, in considerable numbers, in small commercial enterprises and this has led to a certain amount of commercial jealousy among their competitors who were previously established here.

A fundamental and obvious difficulty to the admission of Jews into Brazil is of course the question of transportation facilities. This situation should improve greatly, however, as the war draws to a close.

A further report on this subject will be sent to the Department at a later date.

Respectfully yours,
For the Ambassador:

/s/ John F. Simmons

John F. Simmons
Counselor of Embassy

File No. 800
JFS:mp

EMBASSY OF THE
UNITED STATES OF AMERICA

No. 5166

Panama, February 12, 1944

SUBJECT: Memorandum Received from Foreign
Office in Connection with Reception
of War Refugees by Panama.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to my despatch No. 5133 of February 4, 1944, which reported in part that in compliance with the instructions contained in the Department's circular airgram of January 26 concerning the measures ordered by President ROOSEVELT for the immediate rescue and relief of the Jews of Europe and other victims of enemy persecution, I had sent a memorandum to the Foreign Office explaining the policies expressed in the President's Executive Order concerning war refugees and stating the President's hope that the United Nations would be disposed to cooperate in this connection.

- 2 -

There are now enclosed a copy and informal office translation of the memorandum in reply received from the Foreign Office on February 12.

Respectfully yours,

/s/ John J. Muccio

John J. Muccio
Charge d'Affaires a.i.

Enclosure:
Copy and translation of
Foreign Office Memorandum

SWR:mr

Translation

M E M O R A N D U M

The Ministry of Foreign Relations has received the Memorandum of the United States Embassy dated February 4 stating that the President of the United States has issued an Executive Order by means of which there is created a Board composed of the Secretaries of State, Treasury, and War in order to work for the rescue and relief of the Jews and other victims of Axis oppression who are in imminent danger of death. In said Memorandum it is also stated that it is the hope of the President of the United States that all members of the United Nations and other ^{and} Governments will cooperate in the realization of this difficult but important task.

This initiative, which constitutes a new proof of the noble principles of human solidarity which inspire His Excellency Mr. Franklin D. Roosevelt, President of the United States of America, is received with all sympathy and enthusiasm by the Government of the Republic of Panama, which will lend its decided cooperation to the realization of this noble project.

The Government of the Republic of Panama hopes that the rapid and opportune intervention of the United Nations and of Friendly Governments will effectively contribute to put an end to the horrors of persecution which so many victims are suffering in Europe.

Panama, February 10, 1944
(SWR:mr)

February 12, 1944

Dear Mr. Raynor:

Reference is made to your letter of February 5 enclosing a paraphrase of a cable received from Bern relative to the return of Italians in German occupied Italy to their homes in southern Italy, together with a draft of a letter which you had intended to send to Admiral Leahy on this matter.

The letter which you have prepared from your Department to Admiral Leahy has our approval, and you may feel free to so indicate in the letter.

Yours very truly,

(Signed) J. W. Pehle

J. W. Pehle
Acting Executive Director

Mr. Hayden Raynor,
Special Assistant to the Under Secretary,
Department of State,
Washington, D. C.

COPY

153

OFFICE OF
THE UNDER SECRETARY OF STATE
WASHINGTON

February 5, 1944

Dear Mr. Fehle:

Confirming our conversation, I enclose herewith paraphrases of the cable received from Bern and of our proposed reply and a draft of a letter which we had intended to send to Admiral Leahy on this matter. You said in our conversation that you would like to look over this file. If the War Refugee Board would prefer to communicate on this directly with the Chiefs of Staff, such procedure will be entirely agreeable to us, or, with your approval, we shall be glad to send the letter as planned. Will you be good enough to let me know your decision in the matter.

With best wishes,

Sincerely yours,

/s/ HAYDEN RAYNOR

Hayden Raynor,
Special Assistant to
the Under Secretary

Encs.

Mr. John W. Fehle,
Acting Executive Director,
War Refugee Board,
Treasury Department,
Washington, D. C.

COPY

PARAPHRASE

FROM: Bern, #444
DATE: January 20, 1944

My British colleague and I have received from the Vatican Secretariat of State a note dated January 5 requesting Allied authorities to permit Italian women, children, aged and infirm who are residing at present in German-occupied Italy to return to their homes in Southern Italy and Islands. The request is made, the note explains, on humanitarian grounds as a result of appeals reaching Holy See from many parts Italy and adds that the Holy See is prepared to collaborate in facilitating transfer if permission is granted.

London has already sent a negative reply and my British colleague has informed the Cardinal Secretary of State of this reply. Grounds for the refusal were that the proposal would (a) establish precedent for other German-occupied countries; (b) present insurmountable difficulties; (c) add to food problem difficulties occupied areas; afford opportunity for mischiefmaking to enemy agents.

I also shall reply in negative to Secretariat of State's note mentioning reasons (a) and (b) above unless instructed otherwise.

COPY

PARAPHRASE

TO: Bern

Department is unable to reply until receiving the advice of military authorities relative to the return of Italians in German-occupied Italy to their homes in southern Italy referred to in your #444. If and when it seems desirable to grant permission requested, you will be informed.

COPI

DRAFT

My dear Admiral Leahy:

The Department is in receipt of a telegram dated January 20, 1944, from the American Legation in Bern concerning a note received from the Secretariat of State of the Vatican on January 5, 1944. The Secretariat of State requests that Allied authorities permit Italian women, children, and aged and infirm persons, who are residing at present in German-occupied Italy, to return to their homes in "southern Italy and Islands". The note explains that the Holy See is prepared to collaborate in facilitating the transfer and that the request is made on humanitarian grounds as a result of appeals reaching the Holy See from many parts of Italy.

The telegram also points out that the Secretariat of State of the Vatican sent a similar note to the British and that the British have replied in the negative, although it is not clear whether the negative response emanated from the Ministry of Economic Warfare, the British Chief of Staff or the Combined Chiefs of Staff in London.

The Department is desirous that these persons receive all possible assistance consistent with the war effort and will appreciate a statement from appropriate military authorities on the feasibility and desirability of this proposal.

Sincerely yours,

Admiral William D. Leahy,
Chief of Staff to the
Commander in Chief of the Army and Navy,
The White House.

DEPARTMENT OF STATE
WASHINGTON

February 12, 1944

To: Mr. Pehle, Acting Director,
War Refugee Board

From: Mr. Raynor

There is attached a paraphrase of a telegram from the American Legation in Bern regarding the message recently sent to the International Red Cross.

Enclosure:
Paraphrase of telegram
No. 638, February 10, 10 p.m.
from Bern.

PARAPHRASE OF TELEGRAM

FROM American Legation at Bern
TO Secretary of State
DATED February 10, 1944
NO. 838

On February 8 Dr. Huber acknowledged the message communicated to the International Red Cross regarding war refugee work in Rumania, Slovakia, et cetera. He stated that the Committee is gratified by this evidence of interest in this problem and that it is happy to take advantage of the offer to transmit its reply to Washington. Several days will be required, however, in order to give consideration to the reply.

840.48 Refugees/5147

U:LJ
2-12-44

TELEGRAM SENT

159 x

This telegram must be rephrased before being communicated to anyone other than a Government agency. (SC-00)

February 12, 1944

8 p.m.

FEB 14 1944

ANEMBASSY

CHUNGKING (CHINA)

222

FOR ADLER FROM SECRETARY OF THE TREASURY.

You are instructed to submit your resignation to Dr. Kung to take effect February 29, 1944. Please inform Treasury immediately if you feel that you have any reason that this should not be done.

CONFIDENTIAL

STETTINIUS
for the (Acting)
must
(JSH)

FMA:JSH:MEC 2/12/44

FE

TELEGRAM SENT

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (80-00)

February 12, 1944

9 p. m.

**AMEMBASSY,
CHUNGKING, (CHINA)**

223—FOR ADLER FROM THE SECRETARY OF THE TREASURY.

All information that is available in regard to Chinese imports of CN currency is requested by Treasury. (Reference your No. 166 of January 26, 1944). Treasury is particularly interested in the percent of currency needed which must be imported by the Chinese Government, what percent can be obtained from Chinese banks and the reasons why it is not possible to borrow a greater percentage from Chinese banks.

Treasury desires any available information as to the amount of CN currency which is now held by Chinese banks. Treasury is particularly interested in how much of this currency is being held as reserves and how much is needed for current business purposes.

Treasury does not wish you to consult formally with officials of the Chinese Government on these questions.

**SEPTINIUS
(ACTING)
(JSH)**

FMA:JSH:DB FE

ef:copy
2-16-44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Mission, New Delhi
DATED: February 12, 1944, 5 p.m.
NUMBER: 110

CONFIDENTIAL

It is felt by FEA and the Department that with respect to the Indian requirements of drugs and medical supplies the Mission should undertake the following course of action.

1. It should inform the Government of India that this Government will make available desired medicinals for cash purchase in so far as possible.
2. There should be submitted to Washington as soon as possible a comprehensive list of required drugs and medical supplies, by type and amount.
3. The authorities of India should be requested to arrange with London the necessary clearances for importation of medicinals.
4. Representation should be made to the Indian Government that since this contemplated supply of drugs is considered by the Department as an emergency measure, assurance is desired that normal trade outlets of American firms will be given an equitable opportunity to carry on established trade in so far as possible at this time and in the future.

5. Complaints

- 2 -

5. Complaints of American drug firms' agents in India should be brought to the Indian Government's attention in the Mission's discretion.

The Mission is confidentially informed that WSA has advised the Department that shortage of shipping should not be considered an obstacle since shipping can be made available.

Foregoing message was repeated as the Department's no. 1089 to London.

STETTINIUS
Acting

163

OFFICE
SECRETARY OF TREASURY

NOT TO BE RE-TRANSMITTED

1944 FEB 14 AM 11 08

COPY NO
TREASURY DEPARTMENT 2

U.S. SECRET
BRITISH MOST SECRET

OPTEL No. 49

Information received up to 10 A.M. 12th February 1944.

1. NAVAL

On 10th/11th four Russian bombers attacked TIRPITZ in ALTFJORD and claim one near miss. Aircraft from one of H.M. Aircraft Carriers attacked enemy shipping in the Norwegian Leads yesterday. One large ship already beached was hit. One Mel09 destroyed and one Seafire lost. Unloading at ANZIO 10th was stopped by westerly gale and heavy swell which continued throughout 11th ANZIO was shelled 9th since when no more shelling or air activity. Two of H.M. Sloops sank a U-Boat yesterday in South Western Approaches. This is the 5th U-Boat sunk by 2nd Escort group during present patrol.

2. MILITARY

Italy To noon 11th. 8th Army. Patrolling in coastal sector, snow delaying reliefs in mountains.

5th Army. Fighting in and around CASSINO continues. 6th. Corps U.S. Forces repulsed a small attack against the Eastern flank of the perimeter, conditions quieter in the British sector and reliefs have been carried out.

Burma ARAKAN. Japanese forces continue to attack in the NGAD INDAUK Pass northwest of BUAINDAUNG. Many raids on our forward positions have been repulsed.

3. AIR OPERATIONS

Western Front 11th. Total 200 escorted Fortresses dropped 265 tons at FRANKFURT, 88 tons at LUDWIGSHAFEN and 35 at SAARBRUCKEN. Heavy, medium and light bombers with escorts dropped 270 tons on the military constructions in Northern FRANCE. Day's casualties reported: 37:3:21, ours 6 heavy bombers 15 fighters.

11th/12th. Aircraft despatched: Sea-mining 52, Total 27 Mosquitoes on BRUNSWICK, ELBERFELD, AACHEN and DUISBURG, Leaflets 11, Intruders 16. All returned safely. Twelve enemy aircraft operated over Southeast ENGLAND. Four entered GREATER LONDON Area.

Italy 10th. 383 tons dropped on objectives Southeast of ROME by heavy bombers, three missing. Lightnings (one missing) dropped 17 tons on a road and rail junction Northeast of ROME.

Crete 9th/10th. Our aircraft laid 21 sea mines at HERAKLION and bombed the Harbour.

February 13, 1944
10:00 a.m.

Wilson
Searles: Good morning, Mr. Secretary.

HMJr: How are you?

S: Fine. I hope you're feeling better.

HMJr: Ah - yes.

S: Good.

HMJr: Thank you. Ah - Mr. Searles, I just thought that I'd let the President know that I am in town today

S: All right, sir.

HMJr: and I'm leaving again tomorrow morning, and I'm available.

S: I will tell him, Mr. Secretary. He hasn't had his breakfast yet. I don't think he's awake.

HMJr: Well

S: But at the first opportunity, I'll tell him that you're in town.

HMJr: Just tell him that I'm in town, and I just want to let him know that I'm leaving for Florida tomorrow morning.

S: Tomorrow. I'll be glad to tell him.

HMJr: But I wanted to let him know that I'm available.

S: Right, sir. I'll tell him.

HMJr: Thank you.

S: Not at all.

February 13, 1944
10:30 a.m.

JEWISH EVACUATION

Present: Mr. Bell
Mr. Pehle
Mr. Gaston
Mr. DuBois
Mr. Luxford
Mr. White
Mrs. McHugh
Mr. Paul

H.M.JR: Is Paul here?

MR. PEHLE: I don't know that he was notified.

H.M.JR: Yes, I notified him.

Well, tell me the story of your life in twenty-five minutes.

MR. PEHLE: We have been moving along. I have a memorandum here. It is not in the order of importance, but I can summarize.

The Island of Rab matter is still lost in the War Department. The War Department has now decided this becomes a matter for the Combined Chiefs of Staff as well as the Joint Chiefs of Staff, because Italy is under an Allied Commander. We are pushing it along and sort of setting up an informal committee in the War Department to handle this matter. The details I don't know yet.

We had a cable from Winant saying that the action of the United States in setting up the War Refugee Board was coming up in the House of Parliament and they were going to be asked what they were going to do. They proposed to say that they had a Cabinet Committee on Refugees -

- 2 -

which, curiously enough, has never been made public, and the composition of it has not been made known. On that part of the cable we sent a reply back urging that they take parallel action. Then in the second part of that cable - I have copies here for you - they said that the private organizations had inferred from the fact that the Secretary of War was on our Committee, and from the fact that we say we are going to take all measures possible, that we were going to use parachute troops to rescue these refugees - and could they have our comments on that.

(Mr. Paul entered the conference)

H.M.JR: I know how a paratrooper drops, but I don't know how he takes the poor refugee up again.

MR. PERLE: Well, we felt that that might very well be an attempt to put us in a very silly position, so we drafted a paragraph as to that, saying that we had no such intentions, and cleared it with the War Department and got that out. It went back to the British.

H.M.JR: Sounds silly, doesn't it?

MR. PERLE: Yes.

MR. LUXFORD: Several "wins" by the British.

H.M.JR: What does that mean?

MR. LUXFORD: Knifing us from the side.

H.M.JR: A new expression the other day - "You will lay an egg." Do you know what that means? That was a new one to me - I mean when it isn't a chicken.

MR. WHITE: I see you are feeling better! (Laughter)

MR. PERLE: The Canadian Legation sent a man in--

H.M.JR: I thought you knew that when I talked to you the other day.

- 3 -

MR. PEHLE: ...sent a man in to see us. The Canadians, I think, are going to be very friendly. There is every indication that they will follow very well.

H.M.JR: Good.

MR. PEHLE: We haven't heard anything from our Missions in the four or five neutral countries as a result of that circular telegram that we sent as a follow-up on it. We are a little worried about the fact we haven't had a reply.

We have also given to State a cable to all of the other United Nations similar to the one that went out to the British, asking them to take parallel action and telling them we are ready to cooperate with them in all of these endeavors.

Last night at six o'clock there was on Mr. Shaw's desk, and had been cleared all the way through State, a cable appointing Hirschmann as the temporary representative, at least, of the Board in Turkey. It took a little push.

H.M.JR: Has he got there?

MR. PEHLE: Yes, he is either there or in Palestine, I am not sure. But he did get out. And on that I would like to say that Stettinius is just as good as he was on this thing when you left. He is very good - very effective. He had me over there the other day with all the people in the State Department who worked on this thing, and made it clear what the State Department's policy was, or what his policy was, anyway, and gave me a chance to express my views to the group, which I did, and so forth.

Now we are preparing similar messages to appoint two other people abroad. Ross McClelland in Switzerland, who is a Friends man there. Everything we found out about him is very good. And the Friends man in Lisbon, who is David Blickenstaff, who is also very good. He has also worked for the J.D.C. So we are moving ahead to get the people.

- 4 -

H.M.JR: The Friend in Switzerland, and who is the other?

MR. PEHLE: A Friend, too, in Lisbon. Those are the key spots - once we have covered Ankara with Hirschmann.

H.M.JR: Do the Friends here know what we are trying to do?

MR. PEHLE: Yes.

H.M.JR: Don't forget the Unitarians offered their services, too.

MR. PEHLE: No, we have been in touch with them, too.

Now, the first big project we went into is the Spanish situation. We drafted a very strong cable to Hayes, which was designed to do several things: One, answer the Spanish Government and make it clear they were welcoming refugees in; secondly, asking the Spanish Government to put the refugees in camps as they came in, and giving some broad general understanding we would move these people out to North Africa. The principal thing we are trying to do is to get the camp occupied. There is still nobody in it. We went over to see Lehman and his whole staff and had a long discussion with him. He was very friendly.

He was less inclined than we were to force these people to go from Spain, but we are winning him over on that, but slowly. But he went along with the cable, with the modification making it a little less tough. We cleared the idea with the War Department - no trouble there. Then we got it over to State the latter part of this past week.

State said in the first place they would be glad to send a cable out right away, a cable from the Executive Director to Hayes, and not a cable from the State Department. I said that wasn't satisfactory. So then they said they would be glad to send it out if it was a cable from

- 5 -

the War Refugee Board. I said, "What is the difference?" They admitted if it came from the Board they would put it up to the Spanish Government, but if they didn't like it, he wouldn't press it.

But if it came from the State Department, it would be different. If it were going to go from the Government, they had three objections; the first was that it would interfere with wolfram and wolfram negotiations, and the guys who are raising it are the same political group in the State Department, who haven't much interest in or knowledge of the wolfram situation. On that we have been working with Harry White, gotten approval of Crowley to say that he thinks we ought to go right forward with this, and we can tell State that at the appropriate time.

There will be a meeting with State at three o'clock in Stettinius' office on Monday. We will let the political boys make their case.

H.M.JR: Somebody there from Crowley's office?

MR. PEHLE: Not unless we ask for him. But we are in a position to say they have cleared this matter.

MR. LUXFORD: You may be interested to know that wolfram is one of the three big items and conditions that State has laid down in order to begin shipping oil to Spain.

H.M.JR: You mean they have stopped shipping wolfram to Germany?

MR. PEHLE: Yes.

H.M.JR: Wolfram is tungsten, isn't it?

MR. LUXFORD: That is right.

MR. PEHLE: The other two items are the release of the Italian ships and to throw out spies.

- 6 -

MR. WHITE: The tungsten situation - England has as much as she needs and has been stockpiling it, so the efforts now are to prevent Spain from producing it. In other words, the efforts are directed now, presumably, toward preventing Germany from getting it, not because we need it.

H.M.JR: Incidentally, I was interested in Hull's letter to me to leave status quo in the Argentine.

MR. PAUL: That was an interesting letter. It went further than I expected.

H.M.JR: Yes.

MR. PEHLE: So we will have this meeting. The other two points they raised, both of which they admit need not be met at this time, they say there is a Presidential Directive, issued a year ago, limiting to three thousand the number who can go to the Port Lyautey Camp.

Secondly, if you are going to take very many people you need the consent of the French. Those points can be met later.

H.M.JR: Harry is an intimate friend of the Chief Tribesman of French Morocco.

MR. WHITE: Yes, I can arrange. If necessary, I will eat with my feet.

MR. BELL: Or the other hand, Harry.

MR. WHITE: That is worse.

MR. LUXFORD: You will be interested that the people raising these objections are Matthews, Reams, and Culbertson, the same old crowd.

H.M.JR: Well, I wouldn't be surprised if after awhile Stettinius may get his stomach full.

- 7 -

MR. PEHLE: That is why we would as soon have these meetings in Stettinius' office so he can see what kind of objections they are raising.

Then in connection with the International Red Cross, we found an old communication from them, lost in the State Department's files, indicating they needed a hundred thousand dollars right away.

H.M.JR: The International Red Cross?

MR. PEHLE: Yes, for the feeding programs in Rumania, Hungaria, and Czechoslovakia, that we had inquired of them about but hadn't received a reply. The matter had been sent to the Inter-Governmental Committee in London. So we just sent the hundred thousand - the J.D.C. did.

H.M.JR: How long ago was that?

MR. PEHLE: I don't remember, exactly - a couple or three months.

H.M.JR: The J.D.C. sent it?

MR. PEHLE: They sent it right away, as soon as we told them the money was needed. They said they had never been notified it was needed.

H.M.JR: Incidentally, I am in advance of the Gallup Poll, weakening a little bit about sending food into occupied countries for children. How can we be sure the children will get the food?

MR. PEHLE: I would like to come to that.

Then the Foreign Office sent to the British here a telegram. I have a copy for you. It is a pretty nasty telegram, indicating that the World Jewish Congress is pressing for a declaration against the extermination of the Jews. They issued one a couple of years ago; they couldn't see it had done much good; but since we might be pressured

- 8 -

to issue one during an election year, they would like to have our views.

MR. LUXFORD: Get it?

H.M. JR: From whom?

MR. PEHLE: From the British Foreign Office, the British Embassy to take it up with this Government.

H.M. JR: That is what I think the President ought to see.

MR. PEHLE: Well, we sent back a letter, a long letter, describing why we thought the last declaration didn't have the effect it should have had, and that we were considering another declaration. This was another letter to State and it was accompanied by a very strong letter to the British saying we would issue a declaration if we thought it would do any good - not on the basis of an election year. Stettinius told me on Friday they were going to try to put it in more diplomatic language and they would get together with us as soon as they had done it.

MR. DuBOIS: Our feeling is that a good declaration would do an awful lot of good.

MR. PEHLE: We are all coming to the view, Mr. Secretary, that what you can do psychologically may be more important - not that you neglect anything else, but it may be more important what you can tell the satellites in very strong terms.

Incidentally, we have sent, also, to State a very strong letter, putting us on record as asking for a statement to the satellites through appropriate channels to make it clear where this Government stands, and that is over. It is on the record, and it is at the State Department - they have it.

- 9 -

MR. DuBOIS: The potentialities of saving these people by changing the attitude of our enemies are so much greater. If there is any way we can do that, we have possibilities of really saving most of the people, and we think that there are very good possibilities.

H.M.JR: Through changing the attitude of our diplomatic representatives?

MR. DuBOIS: No, of our enemies - Germany and her satellites.

MR. PEHLE: Particularly the satellites, and even Germany.

MR. DuBOIS: There is every indication that may be possible at this stage of the game.

H.M.JR: Well, you have to spell it out a little bit more. I mean - I am going to run until five minutes of. If I don't get through - I won't ask everybody else - but I may ask you to come to the house around five.

MR. PEHLE: All right.

Then we sent out a letter - the Board - to ninety-two private organizations.

H.M.JR: Who did?

MR. PEHLE: I did, asking for their views on what the Board could do, how they could help the Board, and so forth. The replies are now coming in. There will be a lot of good material.

H.M.JR: Can I interrupt? I want the rest to hear this - about this request of Mr. Roosevelt's. Let's take a minute or two on that.

MR. PEHLE: Yes.

- 10 -

Jonathan Daniels called me up about a week ago and asked me to see a woman named Ann Laughlin. She had been with NYA for about nine years and NYA is now closed up. She was State Director in Kansas, and then when they made a Regional Office out of the Kansas Office she had about four or five States. She was in charge of all that work. Her salary was sixty-five hundred.

I talked to her and several other people talked to her. She is a competent woman. Her heart, I am quite sure, is in the right place on this issue, and my own feeling was that I would be perfectly willing to take her on at the salary she was getting, but she seemed to have an idea that she was going to have a big administrative task, whereas we feel rather strongly that it should be a small professional force, not any big operation if we can avoid it. We should have UNRRA and other people do the operation.

As a matter of fact, Jonathan Daniels called me after she had seen me and said again that he didn't know whether he had made it clear that what he had in mind-- and he uses the President's name and Mrs. Roosevelt's name rather frequently - was that she would be one of the responsible top people. And that is where it stands.

H.M.JR: How many people do you have besides yourself, now?

MR. PEHLE: About fifteen, counting clerical.

H.M.JR: I mean professional.

MR. PEHLE: Eight or nine.

H.M.JR: All out of Foreign Funds?

MR. PEHLE: All out of the Treasury, some place.

MR. PAUL: Do you have Abramson yet?

- 11 -

MR. PEHLE: Now, there are two key people that I am just on the verge of; one is Abramson, if we can get him out of the Army - he is over thirty-eight. The other is Clarence Pickett.

Now, we all feel very strongly if we can get Clarence Pickett it will strengthen our organization a hundred percent; it will strengthen our position a hundred percent. I called him on Friday and put it up to him very strongly.

Now, there is one place where you might be willing to be of assistance.

H.M.JR: Sure.

MR. PEHLE: If you could call Rufus Jones--

H.M.JR: I don't want to do any telephoning, but if you would write me a letter, I would be glad to sign a letter tonight when you come out to the house at five o'clock. How would that be?

MR. PEHLE: Yes, sir.

H.M.JR: While this may not seem important, it is important and you will be interested. Mrs. Roosevelt called Mrs. Morgenthau, herself, and said that she had taken it up with the President and the President said, "Well, you will have to talk to both Elinor and Henry about this."

Mrs. Roosevelt said, "Why can't I take it up" - no, she said, "I don't suppose I can take it up with Pehle because he is only temporary." So the President said, "No, he is not temporary if he makes good."

I thought that was interesting.

So then she did take it up, and if it is agreeable to you people - look at Luxford smiling! But Mrs. Morgenthau is going to say to her at lunch today, "If you, Mrs. Roosevelt,

- 12 -

make this a 'must,' my husband will see that she gets the job, but we have to create a job; there is no such position."

MR. PEHLE: I wouldn't want to put it on that basis.

H.M.JR: Well, that is a personal business. That is because you don't need her.

MR. PEHLE: I can use the woman. She is all right. I want somebody from outside - as many people as we can get from outside of the Treasury we all think would help. She is a woman who has the right slant.

H.M.JR: If she was just somebody - if the White House wasn't back of her, would you give her that job at sixty-five hundred?

MR. PEHLE: Yes, I would.

MR. PAUL: I think what John meant was--

MR. PEHLE: I thought of making her the Deputy Director. On my terms, I am perfectly willing to take her right now.

MR. LUXFORD: If she will come to work on the same basis as the other boys.

H.M.JR: Would she be far out of line on salary?

MR. PEHLE: No.

MR. PAUL: Salary isn't what worries me.

MR. GASTON: She couldn't out-rank such people as Pickett and Abramson.

MR. PEHLE: She wouldn't on salary.

H.M.JR: But you are willing to take her as one of the gang?

- 13 -

MR. LUXFORD: Let her make her own niche.

H.M.JR: But not as a top administrative person.

MR. PEHLE: Yes, I am perfectly willing to say she is one of the top half dozen people.

MR. GASTON: One of your principal assistants?

MR. PEHLE: That is right.

H.M.JR: The other story is that Aubrey Williams, when he left, said he only made one request, and that request was that this woman be taken care of. That is the only request he made. That is why Mrs. Roosevelt is trying so hard to place her.

MR. PEHLE: Well, there is much to be said for taking her on. It is a good political gesture in getting this job done. I am perfectly willing to do it. I think she will be valuable as long as she doesn't come with too high an idea of what she is going to do.

H.M.JR: Well, I want to call her before I start this eleven o'clock meeting, and I have another thing - I think that I will just continue with you at five, if that is all right with you. I won't bother these people. I just want them to have a little knowledge of what is going on.

MR. LUXFORD: Are you going to discuss this question of relief to the children in France, and so forth?

H.M.JR: Yes.

MR. LUXFORD: I am troubled about that a little.

H.M.JR: Would you like to come?

MR. LUXFORD: I am troubled about that.

- 14 -

MR. WHITE: John knows how I feel. I am siding with John. He raised this question almost two months ago.

H.M.JR: I felt very timid about asking people to come in this morning, so - I mean, I don't want to - anybody who wants to be there--

MR. PAUL: I will come if I am necessary, but I don't think that I can add anything to that meeting. Whatever John thinks--

H.M.JR: I would rather like you there, Herbert. I am relying on you while I am gone. Is that a bad time for you?

MR. GASTON: All right for me.

H.M.JR: All right, then I think we are through.

February 13, 1944
11:00 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. White
Mr. Smith
Mr. Sullivan
Mr. Gamble
Mr. Haas
Mr. Thompson
Mr. Blough
Mr. Lindow
Mr. Tickton
Mrs. McHugh

H.M.JR: Ted, let's do war bonds first. Then we will have Tickton and Lindow, and then we will excuse them, please.

MR. BELL: There is a sheet for you. (E Bond statement)

H.M.JR: How much are E bonds up?

MR. TICKTON: One hundred and thirteen million.

H.M.JR: Why don't you say it and smile at the same time? One hundred and thirteen, I see.

Now, where are you on your line?

MR. TICKTON: About twenty-five million under the line. The one hundred and thirteen million yesterday included Army and Navy deposits. The Federal Reserve portion was about eighty-one million, as it has been pretty near every day last week..

- 2 -

H.M.JR: The windfall from the eighty-one otherwise?

MR. TICKTON: Yes, sir.

H.M.JR: We are only twenty-five under?

MR. TICKTON: Yes, sir.

H.M.JR: That is not so bad.

MR. BELL: Call the Army and Navy a windfall now.
(Laughter)

MR. GAMBLE: I will tell you how we stand with the E bonds. The E's look quite certain this time, much more so than when we met the last time. You can tell more about it now. As near as we can estimate, the minimum E bond figure will be two billion nine hundred million dollars. A lot of things would have to happen to us that there is no reason to expect for it to be even two billion nine hundred million. Now, that looks very safe for the three billion E bond victory. That is my notion. We have a chance, and only a slim chance, of making the five billion five individuals.

H.M.JR: You have missed it by how much?

MR. GAMBLE: By not over three hundred million dollars. We will go five billion two as a minimum. In my opinion we will do eleven billion dollars as a minimum, other than individuals for a total of sixteen billion, two hundred million. That is about where we stand. Now, these fellows can give you their own figures.

H.M.JR: Will we get the fourteen billion by--

MR. GAMBLE: There is a chance we may have it tomorrow night. We have thirteen billion four hundred and fifty million right now.

MR. BELL: You have to have a big day tomorrow.

MR. GAMBLE: We had four hundred and fifty million Saturday, which is not a long day, and we have a chance of getting it tomorrow night. We will have it certainly

- 3 -

Tuesday night on the 15th.

MR. BELL: Certainly Tuesday should be a big day, being the last day.

H.M.JR: Tuesday, though, won't come in.

MR. GAMELE: It will come in Tuesday night by wire.

MR. BELL: Most of it, yes.

MR. GAMELE: At the close of business Tuesday we will be over fourteen billion.

MR. BELL: You can reasonably expect three rather large days, Monday, Tuesday, and Wednesday.

H.M.JR: What about this figure that I wanted to show, the difference in this drive with the banks and the borrowing out?

MR. SMITH: I have that, and it is so. You are not two hundred miles away yet. Tickton says that there was over five billion of that money in the last drive, and there will be at least two billion in this drive, so it is down some.

H.M.JR: Somebody told me that they felt up to now there was no borrowing from banks.

MR. LINDOW: That is not strictly true, Mr. Secretary. Weekly-reporting member banks show an increase in loans for Government securities of about half a billion so far, but aside from that the holdings of Government securities by weekly-reporting member banks has gone up about a billion and a half dollars aside from the direct issues, which they have gotten through the limited purchases, you know, up to ten percent of savings deposits, or two hundred thousand of their savings deposits, whichever is lower. So we already have bank participation, aside from the loans, of something in the neighborhood of a billion and a half. Our best guess at the moment is that that will go up a little bit more and we may end up with a figure of around two or two and a half billion.

- 4 -

MR. HAAS: That is a good showing.

H.M.JR: Well, let's say it is two. Then it is three billion dollars less than it was last time, which will be the difference by over-subscription almost to a tee. We had roughly nineteen billion last time, and sixteen billion this time. The difference will be in the bank borrowing.

MR. GAMBLE: There is no individual borrowing.

H.M.JR: Now, let me tell you--I challenge that. When I was in Cincinnati, the President of the Fifth Third Bank, Rowe, or whatever his name is--

MR. GAMBLE: J. Rowe.

H.M.JR: He was quite obstreperous, anyway.

MR. BELL: He has been right along.

H.M.JR: And he said, "If a man wants to come in here and borrow a hundred thousand dollars from me to buy some bonds and I think he is good for it, I am going to show him your letter. I will go through the motions, and then I am going to lend him the money." He said, "You try and stop me!"

MR. GAMBLE: Well, the Federal Reserve has been doing quite a job.

H.M.JR: He said, "I am going to let them read your letter saying it shouldn't be done."

Then I said, "What is the difference between you and the fellow who is selling in the black market?"

I pointed to the thing and said, "There is the ceiling price, but if you want a quart of whisky it is going to cost you sixteen dollars."

He didn't like that. I don't know how many Mr. Rowes there are.

- 5 -

MR. GAMBLE: All you need to do is look at the securities we are selling, Mr. Secretary, in that field as against what was apparently several billions of dollars on the part of the individuals in the last drive--there is certainly none.

MR. PAUL: I would like to ask a question here. I don't know whether it has any sense or not, but if I wanted to do what you want done, I wouldn't take my Government securities to a bank; I would take some other securities.

H.M.JR: You don't have to. Mr. Rowe wouldn't even ask you; he would--

MR. PAUL: But suppose--is this just as bad? Suppose I want to do exactly this thing, in effect, but instead of taking the Government securities I take some General Motors stock or something like that.

H.M.JR: The effect is just as bad.

MR. PAUL: How do you estimate how much is done the other way?

MR. BELL: There isn't any objection to your borrowing to buy Governments; the objection is that you buy and immediately sell right afterwards back to the banks.

MR. PAUL: Oh, that is the one that Eccles has been after.

MR. BELL: As a matter of fact, we advocate, "Borrow and buy if you pay the borrowed money off within a reasonable time and keep the securities.. That is what we want you to do."

MR. LINDOW: But you get the same adverse effect if somebody sells a Government security which was already in his hands beforehand, and that is what is happening far more than the loans.

MR. BELL: That is right, but there are some loans. There is no question about that. I found a man down in

- 6 -

Texas, the president of the bank, who went around to eight banks and borrowed as much money as he could from each one. He had three million dollars that he had borrowed and then he gave his personal note. When he got the check from the bank, he put it through his own bank account. That gave him a three million dollar increase in his war loan account for his bank. Just as soon as the drive is over he will sell the securities, pay off the loans, and his bank will have three million dollars in deposits from the Government. It has gotten so far that I couldn't very well stop it. But I told the Dallas bank to tell him that he was going contrary to what we wanted done, and that after this drive was over and his balances were down to a billion and a half that would be the limit that his bank could thereafter hold in a war loan account. But it is now up to six.

H.M.JR: The point I am making is, I think at some time when this is over and as soon as we know the figures and know what the differences in the borrowing are, between five billion last time, and whether it is two or two and a half this time, that should be told and give as wide publicity as possible, because I think it was very courageous on the part of the Treasury to shut out the banks and get tough the way we have and go after five and a half billion dollars of individual subscriptions and three billion dollars in E bonds. We will come within three hundred million, anyway, of making it, won't we?

MR. GAMBLE: Yes, sir.

H.M.JR: But I think, as I keep saying, it is a hard job. They keep saying it is going badly. What I want to try to get, at the right time, is they are not lagging as the drive ends, and there is not this inflationary buying or borrowing which has been cut out advisedly. I think there should be a letter to the editors and the financial writers, and that whole thing should be done very carefully just as soon as we have the facts.

MR. PAUL: The Post had much better headlines than the New York Times this morning.

- 7 -

H.M.JR: I think that should be gotten over. Probably we could get some Senator or some Congressman to say something on the Floor, you see, explaining what we have done. For instance, the Chairman of the Banking Committee in the Senate and the House could say something, they are glad to see we are cutting down the borrowing of the banks and the individuals are coming up. Give them a little something to say.

MR. GAMBLE: Yes, sir.

H.M.JR: Now, Lindow and Tickton, do you want to volunteer anything?

MR. LINDOW: I think we have covered the ground.

H.M.JR: Well, I am sorry to have disturbed you on Sunday, but you can go back and go to church now.

MR. BELL: I might tell you that the amount of subscriptions that we have gotten from the banks on that savings deposit proposition was five hundred and sixty-six million.

H.M.JR: On time deposits?

MR. BELL: Yes, five hundred and sixty-six million. That was included in your thirteen billion four hundred and fifty on that sheet. It is not in your drive. It is outside of the drive. That is very good. I think our estimate was five hundred and fifty.

H.M.JR: Is that it? What is it now?

MR. BELL: Five hundred and sixty-six.

H.M.JR: Mostly all in now?

MR. BELL: I don't think we will get much more.

MR. GAMBLE: Also, the Government trust accounts are not in the drive. They were in the last drive.

(Mr. Lindow and Mr. Tickton left the conference.)

- 8 -

H.M.JR: I see. I think all of that could be put in and explained and Sullivan can go up on the Hill and get somebody to make a speech in the Senate and the House.

MR. SULLIVAN: I will be glad to.

H.M.JR: They can make speeches complimenting us. I mean, I think that especially if it came from the State which was--you know--

MR. SULLIVAN: We could have a Republican in one place and a Democrat in the other; maybe Dewey over in the House.

MR. PAUL: Dewey wouldn't get it straight, John.

MR. SULLIVAN: I am expecting to hand it to him.

H.M.JR: Yes, but I would work on it, just these things which have been brought out here this morning. What we have is really a net figure.

MR. SULLIVAN: I think that the fact that the trust account isn't in here is quite significant. A lot of people mentioned that to me. They thought there was something a little phoney about it.

MR. BELL: It wasn't in the Third.

MR. GASTON: We used the total.

MR. BELL: But it was not in the Third Drive.

MR. GAMELE: But the early publicity--every day's total figure carried the trust. It wasn't in as part of the drive.

MR. BELL: Not a part of the fifteen billion.

MR. HAAS: The quantitative figure, Mr. Secretary, which is going to exceed all other drives is the E bond sales.

- 9 -

H.M.JR: Very much? What were they last time?

MR. GAMBLE: Two billion four hundred and seventy-three in the drive.

MR. BELL: Certainly we will go way over that. I think it is a good record. Even if we don't make the three billion we will get close to it.

MR. GAMBLE: I think we will make it.

H.M.JR: I will put it this way: I am not displeased.

MR. GAMBLE: There is still some examining to do.

H.M.JR: I will hold off the applause a little longer.

Is there anything else on bonds before we go to taxes?

MR. GAMBLE: No, except I think you ought to know that the Bankhead bill was dragged out of the Committee.

H.M.JR: I read that.

MR. GAMBLE: And we have a feeling that we can do nothing more about it.

MR. PAUL: Mills brought that in, didn't he?

MR. GAMBLE: Yes, Mills from Arkansas. But Dewey called me and told me it was going to happen. I called Herbert and talked to him about it; but before anything could be done about it, it happened. It was just a matter of a couple of hours after he called me that they passed the bill.

H.M.JR: Passed it?

MR. GAMBLE: Voted it out of Committee without any further hearings--without any hearings on the amendment bill. They voted in Executive Session and sent it out.

- 10 -

H.M.JR: Does the bill stand on its own feet, or is it attached to something else?

MR. GASTON: It is independent.

MR. GAMBLE: They made several changes in it.

MR. GASTON: Instead of towns of ten thousand and under, it is now twenty-five thousand and under.

MR. GAMBLE: It spreads it pretty thin, but it takes in a lot more support, supposedly, from smaller publishers. There was some reaction to the strong statement that we made before on the part of editors and publishers.

H.M.JR: You didn't like it?

MR. GAMBLE: No. I think some of the newspapers who would not be in favor of the Bankhead bill felt we were perhaps a little aggressive in combating the program, and Tripp of the Allied Newspaper Council--I talked to him, and talked to the Advertising Council. They think the Treasury might hurt its future bond programs--its relations with the papers--if we become very active now. But they are all hopeful that the President will veto the bill. They think the bill will go through Congress just like that. Dewey told me that one of the reasons they are voting for it is because they thought the President was inconsistent on his subsidy program and that he and some of his Republican colleagues--all mental giants--were going to vote for any expenditures that came before their committee, any bills.

H.M.JR: The Republicans were going to vote for any expenditures.

MR. GAMBLE: Mr. Disney told me--Dewey told me he was one of the people who had gotten off the reservation, that they were very unhappy about the Administration's food relief program. They were very unhappy about the subsidy program and they had just decided to plug the dyke and that they were going to vote for this bill.

H.M.JR: I remember when Marvin Jones was here, he said, "I can go up on the Hill and fix that food subsidy. I just have to talk to the boys."

- 11 -

MR. PAUL: That is the way Vinson used to talk.

MR. BELL: That news hasn't gotten around to Taber yet. (Laughter)

H.M.JR: Which way was Taber?

MR. BELL: He is on the Appropriations Committee.

H.M.JR: He is for this newspaper business, isn't he?

MR. GAMBLE: He can't be very consistent.

H.M.JR: It would be pretty tough for the President to have it spilled on his desk and be expected to veto it.

Look, we can do one of two things around the Treasury. We can simply fold up and say from now until election we will play dead dog. That is what everybody would like us to do. Or, we can continue to be aggressive. As far as I am concerned, I would like to continue to be aggressive. This idea of just between now and election folding up, I say, to hell with it. If the town gets too hot, well it is just too bad, that is all. Certainly if it means our being less aggressive, then it puts the President in a hole. He won't know as much about it as we do. If you have to weigh the thing, I think we can afford to take it better than he can. I don't know if anybody disagrees with me, but this idea that you have just got to roll over and lie down and wag your tail from now until the day after election--

MR. GAMBLE: It wasn't that kind of thinking, Mr. Secretary.

H.M.JR: Yes, but I am just interpreting it in my peculiar fashion. That is about what it amounts to.

MR. GASTON: The danger so far as we are concerned in aggressively fighting this bill is causing some dissatisfaction among the country editors and other people in the small communities so far as working on the drive is concerned.

- 12 -

MR. WHITE: I don't think their cooperation or lack of it has any significant effect at this stage of the game.

H.M.JR: I don't either. We will have one more drive before election. They are certainly not going to come out and advise the people not to buy any E bonds, and they will take all the paid advertising that the merchants will give them on it. As far as the editorials are concerned, I don't think anybody reads editorials.

MR. SULLIVAN: Have you quit?

H.M.JR: What I do is look at the paper, and I run through them very hastily to see if there is anything affecting the Treasury. If there isn't, I don't read them.

MR. PAUL: You still read the favorable ones, don't you?

MR. SULLIVAN: Which one is that, Randolph?

H.M.JR: Yes, one a year.

MR. PAUL: That is no great strain.

MR. WHITE: The original statement still stands.
(Laughter)

H.M.JR: I look through them. I think the Washington Post editorials are worth reading.

MR. WHITE: The Washington Post has grown in stature very, very greatly in the last couple of years.

H.M.JR: I think they are worth reading.

Well now, is there anything more on bonds?

MR. SMITH: I have a couple of odds and ends.

MR. BELL: Should we take it from your statement that you want to fight this bill on the Floor?

- 13 -

H.M.JR: If it was so important when it came up before--

MR. GAMBLE: It's importance hasn't been changed.

H.M.JR: I would do what I could without making anybody mad.

MR. GAMBLE: That is what I was trying to say. I apparently said it badly. But the only recommendation we have had is that we shouldn't go back into the States and work on Congressmen whose minds are already made up; we ought to fight through the American Newspaper and Publishers Association.

H.M.JR: I would do it without making them extra mad.

MR. GAMBLE: We can do that, yes, sir. The only other things I have are a couple of things that should be answered before the early part of March, a couple of pieces of trouble in our organization out in the country, if you want to discuss it. We are going to lose a couple of chairmen.

H.M.JR: There is nothing I can do about it.

MR. GAMBLE: Yes, we have replacements, and we would like to get your approval or disapproval.

H.M.JR: Let me give the tax boys a chance and see how long this runs, will you? Maybe you might want to stay behind a few minutes.

MR. GAMBLE: Fine. That is good.

MR. SMITH: I was going to tell you that we have the Roll of Dishonor Show on tomorrow on the Blue and possibly Mutual. I have a script which I will leave with you. It is good. Our overseas operation is moving along very, very fast. Everybody is cooperating beautifully. We have all of the magazines and books and everything that are going over. It is going to be fine. We also have two thousand words from Mark Clark on his own story of his march up Italy for the next radio broadcast. It came in

- 14 -

yesterday by cable. It is being decoded now.

H.M.JR: Will you use that?

MR. SMITH: We may use that for the big March 2 roundup.

H.M.JR: Isn't that too late?

MR. SMITH: It depends to a certain extent--we haven't seen it yet. If it is not too late, and if it is good, we may try to put on another show in the interim.

H.M.JR: I was thinking of using it as a release, say, for the Tuesday morning papers, as a final shot.

MR. WHITE: Would it help at this time?

MR. SMITH: I think we would be wasting it as a newspaper release, because we can get both Devers and Mark Clark on the air.

H.M.JR: I will leave it to you. I kind of agree with Harry right now. You listen to the radio, and you hope you are not going to hear that our boys are back in the sea.

MR. WHITE: I don't think a message from him would have the effect at this time that it would have had a few weeks ago.

MR. SMITH: It isn't a message from him. It is his own story of the high spots in this battle which we hoped to dramatize.

MR. WHITE: It is a personal opinion. I think at this stage of the operations the less heard from him the better.

MR. SULLIVAN: That is what he says himself. To have him on the broadcast, I think, would be bad. I think the reaction would be.

- 15 -

MR. WHITE: You are a better judge than I.

H.M.JR: He didn't intend to use it between now and Tuesday. I raised it.

MR. WHITE: I don't even think that Tuesday, unless something happens between now and Tuesday--maybe we are not talking about the same thing. I think under the present circumstances in Italy, the less we drag Clark into the publicity, I think, the better.

MR. BELL: Doesn't it all depend on what he is saying? Do you know what he is saying?

MR. SMITH: No.

MR. PAUL: It depends on what happens.

H.M.JR: Well, there are good people around here. Let Gaston see it, too.

MR. SMITH: We have the rest camp all set up and everything is ready for broadcast. All that will tie right in together, the Naples rest camp, Devers, Clark, and the dramatization of this story of the march up Italy. That was all to be a radio program.

H.M.JR: Let me have it as soon as you have an outline of that. I would like to see it. Better put it on the wire. It is going to be hard to get mail where I am going to go.

MR. SULLIVAN: It isn't that tough, too difficult to get mail from there. The mail service was excellent.

H.M.JR: At Bocagrande?

MR. SULLIVAN: Gasparilla, I think it was.

H.M.JR: We are going to Bocagrande. The telephone service is terrible. (Laughter) When I was there, there was one telephone wire.

- 16 -

MR. PAUL: Everybody listens.

H.M.JR: It was a question of getting the use of it. There is just one line in.

All right, boy?

MR. SMITH: That is all.

H.M.JR: Well, now, Mr. Paul, Mr. Bell told me what happened.

MR. PAUL: I don't know what happened.

MR. BELL: I didn't get you yesterday.

H.M.JR: Supposing you tell him.

MR. BELL: I told the President that we were in a little jam on printing the income tax forms. We had the plates ready and were just holding them until he took action on the tax bill. I said that if he could sign it by tomorrow night it would help us out greatly.

He turned to me and said, "Sign it! Who said I was going to sign it?"

Jimmy Byrnes and Vinson, while they didn't say anything, indicated very strongly, nodding their heads, that they were going to recommend a veto. I took it from the conversation that that was the thinking.

MR. PAUL: Byrnes called you. I had heard about that.

MR. BELL: I told the Secretary that, too. The Secretary said that Byrnes and Vinson would get together in a huddle over the week end.

H.M.JR: Not the Secretary.

MR. BELL: The President. Excuse me. The President and Byrnes and Vinson would get together in a huddle and they would come out with something, they hoped the first of the week, but there wasn't much of a promise in it.

- 17 -

MR. PAUL: Well, yesterday Rosenman called me. He had previously, two weeks or so ago, suggested that there was a lot of misapprehension about the responsibility for the complexity in returns, and so forth; really it was Congress' fault and everybody was blaming the Treasury. He said, "Why couldn't the President write the Secretary a letter and say why was there all this complexity? Then the Secretary could reply, giving the record."

(The Secretary left the conference temporarily.)

H.M.JR: Bell was telling about his talk and you (Paul) were saying something.

MR. PAUL: Rosenman had previously asked me to get up some material which consisted of a proposed reply to a letter from the President about simplification. He wanted to make the basic point that the fault was with Congress, and not the Treasury. In the meantime you called up this week and said you would like to have something ready on simplification, a possible statement at any time, documented to the record, giving the Treasury record on simplification. So we started preparing that. Then Rosenman called yesterday. He said that he thought there ought to be, if the President vetoed, or whatever message he got out, there ought to be a heavy documentation of the Treasury record on simplification.

So he and you were apparently thinking along the same line. I was a little handicapped in dealing with him in the sense that I couldn't tell him you were in town today. I said that we were getting up a statement along the same lines for you.

He said, "Well, will you let me have a copy?" Whereupon I sent him a copy late yesterday afternoon of this statement which I have here for you today. Now, he has this material with a view to working it into the President's message.

H.M.JR: What I had in mind when I called Herbert was this: I watched Cotton Ed Smith. Now, he didn't blame the Treasury; he just threw his weight around all over the place.

- 18 -

I figured that some fellow might get off base like Taber did--I mean, saying I sold my cows because I thought Congress wasn't going to let me have any more hobbies. He got his stations mixed up a little bit.

MR. PAUL: His amounts, too.

H.M.JR: Yes, but I mean I thought somebody might get dirty, and as I told Herbert, I wanted it in his top drawer so he could pick it out and use it.

MR. GASTON: There is where it is, and Randolph has talked to me about what Rosenman wanted. I thought that was swell. It is better to have the President use it than put it out ourselves.

H.M.JR: Frankly, I am very much better than when left here, but I am supposed to take a month. I am going to take two weeks. I don't want to take that with me, you see.

MR. PAUL: We have it here if you want to go over it. It is pretty simple.

H.M.JR: So I can understand it?

MR. PAUL: It really is simple. One of your employees sat up with it all night Friday night. Heller sat up until three, and Mrs. Manning sat up all night on it.

H.M.JR: That won't come under the heading of "laying an egg."

MR. PAUL: It seemed to be difficult. I can't quite finish that.

H.M.JR: Where was Paul that night?

MR. PAUL: I wasn't there.

H.M.JR: Anyway, as long as it is done, I think that is fine. I think if Rosenman will take it and the President

- 19 -

will use it, that is fine. But what I do want is the thing which Fred has kept drilling into my head, that if somebody says something that we have it and get on his coat-tail and answer it and not wait until twenty-four or forty-eight hours have passed.

MR. PAUL: I think this is a good statement, depending on just what the occasion is. A few words can be changed.

H.M.JR: I think the thing should be watched.

MR. PAUL: Supposing I distribute this statement to the people here.

MR. WHITE: What is the medium of the reply, a press release?

H.M.JR: It would be between Gaston and Smith. It is their job.

MR. GASTON: We might have somebody on the Hill, you know.

MR. SULLIVAN: I think it is better through the press.

MR. SMITH: It depends on the medium of attack to some extent.

(Copies of "Statement on Income Tax Simplification" distributed.)

MR. PAUL: Just one thing I think ought to be gotten across which has been a little lost in the shuffle. If the President is going to veto the bill, I think he ought to have some statement in his message saying that he would be glad to sign a bill or a joint resolution immediately containing all the excise tax increases.

- 20 -

Now, if you agree, I will call Rosenman today, because he may be working on it.

H.M.JR: All right, I agree.

MR. PAUL: That will take some of the heat off.

H.M.JR: Unless somebody disagrees, that is all right. That is all right, yes.

MR. PAUL: Instead of those fellows getting up a statement from all the conglomerate mass of stuff they have, I wish they would submit any statement to us.

H.M.JR: I called up the usher this morning. I thought this out. I said, "Please tell the President I am in town and on call if he wants me," see? So he knows I am here, and that I will be here until tomorrow morning.

Now I am not going to call up and say, "Mr. President, can I see your tax statement?" or something like that. I am just not going to do it. He knows I am here.

I think you can talk fairly frankly to Rosenman.

MR. PAUL: I will tell him it would be better to have a check on anything he says.

H.M.JR: Can't you use as an example what happened the last time on that salary increase?

MR. PAUL: We could use that.

H.M.JR: Saying, "If we had only had a chance to see it--"

MR. GASTON: I think Sam will understand anyway, that it ought to be checked in the Treasury.

- 21 -

MR. PAUL: Do you remember that time when we were sitting here and the message came across while we were working on it, the one that the President wrote in his own handwriting in favor of an individual excess profits tax?

H.M.JR: The excuse was, Sam said he had it, and the President actually gave him fifteen minutes that night. You can feel free with Sam.

MR. PAUL: I will. I will call him this afternoon.

H.M.JR: I am perfectly willing to go along on the joint resolution, but from the standpoint of mechanics, supposing the President vetoes, and supposing he is sustained, then what happens?

Will the Congress say, "No new tax bill"?

Will we go on with simplification, or start all over again?

MR. PAUL: There is no telling what they will do, but you don't lose an awful lot.

MR. BELL: I think what they will do is put through an immediate resolution to freeze the Social Security.

H.M.JR: Is the Social Security tacked on to the tax bill?

MR. BELL: Yes.

H.M.JR: Now the other--they know about Doughton wanting to see me today?

- 22 -

MR. BELL: No, I haven't told Randolph. I wanted to talk to you about it first. I tried to get him yesterday morning and he wasn't in.

Mr. Doughton called me - I think it was Thursday - and said he wanted to see the Secretary, and he understood he was out of town. If he wasn't going to be here, he wanted to see me.

Then I inadvertently told him that the Secretary might be in town today, passing through, and I didn't know - maybe he would want to see him. He said - Mr. Doughton said - "All right, I will be available all day Sunday if he would like to see me. I want to talk about simplification. The Committee is going right to work on it."

He said, "We would like to have the cooperation of the Treasury, but if the Treasury has inflexible and frozen ideas, then I don't think there can be much cooperation. But we would like to have their help and cooperation through this simplification." He said, "There may be places where they will have to give and take."

I told him I thought the Secretary was as much interested in simplification as anybody, and I was sure he would want to cooperate. And I am to call him tomorrow morning if you don't call him today.

That was the way it was left.

H.M.JR: Well, I would like to say this: I would like my interests protected here on this question of

- 23 -

simplification, because I am the person who takes all the raps. If there is going to be anything done on simplification by the Treasury, I would kind of like to be in on it, because I am taking so many raps, personally, which is as it should be, in the Treasury, that if there is something good - on the other hand, I would like to get in on it. So if you gentlemen would bear that in mind--

MR. BELL: Well, what would you want?

H.M.JR: If there is something going to be done by the Treasury on simplification, I would like, somehow or other, to be associated with it.

MR. BELL: I think that is right. But what do we do with this?

H.M.JR: I would give the President the first chance at it. If he doesn't want to do something - I mean, if the occasion arises, and the Treasury has to move on that front, I would like to be associated with it.

MR. WHITE: I think you would have to get in touch with Doughton, then.

MR. BLOUGH: I would certainly call Doughton and assure him of our utmost cooperation. We will do the best we can.

H.M.JR: But I didn't think I would call him today at all. This meeting will be about all I can take. I thought if Bell would call him up, and then maybe arrange for me, between Bell and Paul--

MR. BELL: Yes, that is what I want today, instructions as to what you want me to do tomorrow.

MR. WHITE: I think that Doughton ought to know that Mr. Bell spoke to you and you gave those instructions.

MR. BLOUGH: He is a very sensitive man.

- 24 -

MR. PAUL: Who is?

MR. BLOUGH: Doughton.

MR. BELL: The Secretary is saying that he thinks I ought to call him in the morning.

MR. PAUL: Dan, I don't know - it is significant that he called you on a tax matter.

H.M.JR: No, he called me.

MR. BELL: He called the Secretary and said, "I understand you are Acting Secretary." I said, "That is right."

He said, "I want to see either the Secretary or the Acting Secretary."

MR. PAUL: I don't know what Doughton really means by this statement. You have got to have a code for Doughton.

MR. WHITE: It seems to me, in any case, somehow or other the Secretary ought to get word to him, either through Bell, or directly. Otherwise Doughton would say he was in town and he wasn't interested in this.

MR. GASTON: I think that Dan probably better go along.

MR. PAUL: Yes.

H.M.JR: Does anybody think I should call him up on the phone now?

MR. BLOUGH: Yes.

MR. WHITE: Yes.

MR. PAUL: Yes.

H.M.JR: That is easy.

- 25 -

(The Secretary places a call to Mr. Robert Doughton at home)

H.M.JR: (To the operator) If he is not there, just leave word I was passing through Washington and I wanted to call up and say, "How do you do." If he is not there, leave word, if possible, with Mrs. Doughton. Also try his office.

I am still bothered about the taxes. Now, let me ask you this, John L., supposing the President vetoes - well, let's say first he signed it, because we have all got twenty-five cents up--

MR. SULLIVAN: Yes.

H.M.JR: And let's say he waits until the last day - I suppose you know what that is--

MR. PAUL: It is Friday, the 18th.

H.M.JR: Let's say he waits until the 18th and he signs it. Does that mean that we taxpayers get our notices, when - to pay when?

MR. SULLIVAN: You will have all the forms by the first of April.

H.M.JR: Then we will pay the 15th?

MR. SULLIVAN: Of April.

MR. PAUL: That is the declarations.

MR. SULLIVAN: You pay your quarterly instalment.

MR. GASTON: On the non-withheld income.

H.M.JR: Let's say he vetoes it, then when do we pay?

- 26 -

MR. SULLIVAN: We are operating under the old law and we will try hard to have them so you will pay them on the 15th of April.

MR. GASTON: You pay about the same - the form, and the amount you pay is not much different.

MR. SULLIVAN: It doesn't give us more time, because our plates are already out on the estimated declaration that will be used under the new law.

MR. BELL: Wouldn't it be a matter of changing those plates?

MR. SULLIVAN: A delay of a week.

MR. BELL: That sounds like a lot.

MR. SULLIVAN: Dan, we have to get these plates printed and distributed all over the country.

MR. BELL: But it doesn't take you long to change a line on a proof. Wire your people. I don't get the week.

H.M.JR: We do it here.

MR. SULLIVAN: Sure, from one place over here, and we have to have it done all over the country.

H.M.JR: Dan and I have to change our minds.

MR. GASTON: And this is the Government Printing Office.

H.M.JR: We are kidding you, John L.

MR. SULLIVAN: But it doesn't always show on there that you are kidding me.

MR. WHITE: He is beginning to worry about his record. (Laughter)

- 27 -

H.M.JR: What are you running for, John? Oh, you are the fellow who gave it to Drew Pearson that I--

MR. WHITE: I think John L. Sullivan is one of the greatest administrators we have ever had. Put that in the record. So there is no mistake, John L. Sullivan, Jr.--
(Laughter)

(The Secretary holds a telephone conversation with Mr. Robert Doughton.)

February 13, 1944
11:59 a.m.

HMJr: How are you, Bob?

Robert
Doughton: First rate, thank you. How are you, and when did you get back?

HMJr: Well, I got into town today, and I'm going to leave again in a little while.

D: Well, that's what -- Bell told me you were just passing through, and he said you had -- needed a little rest.

HMJr: Yeah. Well, I

D: Why don't you come up with us on the Hill where we don't have any responsibility, nor duties, nor any work much?

HMJr: Well, I'm afraid I'd have to get elected.

D: (Laughs) No, you'd have no trouble about that.

HMJr: Did you ever hear about a fellow by the name of Hamilton Fish in my district?

D: How's that?

HMJr: I got a man by the name of Hamilton Fish that represents my district.

D: Uh-huh.

HMJr: And I'd have to run against him.

D: Well, are you going to run against him?

HMJr: No - no.

D: How long are you going to be gone, Henry?

HMJr: About ten days to two weeks.

D: Going off for a rest?

HMJr: The doctor wanted me to go a month, but I'll just

D: Yeah, well, take care of yourself first.

- 2 -

HMJr: But I'll do it about two weeks.

D: I wanted to talk to you a little before we got into this matter of simplification. I've been looking for a call from you for some time.

HMJr: Yeah.

D: The last time we talked you said we'd get together some day when we got through the rush of things.

HMJr: Well, I was so tied up with the bond thing - I hadn't forgotten.

D: I knew how busy you had been with that.

HMJr: But, I think that after your talk - I think you saw some results.

D: How's that?

HMJr: I think that you got the results that you asked for.

D: Well

HMJr: I think - I think you got the results.

D: Well, I - I don't know. We haven't tried to do anything more. I think maybe that Stam and your folks are doing some work. I don't know just what.

HMJr: Yeah.

D: Stam said that they had signified a willingness to work with him on this matter of simplification.

HMJr: Yeah.

D: We've got to do some of that - the next thing we're going to try to do - we want to have another meeting tomorrow. We had one meeting, and I want to talk with somebody down there about it a little - about - see if we could go along and simplify what we've got or if we're going to get into a fight over policies again - in this bill; if we do, we'll be all summer before we've done anything but simplification.

HMJr: Well, Bell would - and Paul are at your service any time tomorrow that you'd like to see them.

- 3 -

D: How's that?

HMJr: Dan Bell and Randolph Paul will come up to see you any time tomorrow that's convenient.

D: Uh-huh. Well, could they come up in the morning before we meet?

HMJr: Yes, sir.

D: We meet at ten-thirty. Suppose they could - could they come up to my office at ten?

HMJr: They'll be there at ten o'clock.

D: That will be fine.

HMJr: That's a little late for them, but they'll be there.

D: Well, they can come a little earlier, if they want to.

HMJr: No, I was just

D: (Laughs) I'll be there at eight.

HMJr: (Laughs) No. I was just joking.

D: Yeah, I understand.

HMJr: I know your hours.

D: All right. I'll see them then - at - I'll be glad to see them in my office in the morning at - when I found you were going, I called Mr. Bell

HMJr: Yeah, I know.

D: and he told you about it.

HMJr: That's right.

D: Yeah. Well, that's fine. Well, I hope you will have a good rest and have a

HMJr: Well, I haven't been feeling well, and I've just got to take care of myself for a little bit, and then I'll be back again and, I hope, as good as I was.

D: Well, I hope you'll be back feeling strong and well as ever. You know, it's customary for you not to - not your habit to be sick.

- 4 -

HMJr: That's right.

D: Or over-work, but you've had a heavy - you going along with your - the bond sales going along all right, are they?

HMJr: Yes, they're going along fine, and we're getting along this time like - with no banks. We're not allowing any banks to subscribe.

D: How's that?

HMJr: No banks are subscribing to this loan.

D: Well, that's marvelous.

HMJr: Yeah.

D: That's wonderful.

HMJr: Yeah.

D: And can you give me any confidential, off-the-record idea at all what's going to become of our tax bill?

HMJr: Well, I wish I knew, but I've been away for ten days

D: Uh-huh.

HMJr: and I've not talked to the President since I've been gone.

D: Uh-huh.

HMJr: So, I'm - I'm just another taxpayer that's in the dark.

D: How's that?

HMJr: I'm just another taxpayer who is in the dark.

D: I see.

HMJr: Yeah.

D: Well, we'll know pretty soon, of course.

HMJr: Yeah, I imagine so.

D: Yeah. Well, I wish you all kind of good luck, and a good rest, and let me know when you get back.

- 5 -

HMJr: Thank you, Bob.
D: Thank you for sending the boys up.
HMJr: Thank you.
D: Good-bye.

MR. SULLIVAN: I thought he was going to ask for confidential information on the Bond Drive.

H.M.JR: Oh, no. I thought my answer was all right, wasn't it?

MR. SULLIVAN: Swell.

MR. GASTON: Good.

H.M.JR: It happens to be truthful. Put that on the record. (Laughter)

MR. BELL: Take that off the record. (Laughter)

H.M.JR: Why, isn't it truthful? I don't know what the President is going to do.

MR. GASTON: I was talking about the banks and the Bond Drive. They are just a little bit in--

H.M.JR: Oh, oh, I meant about the President. I am not selling my bet.

MR. SULLIVAN: I am not, either. We got a fine licking on the Federal ballots; we got a shellacking on the subsidy. There is plenty of confusion without piling this thing on. I am just as indignant over the bill as anybody else, but it won't get us any place.

- 28 -

MR. GASTON: As an old gambler, I am worried about the odds we gave Randolph Paul.

MR. SULLIVAN: Sure, you know how he got them? He was the last man to place his bet.

H.M.JR: That shows how smart he is.

Well, the tax bill now being in order - Norman, how did we make out in the House on our appropriations?

MR. THOMPSON: Mr. Taber, as you know, went off on a political tirade. He had some close votes on a number of amendments, but only succeeded in getting two of them through the House; one was to take off five additional messengers in the Secretary's Office. The Committee had already taken off nine.

MR. BELL: That five is in addition to nine.

H.M.JR: This is all new to me. What did he do?

MR. THOMPSON: Moved to reduce the number of messengers. It was written into the bill that we could have only thirteen messengers in all of the offices of the Secretary. We now have twenty-seven. So it is a reduction of fourteen.

H.M.JR: Yes.

MR. THOMPSON: Then he succeeded in eliminating a quarter of a million dollars from Foreign Funds. All of his other amendments were defeated.

MR. PAUL: The reason some were defeated was because I called up Woodruff and Cooper. They both claim that they defeated them. Anyway, the result was that Taber didn't make any of his motions on those items.

H.M.JR: Didn't make the motions?

- 29 -

MR. PAUL: No, although he laid the foundation the day before, he didn't make any of his motions on Roy's or Stanley's or General Counsel's appropriations.

H.M.JR: The one I was really worried about - I was reading the Times and the Tribune, and I didn't see any of the dirt about Taber.

MR. THOMPSON: Jerry Klutz has it today. He has a very nice column today; it is very fair.

MR. WHITE: They spoke very highly of the work of the Foreign Funds.

H.M.JR: Excuse me - the only thing I was really worried about was they were trying to eliminate the Tax Research.

MR. SULLIVAN: Knutson was in on that.

MR. BLOUGH: The Committee cut twenty thousand off of it. That was the Committee. But they didn't do anything on the Floor.

MR. GASTON: Knutson took our side, didn't he, John?

MR. SULLIVAN: Yes.

MR. PAUL: That was the result of Roy Woodruff. He said he went to all of the Republicans and they all told Taber to lay off that.

H.M.JR: Why have they got it in so for Foreign Funds?

MR. WHITE: On the contrary, they lauded its work.

MR. GASTON: Not Taber, however.

MR. WHITE: But Taber, even, wanted to lop off only another two hundred thousand; somebody else wanted to lop off a little more. But in the remarks that were made by

- 30 -

two Congressmen, they spoke very highly of the work that was being done by Foreign Funds.

H.M.JR: Didn't they take a bad cut once before?

MR. THOMPSON: Last year. But this year the Committee gave it back eighteen thousand.

MR. PAUL: This cut doesn't worry us very much.

H.M.JR: We are down to what?

MR. PAUL: Three million, eight. We are all right.

H.M.JR: We are down to how many messengers?

MR. THOMPSON: Thirteen.

MR. GASTON: Out of twenty-seven.

MR. GAMBLE: Cannon made a nice speech defending your work.

MR. THOMPSON: Cannon and Neal and Ludlow and Cochran.

H.M.JR: Could I see the nice ones?

MR. THOMPSON: I will put it together.

MR. SMITH: I will give it to you.

H.M.JR: When?

MR. GAMBLE: Before you leave. I have it in the office.

MR. WHITE: Maybe we can make professionals out of some of the messengers.

H.M.JR: Isn't it ludicrous - they cut you on the messengers and Foreign Funds; two opposite ends.

- 31 -

MR. PAUL: We have a statement in the Committee report on appropriations that we can come back for any money we need, so we are not worried.

MR. BELL: They cut Internal Revenue nine and a half million dollars.

MR. THOMPSON: We are going to protest that because we can't get along.

MR. SULLIVAN: They didn't think we would be able to get the people. That was the basis for that cut.

H.M.JR: Anything else?

MR. THOMPSON: No, sir. I have a list just for your files. These are deferments. Mr. Bell has approved. (Hands the Secretary list of deferments)

H.M.JR: There aren't very many.

MR. THOMPSON: Pretty well cleaned up.

MR. SULLIVAN: The question arose on those deferments over one Revenue Agent in the Pittsburgh Office who is almost thirty-seven years of age, three children now, and will have another one in the next month, and I talked with Graves and Graves said that he couldn't say he was in a key position.

I feel that any Revenue Agent, pre-Pearl Harbor father, who is over thirty-five years of age, is doing sufficiently important work to stay on the job.

MR. THOMPSON: We will vote for that, too.

MR. GASTON: I told Harold to submit that case.

MR. THOMPSON: But Harold has a lot of other cases that he wants to submit, that are just as good as that. Peculiar thing - the Review Committee sent us back approval on key jobs we can put in. We can put in

- 32 -

Revenue Agents, provided they are over thirty-eight. That doesn't make sense. But we are working on that, and we will take care of it.

H.M.JR: Bell?

MR. BELL: I have nothing.

H.M.JR: Do I have to do this today - this thing, bond and note refundings between the Fourth and Fifth War Loan? I will try to get back on the 28th, Monday.

MR. BELL: That should wait until you get back, unless you want to read it.

H.M.JR: No, I have swell detective stories.

MR. BELL: I wanted to go ahead and have an agreement with the Federal Reserve Bank of New York and the Federal Reserve Board. I think we ought to announce it around the 2nd or 3rd of March, so we will give the holders plenty of time. We didn't give them enough time in October. If you would be prepared to act pretty promptly when you get back, I think that will be all right. We are recommending that you refund four billion seven hundred million of securities maturing or callable between March 15 and June 15, in order to get them out of the way.

H.M.JR: I will take it along.

They are not working you too hard while I am gone?

MR. BELL: No, I guess not.

H.M.JR: Mrs. McHugh says it is so quiet she could hear a pin drop.

MR. BELL: We will have to get her something.

H.M.JR: Roy?

- 33 -

MR. BLOUGH: They cut our appropriation twenty thousand dollars, but nobody seems to think we ought to protest, so I guess we won't.

MR. PAUL: I would just as soon protest it in the Senate Committee. McKellar and I are buddies now, on re-negotiation.

H.M.JR: Well, get together, boys.

MR. BELL: I question a little the protesting of any of these items. I think we ought to get together on them. I am not sure but what it would be better to go to the Senate Committee and make a record saying they have cut us. I think we should. Maybe we will want to say to the Committee, "We will try to get along, but we will have to come back for more money before the year is over.

H.M.JR: All right?

MR. BELL: Yes.

H.M.JR: This is very confidential. If anybody can tell me what this means - this is from General Chiang Kai-shek to President Roosevelt, dated February 3: (Reading) "I have received your message dated 26th January transmitted by Ambassador Gauss and I deeply appreciate your efforts to help me and my government. I have consulted with Dr. Kung regarding the suggestion contained therein and have requested him to acquaint the Ambassador and General Stilwell's representative with the decisions he and I have agreed on. I trust that very shortly a solution satisfactory to both our countries may be reached. I wish to assure you that Dr. Kung and I have exerted our utmost to meet your wishes short of jeopardizing China's economic front to the breaking point, and short of endangering the morale of our people in the prosecution of continued resistance.

"Regarding the proposals of the American Treasury Department embodied in a previous telegram you sent to me, Dr. Kung has replied directly and in detail to Mr. Morgenthau. I shall be glad if you could find time to look over them, for they give a concise picture of China's financial and economic situation."

- 34 -

Now, what in God's name does that mean?

MR. WHITE: That must be taken together with the cable which was transmitted by Kung, which gave an offer of giving an additional ten instead of the eighty.

H.M.JR: You told me, didn't you?

MR. WHITE: I couldn't have. This came later. What they are doing is dodging completely everything else, not mentioning the matter of the request for Kung.

H.M.JR: What about Kung coming over here?

MR. WHITE: It is not mentioned.

MR. BELL: Any place?

MR. WHITE: No, except in a letter from Adler, which is quite interesting - which I just got.

H.M.JR: I love those letters from Adler.

MR. WHITE: Just got a letter from Adler which is worth reading. I have it marked up for you, and also something that is very worth reading.

H.M.JR: One which came in the day I left which you offered me but I was too tired--

MR. WHITE: I will see they are both made available to you. There is a memorandum from the Political Adviser to General Stilwell, which has been forwarded here. His name is not on it, but Adler enclosed it and said he wrote it. It is a very brief memorandum of two pages on the Generalissimo, which is very worth reading.

H.M.JR: There was one that came in - as I remember it, there were two that came in that I had seen.

MR. WHITE: I will give you the last two.

H.M.JR: The first two I have seen, and I haven't seen anything since then.

- 35 -

MR. WHITE: They are numbered.

H.M.JR: I saw One and Two.

MR. WHITE: Three and Four have come since. I don't know whether Dan has told you - on the Chinese thing - we knew the President had got it, but neither the Army nor State, nor ourselves, have seen that until you just read it this moment.

H.M.JR: Well! It shows I am earning my salary today.

MR. WHITE: Yes. So the next move, we gather, on that, is that the Ambassador is preparing some proposals. Those counter-proposals are supposed to be reported back here and considered before he submits them. To our knowledge, those counter-proposals have not yet been received.

MR. BELL: No, I haven't seen them.

MR. WHITE: That is the status. Nothing about K'ung.

H.M.JR: Are you all right otherwise?

MR. WHITE: I have a number of things. I can either number them, if you are interested in any of them - tell you about them - or we can send a brief report, or they can all wait.

H.M.JR: Read them off.

MR. WHITE: British dollar position, Canadian dollar position, French Lend-Lease and dollar position, the Chinese we just indicated, India Lend-Lease on silver, Belgian monetary arrangement--

H.M.JR: Who is winning?

- 36 -

MR. BELL: By the way, we didn't hear from Hull on that at all. I called him up and he said, "I don't know a thing about it." He said, "I will call my staff together right this minute and call you back." He went away on a vacation.

MR. WHITE: His staff had previously said that they had cleared with Hull and he was going to be adamant. Something is wrong.

H.M.JR: Then I would say, for the moment, Morgenthau is winning.

MR. WHITE: Anyway, we are not losing.

MR. SULLIVAN: Best we have done this week.

MR. WHITE: ...German currency and French currency. That is just information.

MR. BELL: You saw that was released to the paper - the French currency.

H.M.JR: And very sarcastic, too.

MR. BELL: That is right. Said there was a space left for sometime to put the Government in. I talked to Stettinius at Cabinet. He said he thought it was a very serious thing. They had asked him about it at press conference, and he told them there was nothing to report. He said he knows very well that Pertinax saw that currency here in Washington. He thinks that Monnet or some of the crowd showed it to him.

MR. WHITE: The statement of the policy of purchasing looted gold is coming out this week. There is a question of a dollar sterling. I don't want to trouble you about it, but--

H.M.JR: From four, two--

- 37 -

MR. WHITE: From four, two and a half, to four dollars.

H.M.JR: I should worry about two and a half cents.

MR. BELL: They want to push it down to four?

MR. WHITE: They either have to push it down, or we have to pull the franc.

H.M.JR: Who does the pushing and who does the pulling, Harry?

MR. WHITE: That is what they are quarreling about. Glasser is going to Italy with some of the best accountants. He is also going to Spain. Crowley has asked to look into their purchases of pesetas. I understand John Pehle is going to have them do some work on his relief.

H.M.JR: And listen, before anybody recommends that Ed Foley go back and leave this country, you had better take out life insurance on a story that I heard.

MR. GASTON: That I heard, too.

H.M.JR: Please make it clear that he is not going at the Treasury's request.

MR. PAUL: That is the rumor I heard yesterday, that he was going as your special representative.

H.M.JR: Did you authorize that?

MR. BELL: No, sir.

H.M.JR: Did you (White) authorize that?

MR. WHITE: Oh, no, of course not--

MR. BELL: He is going at your recommendation in the first place, but the question hasn't come up this time.

MR. PAUL: There is a rumor around.

- 38 -

MR. WHITE: ...nor anything even second cousin to that!

H.M.JR: Because, if he goes back, let the Army send him back.

MR. WHITE: We had nothing to do with his going back. We are giving him a few problems, but nothing to do with his going back.

H.M.JR: I want to keep out of it, anyway.

MR. BELL: You did recommend Foley to head this Mission in Italy, and he is there because of our recommendation.

H.M.JR: That is all right.

MR. BELL: I haven't heard of anything coming up on it, but I assume that you still want to recommend him, don't you?

H.M.JR: What do you mean?

MR. BELL: In Italy.

H.M.JR: To head what?

MR. BELL: To head the Italian Financial Section for America - the American end of it. That is why he is there.

H.M.JR: All right, but if anybody raises it - anything that I have said in the past, I don't want to change - but if anybody raises the thing fresh, I would like to be consulted.

MR. WHITE: Dan is wholly right. There is no question but what we recommended.

H.M.JR: I say, but if somebody raises it all over again--

- 39 -

MR. BELL: Then you would like to be consulted. If they raise a question about sending Foley back, do we say we are interested or not interested?

MR. WHITE: Nobody is going to raise that question. He is going back automatically in a week or so. I don't see that we are called upon to do or say anything. We did recommend him, and I gather that we are still--

H.M.JR: All right, but I didn't want to push one way or the other, Harry.

MR. WHITE: Yes.

H.M.JR: I don't want to push or pull. Is that clear?

MR. WHITE: I don't think we have to do anything. It is taking its normal course.

MR. BELL: Normal course around Washington could mean a lot of things.

H.M.JR: All right, I have to stop.

Are you all right, Harry?

MR. WHITE: A couple of other items - there is the Portuguese dollar balances, but that certainly can wait, because I think the British definitely misled us in that request - from twenty to thirty million pounds cabled to our man in Portugal, and told him to scout around and see what he could find out. So far the cables seem to indicate we were not told the whole story.

There is only one matter that might require a decision, and that is a loan to the Dutch East Indies of five million dollars for ships. We just got it. Remember that you took a very strong position about making the half-billion dollar loan - or the three hundred million dollar loan - to the Dutch Government for reconstruction purposes,

- 40 -

several months back. This is a small loan to the Netherlands East Indies, five million dollars to buy ships. They want to give the order now. The facilities are idle.

H.M.JR: Facilities where?

MR. WHITE: Shipping facilities for small ships are idle.

MR. GASTON: Shipbuilding.

MR. BELL: We could sell them some of our excess ships after the war.

MR. WHITE: They have about two hundred and fifty million dollars. Now it is coming up before the Export-Import Bank. They are very desirous of making the loan. Now, if you haven't changed your mind, or if you approve, we would like to oppose that on the same grounds that we have opposed it.

H.M.JR: Well, and I will give you another reason - very much in the room. I don't think it is beyond the realms of possibility that the President has it in mind that the Dutch East Indies will not belong to the Netherlands after this war is over.

MR. WHITE: That, I think, is one of the reasons why they are pushing the loan, the Netherlands East Indies.

H.M.JR: Well, he is supposed to have told the Queen of the Netherlands that, much to her distress. I mean, I got this second-hand.

MR. WHITE: Then, with your approval, we will oppose it. They said if the Treasury disapproves they wouldn't out-vote us, though they can.

H.M.JR: All right, I would oppose it.

MR. WHITE: That is all.

- 41 -

H.M.JR: Paul, are you all right for the moment?

MR. PAUL: Yes.

H.M.JR: Haas?

MR. HAAS: I have nothing.

H.M.JR: Mr. Sullivan?

MR. SULLIVAN: You asked for a memorandum on the disposition of the major phases of the surplus we have gotten from the Army and Navy.

H.M.JR: How does it look?

MR. SULLIVAN: Most of it is at a point where it will break. There will be a great deal done next week. I have been over this memorandum with Mapes. There is nothing in it that disturbs me.

H.M.JR: Should I take it and read it?

MR. SULLIVAN: Certainly, sir. It could be spelled out a lot more. There are a lot of things that could be explained.

H.M.JR: I will take this along. (Refers to Memorandum of February 12, 1944, regarding surplus from Army and Navy)

MR. BELL: You will have a busy two weeks.

H.M.JR: I am not going to read most of them!

MR. SULLIVAN: Suspended permits of four liquor dealers - wholesale dealers in San Diego.

H.M.JR: Have you struck pay dirt?

MR. SULLIVAN: We are getting indictments on three. There is one outfit that got over a million dollars in black market over-charges.

- 42 -

H.M.JR: Do you remember when I said start down there, the boys discouraged me?

Was that an important decision handed down by the courts against Yellowley in Chicago? Yellowley sent out letters either to the manufacturers or wholesalers not to deliver any liquor to such-and-such a person because that person was selling in the black market. The court threw it out.

MR. SULLIVAN: I didn't see that, sir.

H.M.JR: I read it this past week. The judge said that he felt what Yellowley was doing was in the right direction, but that the law wasn't there and he had better get a law created, that he had exceeded his authority.

MR. SULLIVAN: Berkshire has been in Louisville, but I think one of the other boys should have called me. Did you (Gaston) see it?

MR. GASTON: No, I haven't seen it.

H.M.JR: I read it carefully because it seemed to be unusual. What Yellowley was doing seemed to be all right. He had written to the retailers or wholesalers to stop shipping that fellow because he is breaking the law.

MR. SULLIVAN: The minute they are cited for suspension all of the distillers are notified.

H.M.JR: And the court threw it out. This fellow got out an exemption.

MR. SULLIVAN: That may be something for the Van Nuys--

H.M.JR: How do they work it in San Diego?

- 43 -

MR. SULLIVAN: It is the wholesalers, yes, sir. There is one case where one distiller appears to be tied in. We expected rather complete reports by mail. The planes got grounded and the report I have for you is not too detailed; we got it over the phone yesterday.

H.M.JR: Have you brought the Van Nuys committee's attention to this?

MR. SULLIVAN: No, the exhibit will be ready Tuesday.

MR. PAUL: Who took Van Nuys' place?

MR. SULLIVAN: On the Subcommittee I don't yet know. McCarran has taken his place as Chairman of the whole Committee.

H.M.JR: How is McConnell getting along?

MR. SULLIVAN: I think they are working like the dickens and making substantial progress.

MR. BELL: I think they have probably struck a snag.

H.M.JR: Boys-- (Laughter) I think you had better get together.

MR. WHITE: You mean they are working like the devil trying to remove the snag.

MR. BELL: McConnell was very much encouraged up to a couple of days ago. I think that now he is a little discouraged that the Army just isn't going along on the over-all settlement. He still has hopes that maybe Hancock can do something. He asked me, I think a couple of days ago, whether or not he should begin to think about getting off of this Committee because of the difficulties.

I said, "Certainly don't pull out at this time; stay there for awhile and let's see what can be done." Certainly Hancock should attend some meeting in the near future.

- 44 -

MR. SULLIVAN: I think he was entirely right on the position he has taken on over-all settlements. I don't think the Army can stand the heat.

MR. BELL: Oh, yes, but he thought that being Chairman, and also representative for the Treasury, he is not being impartial in the thing, and he thought maybe he ought to get out. I told him to stick, by all means, for the time being.

H.M.JR: Herbert?

MR. GASTON: I think nothing more.

MR. WHITE: We have met the Russian Committee several times. They are in the question-asking stage still, so I have no indication of what their attitude will be.

H.M.JR: May I say this before we break up, then I want those who are interested in War Bonds to stay - I appreciate all of you making it possible for me to take this rest. I needed it very badly. The week in the hospital was wonderful. I recommend it to anybody who is tired. I thought the second day I would jump out the window, but from then on it went very well. I will be less on the phone.

MR. BELL: Than you were last week?

H.M.JR: Yes. And I will be back by the 28th. If you will just carry on, I will continue to be in your debt.

DEFERMENTS APPROVED BY UNDER SECRETARY BELL IN THE ABSENCE OF SECRETARY MORGENTHAU

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Bureau</u>	<u>Date Approved</u>
Laire, Richard S.	37	Consulting Expert (Accountant)	Secy's Office	2-5-44 (Secy. had authorized request)
avis, Thomas McP.	35	Asst. Chief Counsel (Procurement)	Gen. Counsel	2-5-44 (extension of present deferment)
anick, Arthur J.	37	Attorney (Procurement)	" "	2-5-44
Wind, Adrian W.	30	Sr. Atty. (Tax Leg.)	Tax Leg.	2-8-44
fton, Sidney P.	36	Agent	Int. Rev.	2-10-44
anners, Theodore R.	37	Agent	Int. Rev.	2-10-44
chlin, Louis	33	Agent	Int. Rev.	2-10-44
rray, Regal E.	32	Agent	Int. Rev.	2-10-44
xford, Ansel F.	32	Asst. Gen. Counsel	Gen. Counsel	2-11-44 (extension of present deferment)
Aprile, Cosimo	34	Plate Printer	Eng. & Printing	2-12-44

February 13, 1944
12:30 p.m.

WAR FINANCE

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Haas
Mr. Gamble
Mrs. McHugh
Mr. Smith

H.M.JR: Do you want something?

MR. SULLIVAN: I will wait until you get through.

H.M.JR: You can listen to war bonds. Will it take very long?

MR. GAMBLE: Just a couple of minutes. We have a problem in Illinois and New York.

Mr. Burgess says that his original understanding with you was that he would come in and stay until we got our program on its feet in New York, that he has accepted the vice presidency of the American Bankers Association, which means that he will be the President in the fall. He is undertaking a job to go around the country for them in April, prior to his going into office, to organize and strengthen several committees that they have within the banking organization. He thinks he can do a good job for you in that program. He feels that our organization in New York is strong enough to get along without him. He will stay as a patron saint, that is, he will keep his identity with the organization.

H.M.JR: That isn't a very good simile, is it, John?

MR. GAMBLE: He says that he and Pope and others who have been interested--

- 2 -

H.M.JR: You mean the Pope?

MR. SULLIVAN: This is getting very theological, this campaign you are running.

MR. GAMBLE: They will stay in the picture.

H.M.JR: Good; I hope so.

MR. GAMBLE: They have recommended very strongly that it be passed on to you that we make Ford chairman.

H.M.JR: That is out, and I am not going to argue about it. I positively will not have him.

MR. GASTON: Why doesn't Burgess just stay as chairman and let the other fellows do the work?

H.M.JR: I positively will not have Ford. I never liked him. I have no confidence in him, and I could go on, and so forth, and so on, if I wanted to.

MR. BELL: He probably will go now, don't you think, if Burgess leaves? The company wants him back, I understand.

H.M.JR: Well, I just won't take Ford; he is not my type. That is out. That is your type.

(Mr. Smith enters the conference.)

H.M.JR: I would much rather not have a banker. I don't want the Marine Midland man either.

MR. GAMBLE: Pope?

H.M.JR: Yes. That is a bad situation there with chain banking.

MR. GAMBLE: Would you take someone like Walter Gifford?

H.M.JR: No. I will tell you a fellow there that I think I would take. He is Pierson, the man who used to be with the Chemical--

- 3 -

MR. GAMBLE: The Bankers Trust Fund--the Irving Trust, Pierson--you will take him?

H.M.JR: I think so. I don't know him. He is retired, as I understand it.

MR. GAMBLE: Yes, he is out of the bank and is giving his full time to us.

H.M.JR: How do you like him?

MR. GAMBLE: Very much.

H.M.JR: He is out and retired, so he hasn't that tie.

MR. GAMBLE: He is devoting his full time. He is chairman of the lower counties, including Manhattan.

H.M.JR: I think he is a very fine gentleman.

MR. GAMBLE: He is, and he has done a good job for us.

H.M.JR: I would take Pierson. Is that all right?

MR. GAMBLE: Yes, sir.

Now, in Illinois, Swift, since the death of his brother has been continuing with us only because of this Loan. He told me prior to the Loan that he might have to step out. He advised me last week he was now certain he would have to step out, and has made the recommendation which I think is a good one, that he and Hap Young and Ned Brown sit down together and nominate a man to succeed him, Hap Young of the Federal Reserve Bank, and Ned Brown of the First National Bank of Chicago.

H.M.JR: Ned Brown is anti-McCormick, as I remember. I certainly don't want a McCormick man.

MR. GAMBLE: You won't get that from any of this crowd. They would like to nominate a person, and I think they should.

- 4 -

H.M.JR: Just as long as he is not in with the McCormick gang.

MR. GAMBLE: Would you be against Young, himself?

H.M.JR: I would take Young.

MR. BELL: I think that would be a good move. He is very popular.

H.M.JR: If you or Gaston don't approve what I am saying, I wish you would say so--I mean, on New York.

MR. BELL: Oh, I have some hesitancy on New York. I told Ted the other day that I knew your feelings about Ford, but Nevil has worked awfully hard, and he is going back, I think. I think he would do a good job as chairman.

H.M.JR: I won't take him.

MR. BELL: I know you don't like him, and I think that maybe Randolph is going to be a little disappointed.

MR. GAMBLE: In fairness to Ford, I think you ought to know that under Burgess he has done a hell of a lot better job than he did under Patterson.

H.M.JR: I still think that a man like Pierson would have the respect--

MR. GAMBLE: I think they would work together.

H.M.JR: Pierson would have the respect of the financial community.

MR. BELL: But I would like to see Hap Young in Chicago. He is popular and well-liked by all the bankers.

H.M.JR: I would be pleased.

MR. GAMBLE: Those are the two.

H.M.JR: All right. That is all you have?

MR. GAMBLE: All right, sir.

February 13, 1944
4:45 p.m.

JEWISH EVACUATION

Present: Mr. Gaston
Mr. Paul
Mr. Pehle
Mr. Luxford
Mr. DuBois
Miss Joan Morgenthau

MR. PEHLE: Here is the telegram to Mr. Rufus Jones (hands telegram to the Secretary).

H.M.JR: This is a telegram?

MR. PEHLE: Yes, sir.

H.M.JR: (Reads telegram, copy attached.) All right. Who will send it?

MR. LUXFORD: You will sign it.

MR. PEHLE: We will get it out.

H.M.JR: Do you have a pencil? (Signs telegram.) I will leave it to Mrs. Dickinson to extract a copy.

MR. PEHLE: I will pick up where we left off, then?

H.M.JR: Yes.

MR. PEHLE: We got a cable indicating that the Vatican had asked the Allied authorities to permit Italian women and children, the aged and infirm, to leave German-occupied Italy for their homes in Southern Italy, to go through the lines.

H.M.JR: Anybody?

MR. PEHLE: Anybody. The British, to whom this had first been put up--

- 2 -

MR. PAUL: Who were these people, John?

MR. PEHLE: The Italians. The Vatican had appealed to let Italian women and children and the old people who lived in Southern Italy, but who were in Northern Italy, get through the lines.

H.M.JR: How did you learn this?

MR. PEHLE: It came through the British, who had already turned it down. The State Department got it and referred it over to us, saying that they had already prepared a letter to Leahy on the matter and that we could either take it up with Leahy or they would.

H.M.JR: Before you leave today, I would like to call Leahy and ask him to see you.

MR. PEHLE: All right.

H.M.JR: I think it would be very valuable to call Leahy and say I would like him to give you an hour. Before you go I will do that.

MR. LUXFORD: I think he is in the woodpile somewhere in this picture.

H.M.JR: An Ethiopian?

MR. LUXFORD: That is right. There are two or three indications--

H.M.JR: I know him very well, and I don't hesitate. He is an awfully important man in the picture.

MR. PEHLE: So State was ready to write Leahy on the matter saying that they were anxious that these people have whatever assistance could be given to them, but they recognize that military considerations were involved, and they asked whether we wanted to take it up with Leahy, or should they send the letter.

We said we would just as soon they send their letter. I think it is bound to get turned down. In other words,

- 3 -

you can't let all these people go through the lines. It would just interfere in all sorts of ways with military operations.

H.M.JR: Why should we get into this?

MR. PEHLE: Only because it was in a sense a refugee matter. But we didn't do anything on it. We just told State they could send the letter they had prepared.

MR. PAUL: That is one of the inevitable facts of making this general pronouncement of non-Jewish or general.

MR. LUXFORD: They are not in danger of death though, Randolph.

MR. PAUL: Yes, but once you touch the thing in the terms we use, you have to get these periphery problems.

MR. DuBOIS: And we have to be careful about indicating that we have no interest at all, because, otherwise--

H.M.JR: I was just curious. If it is from the North to the South, I would say no, but from the South to the North, O.K.

MR. PEHLE: This is North to South. This is from German-occupied Italy to Allied Italy.

MR. PAUL: There is a question as to whether they are in imminent danger.

H.M.JR: God, it is a wonderful chance from North to South to let in a lot of spies.

MR. PEHLE: That was one of the points they raised.

MR. GASTON: It would have to be done by agreement with the Germans first, and there would have to be the most careful system.

MR. PEHLE: Of course, in any refugee movement people can raise that spy thing if they want to raise it.

- 4 -

H.M.JR: Of course, just to give you a little of the picture, as close as I was, I was amazed to see these Italian Jews wandering up and down the street.

MR. PEHLE: As close as you were to what?

H.M.JR: You would see these Italians wandering up and down the roads right behind the lines. I said to General Clark, "Aren't you worried?"

He said, "No, I haven't had any trouble with them. They haven't attempted any sabotage."

MR. LUXFORD: There was one report, Mr. Secretary, that was in the newspapers, that the refugees coming down from Northern Italy into the Allied lines were disclosing the presence of Allied troops just by walking up and greeting them. They were having trouble with that kind of thing.

H.M.JR: Anyway, you fellows sort of pass it along, for forum.

MR. PEHLE: That is right. We had a long conference with Henry Montor of the United Jewish Appeal, and Leavitt of the JDC about this fund-raising problem. The United Jewish Appeal and the United Palestine Appeal are just starting their big yearly campaign.

H.M.JR: How long does that run?

MR. PEHLE: I don't know.

H.M.JR: They are out to raise thirty-four million dollars.

MR. PEHLE: They are very anxious; they are worried about two things, let me say: One is that the Emergency Committee, which is non-Jewish, primarily, and other organizations, new ones, may enter the field at this time and disrupt the enthusiastic competition, and at the same time, the money these people raise may be largely absorbed in administration. So they are concerned about new

- 5 -

organizations entering the field. Their second main concern is that the publicity on that hundred thousand dollars and the publicity the Board is getting generally may cause donations to come to the Board or to the Treasury, with the result that there will be less money raised because when they go on their intensive campaign people will say, "Well, we sent a check to the War Refugee Board," and the check in amount will be much less than they would be able to collect.

Consequently, they would like to have the Board issue a statement, and we have asked them to draft a statement. We made it clear that we weren't going to say in the statement that this is the way the money is to be raised, and no other, but one of the possibilities is to issue a statement, indicating that the Board is going to rely on private funds to a considerable extent for its operations and that the Board will cooperate with the President's War Relief Control Board to see whether competition can't be avoided and the money raised in an orderly way or something along that line.

H.M.JR: You know who is supposed to do this?

MR. PEHLE: No.

H.M.JR: The man who is supposed to be the czar on this question of raising money is Joe Davies.

MR. PEHLE: Yes, this is his board.

H.M.JR: He never does anything.

MR. PEHLE: But the Board is now much more active than it has been in the past. Charley Taft is working on it.

H.M.JR: But Mr. Davis is very friendly to me personally. So if you get into any jam, go directly to Joe Davies. Incidentally, he has nothing to do, while we are talking about it, and if we wanted somebody for any purpose or other, he is very friendly to me personally, going back to my father. I sort of inherited this from the Wilsonian days. He might be very useful.

- 6 -

MR. PAUL: He might be a good man on the radio.

H.M.JR: Don't forget his wife, this poor working girl who worked her way through the factory. (Laughter)

MR. LUXFORD: Mr. Secretary, how about his making a mission, say, like the Spanish arrangement where if you are not going to get the cooperation of the State Department, send a man of that caliber?

H.M.JR: On a thing like that, I want to ask Joe Davies point blank, and I won't mind asking him. I mean, it is something I don't think anybody but myself could ask him.

"Look, Joe, as between Mr. Hull and getting these people out, where do you stand?" See? I don't know.

MR. LUXFORD: If State really turns thumbs down, we will have to use some other channel to put this up to the Spanish.

H.M.JR: Yes.

MR. LUXFORD: And a man of that size--

H.M.JR: Well now, wait a minute. Don't forget Stimson himself. Now, I liked Stimson's attitude the day we were there. I thought he was very friendly. Don't forget that Stimson, after all--to give you the background--let his house here in Washington be used as headquarters for the Republic Movement while the fight was on in Spain. I don't know whether you men knew that or not.

MR. GASTON: Is that so?

H.M.JR: Oh, yes, it was his interest in trying to break the blockade to get munitions in and all that. That is why I retained him as counsel, see? So before I did anything else on that, I would get it from Stimson himself, and not McCloy. I would ask to see him.

MR. LUXFORD: Do you think he would have much influence with Franco under those circumstances?

- 7 -

MR. PEHLE: It isn't a question of Stimson having influence; it is a question of whether he could do anything with State. I think State will go along.

H.M.JR: No, but on that proposal, I would rather have Stimson than anybody else in this town.

MR. PEHLE: Backing it?

H.M.JR: Yes. If there is something, you would have to ask to see him, you see.

MR. DuBOIS: There is a question of whether Stimson is responsible for this War Department attitude. We will get to that, I think.

MR. PEHLE: Well, that fund problem is probably going to cause us some difficulty, because there is going to be a tendency on the part of all agencies to rush into the field. Now, I don't think we can control all of that.

H.M.JR: On the money raising?

MR. PEHLE: Yes.

MR. PAUL: You have to avoid letting any one organization--

MR. PEHLE: They pretty much have a monopoly to start with. They are to the Jewish people what the Community Chest is generally, but I think we have to cooperate with them to some extent. We certainly can't issue a statement saying they are the only persons authorized to raise funds.

H.M.JR: Well, you have to be careful. I would tell them this. I think that it would be awfully smart ball-playing if they would ask both Stimson and Hull to speak at some big banquet of theirs.

MR. PAUL: We have already had that problem. The awfully hard thing is to get a banquet which is not by one or the other group, you see. We have already had offers of banquets and lunches.

- 8 -

H.M.JR: Gaston told me that, but I was thinking that-- I read in the newspapers that the three principal organizations which are on the money-raising--if they could get them together, they might, to hear Mr. Hull or Mr. Stimson.

MR. PEHLE: The United Palestine and United Jewish Appeal are one and the same thing.

MR. GASTON: Won't they take other people in?

MR. PEHLE: The World Jewish Congress? No. I think that to say now that they start a new campaign, separate out this issue from all of their regular issues and take in non-Jewish organizations in the time we have available--you will never do it. I think it would be just--

MR. GASTON: I was speaking about this other organization that Morris called up about.

MR. PEHLE: That is the Emergency Committee.

MR. GASTON: Couldn't they take the Emergency Committee in?

MR. PEHLE: They don't speak the same.

MR. LUXFORD: At something of that character with Hull or Stimson present, they might.

MR. GASTON: That is what I am talking about.

H.M.JR: I am talking of a money-raising banquet.

MR. PAUL: I am afraid they won't.

MR. GASTON: If they could come to an agreement--

MR. PAUL: Personally, I think you might get some of those boys like George Morris and Leavitt and see if you could do something.

MR. PEHLE: I don't think it would hurt any to have people like Hull and Stimson participate in one of their money-raising schemes. As long as you spread that thing around to some extent, you are all right.

- 9 -

MR. PAUL: Of course, it is better for them than for the Treasury to do it.

H.M.JR: My position is, which has been constant, I don't go on any committees for money-raising other than raising money for the Treasury.

MR. PAUL: That is just a small operation.

MR. PEHLE: One possibility is, that if the Emergency Committee goes out to raise funds, we might get them to direct their appeal largely to non-Jewish sources, because I think the Jewish sources are pretty well combed by the ordinary ways they have.

H.M.JR: You are wrong; you are a hundred percent wrong.

MR. PEHLE: What?

H.M.JR: These people--I am not saying they haven't been charitable, but they have never given the way they should give. They give--

MR. PEHLE: I didn't mean they gave the way they should. The question is whether you can get more money if a new group goes out and solicits those same people.

Now, all I know about it is that the regular money-raising groups argue strongly that you will get less money that way. In other words, the Emergency Committee group wouldn't raise any substantial amount of money.

H.M.JR: I don't want to spend too much time on that today. They have plenty of good brains on that.

MR. PEHLE: Now, we got from State a thirty-six page memorandum listing various projects that they had dealt with in the past three or four months, or a little longer than that. It was written from a State Department point of view, but reading it through, it is the worst indictment I have seen yet on the way they kick this stuff around. I mean, there are very vital things that all of a sudden,

- 10 -

right in the middle of something, they will refer to the Intergovernmental Committee and nothing will happen.

MR. LUXFORD: There are fifteen or twenty worth-while projects.

MR. PEHLE: Really, they are things that something could have been done on. We have five people working on that, getting the cables out, pulling the things up, and starting all over again. It was just an amazing record.

MR. GASTON: I don't think that is obstructionism so much as it is the regular State Department way of putting things in an appropriate pigeonhole.

MR. PEHLE: Much of it is just inefficiency.

H.M.JR: Again, I would like to make the suggestion-- you were talking about this professor from Bowdoin you were trying to get out of the Army. I would leave him as a private and get him detailed to you for his sake.

MR. PEHLE: Well, I don't agree on that. He is over thirty-eight, and to have him try to work at fifty dollars a month on this job--

H.M.JR: How did he get in?

MR. PEHLE: You know how? He got in because the draft board in Maine, where he was State Administrator for the WPA, got all sorts of appeals from various people who didn't like him because he was a little left of center.

MR. LUXFORD: That was five months before he was thirty-eight.

H.M.JR: Let me just direct myself to Herbert on this. Herbert, I think for this Refugee Board to get this man "de-armitized," get him out of the Army and come to work for this Board--I think it is wrong.

MR. PEHLE: I have already talked to McCloy about it.

- 11 -

H.M.JR: Just wait a second. Let me just address myself to Herbert. Now, I don't know what his financial situation is. I don't know how many people I have met connected with General Donovan. It seems to be the catch-all here in Washington, people over there both in and out of uniforms as privates--a lot of intellectuals, university people--and they work there. Now, I think it is definitely a mistake. I didn't even know this, but it just makes us vulnerable for something we are taking on unnecessarily, Randolph.

MR. PAUL: I am inclined to agree with you there.

MR. GASTON: It is a shame so far as he is concerned, but it does make us vulnerable. It is unjust to him; there is no question about that.

H.M.JR: But why take on something? I mean, if he was a man who had been in the Treasury I would take on the fight as I would take on any worth-while fight, but why take this on?

MR. GASTON: It would be better to get some of these organizations to agree to put some money in his bank account when he gets through with the work.

MR. PAUL: Those things can be done if you want to fix him up on the fifty dollars a month. That isn't difficult. There are a billion ways you can skin that cat, John.

MR. LUXFORD: Would that be beyond consideration, Mr. Secretary? He should have something.

H.M.JR: Oh, no.

MR. GASTON: Any one of these organizations can put some money in his bank account or give it to his wife.

MR. PAUL: You don't do it that way. You give him a little job after the war is over.

H.M.JR: Herbert is right. Here is this Lieutenant Commander. The Navy had this story. He came out of Bataan, and Life Magazine paid him and these other two people

- 12 -

twenty-five thousand dollars. We will let one of these organizations--

MR. PAUL: Not even the organization does that.

H.M.JR: But let the JDC--

MR. PAUL: Somebody does it in lieu of a contribution.

H.M.JR: Yes, give it to his wife.

MR. PAUL: I wouldn't even do it that way.

H.M.JR: Well, say as a former counsel for Readers Digest . (Gestures)

MR. PAUL: I won't be counsel any more, I can tell you that. I probably won't be.

MR. GASTON: We will let you be counsel for the New Yorker, Randolph.

H.M.JR: Did you read what they wrote? It is wonderful.

MR. PEHLE: Boy! they hit them.

MR. GASTON: The New Yorker suspended their agreement. They will not renew their agreement with Readers Digest because of this system by which they are hiring writers and placing stuff in magazines and controlling magazines. They don't think it is democratic, but dangerous.

H.M.JR: Well, look, gentlemen, as long as Gaston and Paul agree with me, I would not take this man on by getting him out of the Army.

MR. PAUL: As a matter of fact, from his standpoint, I think that is true. If you are just thinking of that monetary angle, pay him.

MR. PEHLE: That is the principal factor. Do you have any objection to his being assigned to us?

- 13 -

H.M.JR: None.

MR. PAUL: That is all right. We will make up the difference.

H.M.JR: But I do have objection to his being taken out of the Army for this. The worst thing that can happen to him would be if somebody like Congressman Rankin or somebody else gets hold of it, and then the fat is in the fire.

MR. LUXFORD: Did you pick that name inadvertently-- Rankin? I just read something in the Congressional Record the other day about Rankin being quite anti-Semitic.

H.M.JR: He referred to Walter Winchell as a kyke.

MR. LUXFORD: I just wondered if it was anything besides that.

H.M.JR: What more do you need?

MR. LUXFORD: I had that.

H.M.JR: Before that there was something.

MR. LUXFORD: That is what I was interested in.

MR. GASTON: Time handled that very well.

H.M.JR: They handled it beautifully.

MR. PAUL: Speaking of replies, I thought--

H.M.JR: This is not typical, Joan, this is just Sunday afternoon.

You know what I would love to do?

MR. PAUL: I would like to publish that stuff.

H.M.JR: I haven't seen the reply, but I would love to circulate it among the directors.

- 14 -

MR. PAUL: Believe me, any time you want to do that, I will do it for you with the greatest delight. Biddle has already suggested to me that--

H.M.JR: I think as soon as the bond drive is over I am going to have it published.

MR. LUXFORD: Is that the Parkinson matter?

H.M.JR: Yes.

MR. PEHLE: He gave up fast.

MR. LUXFORD: I think he is frightened.

H.M.JR: But it should be joint.

MR. PAUL: Biddle will do it. He has already talked to me about it.

H.M.JR: All right. You heard what I said this morning about fighting or not fighting.

MR. PAUL: It suits me. I would just love to see it done. Parkinson has done a lot for me. My personal feeling is very friendly to him.

H.M.JR: Well, he has been very good on the bond drive, but that is neither here nor there.

MR. PAUL: What he has done is irrelevant.

H.M.JR: It isn't his money, anyway.

MR. PEHLE: Bundy called me up last week and said there was one thing--

H.M.JR: He is an assistant to Stimson.

MR. PEHLE: ...that the War Refugee Board would stay out of, and that is this Palestine resolution that is pending in Congress. I told him that had come up at the second session of the Board and we were staying out of it.

- 15 -

Then he said Mr. Stimson had decided that he was going down to testify against it and that apparently the State Department was going to do the same thing, on the ground that it would stir up the Arabs behind our lines.

MR. DuBOIS: In secret session?

MR. PEHLE: Apparently it is going to be in secret session. I told him our position was that we were staying out of that thing; although it was very clear that if Palestine were opened up on a temporary basis it would ease the problems we were dealing with.

H.M.JR: When you are through, I will give you a little background on that. Ibn Saud, who is the King of Saudi Arabia, has two sons over here, you know. He made some accusations against Weissman. Weissman tried to offer him a hundred million dollars if Ibn Saud would throw his weight toward letting the Jews expand in Palestine. Well, that thing has been completely exploded. It isn't true, but I am sorry to say that it seems to me that what has helped all of this business now is this pipe line of oil which goes entirely through Ibn Saud's back yard. Everybody has been so worried about uprising that they really have evidently been negotiating to get this pipe line through, because it ends in Haifa, in Palestine. I don't think there is any connection between the two things.

MR. LUXFORD: Do you know the background on the Wright resolution up on the Hill?

H.M.JR: No.

MR. LUXFORD: It has had extremely favorable response in the House Foreign Affairs Committee. They finally got into an argument as to whether the Jews were a religion or a race. But quite apart from that score, there seems to be a tremendous amount of backing for the Wright resolution, even though that might be modified. As a matter of fact, one of the things that was brought out was that we have a convention with Britain, which the British White Paper was utterly inconsistent with on the Balfour declaration.

- 16 -

MR. PAUL: Churchill backed the Balfour declaration.

MR. LUXFORD: That is right.

MR. GASTON: I think the War Refugee Board's policy is that that matter doesn't concern it, but privately, anything we can do to help the resolution--

H.M.JR: No, no, no. I want to make it very plain. I have been asked by Doctor Wise and different people whether I wanted to get in on this thing. This is Sam Rosenman's baby, and Sam asked me whether I wanted to get in on it.

I said, "No."

MR. GASTON: You mean Sam is for the resolution?

H.M.JR: I don't know whether he is for or against it, but he is handling it for the President.

MR. GASTON: I think we ought to be very careful.

H.M.JR: I told Sam that I was having nothing to do with it.

Sam said this, "Look, Henry, don't let's get our wires crossed."

I said, "Don't worry, Sam, I am completely out of this thing." I want to play ball with Sam on this thing, and you people can't take an interest without--

MR. LUXFORD: It is not that easy.

MR. DuBOIS: The basic reason for opposing this Palestine issue--the reason behind it is--

H.M.JR: See how they "yes" me, particularly DuBois.

MR. DuBOIS: The basic reason they are using for opposing this Palestine resolution goes much deeper than just Palestine. I think at this point, John, we might show him--it is very revealing. It can defeat everything we are doing.

- 17 -

MR. PAUL: Just that one paragraph from the President's answer.

MR. PEHLE: This is an exchange of letters that Joe Friedman, who is working on this problem for us and is doing a very good job, dug out of the State Department's files on Friday, consisting of a letter from Mr. Hull to the President of May 7, 1943, and the President's reply of May 14. You will remember, I had Friedman in your office the other day.

Hull wrote the letter right after the Bermuda Conference, and he raised a lot of very interesting problems in connection with whether we were going to carry out the few things that the Conference was trying to do. And he put it rather squarely up to the President as to whether we would implement the use of North Africa as a depot for the refugees who can be evacuated from Spain without interference with military operations and with the full approval of the military commanders in the area. He goes into the thing.

MR. DuBOIS: He pointed out in there, incidentally, that General Giraud had agreed that as soon as the French refugees who were in Spain--about fourteen thousand--had come over to North Africa, he would be willing to let in refugees.

MR. PAUL: You are getting into too much detail. Just get that one paragraph.

MR. DuBOIS: The French were in agreement, also.

MR. PEHLE: So the President wrote back a short memorandum seven days later. It is one paragraph. (Reading from "Memorandum for the Secretary of State," dated May 14, 1943, from the President.) "I agree that North Africa may be used as a depot for those refugees but not a permanent residence without full approval of all authorities. I know, in fact, that there is plenty of room for them in North Africa but I raise the question of sending large numbers of Jews there. That would be extremely unwise."

- 18 -

H.M.JR: And, so what?

MR. LUXFORD: Is that Leahy?

MR. PAUL: It shows what you are up against.

MR. DuBOIS: It is the same old problem.

H.M.JR: How long do you think they have been working on this pipeline?

MR. LUXFORD: Watch where this heads for, Mr. Secretary. What is the objection to Palestine? What is the objection of State and the War Department to Palestine, the Wright resolution? It is that it might stir up the Arabs.

Now, it doesn't make any difference whether you give the Jew going into Palestine a permanent visa or tell him that he is going to stay there for the duration. There is just as much potentialities for arousing the Arabs. So if we are going to look for a program, trying to set up Palestine, even, say, temporarily--

MR. DuBOIS: Or, North Africa.

MR. LUXFORD: Or anywhere in the Mediterranean as a temporary place for the Jews, we are going to have trouble.

H.M.JR: Let me tell you what I told the President. When I saw the President, he asked me something about it. I don't know how it came up. It was the day I went in to get you (Pehle) approved. I said, "I feel the thing is to get out the Jews and get the thirty thousand into Palestine, as permitted under the so-called White Paper, before we raise this whole question of the White Paper."

The President said, "I am so glad to hear you say that, Henry, because that is the way I feel."

MR. LUXFORD: That is the way State and the War Department are looking at it.

MR. PAUL: The temporary is just as bad as the permanent from the Arab point of view.

- 19 -

H.M.JR: I still think--I don't know--but anyway, at the second meeting with Hull we agreed we were going to stay out of this, didn't we?

MR. PEHLE: Out of the Palestine issue, yes.

MR. DuBOIS: The Palestine issue is a different issue.

MR. PEHLE: That is the issue of Palestine as a national home.

MR. DuBOIS: It is an entirely different thing to say you won't even let these people go temporarily into North Africa or Palestine to save their lives. That is what it boiled down to.

H.M.JR: You are talking about two different things. At least I am. I said I thought we ought to keep out of this resolution.

Gaston said we should do what we can, sort of behind the scenes.

MR. GASTON: I have trimmed it down, so I will just hope they will pass the resolution.

MR. LUXFORD: They will.

H.M.JR: Anyway, I think Pehle said at our second meeting it was agreed we would keep out of this thing.

MR. PEHLE: Out of the Palestine resolution pending in Congress.

MR. DuBOIS: We have agreed to that.

H.M.JR: Then what are we arguing about?

MR. PAUL: We are talking about whether Palestine shall be a temporary haven, and we are--as far as the Arabs are concerned, and as far as the real opposition is concerned, that is exactly the same there as if we were talking about the Palestine issue.

- 20 -

H.M.JR: Where?

MR. PAUL: North Africa, and Palestine, not from the standpoint of whether it shall be a permanent refuge but from the standpoint of whether anybody can go there temporarily to have their lives saved.

H.M.JR: Well, I am not going to take seriously what the President said in 1943. I don't know anything about it personally, see?

MR. PEHLE: Then no one knows we have that.

H.M.JR: I think the less people know, the better.

MR. DuBOIS: That was May of '43.

MR. PEHLE: It is a rather astounding statement.

MR. DuBOIS: Really, you can't distinguish it much from the British statement.

H.M.JR: All right, I agree with you. I am terribly shocked. There is no question about it, but I still say that I think our policy should be to get as many people out. Let's fill up this camp at CasaBlanca. Let's get the people.

MR. GASTON: Yes.

H.M.JR: Then when we get too many, and Mr. Roosevelt says, "Look, Henry, you have too many," then is the time for me to go to bat.

(General agreement)

H.M.JR: That is the only position that I have taken. Let's get these people out. Are we apart on that?

MR. LUXFORD: No.

MR. PAUL: Do we know a further ramification?

- 21 -

MR. LUXFORD: Yes, there is one other. There is more and more indication that if someone would come out and say concretely to Germany or the International Red Cross, just as an experiment, "We will offer five thousand visas to Palestine. Will you allow the Jews to take them--"

H.M.JR: What?

MR. LUXFORD: Visas to Palestine. There is more and more indication--

H.M.JR: If you said it to him--

MR. LUXFORD: If you were, through the International Red Cross, to contact German authorities and say, "We are offering five thousand visas. Will you allow the Jews to take them?" there is strong indication that they will accept.

H.M.JR: Why?

MR. LUXFORD: We have just been in touch with the Red Cross. I was over last week. There are cables coming out of the Netherlands, a few, in which they say, through the Red Cross, "Will you get a visa for so and so in the Netherlands?"

Now, that went through German censorship, and the replies went back through German censorship. The Red Cross tells us that recently, for the first time, they have been able to open up communications both with the large camp in Netherlands and in Poland, and they have even gotten some food packages through. Their hunch is that things are weakening a little bit.

Now, if you could say in cold turkey, "We will offer five thousand visas. What will you do?" we would know.

H.M.JR: Where does that stand?

MR. LUXFORD: The question comes up as to whether we are going to have British cooperation in being able

- 22 -

to offer those visas. That is why you head right back into this picture from another angle.

H.M.JR: I wouldn't start with five thousand, I would start with a thousand.

MR. LUXFORD: Something like that, any figure, just to test them out and see what happens.

H.M.JR: Would these be children?

MR. LUXFORD: They shouldn't be. The cables that have come through weren't limited to children.

MR. PEHLE: We could work something out.

MR. PAUL: Get the Secretary's basic point of view. I think his basic point of view is pretty clearly indicated that if it becomes necessary as we go along to make that offer to get the German approach to it, we ought to do it.

MR. PEHLE: Sure.

H.M.JR: Now, who is the International Red Cross man here?

MR. LUXFORD: We were dealing with the American Red Cross, McCormack.

MR. PEHLE: Yes, but Mark Peter is the top person in the International Red Cross.

MR. GASTON: Mark Peter?

MR. DuBOIS: Yes.

H.M.JR: Who is he?

MR. PEHLE: He is their delegate.

MR. GASTON: Peter's chocolate man, Switzerland?

H.M.JR: Not the former Swiss Minister?

- 23 -

MR. PEHLE: I think so. I am quite sure he is.
Was his name Mark?

H.M.JR: No, they pronounced it "Pe'tair."

MR. PEHLE: Somehow I have heard that he was--

H.M.JR: He stayed here, you know.

MISS MORGENTHAU: He used to be up the block.

MR. PEHLE: I think it is the former Swiss Minister.

H.M.JR: He is the delegate?

MR. PEHLE: Yes.

H.M.JR: Anyway, I am all for testing it out.

MR. PEHLE: Yes, we are, too.

MR. LUXFORD: There are tremendous potentialities there as to whether this test goes through. Then you offer the third, if you can get one of those things through.

H.M.JR: What were we talking about?

MR. PAUL: About the Red Cross business of getting Germany to agree to the five thousand coming out.

H.M.JR: All right, go ahead.

MR. PEHLE: Well, that is the bulk of it. There is one question as to space. We need more space to operate.

MR. GASTON: Well, that is a question to be--

MR. PEHLE: Well, I just want some sort of indication.

MR. PAUL: I will give you my office. I will use my home for an office.

H.M.JR: Is that the way you feel?

- 24 -

MR. PAUL: That is the way I feel, that I would be glad to give up anything for it.

H.M.JR: Well, there is room on the floor above me, you know.

MR. PEHLE: On the third floor?

H.M.JR: Yes.

MR. PEHLE: If we can have that--

H.M.JR: It is where the women's division of War Bonds used to be.

MR. GASTON: The proposition is, you need space.

MR. PEHLE: Can Herbert take that up with Thompson in the morning?

H.M.JR: Yes, it is the space that the women's division used to have.

MR. GASTON: Yes, across the hall from Chick Schwarz's office.

MR. PEHLE: The other two things on that are the two jobs we think we ought to fill promptly, one is a shipping man. More and more shipping problems are going to be an important part of the thing. We wondered if you had any particular suggestions about them.

MR. PAUL: I have a suggestion if you can get him, John Slater.

MR. PEHLE: I don't know him.

MR. PAUL: He is the head of the American Export Lines.

H.M.JR: How do you feel about going to Basil Harris for suggestions?

MR. GASTON: I think it would be all right, only I would a little prefer going to Harry Durning and ask him.

MR. LUXFORD: This is a problem, probably, of shipping in the Middle East. There are strong indications through Turkey.

H.M.JR: That is where the American Export operates.

- 25 -

MR. LUXFORD: You will get a problem in Turkey right now.

MR. PEHLE: You will probably need a neutral ship.

MR. GASTON: We will find a good customs broker.

MR. LUXFORD: We found in the State Department's files, Mr. Secretary, a statement that the Turks would only allow seventy-five Jews per week to leave Bulgaria to go into Palestine, because otherwise it taxed their transportation facilities, but some shipping in there to move by boat may change that picture a great deal.

MR. PAUL: They don't want to risk one of their own ships because insurance wouldn't do any good.

MR. LUXFORD: But there is a railroad through there.

MR. PAUL: They also have the same thing.

H.M.JR: I don't know who the transportation man for American Exports is, but--

MR. PAUL: I know Slater very well and he is a swell guy. He is the president of the company.

MR. PEHLE: And the other job is on the propaganda side, on the psychological warfare front.

MR. LUXFORD: Wonder if you shouldn't take up this declaration first, John, to show where we are headed for.

MR. PEHLE: Go ahead, Joe.

MR. DuBOIS: The more we have looked into the thing the more we are convinced that the chance of saving really great numbers of these people may lie much more in a very effective propaganda program directed, particularly, at not the leaders, necessarily, but at their functionaries and their subordinates, and at the satellite countries. There is a lot of indication that they are weakening on their treatment of the Jews. And if this country could really show, as it has never shown, that it really means business when it says it is interested in the Jews and that we are going to really take this into account when the war is over; and secondly, that we are really prepared - we have

- 26 -

never indicated before, in fact we have just indicated the reverse - to take these people if they do get out, that it may make - at least in an awful lot of people's minds they are convinced it would make an awful lot of difference in the attitude of particularly the subordinates of the Nazi leaders and in the satellite countries.

I talked to Pickett for about an hour and a half. He was convinced that if we could just say that we are prepared to take them, showing Germany we mean business, it might make all the difference in the world in the treatment of the Jews.

As Pickett points out--

H.M.JR: The answer is, we haven't been.

MR. LUXFORD: That is right.

MR. DuBOIS: We have indicated to Germany, in effect, that we don't care what they do. If there was some way we could convince them we do care, it might make an awful lot of difference. We have in mind the issuance of a strong declaration by the President.

MR. LUXFORD: Like the Moscow declaration.

MR. DuBOIS: Which didn't even mention the word Jew. And also propaganda broadcasts through OWI, and the like. Of course, take the extreme case, which I am not even suggesting is possible, but suppose you could get the President to make a world-wide broadcast on atrocities in general, including the Jews, I am convinced that we could probably write a speech for him that might have the potentialities of saving most of these people.

H.M.JR: You had better take a look at our atrocity one for tomorrow night.

MR. LUXFORD: Did you mention the Jews? You should.

- 27 -

H.M.JR: I don't know.

MR. LUXFORD: And hit it hard.

H.M.JR: Tell you what you do--

MR. PAUL: Who is going to give that?

H.M.JR: It was my idea originally and I was supposed to give it, but I can't. This very well-known actor, Frederick March, is being the narrator. It is nine-thirty tomorrow night. I can take two minutes to call up Smith and ask him.

MR. PEHLE: I think it would be worthwhile.

MR. LUXFORD: If we could get the text tomorrow morning and do a little work--

MR. PEHLE: Would it be too late tomorrow morning?

H.M.JR: No. The one I gave in Bridgeport - I turned one down at four o'clock Saturday afternoon and I got a new one at seven o'clock Sunday night, and went on the air at seven-thirty. They are used to it. You wouldn't have to do much.

MR. GASTON: We could get together with Bob Sherwood, if he is still in this country.

H.M.JR: Herbert, would you mind talking to Fred when you get home, so I don't have to hang onto the phone?

MR. GASTON: Yes, I will talk to him when I get home, and tell him we would like to see the script tomorrow morning and make some suggestions.

MR. LUXFORD: Now watch the development of your propaganda campaign. Already OWI has relayed into the occupied territory the facts of the declaration of policy in the Executive Order. They have played that up. We need a good strong propaganda director.

- 28 -

H.M.JR: You have too many of them around.

MR. GASTON: We have to work with OWI.

H.M.JR: There are too many of those already. Herbert is right. We have to work with OWI. When you get overseas you get bogged down.

MR. LUXFORD: I intended to work with OWI. What I was thinking of, you need a man here to devote his full time on the Board to mapping out the program and working up the text. As for OWI, I am sure we will get cooperation. As a matter of fact, the Emergency Committee to Save the Jews has already--

MR. PAUL: I would assume you have a complete blanket directive to get the people you want in your organization. You don't need to bring that up with the Secretary.

MR. DuBOIS: We are asking for suggestions.

MR. PAUL: That is a different matter, if you are asking for suggestions as to whom he wants.

H.M.JR: Before you get somebody, I think, Herbert, that you ought to sit down with Elmer Davis and review all this.

MR. PEHLE: I think the sooner we meet with Elmer Davis the better off we will be.

H.M.JR: Why don't you arrange to meet with Elmer Davis, and instead of our being in the same position as we are with War Bonds, of fighting with him all the time - Elmer Davis ought to be very good on this.

MR. PEHLE: I heard he would be.

H.M.JR: Why not take it up with Elmer Davis, and it might be better to have him hire somebody who would be detailed to do this and nothing else. Then there is Donovan's organization - there is the Army.

- 29 -

We have just made a study of this whole thing. I would get Gaston, gentlemen, who is "palsy-walsy" with Elmer Davis, to arrange for a meeting. That is what I would do.

MR. PEHLE: Sure, give them a chance, you see.

That leaves us with this question about the food shipments to the children. Now, my own feeling has been for a number of months now, that we have long since passed the time when those shipments should be made, that it no longer can, in any way, interfere with the war effort, that the war is going to be decided on the military side and this won't make any difference. Psychologically it would be a good thing that the war has gone on so long that shipments of food now may become very vital. I don't think there is entire agreement on that, but that is the way I feel about it, very strongly. That is the way Harry, as I understand it, feels.

Now the question comes up, assuming that that is the way you feel, what you ought to do about it.

H.M.JR: Well, I have changed a little bit. I was very much opposed to it, because I felt at the earlier date it would make a difference as to the success. Now I feel it won't make any difference. I think if we could get a little food in through the International Red Cross - isn't that the way it would go?

MR. PEHLE: Probably, yes.

H.M.JR: And be sure it got there. I think the psychological effect now would be helpful.

MR. PEHLE: I do, too. I think the Army is going to fight that.

H.M.JR: I mean, leaving aside what it would be for those people to get a little food. I am not sure that Mr. Stimson would. The English have been the chief people.

- 30 -

MR. LUXFORD: The Army has indicated they would object.

MR. PEHLE: You remember, McCloy said at the second meeting of the War Refugee Board, that the Combined Chiefs of Staff were going to object. Now, who that is being influenced by, I don't know.

H.M.JR: All those things you have to start sometime, and I am willing to go on record as changing my position.

MR. PEHLE: On record to whom?

H.M.JR: To you.

MR. PEHLE: Well, the Treasury doesn't get in on it very much.

H.M.JR: I am talking as a member of the War Refugee Board.

MR. PEHLE: Why is this a problem of the War Refugee Board? I don't think it is.

MR. GASTON: How did we get in on it?

MR. LUXFORD: That is my biggest objection, Mr. Secretary, that any way you slice this, this is a real campaign if you are going to overthrow this Government's policy on this issue, and I don't think the War Refugee Board can get into it.

H.M.JR: Well, Lehman is for this, and we have held it up on the licensing of the money.

MR. LUXFORD: No, this is Army and the State Department.

MR. PEHLE: We have never been consulted about that policy. That is a blockade policy and not a Treasury policy.

- 31 -

H.M.JR: You men think we shouldn't get in on it?

MR. PEHLE: I would be in favor of your making your stand clear in some way or other.

H.M.JR: Let's let that wait until I get back.

MR. PEHLE: The Treasury isn't holding up anything. That is all right.

MR. PAUL: We have held up some small items.

MR. LUXFORD: Not food shipments.

MR. PAUL: Oh, yes, we have. We have had a lot of those cases which have come through me.

H.M.JR: Did we hold it up, Randolph? I thought our policy was to say no.

MR. PEHLE: Our early feeling, Mr. Secretary, mine certainly, was exactly the way yours was, and that was that in the early part of the war we were against the shipments, but the policy was never made by the Treasury; it was made by the Blockade Division.

MR. PAUL: We have been one of the parties to it, because I have discussed it with you fellows.

MR. LUXFORD: Randolph, you discussed the Coty case of shipping perfume through that blockade.

MR. PAUL: No, I didn't. I am talking about packages to prisoners.

MR. LUXFORD: Well, they have always been shipped through.

H.M.JR: Don't the French get so much money?

MR. PEHLE: That is the prisoners of war. We never held that up.

- 32 -

MR. PAUL: I may have that confused.

MR. PENLE: That is right, and then there have been food packages going in from Lisbon. There have been no food packages from the United States, but that is not the Treasury's policy, but the Government's.

MR. PAUL: All right. We are postponing the question, anyway. I will settle with you boys later.

H.M.JR: Tough guy!

MR. PENLE: Where did we leave Ann Laughlin?

H.M.JR: Mrs. Morgenthau saw Mrs. Roosevelt at lunch and she gave her that message, and she is going to communicate with Mr. Jonathan Daniels, who will communicate with you.

MR. PENLE: O.K. That is it.

H.M.JR: What else?

MR. PENLE: That is it.

H.M.JR: All right.

MR. LUXFORD: Things are looking up, Mr. Secretary.

MR. PENLE: The biggest point of all is the one we just talked about a little bit, and that is, it is by no means clear - and I think that is conservative - that you can't really get substantial numbers of people out - particularly out of the balkans. It is not clear at all that you can't.

H.M.JR: What has happened about this word we sent to feed to the Jews in Hungary?

MR. PENLE: There was one about accelerating the movement from Hungary down to Poland - I mean from Poland to Hungary. We haven't received any further word as to that.

- 33 -

Many of these things you have to take on faith. I mean, the money goes out. It will be months before you get reports. It is difficult to get reports from occupied territory.

MR. LUXFORD: Our only hope is that they ask for more in a hurry.

H.M.JR: You men think this resolution is going to go through the House?

MR. LUXFORD: I do. Of course, State and the War Department against it in secret session will hurt, but the way Celler talks, and others - it is the Foreign Relations Committee of the House.

MR. PAUL: That is what I wanted to know. I will look up who is on it.

MR. LUXFORD: Hamilton Fish spoke for it; in fact, Hamilton Fish introduced the original resolution.

MR. PEHLE: Must be something wrong with it!

H.M.JR: That is right.

MR. LUXFORD: There is. As many people as are in favor of this are anti-Semitic in attitude, but feel they would rather have the Jews in Palestine than they would in the United States.

H.M.JR: All right.

It sounds good. I will see you gentlemen out, and I will talk taxes a minute. Sounds very good.

DR. RUFUS JONES
SWARTHMORE COLLEGE
SWARTHMORE, PENNSYLVANIA

JOHN PEHLE OF THE WAR REFUGEE BOARD IS URGING CLARENCE PICKETT TO TAKE AN IMPORTANT POST WITH THE WAR REFUGEE BOARD. PICKETT HAS BEEN MOST HIGHLY RECOMMENDED TO THE WAR REFUGEE BOARD BY OUTSTANDING MEN WHO ARE GENUINELY INTERESTED IN THIS CAUSE. I WANT PERSONALLY TO APPEAL TO YOU TO DO EVERYTHING IN YOUR POWER TO GET PICKETT TO ACCEPT THIS POST NOW FOR AT LEAST THE NEXT FEW CRUCIAL MONTHS. I FEEL THAT THE SUCCESS OF THE BOARD MAY VERY WELL DEPEND UPON THE EXPERT GUIDANCE AND ASSISTANCE WHICH A MAN OF PICKETT'S OUTSTANDING ABILITY AND EXPERIENCE CAN RENDER. I AM ADDRESSING YOU ON THIS MATTER NOT ONLY BECAUSE OF YOUR POSITION BUT BECAUSE I REALIZE HOW DEEPLY YOU FEEL ON THIS ISSUE. WITH PERSONAL REGARDS

SECRETARY OF THE TREASURY.

February 13, 1944
6:00 p.m.

TAX BILL

Present: Mr. Paul
Mr. Gaston

H.M.JR: The President called me at two-fifteen to find out how I was. He was extremely pleasant. At the end of the conversation I asked him what he was going to do about the tax bill. He said, "I am going to do what everybody is urging me to do."

I said, "What is that?"

He said, "I am going to veto it."

Then I said, "Well, have you thought of this idea of putting into your message a suggestion for a joint resolution to immediately pass the increase in excise?"

He said, "That is a wonderful idea. Can you get it over to me?"

I said that Paul was going to send it over to Rosenman this afternoon and he said that Rosenman had been sick for three or four days. He said, "Tell Paul to send it over to me directly. I want it right away."

MR. PAUL: Well, I thereupon sent the President a letter, of which I have a copy here. Reading: "Pursuant to Secretary Morgenthau's request, I am sending you two suggestions in connection with your message on the tax bill.

"(1) I think it might neutralize a good deal of critical reaction to a veto message if you would insert somewhere in your message the following:

- 2 -

"I will be very glad to sign a joint resolution enacting the excise taxes contained in the Revenue Bill of 1943. This will preserve the principal revenue-producing provisions of the bill without the objectionable features I have criticised.

"(2) Yesterday I sent to Judge Rosenman a statement of the Treasury's record on simplification. As Judge Rosenman and I agreed yesterday, any message you write should embody a greater emphasis on the need for simplification and Congress' disregard of the Administration's attempts to get simplification than was implicit in the draft message sent to you recently by the Secretary.

"A copy of this statement is enclosed. It is written for the Secretary, but can be easily adapted to use in your message."

MR. GASTON: It has to be boiled down into a couple of short paragraphs.

MR. PAUL: That is the only thing left. I still think I would like to call Rosenman and say, "For God's sake, let me see this thing before you make a bull."

H.M.JR: I would.

MR. PAUL: Bell's letter to Budget covered us on this Social Security - Altmeyer's long urge of a veto.

Astonishing figures, if they are right. I mean, I don't pretend to be able to judge that.

MR. GASTON: Well, the tip-off that Dan got Friday is correct, then.

H.M.JR: Yes.

Well, I think it is a good thing. I hope he postpones it until eleven-thirty tomorrow, after I get through with Doughton, because if he does I am going to get out of town.

- 3 -

I have to go to New York, anyway, to have my eyes re-examined and my teeth inspected. I would just as soon be out of town for a few days.

MR. GASTON: You will hardly be ready before Tuesday, I should think.

MR. PAUL: I hope not. But it will have a very healthy effect on the country. That is what I feel.

H.M.JR: The President said he was confident he could be sustained on a veto message on the tax bill.

MR. PAUL: I don't think he will on Social Security. I think he will be on taxes. I am pretty sure of that. If we do a little work, he will be.

H.M.JR: Well, it is a day.

NOT TO BE RE-TRANSMITTED

COPY NO. 12

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 50

Information received up to 10 a.m., 13th February, 1944.

1. NAVAL

Improved weather ANZIO enabled Liberty ships to restart unloading yesterday morning. Enemy air attacks and shelling continued 11th and 12th.

2. MILITARY

ITALY. To noon 12th. 8th and 5th Armies. Little change along whole front. Pressure maintained in CASSINO area.

6th Corps. Heavy fighting continued near CARROCETO with strong German artillery fire and counter attacks but only slight positional changes.

BURMA. ARAKAN. Japanese are continuing their efforts to cut the road BAWLI BAZAAR to MAUNGDAW. Heavy Japanese attacks on the Divisional Administration area northwest of BUTHIDAUNG have been repulsed.

3. AIR OPERATIONS

WESTERN FRONT. 12th. 96 escorted Liberators and 11 Mosquitoes dropped 268 tons on military constructions in Northern FRANCE. Enemy casualties in these and other operations - 6, 0, 1. Ours - 1 Typhoon

OFFICE OF THE SECRETARY OF THE TREASURY
1944 FEB 24 PM 2 49

TREASURY DEPARTMENT

12th/13th. Aircraft despatched: ANTHEOR Viaduct 11, towns, GERMANY 12, Intruders 10, Sea-mining 25 (1 missing). 15 enemy aircraft operated over southeast ENGLAND, three reaching greater LONDON sea. Mosquito destroyed one ME 410.

ITALY. 10th. 17 light bombers and 178 fighters attacked enemy transport and positions in the battle areas. Five fighters missing.

TREASURY DEPARTMENT

272

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

February 14, 1944

FROM Randolph Paul

This morning Mr. Bell and I went to see Mr. Doughton pursuant to arrangements made by you over the telephone yesterday, February 13.

After some preliminary discussion of everybody's health, including yours, Mr. Doughton indicated his desire to start a simplification tax bill and his wish that the two staffs would work together in harmony. He said the Treasury and the Bureau could be of great assistance and he wanted the benefit of their help. He said that he wished the assistance to be on a technical level and hoped the Treasury would not quarrel with the Committee on questions of policy.

Mr. Bell and I both indicated the Treasury's desire to be helpful to the Committee and to work in harmony with the Joint Staff.

Mr. Doughton then brought up the question of leaving the nine million taxpayers off the rolls as a policy matter which had to be decided by the Committee. I then said that I must be frank enough to state my doubt as to whether there could be any real simplification without an integration of the victory and regular income taxes eliminating the former. I also said I thought it would be a mistake to undertake simplification and not deliver some real goods. The Chairman agreed with this latter point but said that his Committee, and also the Senate, had definitely decided to keep these taxpayers on the rolls. Throughout the rest of the meeting Mr. Doughton was insistent that there could be no recanvass of this basic policy point, although at the end he seemed to admit that it could be resubmitted to the Committee if there was no way to simplify sufficiently without doing so.

- 2 -

It was agreed that any simplification should be limited to the individual income tax. I pointed out the danger of administrative and relief provisions, but I agreed with the Chairman that we should not tackle the subject of corporate tax simplification and simplification for larger taxpayers who could afford to employ counsel.

I pointed out to Mr. Doughton the difficulty of eliminating the return requirement without integrating the victory tax so that we could get a more accurate withholding tax.

After about 15 minutes of discussion, Mr. Doughton called Mr. Stam into the conference. Mr. Stam made his position clear that he was for some sort of a tax, minimum or otherwise, which would include the nine million taxpayers on the rolls. He said that he had been working with Surrey and Blough in the hope of developing something satisfactory to everyone.

While Mr. Stam was in the room, Mr. Doughton brought up the subject of the Forand, Carlson and Robertson bills. With respect to Mr. Robertson, he made some remarks that Mr. Robertson was emotional and that he had told him he didn't want any named bill but rather a Committee bill.

Mr. Bell raised the point with Mr. Doughton as to whether we should give service to individual members of the Committee when they request us to draw bills for them. Mr. Doughton did not answer specifically, although he made it pretty clear that he wished we would refuse to give the service on the excuse that Congress had its own drafting staff. I pointed out to the Chairman that we operated entirely on a technical level writing a letter that no policies were expressed and that we had to give service or our failure would be brought before the Appropriations Committee.

Mr. Doughton stated in the course of the conference that his Committee had voted against combining with the Senate on a joint operation. He asked Stam and me to work

- 3 -

together to develop what we could and to report to him from time to time. He said that it might be a good idea to call in Carlson, Forand and Robertson to get their views on what they wanted. Both Stam and I were not too clear what Mr. Robertson wanted.

I asked about the bills appointing committees such as the Forand and Carlson bills. Mr. Stam said that was a different matter from simplification. Mr. Doughton asked me to give him some names of people on the outside who might be able to help on simplification. I told him I would think about some names, but I later agreed with Mr. Stam that most of the competent tax men would not know much about this subject. They might be good on corporate taxes or in respect to some subject which bore on the interests of big taxpayers, but that we could not expect much help from them on simplification for individual taxpayers en masse.

No word was said about the Pearson broadcast of February 13, nor about whether the President would sign the bill. Mr. Bell did assure Mr. Doughton that you were merely resting because you were tired and that you were not seriously ill.

After reading the above, Mr. Blough reported that he and Mr. Surrey had met with Mr. Stam's group in the afternoon and that Mr. Doughton came into the room with Mr. Carlson to talk about an idea on simplification they had been discussing.

Mr. Doughton expressed the hope that the bill would not be vetoed, and said that there were reports over the radio that some people around the President were urging him to veto it. Mr. Blough then asked if he had reference to the report that Undersecretary Bell had urged the President to veto the bill. Mr. Doughton said he had heard of it but had not mentioned it to Mr. Bell because he did not want to embarrass him. Mr. Blough told Mr. Doughton

- 4 -

that he had been talking with Mr. Bell a few minutes before and that Mr. Bell had said that if Mr. Doughton had brought the issue up he would have assured him that he had not urged the President to veto the bill. Mr. Doughton appeared to be reassured. He also asked again about the state of your health and expressed his pleasure that the reports of your illness were erroneous.

A handwritten signature in cursive script, appearing to be 'A. B. D.', is centered on the page below the typed text.

February 14, 1944

Meeting in Mr. Bell's Office
February 14, 1944
4:00 P.M.

Present: Messrs. Hiss, Collado, Stanton and McGuire for
State Department
General Clay for Army
Messrs. Bell, White and Friedman for Treasury

The meeting was called to discuss the next move to be made in view of the Generalissimo's reply to the President. State Department representatives indicated that they had only seen the same extracts which had been given to the Treasury.

General Clay read a cable which the War Department had received that morning from General Hearn indicating that General Hearn had already proposed to the Chinese that pending other arrangements the Chinese make available to the U.S. Army in the form of a bank deposit \$CN 1 billion per month and that the U.S. Government would credit \$25 million per month to the account of the Central Bank of China. General Hearn seems to have made clear to the Chinese that this would not imply acceptance of the 40 to 1 rate. The Chinese had not as yet given their reaction to this proposal. General Hearn had also suggested that further pressure might be applied on the Chinese by letters from Secretary Hull and perhaps a message from the President.

Mr. Collado then read a cable from Ambassador Gauss which they had just received, a paraphrase of which is attached hereto and is marked Exhibit I.

Mr. White indicated that he felt there might be considerable value in going back to the Chinese with a cable from the Treasury along the lines of the draft which he distributed. This draft is attached hereto and is marked Exhibit 2. Mr. White indicated that if we went back with an offer to meet all expenditures in gold or U.S. dollars it would be very clear that we had offered to bear the entire cost of American expenditures in China and thereby our position would be greatly strengthened.

Some discussion was then held as to the military necessity for continuing with the large air port projects. It was generally agreed that military necessity was the primary consideration. State Department representatives also indicated that they were afraid of anything which might result in the fall of the Generalissimo although they admitted that our political representatives in China favored taking a strong position. The State Department representatives indicated that they felt that the Generalissimo's reply was conciliatory because of the more dignified language used and because he made no further reference to the loan.

277

Division of Monetary
Research

- 2 -

General Clay said that a few weeks ago he had informed the group that the Secretary of War and the General Staff were prepared to change their program in China but that in view of military developments since then, particularly the victories in the Marshall Islands, he would want to reconvene the matter with the Secretary of War and the General Staff. It was generally agreed that if the Secretary of War and General Staff felt that a change in the military program in China was warranted that the matter should then be presented to the President for his decision. General Clay said that he would recommend to the Secretary of War that if the Secretary of War and the General Staff felt that a change of program was warranted, the Secretary of War should recommend to the President that a meeting be called of the Secretaries of War, State and Treasury to review the entire matter with the President.

It was considered possible, however, that the War Department might well decide that the military necessity demanded a continuation of the present program, in which case it was generally felt that the best thing to do would be to continue bargaining and try to get the best possible rate, for example, 40 or 50 or 60 to 1.

Mr. White made it clear that Treasury felt that the primary consideration was military and that no decision should be made on the basis of eagerness to save money. He emphasized that the Treasury would not want a decision on this matter to be based on financial considerations, but that it must be made for military and political considerations. Mr. Hall indicated agreement with this position.

Treasury representatives also emphasized the fact that there should be nothing on the record which indicated that we thought that any rate such as 60 to 1, was a justifiable or reasonable rate. If we have to accept a rate of less than 100 to 1, the record should be clear that we did it because of military necessity. This point was made in response to State Department's suggestion that we go back with a proposal for a rate of 60 to 1 as being justifiable in view of the Chinese stated position.

It was agreed that General Clay would take up the matter as soon as possible, preferably that night, with Secretary Stinson and that he would report back the reaction of the War Department. If it was decided that it was necessary to have the President discuss this with the three Cabinet officials concerned, then it would not be necessary to reconvene the group. If, however, the War Department decided that it was more desirable to get the best possible rate and continue on with the projects according to the present program, then the group would be reassembled to draft a reply.

I. S. Friedman

Division of Monetary
Research

- 3 -

Comment: In view of the above discussion, Mr. Bell and Mr. White agreed that it would not be desirable for the Treasury to reply to Dr. Kung's cable until the position of the War Department had been received and it was clearer what the next steps were going to be.

ISF:rl 2/15/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING
TO: SECRETARY OF STATE, WASHINGTON
DATED: FEBRUARY 12, 1944
NUMBER: 288

SECRET

We refer herein to our 189, January 29, and 233, February 3.

(1) A message is today being transmitted to the War Department by Hearn which we have seen and which contains request that a copy be furnished to the Department of State.

(2) I mentioned in our 233 that I had informed Kung that while his counterproposal would be reported to Washington, I was certain it would not be regarded as satisfactory or reasonable. It is our opinion that Kung's counterproposal should be rejected by the United States Government and that I be authorized so to inform him.

(3) We have had considerable discussion with Edward Acheson and Adler looking to formulation of new proposals designed to achieve our ends and at the same time meet Chinese sensibilities on the question of change of rate and of reserves. However, the Embassy, headquarters and Treasury representatives have all become convinced that Chinese Government has no intention whatsoever, if it can be avoided, of cooperating with us in seeking and finding a realistic way for us to avoid continuing exploitation and to obtain something like our money's worth in connection with our military expenditures.

-2-

expenditures. Accordingly, all of us feel that there is little or no purpose to be served at this time by putting forth further proposals in different window dressing unless the United States Government is in position and is prepared to back up such proposals by a slowing down or curtailment of our cooperation with Chinese financially, diplomatically and militarily. It might be helpful if a frank message from the President was transmitted to Chiang Kai Shek. But the problem essentially resolves itself into the paramount question of whether or not the military operations planned for this area are vital to hasten the attack on Japan. If these plans are a vital part to our general strategy and the Chinese are aware of that we are at the mercy of the Chinese Government financially. Retrenchment would likely bring the Chinese to a realization of their responsibility not only to us as an ally (and their best friend among all the nations), but also to China itself, if the plans are not absolutely necessary and can be abandoned at least in part without costing delay and lives -- a cost in lives which of course cannot be calculated in terms of money.

Of course, retrenchment would cause resentment and perhaps public recrimination. It is the belief of the Embassy that realization by the Chinese that we have come to adopt a realistic attitude in our relations with this country would be of great benefit to these relations in the long run by tending toward putting them up on a sound and reasonably reciprocal basis.

- 3 -

basis. Both for the war effort and in order that it will be readily possible for the United States and China to cooperate after the war, economically as well as politically, it is believed by the Embassy that the achievement of such basis is essential.

GAUSS

EXHIBIT 2

Reference is made to your cables of February 3, 1944 No. 233 and February 4, 1944 No. 236. Please inform Dr. Kung that the Chinese counter-proposal to provide in effect that for each U.S. dollar we shall receive 20 Chinese dollars at the official rate plus 10 additional Chinese dollars as reverse lend-lease is unsatisfactory, unreasonable and unacceptable.

It should be stressed to Dr. Kung that the proposals being made by General Stilwell and yourself were not brought forward by the American Government as the first step in a bargaining process. The present American proposals are made in a spirit of generosity and eagerness to treat China with the utmost fairness. Thus, it is well known here that the Chinese national dollar is worth considerably less than 1 U.S. cent, but nevertheless the Chinese Government has been asked to provide, in effect, only 100 CN dollars for every U.S.dollar.

Therefore, it is urged that the Chinese Government reconsider the proposals made by Ambassador Gauss. If, however, the Chinese Government feels that it cannot accept these proposals or previous proposals made by the President and Treasury, this Government feels it has no other alternative than to meet all its expenses in China as of March 1, 1944 by the use of U.S. money and gold until more permanent arrangement is entered into. In this way the Chinese Government will not have to bear the financial burden of contributing to the maintenance of American troops in China, and will moreover avoid the question of altering the official rate of exchange, a step which Dr. Kung seems so reluctant to take.

HDW:ISF:rl 2/14/44

February 14, 1944

MEMORANDUM

Mr. Gaston and I had an appointment with Elmer Davis today in order to arrange for adequate handling of the War Refugee Board material by O.W.I. Davis seemed mildly cooperative and said he would arrange for a meeting in the near future with the regional chiefs of O.W.I. There seemed to be some reluctance on the part of O.W.I. to assign a man especially to this job although we made clear to Elmer Davis the importance that we attached to the propaganda side of our program.

/1/ JWP

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The enclosed copy of our letter to Lord Halifax is self-explanatory. It was written after a prolonged and friendly telephone conversation in the course of which Lord Halifax seemed to be very favorably disposed to the idea. He told Congressman Rogers he would cable London that same day (Saturday, the 12th). Congressman Rogers will be back in Washington on Wednesday and he is to call Lord Halifax so that we may see him towards the end of the week, by which time he expected an answer from London.

Peter H. Bergson

Washington, February 14, 1944.

cc-3/14 Messrs. Lutzford, Friedman, Lesser, Bernstein, Stewart, and Miss Medel.

(Delivered to Mr. DuBois by Mr. Bergson's secretary 2/14/44.)

C
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YC O P Y

EMERGENCY COMMITTEE TO SAVE THE JEWISH PEOPLE OF EUROPE

2317 - 15th Street, N. W., Washington 9, D. C. Adams 0840

February 12, 1944

The Right Honorable the Viscount Halifax, K. G.,
 Ambassador Extraordinary and Plenipotentiary,
 The British Embassy,
 Washington, D. C.

My dear Mr. Ambassador:

Following our telephone conversation this morning, I hasten to give you further details of the specific proposal which we discussed.

We believe it would be most advisable and opportune if the Palestine administration would place some 10,000 - out of the now available 30,000 immigration certificates - with the British Consuls in Turkey and Spain. The British Government could inform the Turkish and Spanish Governments of this action, which might very well result in saving the lives of many Jews who might escape from Nazi-controlled Europe into Turkey or Spain. At present it is not only the Nazis who make it difficult for the Jews to leave. There are also definite restrictions of admittance into Turkey and Spain. The assurance that such escaping Jews will receive certificates to Palestine will assure Turkey and Spain that these people enter their country only in transit and they will thus ease the restrictions on admittance which now prevail.

We feel that if this is done without delay it will do a great deal to help save many thousands of lives. I am under the impression that this proposal does not require any change of the existing policy of His Majesty's Government in regard to Palestine, and I do hope that speedy action in this direction can be taken.

Sincerely yours,

(signed) Will Rogers, Jr.

Will Rogers, Jr., M.C.
 Co-Chairman

FEB 14 1944

My dear Mr. President:

Pursuant to the practice heretofore adopted, I am sending you herewith a report of the audit of the Exchange Stabilization Fund covering the fiscal year ended June 30, 1943.

After you have examined this report, I shall be glad if you will return it for the permanent files of the Treasury.

There is now in course of preparation an annual report of the Exchange Stabilization Fund which is required pursuant to Section 10(a) of the Gold Reserve Act of 1934, as amended, to be submitted to the President and the Congress. This report will be available at an early date.

Faithfully,

(Signed) D. W. Bell

Acting Secretary of the Treasury

The President

The White House

Enclosure.

WTH:mlb 2-9-44

*By Secret Service
12:30 P.M.
2/15/44
mBucke*

U.S. SECRET
 British MOST SECRET

CONF NO. 12

OFFEL No. 51

Information received up to 10 a.m. 14th February 1944.

1. NAVAL

One of H.M. Trawlers prepared sunk by E-boats north of ARDRECH this morning. Two of H.M. Destroyers bombarded the trains South of ALCOVA on 10th/11th. A British Merchant Ship 7,500 tons in convoy to CASION total complement 1,497 including troops from EAST AFRICA was torpedoed and sunk North West of ADDU ATOLL on 12th. One of H.M. Destroyers picked up 200 survivors. Shortly afterwards another of H.M. Destroyers sank the U-boat but was seriously damaged in collision with her and was taken in tow.

One of H.M. Destroyers sank the German Tanker "CHARLOTTE SCHILLENMANN" 7,750 tons East, South East of MALBIFUK on 12th.

One of H.M. Submarines torpedoed a Cruiser off NORTH ISLAND on 26th January and another of H.M. Submarines sank a schooner and two small boats on 6th February.

2. MILITARY

Italy To noon 13th. 8th Army. Bad weather everywhere with wind down to coast. 5th Army. On French front German shelling heavier especially against observation posts.

6th Corps. Small British advance and rail-railway bridge captured just East of CARROGENO Station.

Russia Russians report capture of LUGA, clearing of whole Eastern shore of LAKE PEIUS and continued repulse of strong German attempts to relieve their troops encircled in BASSA AREA.

Burma Japanese who tried to cut SMALI-MACUNDAY road have been driven back into foot hills of MAIDAN. Their attacks in divisional administrative area North east of BURMIDAO continue but have been held after severe fighting.

3. AIR OPERATIONS

Western Front 13th. 46 U.S. heavy bombers dropped 1,040 tons on the military constructions in NORMANDY. Enemy casualties by supporting fighters 6:1A. Cors & Fortress: one missing. Marauders and Typhoons dropped additional 250 tons on similar objectives. Typhoon bombers damaged a 3,000 ton ship and two smaller vessels at HOOK OF BOLLAND. 11 typhoons destroyed one Me.109 in the air and three on the ground at CHANTRES: two Typhoons missing.

14. 100 enemy aircraft operated over South East England. 50 destroyed by night fighters and A/A 5.0:1 and 50 destroyed by intruders over MALDEN. 7 additional claims under investigation. Some bombs mostly incendiary dropped in Essex, causing damage and one strike the WARD. Slight damage, five fatal casualties reported so far.

11th/12th. 100 enemy intruders destroyed 3 JU.52 over GABLO.

OFFICE OF THE SECRETARY OF DEFENSE

1944 FEB 15 AM 10 04

TREASURY DEPARTMENT