

Diary

Book 707

March 7-8, 1944

- A -

American Friends Service Committee  
See War Refugee Board

Book Page

- D -

Deferments, Military

Conference; present: HMJr, Bell, Thompson, and Gaston -

3/7/44..... 707 24

a) Disapprovals by Government Puryear Committee  
discussed

1) McNutt-HMJr conversation..... 29

b) Treasury letter to Puryear Committee..... 38

1) Copy sent to McNutt..... 41

c) Resume to be taken to Cabinet meeting -

3/10/44: See Book 708, page 245

d) Conference; present: HMJr, Gaston, and

Thompson - 3/14/44: Book 710, page 1

1) Conference with Puryear Committee reviewed

e) Thompson and White discuss Puryear Committee  
rejections with HMJr - 3/23/44: Book 713, page 114

List of approvals by Bell in absence of HMJr..... 42

Denmark

See Scandinavia

- F -

Financing, Government

Security Market and Money Market Developments during

4th War Loan - Haas memorandum - 3/7/44..... 44

War Savings Bonds

Odegard, Peter H.: To do history of drives - 3/8/44... 264

- G -

Greece

See War Refugee Board

- H -

Hoskins, Colonel Harold

See War Refugee Board: Saudi Arabia

- L -

Lend-Lease

Weekly report - 3/7/44..... 55

(See also Book 710, page 45 - 3/14/44 and

Book 712, page 178 - 3/21/44)

- L - (Continued)

	Book	Page
Lend-Lease (Continued)		
United Kingdom		
Aircraft despatched, weeks ending February 22 and 29 -		
British Air Commission report - 3/8/44.....	707	268
Aircraft flight delivery as of February 29, 1944 -		
British Air Commission report - 3/8/44.....		271

- M -

Mauritius  
  See War Refugee Board

- N -

Norway  
  See Scandinavia

- O -

Odegard, Peter H.  
  See Financing, Government: War Savings Bonds

- R -

Refugees		
See War Refugee Board		
Revenue Revision		
Post-War Planning (Incentive Taxation, etc.): Paul's		
meetings discussed by HMJr and Bell - 3/8/44.....		185
a) Memoranda produced by Blough when HMJr asked		
for them.....		188
b) HMJr-Blough conversation (Paul absent from		
Department) - 3/7/44: See Book 708, page 20		
c) Third meeting - Blough memorandum on - 3/10/44:		
Book 708, page 222		
Double Taxation: Treaties with foreign countries to		
eliminate or minimize discussed in Sullivan		
memorandum - 3/8/44.....		266
Rosenman, Judge Samuel I.		
Pass to Treasury cafeteria given him - 3/8/44.....		265

- S -

Saudi Arabia		
See War Refugee Board		
Scandinavia		
Economic report on Swedish, Norwegian, and Danish		
situations - 3/8/44.....		253

- S - (Continued)

	Book	Page
Stabilization Fund		
Earnings and expenses, January and February 1944 - 3/7/44.....	707	53
Sweden		
See Scandinavia		

- U -

U.S.S.R.		
Proposed loan in exchange for strategic raw materials - White memorandum - 3/7/44.....		58

- W -

War Refugee Board		
Greece		
Relief program summarized - 3/7/44.....		78
(See also Book 711, page 289 - 3/18/44)		
Visit to Greek Refugee Camp at Moses Wells, Egypt reported - 3/13/44: See Book 709, page 210		
Mauritius - refugees in: American Embassy, London, memorandum - 3/7/44.....		83
Saudi Arabia: Weizmann-Welles-Rosenman correspondence given to FDR by Rosenman - 3/8/44.....		115
a) HMJr-Rosenman conversation concerning.....		111,113
b) Weizmann-Smuts conversation.....		121,123
c) Weizmann-Churchill conversation.....		130
d) Hoskins (Colonel Harold)-Goldman conference....		192
American Friends Service Committee progress report - 3/8/44.....		251
Weizmann, Chaim		
See War Refugee Board: Saudi Arabia		



March 7, 1944  
12:11 p.m.

HMJr: Hello.

Operator: Mr. Stettinius.

HMJr: Hello.

Operator: Secretary Morgenthau, Mr. Stettinius.

HMJr: Hello. Hello.

E. R. Stettinius: Hello, Henry.

HMJr: Ed.

S: Yeah.

HMJr: Two things: when I saw the President this morning, he had not received that declaration on the refugee business -- and knew nothing about it.

S: Well, it went from me to Steve Early yesterday morning ....

HMJr: Yeah.

S: .... around eleven o'clock.

HMJr: Well, I thought that knowing this you might care to follow it up.

S: Well, now, Sam Rosenman has talked to me this morning about it.

HMJr: Has he?

S: He's called me, saying the President had ref -- had sent it to him ....

HMJr: Uh-huh.

S: .... that -- he asked me a couple of questions about a couple of dates that the Prime Minister made a statement on -- in the Parliament, and the President was considering doing this thing at press conference this afternoon.

HMJr: Really?

- 2 -

S: This -- this was just, oh, twenty-five minutes ago that Sam called me.

HMJr: Well ....

S: So, the President has it, and has sent it to Sam.

HMJr: Well, I guess what happened was his four secretaries were outside his office. I saw him before they did ....

S: Yeah.

HMJr: .... and I asked the President to ask Early for it ....

S: Yeah.

HMJr: .... so evidently he did that.

S: Yeah, and then the President immediately gave it to Sam -- I guess.

HMJr: And you think he's going to use it?

S: Well, just -- that Sam said that there was that possibility that he would use it this afternoon.

HMJr: Good.

S: So that's the latest word.

HMJr: Now, the other thing: I mentioned the Argentine to him.

S: Yeah.

HMJr: And, I don't know, but he - he seemed to feel that he didn't have the whole picture, and I just didn't under -- couldn't understand it. And he kept saying, "Well, we don't know how the revolution happened, and ...."

S: Oh, Henry, he knows all about it.

HMJr: And, he said -- I said something about "Don't we, at the right time, want to be really tough with them?" -- he said, "Well, we just don't -- don't know enough about it". That - that isn't so?

- 3 -

S: Well, the President knows all that's ever -- the President knows everything that we know, Henry.

HMJr: He does?

S: About the whole political situation there.

HMJr: Yeah.

S: But there are -- there are certain -- I find last night that the combined boards are going to have to -- going to take a few days, rather than a few hours to give the over-all results a complete sanctioning.

HMJr: I got your message on that.

S: Yeah. In other words, I've talked to -- as a matter of fact, talked to Acheson just five minutes ago about it, and he said that he thought it would be until the end of the week until we had the complete, over-all story on this thing, as to what all the repercussions were going to be from shipping and everything else.

HMJr: But you think the President really knows what's going on down there?

S: In the whole political situation?

HMJr: Yes.

S: Yeah. I've told -- I've kept -- hell, I've been sending him memorandums and talking to him constantly about it, and making reports. He knows -- he knows the Argentine situation, Henry.

HMJr: Well, then ....

S: I'll send him another one if ....

HMJr: He definitely gave me the impression on -- I mean, that -- he wasn't at all excited about it, and -- and I talked about this thing spreading through South America, and I -- I got no excitement or particular interest from him.

S: Uh - huh. Well, I'll put that on my list.

- 4 -

HMJr: And I thought I'd pass it along to you for what it's worth.

S: Yeah. I'll put it on my list, Henry.

HMJr: Thank you.

S: Thank you, sir, ever so much ....

HMJr: Good-bye.

S: .... and, Henry ....

HMJr: Yes.

S: .... now, just rely upon me to give to you the over-all on this Argentine economic thing just the moment that it's ready, but it might not be, as I say, until the end of the week.

HMJr: I am relying on you as my sole source.

S: Right, old boy.

HMJr: Yeah.

S: Thank you.

HMJr: Thank you.



March 7, 1944  
11:00 a.m.

TAX SIMPLIFICATION

Present: Mr. Bell  
Mr. Paul  
Mr. Shaeffer  
Mr. Blough  
Mr. Surrey  
Mr. Smith  
Mr. Cann  
Mr. Atkeson  
Mr. Sullivan  
Mr. Nunan  
Mr. Gaston

H.M.JR: I have heard from George. I haven't heard - I am just checking up on Doughton. Was there a formal statement that Doughton gave out yesterday?

MR. PAUL: I don't know whether it was formal or not, or whether--

MR. CANN: I think it was informal, Mr. Secretary.

H.M.JR: Does that change the picture any?

MR. GASTON: I think it does change the picture. My impression was that it was a prepared statement because of the way it appeared in the New York Times.

H.M.JR: Well, supposing we get them to agree - for argument - George and Doughton - and they will join us in a joint statement about the thing.

MR. PAUL: Here is one. (Hands Secretary Statement No. 1, attached)

- 2 -

H.M.JR: Does it look too much like a "me too"? Because George is left out in the cold.

Does everybody have a copy? (Mr. Blough distributes copies of Statement No. 1)

It doesn't thrill me, this statement.

MR. GASTON: There isn't much content in this. It is hard for me to think of what you can say that will have any substance, in view of what Doughton has said.

MR. SMITH: I think the only excuse for it, if I may make a suggestion, is that the people might conceivably be thinking that some of this simplification would be effective by March 15, so you would have an alibi for making a joint statement, if you based it on that.

MR. PAUL: Well, that is in there.

MR. SMITH: It is in there, but it isn't hung on that. I knocked something out. This is just the first time around, a revision of that turned end for end. I haven't read it myself, yet.

(Reading) "For sometime the Staffs of the Joint Committee on Internal Revenue Taxation and the Treasury Department have been working intensively as one group on tax simplification. Ultimately, and before very long, we will be able to bring before the Ways and Means Committee definite suggestions for changes in the present tax laws which will make it possible to greatly simplify tax returns.

"We should like to point out, however, that these changes cannot be enacted in time, obviously, to affect filing of returns due on March 15, 1944. Both the Congress and the Treasury agree that the next order of business in tax revision is simplification. It is vital not only from the standpoint of the individual taxpayer,

- 3 -

but from the standpoint of the Government, where simplification would result in greatly reducing problems and manpower involved in handling present tax returns."

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

March 7, 1944  
11:07 a.m.

HMJr: Henry talking.

Robert  
Doughton: All right, Henry.

HMJr: Am I going to have the pleasure of seeing you  
this afternoon?

D: Well, Senator George told me that it was  
understood we'd come down at three p.m., and  
I'll make it my plans to be there.

HMJr: Well, I just wanted to be sure there was no  
misunderstanding.

D: Yeah.

HMJr: I ....

D: I advised - ah - Mr. Cooper and Mr. Disney will  
go down with me from the House, and I -- Senator  
George said he was -- perhaps two or three senators -  
have one, or two or three senators will go with him.

HMJr: Good.

D: So I understand it's a confidential, off-the-record  
meeting.

HMJr: That's right.

D: Three o'clock?

HMJr: That's right.

D: All right. We'll make it our plans to be there.

HMJr: Thank you.

D: Thank you.



- 4 -

H.M.JR: He said it would be a confidential off-the-record meeting.

Go ahead, Fred.

MR. SMITH: That is all. I am done. It isn't done. Nobody is going to put up any flags, or take any down, as a result of it.

H.M.JR: Do it again, will you?

(Mr. Smith re-reads the above statement)

H.M.JR: I would certainly say, "...we expect." I mean, it again looks like we are dragging our feet. I would say, "...we already have" - as I understand, we have, haven't we? I mean, this thing of five thousand and less, isn't it the Treasury that supplied that to Congress?

MR. PAUL: That hasn't been exactly supplied yet. It hasn't been gone into in detail.

H.M.JR: Haven't we given them a lot of facts?

MR. SURREY: The five thousand arises as a result of meetings with Stam. While it might have been the suggestions were made to them, we are supposed to be working as one group. It was that which Stam mentioned to the Committee yesterday as reporting for the group, and that is what Mr. Doughton was using.

MR. PAUL: The details of the plan have been discussed with Stam but not presented in detail to the Committee.

H.M.JR: We are going to present them to the Committee?

MR. PAUL: We thought we would have Stam present them when the time came. We contemplated a meeting. It is to be a joint report.

- 5 -

MR. BLOUGH: There will be no public hearings on this. Really, what we are doing is from day to day, except one day we come up with a written piece of paper instead of oral discussion.

H.M.JR: I just wondered, in view of the Doughton statement, whether we wanted to make any statement now.

MR. GASTON: In view of two things; one, that we don't seem to have any statement to make, and the other that Doughton wants it off the record, I would say let's have it off the record.

One difficulty about this statement, too, we are agreed that individual income tax simplification is the next order of business. That is another way of saying, "Forget about any attempt to raise more revenue now."

MR. PAUL: Well, that leads to this other point which we discussed yesterday afternoon, which I wanted to bring up to the Secretary when we decided about the statement.

H.M.JR: Who thinks we should have a joint statement this afternoon?

MR. SULLIVAN: I have changed my mind.

MR. NUNAN: I don't think so.

MR. CANN: I don't think so.

H.M.JR: All right. It is out the window. I am not crazy about it, either, now.

MR. PAUL: Then can I make some suggestions about the meeting this afternoon?

H.M.JR: Go ahead. And incidentally, I would like Paul and Sullivan and Nunan to be here this afternoon.

- 6 -

MR. PAUL: The first question is what we should discuss, and the second question is what we think we shouldn't discuss. We think the discussion should go to the point of the prospects for a simplification measure. The corollary of that is, how do we keep the bill, the simplification bill, free from administrative - so-called administrative - changes.

We think those two items should be the principal items of discussion. The point may be raised when you talk about administrative changes - "Well, don't we need some administrative changes?" And I think you should say, then, "Well, yes, we need a lot." Obviously, we could list fifty or a hundred - two hundred of them, but they ought not to impede or complicate the simplification situation. They should be made a separate bill, if they want them.

Now, we don't want an administrative bill, I think, because it will be a relief bill and there won't be time for it, anyway. Congress adjourns the first of June.

But if they say they need it, then don't you think we ought to make it a separate bill and not complicate or delay simplification?

The two things we think you ought not to talk about - I think you may anticipate some attempt on the part of Doughton and George to force you into the position of saying the Administration doesn't want any more revenue.

In view of what the President said to you over the telephone, I think we have got to avoid getting in that box. So we have got to avoid - parry that question. And I think the way to do that is to say one of the purposes of this meeting is to get their attitude and report to the President.

The other thing I don't think you should discuss is the question of this spendings tax. I don't think we ought to raise it.



- 7 -

H.M.JR: Well, the meeting is an open meeting. I will be glad to hear from anybody else.

MR. PAUL: We have heard Gaston and John Sullivan and Roy and Stanley, and I have prepared a little memorandum here.

H.M.JR: How about the Bureau people?

MR. PAUL: We just got together very informally late yesterday afternoon, on Herb's suggestion, and we didn't--

H.M.JR: Can you give them a copy of what you are giving me? (Mr. Paul distributes copies of his memorandum to the Secretary, dated March 7, attached)

MR. GASTON: We had a little discussion of this memorandum, which I haven't yet seen.

MR. PAUL: This is just an embodiment of what I suggested.

MR. CANN: I suppose we have sent as many as fifty or a hundred administrative changes, haven't we?

MR. PAUL: Yes, and it wouldn't be any trouble to list two hundred.

MR. CANN: So we just wouldn't get this simplification bill through in time to give effect to withholding, Mr. Secretary - that is, the changes in withholding - if this contemplated plan of simplification goes through.

And it is important to get it in effect immediately. And an administrative bill would just make it impossible to put that into effect before January 1 of next year.



- 8 -

MR. PAUL: That is right, but we can't oppose it. We could simply say, "Well, it ought to be put off until after the other."

H.M.JR: I think this--I am just listening. I think if we did nothing else this afternoon, and the bill would be confined to simplification, there would be no administrative changes--I am going to raise the question about how they feel about additional revenue, because the President has raised it with me. I think you might just as well raise it.

The little experience I have had around this town, I think it is much better to put all your cards on the table. Either Doughton or George raised it with me--Doughton raised it with me. I told George that when that question came we could agree among ourselves and ask the President to see us. I have told the President that.

MR. SULLIVAN: We didn't understand that at the time of our meeting yesterday afternoon.

H.M.JR: I think if we could agree that the thing would be confined to simplification and then get the President to agree that he isn't going to ask for any more revenue, then we have a program.

MR. SULLIVAN: I don't think you can proceed on the assumption that you are going to get a simplification bill right away. Every Republican on that Committee will want to put that off until next year when they can get the credit for the simplification. They figure they are going to take the House.

H.M.JR: May I interrupt you?

MR. SULLIVAN: Certainly.

H.M.JR: I have hopes that with the introduction of Hannegan into this picture now that we will work the way any party works. Any party has somebody, some place, who is the boss and who has decided that this is the program.

- 9 -

The President says to Hannegan, "I want this thing. Now, go to work on the Democratic Members of the Congress of the United States and get them lined up, and let us make the simplification a party measure. Let's go to town on it."

MR. SULLIVAN: I am in thorough accord.

H.M.JR: He said, "You count noses, Hannegan, and see how many fellows you have, and then come out with a program."

And I think, particularly if they decided on no more revenue, and that is what they wanted, then line them up. I was talking with Nunan a minute before you came in. What are there, thirty or forty Democratic votes in New York?

MR. NUNAN: I think there are over thirty.

H.M.JR: The last time I ever saw it, it was in Farm Credit, I think, in '33. They said, "We don't know anything about agriculture."

I said, "No, but I need the votes."

They said, "Well, explain it to us."

"O.K. then," they said, "you can count on us."

I got thirty votes on block. I have to go back to 1933 to remember I ever did anything like that. But, I don't think it is up to me. We are talking just in the room here. I think it is up to somebody like the President and Hannegan.

MR. NUNAN: I do, too.

H.M.JR: Then if that is the plan, let's go down the line. Gee whiz, in view of what has happened, if the Democratic Party decided that this was going to be the party policy, and I take it the people here want Democrats-- at least, they are not going to break my confidence on this



- 10 -

kind of talk, that it would be a swell thing. What?

MR. SULLIVAN: I am all for it, to have it as a party measure.

MR. GASTON: I don't think we should recede from our position that we want more taxes. As far as these people are concerned, we want more taxes. We have expressed ourselves. How do you feel?

H.M.JR: I don't know, Herbert. Look, whether I agree with you--

MR. GASTON: I am not speaking about putting pressure on them, but as far as your position is concerned, I should think it should still be that you want more taxes.

H.M.JR: Sure, I want more taxes. I would like more beefsteak, too, and I would like some French champagne, but I can't get it.

MR. GASTON: Well, that is for them to bring out. If you can't get it, it is because they don't want to give it to you.

MR. SMITH: Judging from the publicity that has been breaking, somebody is promoting the idea of getting you to let them try a quote experimental sales tax unquote. That has come up in about six different places, so somebody has picked up that little phrase.

MR. PAUL: If you ask for more revenue--

MR. SMITH: ... you are going to walk into quote experimental sales tax unquote. Then you will have to fight that off one way or another.

MR. GASTON: I wasn't suggesting asking for more revenue; I was just suggesting that we don't recede from our position.

MR. PAUL: I think Herb is right.

- 11 -

MR. SURREY: You want to keep the paper record--

MR. GASTON: That we are not acceding to their idea that this revenue bill is enough.

MR. NUNAN: I think the record is good enough. You have asked for it, and they cut it out. It is up to them to put it back. They know your position, and they knew it when you sent it over. It is up to the Legislature to put it back.

H.M.JR: It doesn't hurt me any, I mean, to not take the leadership, but I am just trying to think of what the results will be. I don't know whether Mr. Roosevelt will agree not to send a message up asking for more taxes, because he asked me to think about it.

MR. PAUL: You have to cover yourself on what he may do.

MR. GASTON: Yes, I was thinking of that, too.

MR. SULLIVAN: That is a full-time job.

H.M.JR: I am glad you say that with a smile.

MR. GASTON: I don't think we ought to put out or say anything that we agree we don't need any more taxes.

H.M.JR: I don't think the President will, as long as I am here, actually do anything without talking to me.

I kind of have it in my mind that what I would like to do is this: I wish that Paul and Nunan and Sullivan would have a little talk and see that they are together on this thing and that Nunan is brought up to date. If he isn't--maybe he is, as to what the various so-called experts of the Treasury--I don't distinguish between the Bureau and the Treasury, like everybody has been doing on the Hill. You have to have it at your finger tips.

MR. SULLIVAN: I think all three of us ought to be familiar with the details.



- 12 -

H.M.JR: I think whatever time is left--I think if you fellows were interested enough--

MR. NUNAN: I had in mind between now and three o'clock sitting down with Mr. Atkeson and Mr. Cann. I would be just as happy to do it with Mr. Paul and Mr. Sullivan.

MR. SULLIVAN: Better do it right after this meeting, and we will be done.

MR. NUNAN: From now until three o'clock--

MR. CANN: We are glad to go over it with anybody.

H.M.JR: Whom did you suggest, Mr. Paul?

MR. PAUL: Mr. Cann and Mr. Atkeson have been up on all the meetings.

H.M.JR: I would like the three of you to meet this afternoon so you will be talking as a team. There might be some differences.

MR. PAUL: I don't think there are any.

H.M.JR: Make sure, will you?

MR. CANN: We are right together, Mr. Secretary.

H.M.JR: Anyway, again I say, make sure.

O.K.

We have had a very harmonious meeting on tax problems. We are agreed that individual income tax simplification is the next order of business in tax revision and we are pleased with the progress of discussions now going on in the Ways and Means Committee.

A certain amount of simplification will come about automatically after this year's March 15 returns, since those complexities which grow out of the transition to a pay-as-you-go system will not recur. Even without any changes in the law, the returns would be considerably simpler after this transition year.

It is felt that further improvements can and should be made, however, to ease the task of the taxpayers in complying with the law. The staffs of the Joint Committee on Internal Revenue Taxation and the Treasury Department are working intensively as one group on tax simplification and will bring suggestions before the Ways and Means Committee in the near future.

It should be noted that any changes which will result from a simplified tax law will in no way affect the filing of the returns due on March 15, 1944.

March 7, 1944

**MEMORANDUM FOR THE SECRETARY**

**From: Mr. Paul**

At the meeting with Congressional leaders this afternoon, it is suggested that insofar as possible the discussion be limited to:

- (1) The prospects for a simplification measure, and
- (2) How to keep the simplification bill free of "administrative" changes which might complicate and delay it and place the President in an embarrassing position regarding its approval. If the point is raised that some changes need to be made, you might answer it by saying that if any really important problem arises it can be made the subject of a special bill.

It is suggested that discussion of the following subjects be avoided insofar as possible:

- (1) The question of additional revenue. The Congressional people may try to force an Administration commitment not to ask for additional revenue. If they do so the question might be parried by saying that one of the purposes of this meeting is to get Congressional reaction on all tax matters, including that of revenue, as the basis of discussion with the President.
- (2) The spendings tax. It would be particularly unfortunate to mention the spendings tax at this time since any reference to it might be used as an excuse for blaming tax complexities on the Treasury. The spendings tax has already been so used in Congressional debate.

RB:ded  
3/7/44



March 7, 1944  
2:40 p.m.

HMJr: Okay.

Operator: There you are.

HMJr: Yes.

Robert Doughton: Hello, Henry.

HMJr: Hello, Bob.

D: This is Bob. Would it interfere with your plans much if we could make that three-thirty? We've got a very important vote on the Agriculture Appropriation bill going up in the House in about ten minutes.

HMJr: It's all - it's - it's ....

D: Would that ....

HMJr: No, I'll - I'll make it all right.

D: You can?

HMJr: Yes. You ....

D: Well, I'll go -- I'll try to get in touch with Senator George.

HMJr: All right.

D: I just talked to Mr. Cooper and Disney, and they don't want to leave that vote.

HMJr: I ....

D: So we -- we'll be there at three-thirty.

HMJr: Suits me.

D: I thank you.

HMJr: Will you let George ....

D: I'll let George know, and if he gets there -- if I don't get word to him, why, you can tell him just to smoke his cigar until we get there.

- 2 -

HMJr:

Right.

D:

Thank you.

MEMORANDUM

March 7, 1944.

TO: The Secretary  
FROM: Mr. Sullivan:

TJS

This afternoon at 3 o'clock you met with Senator George. Others present were Mr. Paul, Mr. Nunan, and myself. Originally, Congressman Doughton, Cooper and Disney planned to attend this meeting but they were detained on the Hill because of a roll call on an Agricultural Bill.

Mr. Paul outlined to Senator George the tentative plan for simplification of individual tax returns. Senator George understood and appeared to approve this plan, although twice he expressed the hope that we could dispense with the filing of any return for those people whose taxes were fully paid through withholding. There was some discussion about changing the name of the Victory Tax, and he and Commissioner Nunan thought it would not be wise to make this change. He suggested that the absorption of one tax by another start at the other end: that is, that the surtax absorb the normal tax. Later he said he regretted that it was necessary to start the surtaxes in such low tax brackets.

The Secretary asked the Senator's views on restricting this legislation to tax simplification. Senator George explained that he hoped it would be possible to do this but that if any administrative amendment — however slight — was in the Bill that came over from the Ways and Means Committee, it would be impossible for him to hold his Committee in line or to prevent amendments from being offered on the Floor. He stated that he would very much prefer to have this Bill free of all administrative amendments.

Chairman Doughton arrived and was brought up to date on the general discussion. He said he was most desirous of restricting this Bill to individual income tax simplification and that if it was the desire of the Treasury and Senator George to accept such restriction, he would "covenant" that there would be nothing else in it insofar as he was able to prevent administrative amendments. Senator George asked if Mr. Doughton didn't intend to simplify corporate income tax returns, and Mr. Doughton replied in the negative. Mr. Paul stated that something could be done on that but he preferred to wait until later. Senator George then said that he thought we could hold the line against all administrative amendments and that



- 2 -

even in the event that we discovered an error in the present law, we would correct it by a separate joint resolution rather than by an amendment to this Bill. The Secretary said that he would refrain from making any recommendations for administrative amendments at this time, and Mr. Doughton then remarked, "Well, that's all three of us, so that's decided. There will be no administrative amendments."

There was some discussion about the importance of speedy enactment of this simplification in the hope that it would free all wage and salary earners whose tax was being fully withheld from the necessity of filing a declaration or making a quarterly payment on September 15th. Mr. Doughton suggested that it would be helpful if someone came down from Treasury to tell the Committee how urgent it was to get immediate action on this Bill. He then inquired how much time would be necessary after passage of the Bill to put this into operation. Mr. Sullivan -- taking a quick shot in the dark -- said four months would be required and indicated that if this Bill were enacted into law by May 15th we would probably be able to have it in effect for September 15th.

Mr. Doughton said that from his previous conversation with the Secretary he thought that the Secretary might be going to discuss additional revenue. The Secretary replied that he had talked with the President and that the Secretary preferred to take one step at a time and restrict this Bill to simplification. Both Mr. Doughton and Senator George were in hearty accord with this decision.

Mr. Doughton suggested that he and Senator George issue a joint statement that this legislation would be restricted to simplification. The Secretary asked if he could be included in that statement. Mr. Doughton indicated he feared the Republican members might feel that this was a political move. He then suggested that the Secretary write to the two Chairmen stating the urgency of the passage of this measure and the decision of the Treasury to forego recommending any administrative changes. Mr. Doughton stated that this would give him and Senator George an opportunity for making a joint statement that the two Committees would likewise refrain from including administrative amendments in the Bill.

Congressman Cooper came in just after Senator George and Mr. Doughton had left. The Secretary brought him up to date on the developments of the conference and Mr. Cooper expressed complete satisfaction with the conclusions. He then went to the office with Mr. Sullivan and approved a tentative draft of the proposed letter to Mr. Doughton and Senator George.

March 7, 1944  
4:35 p.m.

DEFERMENTS

Present: Mr. Bell  
Mr. Thompson  
Mr. Gaston

MR. THOMPSON: He is just acting childish on the thing.

H.M.JR: Is he going to announce this?

MR. THOMPSON: Not as yet, but he probably will before the Costello Committee in Congress.

MR. GASTON: A couple of the Agencies have told about what he has done.

MR. THOMPSON: In the Labor Department they approved one out of one hundred and thirty-six.

H.M.JR: I can't tell from what they approved - for instance, they approved Atkins and Evans.

They approved this fellow on the planning staff.

MR. GASTON: They disapproved Mager.

H.M.JR: They disapproved Harold Gearhart, who is thirty-seven.

MR. BELL: Yes. He is one of Bartelt's main men.

MR. GASTON: They disapproved Lesser. What is he - thirty-six?

H.M.JR: Robert Dillon in my office they disapproved. Now, all of these people in the Bureau of Engraving they disapproved.

- 2 -

MR. THOMPSON: And most of those are on the key list. Plate printers are put on the key list and that, automatically, should have cleared.

MR. GASTON: About a dozen they disapproved who were on a key list which they had just approved.

H.M.JR: Well, how many people are there on this Committee that this goes before?

MR. THOMPSON: Three.

H.M.JR: And they have two votes, two to one?

MR. THOMPSON: Yes.

MR. BELL: Is that the way they voted?

MR. GASTON: We don't have any vote on that Committee.

MR. THOMPSON: No, we have no vote. It is a committee of three; Puryear is Chairman.

MR. GASTON: Is it all War Manpower?

MR. THOMPSON: Yes. It used to be a Civil Service representative, and a Hershey representative, and a McNutt representative.

MR. GASTON: They are all McNutt men, now.

MR. THOMPSON: As I understand--

H.M.JR: I can't get awfully excited about some of these who are twenty-eight. Most of them are way over it.

MR. THOMPSON: Just a few under thirty - plate printers.

H.M.JR: I see they disapproved Harold Mager. What did they do about Fred Smith?



- 3 -

MR. THOMPSON: He was approved before this situation came into the picture.

H.M.JR: Well, what is the purpose of this meeting, other than to inform me?

MR. THOMPSON: We have a very strong letter, which Mr. Gaston has signed, to the Puryear Committee. Before sending it, we want to know if it meets with your approval. (Refers to attached letter to Mr. Puryear, dated March 7, 1944)

H.M.JR: I wouldn't try to read this out loud. (The Secretary reads the letter to himself)

"Chairman of the Agency Committee" - what is that? (Refers to attached note to Mr. McNutt from the Secretary, dated March 7, 1944)

MR. GASTON: In the Department, the Chairman of our Committee on Deferments.

H.M.JR: It is all right with me, but do you think a letter will do any good?

MR. THOMPSON: I wondered if you want to send a copy of the Puryear letter to Mr. Paul McNutt.

H.M.JR: Yes, because I think he would be in on this.

MR. THOMPSON: I judge in Cabinet this will come up and the Cabinet Members will all jump.

H.M.JR: It did come up.

MR. BELL: I think it will come up next time, because of Miss Perkins. Certainly the other Departments are going to get the same results, and they will all squawk next Friday.

MR. THOMPSON: There is a list of deferment cases approved by Mr. Bell during your absence. (Hands the Secretary the attached list of deferments)

- 4 -

They are all pre-Pearl Harbor father cases except two; Lindow is one of them, and he is already under deferment.

H.M.JR: Let me call up Paul McNutt on this thing.  
(The Secretary places a call to Mr. Paul McNutt)

Who is Gaston writing to?

MR. GASTON: I am writing to Puryear, the Chairman of the Review Committee, and you are writing to Paul McNutt, who is his boss.

MR. BELL: Send him a copy?

MR. GASTON: Yes.

H.M.JR: You see, what happened in Cabinet was, McNutt asked the President how come he signed this thing without even telling McNutt. The President said, "I don't know what you are talking about. I never signed it."

MR. THOMPSON: That was a letter the President sent to General Hershey ordering him to reopen these deferment cases all over the country.

H.M.JR: As a result of that, these fellows got tough.

MR. THOMPSON: Yes, although I think they were inclined to be tough, anyway.

MR. BELL: They are tough because of the criticism leveled against the Government employees, I take it.

H.M.JR: Can you appeal to anybody above Puryear, or is he the last one?

MR. THOMPSON: Mr. McNutt is his superior.

- 5 -

MR. BELL: Can't you shove it to the President somewhere along here?

MR. THOMPSON: No, under the system you can't appeal to the President.

(The Secretary holds a telephone conversation with Mr. Paul McNutt, as follows:)



March 7, 1944  
4:44 p.m.

HMJr: Hello.

Operator: Mr. McNutt.

HMJr: Hello.

Paul  
McNutt: Yes.

HMJr: Henry Morgenthau.

M: Yes, sir.

HMJr: How are you?

M: Well, I'm pretty good, thank you.

HMJr: After the last meeting, did you find out who signed the President's name?

M: I'll be damned if I know who signed his name, but I know where the Order originated.

HMJr: Yeah. War Department?

M: That's right.

HMJr: Yeah. I suppose ....

M: Apparently they've gotten the high jitters about something ....

HMJr: Yeah.

M: .... and it's just raising Cain!

HMJr: Yeah.

M: I - I just this minute got back from a W.P.B. meeting ....

HMJr: Yeah.

M: .... and Dewey made the report on the rubber situation. He said they can wreck it by taking their technical men.

HMJr: Yeah.

M: It's new and young -- because it's a new and a young industry ....

HMJr: Yeah.

M: .... especially on the synthetic rubbers.

HMJr: Yeah.

M: And I'll swear I don't -- I want to talk to the President about it, as soon as I get all of this material together, but it hits everybody.

HMJr: Well, I'm sending you over a copy of a letter that we're sending this afternoon to Puryear. We had some, roughly, a hundred and fifty cases which were all on the picked list.

M: Yes.

HMJr: I mean, whatever they call those names -- uh -- selected, I mean, and approved, and they turned down about fifty of them. Ah....

M: Well, you did better than most everybody else did. You did a lot better than we did.

HMJr: Well, now, the point is -- a lot of these people, for instance, are plate printers and they're working exclusively on invasion currency and things like that....

M: Yes.

HMJr: ....and I -- I wanted to call you and see that -- I'm going to try to see that the letter gets to you direct.

M: Yeah.

HMJr: I mean a copy of our letter to Puryear.

M: Yes.

HMJr: And I would appreciate it if you would take a look at it.

M: Oh, I'll be very glad to.

- 3 -

HMJr: Because up to now -- I mean -- we, you know I've never called you up with a squawk, because they've treated us very fairly, but outside of going to a federal prison, there isn't any place we can get any engravers. So ....

M: (Laughs)

HMJr: I mean, they - they just don't exist. The -- I mean, we can go to a federal prison and get some forgers, but outside of that, we can't get any.

M: Yes.

HMJr: I mean, it isn't like you -- and it takes two years to train these fellows.

M: Yes.

HMJr: So, if you don't mind, you add this to the collection, but I would hope that ....

M: Well, I'll do it, but I -- of course, you saw very -- that the President had not been talked to about it ....

HMJr: Yeah.

M: .... he hadn't seen it ....

HMJr: Yeah.

M: .... and I'll swear that hit us all in the chip.

HMJr: Yeah, but this Puryear group works under you?

M: Well, they -- yes, they do. It's a Presidential committee, however.

HMJr: Is it?

M: And I have to pass it, yet he appoints them.

HMJr: But, I just was thinking that if - if he knew that the President wasn't so red hot for this thing that they might treat some of these cases a little bit more fairly.



- 4 -

M: Well, now, I think what you're going to have to say and everybody else is going to have to say -- I don't think that Frank Knox or -- although the -- Jim Forrestal said this afternoon that some of them had gotten to Frank, and maybe changed his mind a little. Frank sounded off without knowing a darn thing about it.

HMJr: Well, he immediately went into universal service.

M: Oh, yes.

HMJr: Well, that doesn't help any.

M: Not for one second.

HMJr: No.

M: That's not the answer.

HMJr: No.

M: And ....

HMJr: Well ....

M: I just think that all of us are going to have to talk to the President, and sit down and -- and have a normal order. But a thing like happened a week ago Saturday must not happen again, because it just throws a complete monkey wrench.

HMJr: Well, it -- it must have embarrassed you terrifically, and it ....

M: Well, it wasn't a matter -- I - I don't care for the personal embarrassment at all ....

HMJr: Yeah.

M: .... but I am deeply interested in the success of the program.

HMJr: Yeah.

M: And, it just looked to me as if the armed forces had determined that it was more necessary to have men there than it was in all of the supporting activities.

HMJr: (Laughs) Yeah, but that doesn't mean that Puryear and his group have to go off on a tangent all on their own.

M: Well, it's -- it's not a tangent, but they've just understood that the -- the Boss wanted them to be tough.

HMJr: Yeah. Well -- ah....

M: Well, I'll be very glad to look at it, and I'll talk to him about it.

HMJr: I'd appreciate it.

M: But I hope you'll say a word, too. I know how you've felt on the other side -- on this....

HMJr: Well, I've always been -- you know, we've -- we've asked for very few deferments.

M: Well, and so have we -- we had to be like Caesar's wife over here.

HMJr: Well, we had to be better.

M: (Laughs) Did you?

HMJr: (Laughs)

M: Well, maybe she wasn't so good.

HMJr: That's right.

M: Well, if you'll -- if you'll say a word, and....

HMJr: I will.

M: ....and some more of us can say a word, I think maybe that we can....

HMJr: Well....

M: ....bring some order out of the chaos created by it.

HMJr: Do you remember when they all jumped on you that time at Cabinet, I was the only fellow that stood up and said....

- 6 -

M: That's right.

HMJr: Do you remember?

M: That's right.

HMJr: That time the Attorney General was so ....

M:irate.

HMJr: Well, he was -- he was unreasonable.

M: That's right.

HMJr: Yeah.

M: And I - I'll tell you the trouble has been that a great many of them have sent in some that were absolutely indefensible.

HMJr: Yeah.

M: I can -- I had two on my desk this morning, and I confess I would have to uphold the Committee all the way through, and they came from Jerry Land.

HMJr: Yeah.

M: I don't think Jerry ever saw them.

HMJr: Yeah. Well, I don't -- you remember once or twice I've been doubtful, and I've asked you in advance ....

M: Yes.

HMJr: .... then you've sent word back and said they were all right.

M: Yes.

HMJr: And I've been awfully careful, and I think if you look at this list, I think you'll agree.

M: And I've caught more unadulterated hell from my own outfit than anybody else all over the country.

HMJr: Well, me too.



M: (Laughs)  
HMJr: Okay.  
M: Well, I wish you'd speak to him, and I'm ....  
HMJr: I will.  
M: .... going to see him just as soon as I can.  
HMJr: I will.  
M: All right.  
HMJr: . Thank you.  
M: Good-bye.  
HMJr: Good-bye.

- 6 -

MR. BELL: It will come up Friday.

H.M.JR: Well, is that backing you up? Now get the hell out of here!

MR. THOMPSON: Do you want to finish this? Here are two cases, the last two Mr. Bell approved, in War Finance Division, and we thought you ought to decide about War Finance.

Ted Gamble said he had just a few very ace men.

H.M.JR: In view of this, don't you think we ought to hold the thing. What is the use of getting turned down?

MR. THOMPSON: Well, I don't know. We probably should continue to send them over to Puryear.

H.M.JR: That man is thirty-seven, Deputy Manager of War Finance. Where is he located?

MR. THOMPSON: Is that in Ogden, Utah?

H.M.JR: Jackson County, Missouri.

MR. BELL: Well, Ted has picked out just a few cases that he thinks are outstanding in ability, and he would like to have them deferred.

Now, all of these men, I suppose, are largely volunteers, and doing other work in the community. I questioned the policy.

H.M.JR: He will have to come over and talk to me.

MR. GASTON: This is the Deputy Manager of the State of Missouri.

H.M.JR: Is he full time?

MR. GASTON: Yes, the Deputy Manager is a full-time man.

- 7 -

H.M.JR: Oh, he is Deputy Manager. Well, Gaston says he is and you say he isn't. Is he or isn't he?

MR. THOMPSON: He is a full-time man. This man gets forty-six hundred as full time Deputy Manager.

H.M.JR: In Ogden?

MR. THOMPSON: Yes, sir.

MR. GASTON: He is War Finance - no, these are full-time men. This is a forty-six hundred dollar man. He is the second man in the office for the State of Utah, in Ogden.

MR. BELL: I thought he had a few cases he wanted to defer. It is a question of policy.

H.M.JR: Well, I think these fellows are important.

MR. GASTON: Oh, yes. Sure.

MR. THOMPSON: No, we wouldn't put up any part-time man.

H.M.JR: Earl Thomas Scott, Deputy Manager, St. Louis, Missouri, and Allen E. Mecham, Ogden, Utah. All right.

(The Secretary signs deferment applications of Earl Thomas Scott and Allen E. Mecham)

Now, don't give me any more tonight, will you?



MAR 7 1944

Dear Sir:

This Department has carefully noted the action taken by the Review Committee on requests submitted by the Treasury for deferment of pre-Pearl Harbor fathers. We appreciate the magnitude of the task imposed upon your Committee and the difficulties inherent in this job and are therefore most reluctant to criticize the action of the Committee on the Treasury requests. However, the action of the Committee will have such far-reaching effects upon the war activities of this Department that we are compelled to register a strong protest.

As you know, the Treasury Department requested the deferment of 157 pre-Pearl Harbor fathers. These requests were not made casually by this Department. The entire history of this Department on the subject of deferments has, as you know, been one of extreme conservatism. Each case had been minutely scrutinized in the light of our deep consciousness of the responsibility attendant upon postponing the entry of these men into the armed services. Although we noted that the President's letter of December 22, 1943 to the Chairman of the War Manpower Commission specifically contemplated that pre-Pearl Harbor fathers in the Government might be accorded the same consideration as that accorded to fathers employed outside the Federal Government, this Department has deliberately followed a far stricter policy than that which is commonly known to prevail in private industry. Our sense of responsibility would not permit us to follow any other course.

The Treasury Department has over 85,000 employees. Approximately 11,000 of these employees are males between the ages of 18 and 37, of whom around 7,000 have dependent children. As stated above, we requested 157 pre-Pearl Harbor father deferments. Out of this mere 2.2% of the pre-Pearl Harbor fathers in the employ of this Department, your Committee disapproved 107 cases — two-thirds of the number of requests made by us. We are genuinely concerned by the fact that your Committee obviously paid little heed to the considered judgment of this Department in carrying out its heavy responsibilities in the war effort; we are concerned, in view of your Committee's record of disapprovals, lest the policy of sincere and conscientious restraint followed by this Department in presenting these cases to your Committee may have the unforeseen result of substantially impairing the vital war programs of this Department.

- 2 -

It is impossible, of course, to attempt to review each of the cases in a communication of this nature. A few examples will suffice. In considering these examples, it is well to bear in mind, for purposes of comparison, the reference in the President's letter to fathers employed outside the Federal Government and the common knowledge of the very liberal policy which is in effect in private industry.

Your Committee disapproved the case of Edward R. Grove, a picture engraver of the Bureau of Engraving and Printing. As in the cases of the other craftsmen employed in that Bureau who were included among our requests, this Department was fully cognizant of its responsibilities and was acting in all seriousness when it represented in writing that this position is directly related to the war effort, that there are only eight employees in the Bureau capable of performing picture engraving, and that there are no available engravers in the United States at this time. The men in these positions are producing not only war bonds and stamps, but must also be available for work on occupation currencies used by the Allied Forces. The demands of the War Department for currencies and occupation stamps are taxing to the maximum all the facilities of the Bureau. These currencies are as essential to a successful military campaign as bonds and stamps are to the domestic financing program. It is most difficult to comprehend the basis upon which the Review Committee substituted its judgment for the judgment of this Department in this type of case. The representation contained in our requests that this important war work will be "seriously handicapped" without these men is not an overstatement.

Your Committee disapproved the case of John W. Gunter, the sole representative of the Treasury Department in the Middle East. It may be pointed out in this connection that the Department had recalled from North Africa several of its outstanding men in that area who had been engaged in the handling of financial problems directly connected with the invasion. These men were recalled because they were not pre-Pearl Harbor fathers and the Department would not request their deferment. Gunter was sent to the Middle East because — aside from his excellent qualifications for the position — he was a pre-Pearl Harbor father and it was assumed on the basis of all known comparisons that no question could conceivably be raised concerning his deferment. A substantial part of Gunter's duties consists of personal dealings on financial and monetary problems with King Ibn Saud. It is needless to point out the importance to our war effort of the continuation of good relations with Saudi Arabia. Further similar factors could be enumerated, but suffice it to point out that Gunter's case is cited solely as being illustrative of the apparently casual way in which your Committee disregarded two-thirds of the relatively small number of requests made by this Department.



Your Committee disapproved the case of Lawrence S. Lesser, who is Special Assistant to the General Counsel of the Treasury Department. As a matter of fact, your Committee disapproved 18 out of the 19 lawyers who were included among our requests. The disapproval of Lesser's case creates a strong presumption that your Committee failed to appreciate how any lawyer can be essential to the war effort as a civilian. A full description of work was attached to this case and it is difficult to perceive how any lawyer could be more closely connected with the important economic warfare programs of this country than is Lesser. There is an extremely close working relationship between the legal and administrative divisions of this Department, and we are sincere in saying that a paralyzing blow would be struck at our war programs if our key lawyers such as Lesser, who is a pivotal man in developing and carrying out such programs, were to be drafted. Again we feel compelled to say that the spirit of the pre-Pearl Harbor father law and the President's letter is simply being nullified if decisions such as this are left standing.

In closing, I desire to reaffirm that this letter should not be understood as being destructive criticism. The Treasury approached its end of this job with great solicitude not to impair its record of conservatism on the subject of deferments, and yet attempting to retain, in compliance with the new law and regulations, a minimum number of key pre-Pearl Harbor fathers in its important war functions. From the results, the Department can not help but feel that your Committee must have been so pressed with work that it did not have the time to appreciate fully the factors which are reiterated in this letter. We are therefore most anxious that the Committee reconsider all its disapprovals of Treasury requests and advise this Department of its further action.

Very truly yours,

(Signed) Herbert E. Gaslon

Chairman,  
Agency Committee

Mr. Edgar F. Puryear,  
Chairman, Howley Committee on  
Deferment of Government Employees,  
War Relocation Commission,  
Washington, D. C.

LCA:msm  
3/6/44



March 7, 1944

Dear Paul:

I enclose a copy of a letter today being sent by Assistant Secretary Gaston as Chairman of the Treasury Agency Committee on Deferments to Mr. Puryear, Chairman of the Review Committee.

The action of the Review Committee on Treasury deferment requests is so drastic as to threaten a breakdown in our operations. Won't you please impress upon the Committee that the responsibility for financing the war and in many ways servicing the War agencies is on the Treasury. We cannot afford to run the risk of any failure in this responsibility.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Honorable Paul V. McNutt,  
Chairman,  
War Manpower Commission,  
Washington, D. C.

Enclosure.

P.S. Please let me hear from you soon about this.

WHT:aja

DEFERMENTS APPROVED BY UNDER SECRETARY BELL IN THE ABSENCE OF SECRETARY MORGENTHAU

Name	Age	Title	Bureau	Date Approved
Davidson, Harold P.	35	Electrician	Eng. & Printing	2-18-44
Schmidt, Orvis A.	32	Asst. Director	Foreign Funds	2-29-44
Shurman, Philip	35	Agent - Conferee	Internal Revenue	2-14-44
Needham, Patrick H.	36	Chief Adm. Officer	Internal Revenue	2-14-44
Houston, Walter T.	33	Instructor	Internal Revenue	2-18-44
Vittone, Felix E.	32	Chief, Employment Tax Division	Internal Revenue	2-18-44
Albers, Howard F.	37	Agent	Internal Revenue	2-23-44
Butler, Herbert O.	37	Agent	Internal Revenue	2-23-44
Jones, Henry M.	36	Agent	Internal Revenue	2-23-44
MacDonald, Edward L.Jr.	33	Agent - Reviewer	Internal Revenue	2-23-44
Sellinger, Benjamin	36	Agent	Internal Revenue	2-23-44
Welenken, Harry	37	Agent	Internal Revenue	2-23-44
Plummer, Wilbur O.	35	Asst. to the Collector (Indianapolis)	Internal Revenue	2-24-44
Thurtle, Robert G.	35	Special Agent	Internal Revenue	2-26-44
Brown, Howard A.	31	Agent	Internal Revenue	2-26-44
Coddington, Clady B.	34	Agent	Internal Revenue	2-26-44
hoppe, Edgar E.	36	Sup. of Accts. & Col.	Internal Revenue	2-26-44
McDonald, Alex J.	37	Agent	Internal Revenue	2-26-44

Name	Age	Title	Bureau	Date Approved
Tobin, Paul E.	36	Agent	Internal Revenue	2-26-44
Watson, Robert C.	30	Associate Chemist	Internal Revenue	2-26-44
Allen, Hugh Lewis	35	Agent	Internal Revenue	3-2-44
Heffron, Joseph F.	33	Machine Operator (Die Setter)	Mint	2-25-44
Tate, Frederick W.	34	Field Auditor	Mint	3-2-44
Ward, Daniel T.	37	Electrician	Mint	3-2-44
LaFollette, Thomas A.	33	Sr. Adm. Asst.	Procurement	3-2-44
Lindow, John Wesley	33	Economic Analyst	Res. & Stat.	2-25-44 (extension of present deferment)
Moore, Martin L.	33	Special Asst. to Fiscal Asst. Secy.	Secy's Office	3-2-44
Connelly, William P.	36	Agent in Charge (Baltimore)	Secret Service	2-25-44
Lipson, Milton	31	Agent	Secret Service	2-28-44
Huff, Melbourne	36	Agent	Secret Service	3-2-44
Austin, John E.	36	Chief, Mechanical Operations	Supt's Office	3-2-44
Stickney, George F.	34	Technical Assistant to Chief, Acctg. Div.	Treasurer's Office	2-22-44
Mecham, Allen E.	32	Deputy Manager	War Finance	3-2-44
Scott, Earl Thomas	37	Deputy Manager	War Finance	3-2-44

ALL OF THESE EMPLOYEES ARE PRE-PEARL HARBOR FATHERS WITH THE  
EXCEPTION OF JOHN W. LINDOW AND GEORGE F. STICKNEY.

March 3, 1944.



44

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE MAR 7 1944

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject Security Market and Money Market Developments  
During the Fourth War Loan

### I. Government Security Prices Are Above Pre-Drive Levels

During the first two weeks of the Fourth War Loan drive, prices of Government securities eased slightly, but they have since registered improvement. Advances in recent weeks have been particularly marked in the case of the medium-term taxable bonds and the medium- and long-term partially tax-exempt issues. Medium-term taxable securities are currently quoted as much as 15/32 above their pre-drive levels, and most of the 2 percent issues were selling at their all-time highs during the past week. Even more impressive gains have been scored by the longer-term partially tax-exempt bonds, issues in this sector now being quoted up to 1-3/32 above their levels immediately preceding the Fourth War Loan drive.

The long-term restricted taxable issues did not participate in this rise until the last few days, when their prices advanced slightly. For the first time, some support was rendered this sector of the market by the Federal Reserve System through moderate purchases of these securities.

### II. Price Movements of New Drive Issues Mixed

The three issues of marketable securities offered during the Fourth War Loan drive were quoted for the first time on February 16. At the close of that day, the certificates were quoted on a 0.81 percent basis, bid, the restricted 2-1/4's of 1956-59 at 100-3/32, and the restricted 2-1/2's of 1965-70 at par. These compare with quotations on Monday of 0.81 percent for the certificates, and 100-4/32 each for the restricted 2-1/4's and 2-1/2's. The quotation of 100-4/32 for the restricted 2-1/2's is definitely out-of-line, as comparable issues bearing slightly earlier maturities are quoted at 100-1/32, bid.

Secretary Morgenthau - 2

III. Note Offered in Refunding Operation  
Selling at Attractive Premium

The new Treasury note, which was offered together with the 2-1/4 percent and 2-1/2 percent bonds issued during the Fourth War Loan in exchange for seven direct and guaranteed issues, was quoted on a when-issued basis at 100-5/32, bid, at the close on March 2, the day of the announcement. The closing bid price on Monday, March 6, was 100-4/32+.

IV. Municipal Bond Prices at Record Highs;  
Corporates Firm

Municipal bond prices have continued the rise which has been in progress since the early part of December, and they are now quoted near their all-time highs. The Dow-Jones average yield of twenty municipals (varying inversely to prices) was 1.79 percent on February 26, the lowest on record, but has since risen to 1.81 percent. High-grade corporate bond prices, which declined moderately during the closing months of 1943 and during January of this year, have been firm during recent weeks.

V. Net Absorption of Securities by Nonbank  
Investors Probably Slightly Less in the  
Fourth War Loan Than in the Third Loan

Although indirect participation by banks in the Fourth War Loan, by means of loans and market purchases of outstanding Government securities which enabled the sellers to subscribe to new issues, appears to have been smaller than in the Third War Loan, the decrease was not as great as the decrease in the total proceeds. Hence, the net amount absorbed by nonbank investors during the Loan just ended was probably slightly less than during the Third War Loan.

According to the estimates of the Federal Reserve Bank of New York, the expansion of bank loans attributable to the Fourth War Loan amounted to about \$1.3 billions, or \$0.8 billion less than attributable to the Third War Loan. Net open market purchases of Government securities by commercial and Federal Reserve Banks during the Fourth War Loan, however, appear to have been slightly greater than in the Third. As total subscriptions to the Fourth War Loan were \$1.6 billions



Secretary Morgenthau - 3

less than during the Third War Loan, it appears that the net absorption by nonbank investors during the Fourth Loan was slightly less than during the earlier loan.

VI. No Significant Geographical Shifts of  
Deposits During Fourth War Loan

In connection with the Fourth War Loan, the Treasury again sought to minimize the transfer of funds about the country by requesting that subscriptions be entered where the funds are located. Figures for all weekly reporting member banks showed no important geographical shifts of deposits for the period of the drive. The New York and Chicago Federal Reserve Districts, where disproportionate losses in adjusted demand deposits might have been expected to occur, showed no such losses.

VII. Increase of Money in Circulation  
During the Fourth War Loan

The expectation was expressed in some quarters at the outset of the Fourth War Loan that subscriptions to the securities offered would result in a reduction of money in circulation. However, the effect of the Loan appears to have been merely the slackening of the rate at which the circulation was increasing. The figures in the table below show that during the four weeks of the War Loan, the rate of increase in money in circulation, after adjustment for seasonal fluctuations, slackened considerably compared with the first three weeks of the year. In the weeks ended February 23 and March 1, after the drive had ended for the marketable issues, but while sales of savings bonds and savings notes were still being counted, money in circulation (seasonally adjusted) still advanced less rapidly than in the weeks preceding the drive.



Secretary Morgenthau - 4

Weekly Increases in Money in Circulation  
(seasonally adjusted)

		: : Millions of dollars
January	5	187
	12	129
	19	106
	26	62
February	2	85
	9	53
	16	45
	23	86
March	1	44

VIII. Repayment of British 5 Percent Conversion Loan, 1944-64 Announced

The British Government has announced that it will repay the 5 percent Conversion Loan, 1944-64, on May 1, the first call date of the issue. The amount outstanding is £318 millions. The repayment thus constitutes the largest undertaking of this nature since the outbreak of the war -- two previous cash repayments during the war period (one of which was in connection with a conversion offer) totaled only £204 millions.

Only about one-third of the issue is believed to be held by private investors; the remainder has been absorbed by official purchasers, and it is presumed that prior to May 1, additional holdings will find their way into official portfolios. Government departments will automatically reinvest in "tap" loans and private holders are being encouraged to do likewise.

The Chancellor of the Exchequer in announcing the repayment made the following statement:

"Having regard to the war loans available for public subscription I have seen no need to make any special conversion offer in connection with this

Secretary Morgenthau - 5

repayment but I should like to say how important it is, in the national interest, that the maximum amount of the repayment moneys should be promptly reinvested in the war loans currently on issue."

The 5 percent Conversion Loan is the only outstanding British Government security bearing this high coupon rate. After its repayment, the highest coupon on any outstanding British Government issue will be 4 percent.

March 7, 1944

Dear Edgar Kobak:

Your thoughtful note received today came as a pleasant surprise. We have had to lean so heavily on you people that receiving a word of thanks in appreciation of what we are trying to do here is, to say the least, somewhat unique. We at the Treasury appreciate and are heartened by your good words.

Sincerely yours,

Mr. Edgar Kobak,  
Executive Vice President,  
The Blue Network,  
30 Rockefeller Plaza,  
New York 20, New York.

TRG:hsh





# *The Blue Network*

BLUE NETWORK COMPANY, INC.

30 ROCKEFELLER PLAZA · TELEPHONE CIRCLE 7-5700

NEW YORK 20, N. Y.

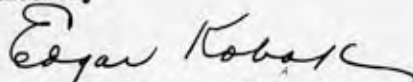
March 4, 1944

Hon Henry Morgenthau  
Secretary of the Treasury  
Washington D C

Dear Mr Secretary:

You and your associates have been so fine about thanking everyone for what they did on the Fourth War Loan Drive, I feel we, in turn, ought to congratulate you, Mr Gamble and all of the others on your staff for the great job that was done in organizing and directing the drive.

Sincerely

A handwritten signature in cursive script, appearing to read "Edgar Kobayashi".

Executive Vice President

March 7, 1944.

Dear Charles Skouras:

I wish to acknowledge and thank you for your thoughtful telegram, commenting on my Fourth War Loan Report Broadcast. I wish to take this opportunity to thank you for your untiring efforts as Chairman of the Motion Picture Industry's Fourth War Loan Campaign.

Mr. Gamble has told me of the Campaign Book which you are now preparing, embracing your War Activities Committee's work in the forty-eight states. I am looking forward to viewing the record of your splendid campaign but I know already from what has been brought to my attention that a magnificent job was done under your leadership.

Certainly you can be especially proud of this very tangible demonstration of what a great industry can do in presenting major support to one of the country's indispensable home front jobs. May your keen enthusiasm and loyal support remain with us throughout this program.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Charles Skouras, President,  
National Theatres Amusement Company, Inc.,  
1609 West Washington Boulevard,  
Los Angeles 7, California.

WU6 73

LOSANGELES CALIF MAR 2 1944 800P

HENRY MORGANTHAU JR

SEC TREAS

DEAR MR MORGANTHAU HEAD <sup>R</sup> YOUR BROADCAST TONIGHT AND WISH TO  
COMMEND YOU AND YOUR ENTIRE ORGANIZATION ON THE SUCCESS OF  
THE 4TH WAR LOAN THIS WAS PARTICULARLY OUTSTANDING BECAUSE  
OF THE SUCCESSFUL AMOUNT OF DOLLARS AND DISTRIBUTION ACHIEVED  
ON THE E SERIES BONDS YOU MAY RELY ON ALL OF THE MEMBERS OF  
THE MOTION PICTURE INDUSTRY TO CONTINUE TO BACK YOU TO THE  
FULLEST EXTENT IN FINANCING THIS WAR OF LIBERATION KINDEST  
REGARDS

CHARLES P SKOURAS.

811 AM MAR 3 1944.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 7, 1944

TO Mr. White

FROM Mr. Glendinning *CMB*

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of January and February, 1944.

<u>Earnings *</u>	<u>January</u>	<u>February</u>
Interest earned on investments	\$ 20,110.18	\$ 18,812.76
Profits on handling charges on gold	148,258.57	418,005.23
Miscellaneous profits	<u>.33</u>	<u>7.23</u>
Total	\$168,369.08	\$436,825.22
 <u>Expenses</u>		
Salaries	\$ 33,266.09	\$ 26,742.25
Travel	2,440.60	78.65
Subsistence	454.73	750.00
Telephone and Telegraph	4,183.05	1,702.92
Stationery	96.37	311.11
All other	<u>1,692.95</u>	<u>1,749.75</u>
Total	\$ 42,133.79	\$ 31,334.68
Net earnings	\$126,235.29	\$405,490.54

This report was completed from figures supplied by Mr. O'Daniel.

- \* Exclusive of gross earnings of \$2,550,338.72 and \$2,041,754.38 for the months of January and February respectively on the sale of Middle East and Indian currencies which were acquired through the sale of gold.

54 ✓  
*Wuse*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR - 7 1944

TO Secretary Morgenthau  
FROM Randolph Paul

FOR YOUR INFORMATION

During your absence a series of articles by I. F. Stone appeared in PM (February 17 - February 22) criticizing Crowley and his handling of the Office of the Alien Property Custodian. Attached hereto are photostatic copies of these articles.

The series starts with an article concerning the handling of General Aniline and Film by the Alien Property Custodian in which it is contended that action has not been taken to prevent easy recapture of General Aniline and Film by the Germans after the war. After describing the number and diversity of the positions, both public and private, which Crowley holds, the articles question whether his failure to take proper action with respect to General Aniline and Film may not be due to his association, as President of Standard Gas and Electric, with Victor Emanuel (President of Standard Power and Light, the holding company for Standard Gas and Electric), and with the Schroder banking interests. In this connection it is pointed out that five associates of Victor Emanuel and of the Schroder banking interests were appointed as directors of General Aniline and Film. Emanuel himself was made a director of General Dyestuffs.

The final article of the series discusses Crowley's income as reported in his Wisconsin income tax return. His income increased from approximately \$23,000 in 1939 to approximately \$60,000 in 1942, the predominant source of which was Standard Gas and Electric.

*BBP*

Attachment.



# TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



55

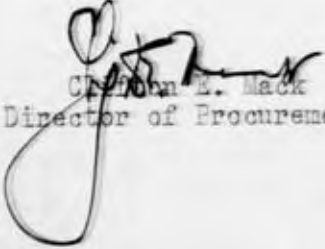
OFFICE OF THE DIRECTOR

March 7, 1944

## MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

Two requisitions have been received for the purchase of Phosphate Rock to be used in increasing food production. One requisition covers 200,000 tons for Australia and the other covers 40,000 tons for New Zealand.

  
Clayton E. Mack  
Director of Procurement

Attachment



SECRET

LEND-LEASE  
TREASURY DEPARTMENT, PROCUREMENT DIVISION  
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
AS OF MARCH 1, 1944  
(In Millions of Dollars)

SECRET

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$4692.3 (4683.3)	\$2288.7 (2288.7)	\$1877.3 (1877.3)	\$113.9 (113.9)	\$11.0 (11.0)	\$401.4 (392.4)
Purchase Authorizations (Requisitions)	\$3524.0 (3507.0)	\$1824.6 (1819.5)	\$1396.2 (1388.1)	\$44.8 (45.0)	-	\$258.4 (254.4)
Requisitions Cleared for Purchase	\$3463.4 (3455.8)	\$1799.2 (1792.6)	\$1367.3 (1370.8)	\$44.7 (44.4)	-	\$252.2 (248.0)
Obligations (Purchases)	\$3336.7 (3323.5)	\$1768.4 (1762.3)	\$1342.7 (1338.3)	\$44.0 (44.0)	\$10.1 (10.1)	\$171.5 (168.8)
Deliveries to Foreign Governments at U. S. Ports*	\$1728.6 (1709.4)	\$1157.9 (1152.2)	\$518.8 (505.6)	\$21.4 (21.4)	-	\$30.5 (30.2)

\*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of February 23, 1944.

**SECRET**

## EXPLANATION OF DIFFERENCE

The decreases in Purchase Authorizations for China and Requisitions Cleared for Russia are caused by adjustments of requisitions to actual contracts.

Treasury Department  
Division of Monetary Research

58

Date March 10, 1944 19

To: Secretary Morgenthau

I have heard that there are some discussions between Harriman and the State Department with respect to an extension of a half billion dollar credit. I know no details about it.

H.D.W.

*HDW*

*Farm*

MR. WHITE  
Branch 2058 - Room 214½



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 7, 1944

TO Secretary Morgenthau

FROM Mr. White *HPW*

Subject: Proposed U. S. Loan to the U. S. S. R.

The following memorandum is in response to your request that the feasibility of the extension of a large credit to the U.S.S.R. in exchange for needed strategic raw materials be explored. Your opinion that such an arrangement might well be feasible appears to us to be supported by our study of the possibilities.

1. Recent confidential reports on our raw material resources prepared for the Under Secretary of Interior disclose an increasing dependence of the U.S. on foreign sources of supply for strategic raw materials because domestic reserves have been seriously diminished or virtually depleted.
2. The following table indicates the extent of U.S. current reserve supplies for some important strategic materials which can be produced in quantity in the U.S.S.R., in terms of pre-war and current war, domestic requirements:

Reserve Domestic Supplies

	On Basis of our 1938 Domestic Consumption	On Basis of our Current Consumption 1943
Petroleum	16 years supply	13 years supply
Manganese	9 " "	3 " "
Tungsten	23 " "	3 " "
Zinc	17 " "	8 " "
Lead	7 " "	6 " "
Chrome	No record	Less than 1 years supply
Mercury	3 years supply	2 years supply

3. It is evident from the above table that, although our domestic reserves of petroleum, tungsten, and zinc may suffice to meet consumption requirements for the next decade, they will be almost entirely dissipated by the end of that period; in the case of manganese, chrome, mercury and lead, our reserves are too limited to satisfy even probable domestic requirements of the next ten years. The number of strategic materials for which

- 2 -

Division of Monetary  
Research

our reserves are very low and which can be produced in the U.S.S.R. is greater than indicated above, and includes platinum, vanadium, graphite and mica.

4. Although our reserves of strategic materials could be somewhat expanded, given an increase in price to make possible further development of marginal resources, the necessity of growing U. S. dependence on foreign sources of supply in order to satisfy anticipated post-war industrial requirements and to maintain adequate security reserves, is inescapable. (See Attachment I for complete table on U. S. metal reserves).

U.S.S.R. - Untapped Raw Materials Reservoir

1. The U.S.S.R. is richly provided with a wide range of strategic raw materials, including metals, minerals, timber and petroleum, but the unequal degrees to which these have been developed will limit the number and volume that may be available for export in the immediate post-war years.
2. Rapid economic reconstruction and expanded resource development could greatly enhance the export surplus of the U.S.S.R. If provided with developmental facilities the U.S.S.R. could sustain large-scale exports of metal and metallic ores, petroleum and timber at an average annual value of at least \$500 million, not including exports of other materials such as furs and semi-manufactures.
3. It therefore appears that a financial agreement whereby the U.S. would extend a credit of \$5 billion to the U.S.S.R. for the purchase of industrial and agricultural products over a five-year period, to be repaid in full over a thirty-year period, chiefly in the form of raw material exports, would not only be advantageous to the U. S., as well as helpful to the U.S.S.R. but would be within the limits of feasible trade between the two countries, since the amount we would wish to purchase would be in excess of the repayment which the U.S.S.R. would be required to make under the proposed loan terms. (See Attachment II for suggested terms of U.S.S.R. repayment for U.S. credits.)



Is the Proposed Financial Agreement Practical and Desirable?

The proposed financial agreement appears practical because:

1. The pre-war restricted pattern of trade should not be used to define the potentials of post-war trade between the U.S. and U.S.S.R. since both economies have been fundamentally restructured by the war. In both the U.S. and the U.S.S.R. the accelerated expansion of productive capacity and national output which has been achieved during the last three years indicates the new and larger dimensions which foreign trade can assume in both economies in the post-war period. (See Attachment III for a Summary of U.S. - U.S.S.R. trade relations during the inter-war period 1918-1938)
2. The low level of pre-war international trade relations were both a symptom and a cause of deteriorated economic and political international relations. It is realistic to assume that as compared with pre-war years a decreasing proportion of expanding Soviet resources will be devoted to war industries, thereby creating an enlarged export potential through the release of resources.
3. Since the U.S.S.R. has a completely state controlled economy, the extent and character of its surpluses and deficits (i.e. imports and exports) are largely determined by planning decisions covering the allocation of manpower, materials and equipment, it will be possible for the U. S. to influence the Soviet pattern of anticipated national surpluses and deficits.
4. If U. S. trade plans are premised on an expanded volume of trade and a correlative increase in U. S. import requirements, the expansion of trade between the U. S. and U.S.S.R. need not necessarily involve a reduction in total U. S. imports from other areas.



- 4 -

Division of Monetary  
Research

The proposed financial agreement appears desirable because:

1. The U. S. will obtain access to an important source of strategic raw materials which are expected to be in short supply in the U. S. after the war.
2. The U. S. will also be assured an important market for its industrial products, since the U.S.S.R. represents one of the largest single sources of demand in Europe and is ideally suited to supply us with a large and varied backlog of orders for both producers' and consumers' goods. Such a sustained demand could make an important contribution to the maintenance of full employment during our transition to a peace economy.
3. Moreover, the U. S. will not only be assured a desirable market because of the anticipated volume of demand the U.S.S.R. will exercise, but because of its superior repayment potential compared with other foreign buyers of American products.
4. An arrangement of this character would provide a sound basis for continued collaboration between the two governments in the post-war period.

## Attachment 1

Estimated Production, Consumption, Prices and Reserves  
of selected important minerals in 1943

Mineral	Estimated Production (000 units)	Estimated Average Price (\$000,000)	Estimated Domestic Consumption (000)	Estimated Price (\$000,000)	Current Estimated Reserves (000 units)	Reserve Supply in terms of current annual consumption
Bituminous coal	589,000 S.T.	1,561	582,000 S.T.	1,542	1,407,808,291	Tons 2,419 Years
Anthracite	60,327 S.T.	302	56,800 S.T.	284	15,415,602	Tons 271 "
Petroleum	1,503,000 Bbls.	1,819	1,507,000 Bbls.	1,823	19,017,756	Bbls. 13 "
Iron ore	113,554 S.T.	275	111,500 S.T.	270	1,715,000	S.T. 15 "
Manganese ore (35% Mn)	172 L.T.		1,400 L.T.		4,650	L.T. 3 "
Chromite, all grades	100 L.T.	3	900 L.T.	30	20	L.T. Less than 1 year
Vanadium, content	2.7 S.T.	3	3.4 S.T.	4	3.8	S.T. 1 "
Tungsten, content	5.7 S.T.		10 S.T.		34.6	S.T. 3 "
Molybdenum, content	29.5 S.T.	42	25.1 S.T.	36	800	S.T. 32 "
Copper	1,088 S.T.	283	1,624 S.T.	422	25,000	S.T. 15 "
Lead	446 S.T.	66	717 S.T.	106	4,000	S.T. 6 "
Zinc	741 S.T.	167	900 S.T.	203	7,000	S.T. 8 "
Mercury	53.5 Flasks	10	55.2 Flasks	11	110	Flasks 2 "
Bauxite, all grades	7,026 S.T.	27	5,340 S.T.	21	18,000	L.T. 4 "
Fluorspar	408 S.T.	12	386 S.T.	12	10,000	S.T. 26 "
Magnesite	860 S.T.	9	860 S.T.	9	50,000	Ton 1/ 58 "
Phosphate rock	5,600 S.T.	21	5,208 S.T.	19	3,322,000	L.T. 714 "
Potash (K <sub>2</sub> O)	700 S.T.	24	630 S.T.	21	75,000	S.T. 119 "
Sulphur	3,100 S.T.	50	2,900 S.T.	46	94,000	S.T. 32 "

1/ Magnesite &amp; dolomite

Source: Preliminary Estimates of Reserves of Important Minerals in the Ground as of January 1, 1945, Department of Interior, Geological Survey.

L.T. = long ton  
S.T. = short ton  
Oz. = fine ounce, troy

U. S. Imports and Exports of Selected  
Imported Minerals.

	Exports 1938			Imports 1938		
	Value in	Quantity		Value in	Quantity	
	dollars			Dollars		
Bituminous Coal	1/	10,490,000	L.T.	1/	241,000	L.T.
Anthracite Coal	1/	1,909,000	L.T.	1/	363,000	L.T.
Petroleum	1/	51,222,000	Bbl.	1/	26,000,000	Bbl.
Iron Ore	1,954,000	592,000	L.T.	5,288,000	2,122,000	L.T.
Manganese ore	2/	2/		6,919,000	484,000	L.T.
Chromite	2/	2/		4,855,000	352,000	L.T.
Vanadium	2/	2/		891,000	10	S.T.
Tungsten	2/	2/		139,000	162,000	lbs.
Molybdenum	2/	1/		81	25	lbs.
Copper	86,119,000	844,027,000	lbs.	1/	504,000,000	lbs.
Lead	3,355,000	46,000	S.T.	1/	64,000	S.T.
Zinc	1,271,000	3,000	S.T.	1/	19,000	S.T.
Mercury	2/	2/		133,000	179,000	lbs.
Bauxite	1,459,000	57,000	L.T.	3,521,000	455,000	L.T.
Fluorspar	9,061	788	S.T.	287,000	19,000	S.T.
Magnesite and dolomite	2/	2/		479,000	27,000	S.T.
Phosphate rock	6,637,000	1,140,000	L.T.	80,000	7,004	S.T.
Potash K <sub>2</sub> O	2,599,000	84,000	S.T.	13,500,000	193,000	S.T.
Sulphur	10,332,000	575,000	L.T.	562,000	51	L.T.
Graphite	112,000	983	S.T.	372,000	17,000	S.T.
Mica	183,000	2,000	S.T.	664,000	5,761	S.T.
Platinum	1,156,000	33 troy ounces		4,366,000	161 troy ounces	

1/ Data not available.

2/ Not exported in quantity.



## Attachment II

### Terms of Repayment

1. Since, in the immediate reconstruction years, the import requirements of the U.S.S.R. will be at peak, whereas their export potential will be restricted, no repayment for U. S. exports should be required for the first three years. Beyond that period, the principle of an accelerated rate of repayment should be adopted to accord with the progress of the U. S. S. R. in rehabilitating its economy.

#### 2. Suggested Schedule of Repayment in Value Terms.

<u>Years</u>	<u>Annual Repayment 1/</u> (In Millions of Dollars)	<u>Cumulative Repayment 1/</u>
1-3	0	0
4	100	100
5	200	300
6-7	300	900
8-9	350	1600
10-15	400	4000
16-20	400	6000
21-25	400	8000
26-30	400	10,000

3. The following commodity schedule of repayment illustrates a possible pattern of U. S. imports and U. S. S. R. exports which could provide a basis for negotiation on the commodity content of U. S. S. R. repayment. The U. S. would of course be under no obligation to accept a specified volume of imports and the agreement would necessarily provide for Russian payment in dollars for the difference between the value of U. S. imports from the U. S. S. R. and the scheduled value of repayment at the close of a year.

4. In order to ensure that the commodity content of repayment accords with changing production potentials and requirements of both countries, the agreement could provide for review and renegotiation of the commodity schedule of repayment every three years.

Principal and interest at 3 percent. Half of the indicated total repayment represents payment on principal.

- 2 -

5. Illustrative Commodity Schedule of Repayment - In  
Millions of Dollars

<u>Commodities</u>	<u>1-3 yrs.</u>	<u>4 yrs.</u>	<u>5 yrs.</u>	<u>6-7 yrs.</u>	<u>8-9 yrs.</u>	<u>10-30 yrs.</u>	<u>30 yr. Total</u>
Metals and metallic ores	0	20	35	55	65	80	1,970
Petroleum	0	5	15	35	50	60	1,450
Other industrial raw materials	0	0	9	10	15	15	374
Fertilizers	0	5	10	15	20	20	505
Timber, wood products, paper base	0	50	85	100	100	100	2,630
Hides and skins	0	5	10	12	15	15	384
Oils and Oil Cake	0	0	10	10	10	15	366
Furs	0	15	30	55	65	85	2,070
Processed foods	<u>0</u>	<u>0</u>	<u>5</u>	<u>8</u>	<u>10</u>	<u>10</u>	<u>251</u>
Total	0	100	209	300	350	400	10,000

### Attachment III

#### Summary of Facts on Trade Relations Between the U.S. and U.S.S.R. During the Inter- War Period, 1918 - 38 1/

1. After sharp contraction, between 1913 and 1920, Russian foreign trade revived slowly during the next 10 years, reaching a post-war peak in 1930 and 1931 (although not attaining the 1913 level). Russian exports in the peak year 1930 were valued at \$907 million which represented 3-1/2 percent of gross domestic output. This level was not maintained; exports declined in value by more than 70 percent by 1938. The peak import level was reached in 1931, when the value of imports aggregated \$967 million; thereafter imports declined steadily following a course similar to exports.

2. During the latter half of the period 1930-38, Russia was able to develop a favorable balance of trade and to pay off foreign indebtedness incurred during the early thirties, partly through sharply increased gold shipments. (For the period 1930-38 U.S.S.R. exported gold valued at about \$691 million).

3. During this period, U.S. foreign trade which had expanded during the 1920's, thereafter also underwent sharp contraction; imports which had risen to an annual value of over \$4 billion by 1929 fell away to little less than \$2 billion by 1932. Exports which had exceeded \$5 billion in 1929, also declined to less than \$2 billion by 1932.

4. U.S. - U.S.S.R. trade relations did not become significant until the mid-30's. Annual average U.S. imports from the U.S.S.R. for the period 1936-38 totaled approximately \$25 million, or about 1 percent of total U.S. imports. U.S.S.R. world exports during this same period aggregated approximately \$250 million; exports to U.S. represented about 9 percent of this total.

1/ Two summary tables describing foreign trade pattern of the U.S. and U.S.S.R. are appended.



- 2 -

5. Russian exports to the U.S. during this period consisted mainly of luxury products and a few strategic metals. Furs represented the largest U.S. import from the U.S.S.R., accounting for more than half the total import value of Russian products and three times as much as the next most important item, manganese ore. Neither timber, timber products, nor petroleum, the two categories which exceeded furs in their importance in total Russian exports, entered into trade with the U. S.

6. The value of U. S. exports to the U.S.S.R. aggregated approximately \$33 million in 1936, or slightly more than 1 percent of total U.S. exports. Machinery accounted for two-thirds of the value of U.S. exports to the U.S.S.R.

Table I - Foreign Trade of the U.S. and U.S.S.R.  
1913 - 1939

Year	U.S. Total Exports (\$000,000) <u>2/</u>	U.S. Exports to U.S.S.R. (\$000,000)	U. S. Total Imports (\$000,000)	U.S. Imports from U.S.S.R. (\$000,000)	U. S. S. R. Total Imports (\$000,000)
1913	2,448	25	1,793	27	1,205
1919	7,750	30	3,904	3	3
1921	4,379	14	2,509	- <u>3/</u>	138
1922	3,765	29	3,113	- <u>3/</u>	238
1923	4,091	6	3,792	1	112
1924	4,498	41	3,610	8	205
1925	4,819	68	4,227	13	634
1926	4,712	49	4,431	14	662
1927	4,759	64	4,185	12	625
1928	5,030	73	4,091	14	1,006
1929	5,157	82	4,399	22	387
1930	3,781	111	3,061	22	927
1931 <u>1/</u>	2,378	104	2,091	13	968
1932	1,576	13	1,323	10	617
1933	1,647	9	1,450	12	305
1934	2,100	15	1,655	12	204
1935	2,243	25	2,047	18	211
1936	2,419	33	2,423	21	271
1937	3,299	43	3,084	31	268
1938	3,057	70	1,960	24	285
1939	3,123	57	2,318	25	

After 1931 Asiatic U.S.S.R. included. Not included before that date.

Does not include re-exports.

Under \$500,000.

Table 2.

Leading Commodities Entering Into Foreign Trade  
of the U.S. and the U.S.S.R., - 1936

(In Millions of Dollars)

Commodity Groups	U.S. Exports	U.S. Exports: to U.S.S.R.	Total U.S.S.R.: Imports	Total U.S.S.R.: Exports	Total U. S.: Imports	U.S. Imports from U.S.S.R.
1. Machinery	574	29	91	-	18	-
2. Petroleum	263	1	33	31	40	-
3. Metals and Minerals	106	2	23	13	332	7
4. Semi-fabricated metals; steel mill products	148	5	23	3	-	-
5. Fibers and Hides, includ- ing furs	404	<u>1</u> /	28	61	294	10
6. Food and Livestock	111	<u>1</u> /	24	19	734	-
7. Chemicals	116	<u>1</u> /	5	-	79	-
8. Timber and timber products	-	-	-	69	249	3
9. Miscellaneous	696	4	43	75	677	1
10. Total	2,418	41	270	271	2,423	21

1/ Less than 1/2 million dollars.



EMERGENCY COMMITTEE TO SAVE THE JEWISH PEOPLE OF EUROPE  
2317 - 15th Street, N.W., Washington 9, D.C.

March 7, 1944

Mr. Josiah E. DuBois  
War Refugee Board  
Washington, D. C.

Dear Mr. DuBois:

I am enclosing a memorandum on our suggestions to the International Red Cross. This memo has not been transmitted to them, but was written after Mr. Bergson's conversation with Mr. Peters, who is their Chief Delegate.

Mr. Peters was not favorably disposed towards our suggestions, but there are several other personalities in the International Red Cross who would like to do something. Our Washington Chairman, Mr. George Maurice Morris, suggested that the way to approach the International Red Cross would be through the American Red Cross. This morning Mr. Morris talked to Mr. Philip E. Ryan of the American Red Cross, and interested him in the matter. Before proceeding any further, however, Mr. Ryan wants to have the opinion of the War Refugee Board on the advisability of the suggestions submitted by us. He said that if he would get a call from you giving him "the green light", he'd go ahead on it. His phone number is Republic 8300, extension 230 - it is an office in the American Red Cross Building.

It is our feeling that the International Red Cross will probably not consider taking over the representation of Jewish interests, but that it can be prevailed upon to accept our two other suggestions, namely that of attempting to supervising the conditions in German concentration camps, and that of sponsoring the expedition of a mercy ship to Rumania.

Please let me know whether or not you have contacted Mr. Ryan, so that we might proceed in the matter.

Sincerely yours,

Eri Jabotinsky

MEMORANDUM ON THE FUNCTIONS OF THE  
INTERNATIONAL RED CROSS IN THE  
SAVING OF THE JEWISH PEOPLE OF EUROPE

Draft No. 1  
EJ, 3/7/44

The Red Cross is hampered in its efforts on behalf of the Jews in Europe by the fact that it is claimed that the Jews do not fall under any known category of persons whom the Red Cross is chartered to aid. The Jews in the concentration camps are not prisoners of war, and--what makes it still more difficult--the Germans may always plead that their treatment of the Jews is a purely internal matter and has nothing to do with international problems.

As a matter of fact, this is not so, because the Germans have declared that they propose to annihilate all the Jews, the world over, whatever their present nationality may be. This is surely equivalent to the recognition of the existence of a specific Jewish people and an official declaration of war upon this people. In fact, it is a declaration of total war, the like of which has never been waged by any other nation.

On the other hand, the Jews as such have been recognized as a political and national entity by the Allies, too. The League of Nations mandate for Palestine mentions the "Jewish National Home," and the treaties of Poland and Lithuania specifically mention the Jews as a "national minority."

Thus it seems that the difficulty does not reside so much in the fact that the Jews in German-occupied territories are not "civilians of enemy nationality in a belligerent country." Indeed, even leaving aside the question of the Jewish nationality created by the Germans, most of these Jews are of "enemy nationality", for before being deprived of it they were of French, Dutch, Belgian or Polish nationality. The main difficulty is in the fact that the Jews have no recognized representation.

It is suggested that the Red Cross undertake the following steps:

1. The International Red Cross takes upon itself to become the representative of the otherwise unrepresented Jews of Europe in all matters concerning their physical welfare.
2. The International Red Cross undertakes a survey of the concentration camps and of the extermination camps established for Jews in German-occupied territories with a view of bringing the conditions in these camps to a civilized level.



- 2 -

3. The International Red Cross shall sponsor the sending of a "ship of mercy", with food and medical supplies, to Constantza, Rumania, for distribution among the parts of the European population which have been accorded partial rations only. (The Jews in Europe have been receiving for almost two years only 25 to 50 percent of the rations allotted to their gentile neighbors.

It should be pointed out that it is the policy of the War Refugee Board established by the President of the United States in order to save from annihilation the remnants of the Jewish people of Europe, to create in Germany and in German satellite territories the impression that the civilized world is taking an interest in the fate of the Jews. It is possible that the International Red Cross will not be able to secure permission from Germany to carry out the above proposals, or at least some of them. However, the mere fact of trying to investigate the concentration camps, for instance, will have the most beneficial effect upon the treatment of the inmates of these camps. It is also very probable that even if Germany does not grant the necessary facilities to the Red Cross, some of the German satellites might do so. Thus Hungary, and even more so Rumania and Bulgaria, might be willing to give the Red Cross the opportunity to control and supervise the Jewish problem in order to provide for themselves an alibi in the case of a United Nations victory, by shifting the whole blame on the Germans. And again, whether successful or not, the mere fact of such a request coming from the International Red Cross will make these countries sit up and reconsider their Jewish policy.

It should, moreover, be stressed that the above suggestions are completely in the spirit of the draft of the Convention drawn up in Tokyo in 1934, which the International Red Cross has been trying to have approved and signed by the nations of the world. This Convention would have provided for the very things which are suggested above.

It is also the policy of the Red Cross to apply meanwhile to the interned civilians the terms of the Convention signed at Geneva in 1929 regarding the treatment of prisoners of war.

For all these reasons, it seems that the above suggestions conform to the general tradition and policy of the International Red Cross.

Whatever the legal aspects of the matter from the humanitarian point of view, it is an indisputable fact that the treatment of the Jews of Europe by the Germans constitutes one of the darkest pages of the history of civilization, and that for this reason this problem falls under the jurisdiction of the International Red Cross. As



- 3 -

stated in a Yearbook published by the International Red Cross, "On more than one occasion the committee ( of the International Red Cross) has anticipated in practice what future amendments of the accords confirm in law."

LEGATION OF THE  
UNITED STATES OF AMERICA

San Jose, Costa Rica  
March 7, 1944

No. 1168

SUBJECT: Alleged Costa Ricans in the civilian  
internment camp at Vittel, France.

The Ambassador has the honor to refer to the Department's instruction No. 424 of February 10, 1944 transmitting a report on the civilian camp at Vittel, France which stated that thirty-six persons of Costa Rican nationality were being held in that camp, and to quote below the reply of the Foreign Office stating that the Costa Rican Government is of the opinion that the thirty-six persons claiming Costa Rican nationality have no legal right to do so:

"The Secretary of State in the Office of Foreign Affairs of Costa Rica presents his compliments to His Excellency the Ambassador of the United States of America to whom he is very grateful for the copy which he sent him with the third-person note No. 193 of February 16, of a report made by a representative of the Swiss Government regarding the civilian internment camp at Vittel, France, and from which it is understood that there are thirty-six persons of Costa Rican nationality in this camp, although this Ministry of State believes that it concerns persons who have obtained these passports from the hands of authorities who did not carry out their duties because of pecuniary cupidity.

- 2 -

"Alberto Echandi approves the opportunity to renew to Senor Des Portes the sentiments of his elevated and distinguished consideration."

In this connection reference is made to the Embassy's despatch No. 1505 of March 9, 1943.

711.5

SRT/yr



March 7, 1944

10:50 a.m.

TO: Mr. Warren

FROM: Mr. Pahle

Please transmit as soon as possible the  
attached cable from the War Refugee Board to  
Schoenfeld in London.

(Initialed) J. W. P.

Attachment.

JED:ecr  
3/6/44

AMEMBASSY

LONDON

FOR SCHOENFELD FROM MR. PEHLE, ACTING DIRECTOR, WAR REFUGEE  
BOARD.

We greatly appreciate the information contained in your No. 30  
of March 1. We have already taken action along the lines of most  
of the suggestions referred to by you.

Any further information or suggestions which you can submit to  
us will be very welcome.

JHM:JED:ecr  
3/6/44

GAR - 123

PLAIN

London

Dated March 7, 1944

Rec'd 5:37 p.m.

Secretary of State

Washington

1860, seventh

Foreign Office states British Minister at Vatican has found way of informing the Jewish organization which undertook to apply the \$20,000 referred to in Department's 52, January fourth and 744, January twenty-ninth, to relief of Jewish refugees that a credit exists in London for them in that amount and that they may therefore obtain the best lire exchange available keeping records of their expenditure and eventually resorting to London for repayment. Foreign Office states this means Foreign Office drops out of the plan and suggests the \$20,000 would best be lodged with a London bank for paying over to people concerned when opportunity arrives.

WINANT

EJH



EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD  
WASHINGTON 25, D. C.

OFFICE OF THE  
EXECUTIVE DIRECTOR

March 7, 1944

TO: Mr. Pehle  
FROM: Anne Laughlin *A.L.*  
SUBJECT: Summary of Greek Relief Program

Greek relief as now administered was fostered by the neutral governments of Switzerland and Sweden.

During the first ten months after Germany entered Greece, a small amount of relief supplies reached Greece through the efforts of the Greek War Relief Association through the purchase of foodstuffs and other materials in Turkey and Egypt. It was distributed by the Greek Red Cross under the supervision of the International Red Cross.

In the latter part of February, 1942, the United States Government, working with Great Britain and Canada, through the neutral countries, Sweden and Switzerland, (who in turn negotiated with Italy and Germany) secured safe conduct for neutral ships carrying foodstuffs and medical supplies to Greece.

Since the lifting of the blockade, the following has been provided monthly by the Americas:

-2-

CANADIAN GOVERNMENT

WHEAT: 15,000 tons per month, furnished by the Canadian Government. (An increase has been authorized for 9,000 tons per month donated by the Argentine Government to be shipped directly from Argentina, depending upon whether shipping space can be made available. The entire shipping costs were borne by the Greek War Relief Association until January 1, 1943; since that date the Office of Lend Lease Administration, now Foreign Economic Administration, has borne the cost of shipping.

UNITED STATES GOVERNMENT

PULSE (Dried Vegetables): 4,700 tons monthly provided by Lend Lease. An additional 1,000 tons per month has been authorized.

MILK: 300 tons monthly of evaporated milk and 300 tons monthly of sweetened condensed milk. Provided by Lend Lease.

RICE: 2,500 tons total, to be shipped in November and December, 1943, and January and February, 1944. Provided by Lend Lease.

PILCHARD LOAF: 100 tons monthly starting January, 1944, provided by Lend Lease.

CANNED SQUID: 200 tons monthly starting January, 1944, provided by Lend Lease.

GROUND FISH: 400 tons monthly starting January, 1944, provided by Lend Lease.

CANNED PILCHARD OR HERRING: 200 tons monthly starting January, 1944, provided by Lend Lease.

MINESTRONE VEGETABLE STEW (Dehydrated): 300 tons monthly starting February, 1944, provided by Lend Lease.

PROTEIN SPAGHETTI: 300 tons monthly starting February, 1944, provided by Lend Lease.

-3-

(U. S. Government continued)

SALT DRIED FISH: 100 tons monthly starting when supplies become available. To be provided by Lend Lease.

GREEK WAR RELIEF ASSOCIATION

COD LIVER OIL: 25 tons monthly procured by the Canadian Red Cross and financed by the Greek War Relief Association of New York.

OVALTINE: 10 tons monthly, purchased in Canada and financed by the Greek War Relief Association of New York. 9,984 tons to be procured in the United States in January, 1944, and financed by the Greek War Relief Association. (This is not a continuing entry but exemplifies the type of monthly surplus available, as indicated by Agriculture, to Greek War Relief Association, which then underwrites the article, if interested.)

AMERICAN AND CANADIAN RED CROSS

MEDICAL SUPPLIES: During the last six months of 1943, the American Red Cross has provided \$322,000 worth of medical supplies. It is anticipated they will continue at this rate for the first six months of 1944. Funds made available through the Emergency Appropriation Act are used for the purchase of these medical supplies. Participation of the American Red Cross in the Greek feeding program represents the sole instance in which the Emergency Relief Appropriation Act's funds were utilized in an enemy or enemy-occupied country to date.

During this same period the Canadian Red Cross, from their own treasury, has provided \$128,000 worth of medical supplies. Their rate will be approximately the same for future months.

Transoceanic shipping costs have been borne by the Office of Lend Lease Administration (now Foreign Economic Administration) since January 1, 1943, and, before that date, by Greek War Relief Association.



-4-

The administration of the Greek feeding program is under the direction of the Swedish-Swiss Governmental Commission with the Joint Relief Commission of the International Red Cross Committee acting as their agent in the field. Field and operational reports are submitted by the Joint Relief Commission to the Swedish-Swiss Commission for distribution to the participating governments and agencies.

CABLE TO LONDON

Reference your 1860 of March 7, re credit established in London for relief of Jewish refugees in Rome.

In view of suggestion made by Foreign Office, arrangements are being made by the American Jewish Joint Distribution Committee to transfer the \$20,000 to an account in a London bank in its name for later payment to people concerned.

The Department, Treasury and War Refugee Board would appreciate advice as to identity of recipient organizations in Rome and whether additional funds are needed.

Attachment.

PH:lab 3/13/44

THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

No. 14311

Subject: Refugees in Mauritius.

AMERICAN EMBASSY  
London, March 7, 1944.

The Honorable  
The Secretary of State,  
Washington.

Sir:

- 1/ In the enclosed letter and memorandum submitted to  
2/ the Department at the request of the Director of the  
Intergovernmental Committee on refugees, the Director  
suggests that the detention of refugees in Mauritius is  
a subject which the War Refugee Board may wish to examine.

- 3/ The subject of refugees in Mauritius attracted attention  
in the House of Commons on February 23. A copy of the  
pertinent record is enclosed.

Respectfully yours,  
For the Ambassador:

W. J. Gallman  
Counselor of Embassy

Enclosures:

- 1/ Copy of letter of March 4, 1944  
from H. W. Emerson, Director of  
the Intergovernmental Committee on  
refugees to Bucknell.  
2/ Copy of Memorandum by H. W. Emerson  
regarding refugees who wish to  
emigrate to the United States.  
3/ Copy of record of Parliamentary  
Debates, House of Commons, February 23,  
1944, Cols. 819-820.

CC/PB

840.48 REFUGEES/5353

PS/LO

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



C O P Y

Enclosure No. 1/ to despatch No.  
14311 of March 7, 1944 from the  
Embassy at London, England.

## INTERGOVERNMENTAL COMMITTEE

Director:

Sir Herbert Emerson,  
G.C.I.E., K.C.S.I., C.B.E.,

11d Regent Street,  
London, S.W.1.  
March 4th, 1944.

Dear Mr. Bucknell:

I enclose a memorandum in which I have made representations suggesting that the United States authorities might relax in some respects the procedure now followed regarding the issue of visas to refugees. Both as High Commissioner and as Director of the Intergovernmental Committee I have had to deal with a number of cases in which it has been relevant. The immediate question has arisen out of a representation made to me by the World Jewish Congress regarding certain refugees now detained in Mauritius. In considering that case, I came to the conclusion that the only satisfactory way of dealing with it was to raise the general issue. It seems to me a matter which the War Refugee Board might wish to examine. It is a matter of domestic concern, and it would therefore be inappropriate to refer it to the Executive Committee, which I do not propose to do. I may say that I have not consulted the British Government before drafting the Memorandum, but I am raising with it the question of refugees in Mauritius to see whether, even if the present procedure of the State Department cannot be relaxed, some other way cannot be found out of the present impasse. I shall be grateful, if the Ambassador has no objection, if the Memorandum can be submitted to the State Department.

Yours sincerely,

(Signed) H. W. Emerson.

Mr. Howard Bucknell, Jr.,  
Embassy of the United States of America,  
1, Grosvenor Square, W.1.

Enclosure No. 2/ to Despatch  
No. 14311 of March 7, 1944,  
from the Embassy at London,  
England.

MEMORANDUM

The object of this memorandum is to represent to the State Department the case of refugees who wish to emigrate to the United States of America and experience difficulty in obtaining the necessary authority either because they are now in detention or are ex-internees, or are under certain restriction. During the past two years I have had to deal with cases of this kind (either general or individual) relating to refugees in the United Kingdom, Australia, Canada, Trinidad and Mauritius, and I have no doubt the same problem arises in the case of refugees elsewhere.

2. I was first concerned with the case of refugees in the United Kingdom who wished to emigrate to the United States of America, and who had either been released from internment, or who had not been interned but were subject to certain restrictions. I took part in a conference which was held at the Home Office, London, on the 16th April 1942, attended by representatives of the British Home and Foreign Offices, and of the United States Embassy. As a result, a procedure was adopted, which is still in force, by which the Home Office in appropriate cases issues a certificate in the following form:

"It is hereby certified that (A) ..... (B)..... having satisfied the Secretary of State that it would not be prejudicial to the national interests that he/she should be left at large and allowed to reside in the United Kingdom, has been exempted/released from internment subject only to the regulations and restrictions which are applicable to all foreigners resident in the United Kingdom who are not nationals of a State at war with the Axis Powers, and subject to any general policy that may be adopted by His Majesty's Government from time to time.

It is further certified that the above mentioned person was not released from internment on condition of emigration to another country."

A certificate is not given to a would-be immigrant, but to the U.S. Consulate General in London (a) at the request of the Consulate General or (b) on production by an applicant of a letter from the U.S. State Department asking for such a certificate.



- 2 -

This procedure has, on the whole, worked every satisfactorily, but a few months ago I had to deal with a case which was not covered by it. The facts were briefly as follows: It related to a youth 21 years of age who had been interned in England during the general internment, and was later released on condition that he undertook specified work of national importance, and would not leave it without the permission of the Ministry of Labour. He took up this employment and has been in it ever since. His father is on the staff of Brown University, Providence, Rhode Island. The voluntary committee with which the youth is registered testifies that his character and general attitude are irreproachable. There is no security objection whatsoever. But since there is a condition attaching to his release, the Home Office cannot give the necessary certificate. It may be observed, however, that the condition in question had no reference to security. It was imposed in this and similar cases in order to ensure that full use would be made of persons on release, so that they would make a direct contribution towards the war effort. In this respect it was in anticipation of the policy later adopted by the Ministry of Labour, and applied to all free persons, within certain age limits, of allied or enemy origin, by which they were required to register, and can be directed to employment related to the war effort. This policy was itself a reflection of the very wide powers exercised by the Ministry of Labour over British subjects in regard to their conscription for and direction to specified employment. This conditional form of release does not imply any suspicion against the reliability or conduct of the person concerned, or carry any imputation that he will not make a good citizen.

3. The difficulty about released internees in Australia has, I believe, been now overcome. As regards Canada, I understand that the principal relief organization has made representations to the Canadian authorities with the object of the relaxation of restrictions which are at present regarded as an obstacle by the United States authorities. Within the past week I have written to the organization in question explaining the procedure adopted in this country and described above.

4. This procedure is, however, not always suitable to local conditions. I may give two examples with which I have been dealing recently. The first relates to Trinidad. There, the refugees in question have been released from internment, but they are under restrictions applicable to persons of enemy origin. There seem to be no restrictions applicable to foreigners of non-enemy origin. This being so, a certificate



cannot be given to the effect that they are "subject only to the regulations and restrictions which are applicable to all foreigners resident in the United Kingdom who are not nationals of a state at war with the Axis Powers".

5. For Mauritius the facts are different. About 1,400 Jewish refugees of different nationality - Czech, Pole, Austrian and German - are detained in a detention camp, having been deported towards the end of 1940 from Palestine, which they entered illegally. They are well cared for in the detention camp, and are given as much liberty as possible, but there is no means of employment for them in the island outside the camp, and there is no accommodation available. They have therefore to be kept in a camp. So far as I am aware there is no objection to them on security grounds, with the possible exception of a few individuals, and there is no reason to suppose that they are not bitterly hostile to the Nazi cause and very friendly towards the Allied cause. They are of the same class as other refugees from Nazi oppression, but they have had the bad luck to be deported to Mauritius. Had they come to the United Kingdom instead, it is safe to say that in accordance with the liberal policy pursued by the British Government, at least 90 per cent of them would have been at liberty, subject to a minimum of restrictions, and with ample facilities for employment in the war effort. They would have qualified for the certificate had they wished to emigrate to the U.S.A., and had they been otherwise acceptable. Some of them have relations in the U.S.A. who are ready to give the necessary affidavits, but I have been informed by the World Jewish Congress that in the present circumstances applications will not be entertained by the U.S. authorities.

6. The above instances, and there must be many others, illustrate the anomalies which arise in applying a uniform procedure to all cases. These are due to the fact that a uniform policy has not been followed (and indeed cannot be followed, owing to differences in conditions) in different countries, or even in different parts of the British Empire, in regard to (a) internment, (b) detention, (c) restrictions imposed on foreigners as a body, or on those of Allied origin or on those of enemy origin. The result is that the measure of restraint or restriction is determined in many cases more by accidental circumstances and local conditions than by considerations of the person's reliability and loyalty and his fitness to make a good citizen. The fact is that, in war conditions, internment, when not based on purely personal grounds, does not necessarily imply any stigma on the individual in respect of reliability or character.

I therefore submit for consideration the question as to whether the policy now pursued by the United States authorities cannot be relaxed. The fundamentals of that policy would appear to be, first that any restriction imposed on a would-be immigrant should not be in excess of that imposed on persons of neutral nationality, and second, that where the person has been in internment the release should be unconditional. I fully realize that apart from the normal conditions attaching to immigration, it is essential for the United States authorities to be completely satisfied on two points, first, that there is no security objection whatsoever to the grant of a visa, and that second, when a person is released from internment or detention, the release is not made merely with the object of getting rid of him to the possible detriment of the United States Government. I would suggest, however, that these conditions can be fulfilled in many cases, which are now excluded ab initio from consideration by the application of general principles. To take the extreme case of persons in Mauritius. They have now been there for more than three years, so that the authorities must have very intimate knowledge of their character, reliability, etc. It ought not to be difficult to establish a procedure by which the local authorities in Mauritius could give the U.S. authorities whatever information might be required regarding a particular individual, it being understood, of course, that the Mauritius authorities would act in the matter with complete good faith. If, on the particulars so given, the United States authorities were satisfied that he was fit for citizenship and were prepared to issue a visa, then the person would be released from detention, not in order to get rid of him, but because the United States Government were satisfied that he was fit for citizenship. That is to say, in the peculiar conditions of Mauritius (and similar conditions may well arise elsewhere), the release would follow the satisfactory examination of personal factors instead of, as at present, being a condition precedent to such examination. In short, I would urge that where a general procedure is not appropriate, the scrutiny of individual cases should be adopted, and the case decided on its merits. Since the general procedure for refugees in the United Kingdom mentioned in paragraph 2 above is proceeding satisfactorily, I would not suggest any change in it, except that the few individual cases deserving of consideration which do not fall within the four corners of the procedure should be admitted to individual examination on their merits.

H. W. EMERSON



C O P Y

Enclosure No. 3/ to despatch  
No. 14311 of March 7, 1944.  
from the Embassy at London,  
England

SOURCE:

PARLIAMENTARY DEBATES,  
House of Commons,  
23 February 1944.  
London.Cols.819-820

## MAURITIUS (JEWISH REFUGEES)

30. Mr. Martin asked the Secretary of State for the Colonies how many European refugees are now interned on the island of Mauritius; of what nationalities are they; how many are known to be sympathetic to the Allied cause; and how many have professional or technical qualifications of recognised standing.

Mr. Emarys-Evans: There are some 1,400 Jewish refugees in Mauritius. They include Austrians, Czechs, Poles, Danzigers and Germans. I have no reason to believe that they are other than sympathetic to the Allied cause. I have no data on the last part of the Question.

Mr. Martin: Is the hon. Gentleman aware that some of these people have excellent technical qualifications and that the Allied cause should make some use of them, instead of keeping them in internment, doing nothing year after year?

Mr. Emarys-Evans: A certain number have already been released and are in the service of the Allies.

Mr. Astor: Are these refugees doing nothing, or are they engaged in some useful occupation to help the Allied cause?

Mr. Emarys-Evans: I have said that a certain number have already joined the Allied Forces.



- 2 -

Mr. Silverman: Is it not the case that those who have not been released, those who are still in camp - which is the greater number - are compelled by the Government to spend days in idleness when they are capable of doing useful work and are anxious to do it?

Mr. Earys-Evans: I should want notice of that question.

Mr. McGovern: Are these Jewish refugees being imprisoned at the same time as they are asked to do something useful for the Allied cause?

## AIRGRAM

From: American Legation

Tangier, Morocco

Date: March 7, 1944

Rec'd: Mar. 13

Secretary of State

Washington

A-48 March 7, 1944 6 P.M.

Department's circular airgram of January 26, 7 P.M.

Since the Spanish occupation of Tangier in June, 1940, no refugees have entered Tangier. Some 3000 refugees were admitted to Tangier between 1938 and 1940. About 1000 of these have since departed. Refugees have never been permitted to enter the Zone of the Spanish Protectorate.

The Spanish occupying authorities in Tangier do not encourage or cooperate in any way either to permit the entry of refugees or to succor those who are here. After the occupation, Spanish Republicans who had taken refuge in Tangier were of course mercilessly persecuted if caught, but, generally speaking, other refugees whom the Spanish found here upon their arrival were tolerated. Several stateless persons, among them former Hungarian nationals, have been expelled without any reason being given despite energetic protests by the honorary Swedish Consul General who is in charge of Hungarian interests. (Confidential: The Legation has reason to believe

- 2 -

believe that at least some of these persons were expelled on suspicion of being Allied agents).

For all practical purposes, it is impossible for war refugees to enter either Tangier or Spanish North Africa at the present time. Certain refugees, belligerent nationals of military age, have also experienced difficulty and delay in securing exit permits from the Spanish authorities to enable them to proceed to Great Britain and America, but no instance is known to the Legation of such permits being refused permanently.

Mr. Mordecai KESSLER, a member of the overseas staff of the American Joint Distribution Committee, has been in Tangier for some weeks. Several members of the same group and a representative of the Friends' Service Committee had previously visited Tangier in connection with the refugee situation. The "Refugee Aid Committee" of the Tangier Jewish community is at present assisting some 571 individuals with cash grants, clothing, food, or medicines. This represents an expenditure of more than \$10,000 per month and is met entirely by remittances from the American Joint Distribution Committee in New York. Mr. Kessler is examining the 93 family groups and 52 individuals who have evinced an interest in emigrating to Palestine, and is hopeful of obtaining permission for a few to proceed to Canada.



- 3 -

Although the local Jewish community is powerful and wealthy, its members have manifested slight willingness to assume the responsibility of assisting the less fortunate among their co-religionaries who have sought refuge here.

ELBRICK

840.1

PEG:gp

7 March, 1944

Dear John:

There are two principal matters which I wish to call to your attention. They involve the present status of discussions with the French and some information which I learned about the Italian situation. There are also some other matters which may be of interest which are referred to later.

When I took up the matter of approaching Massigli, Seldon Chapin asked me to prepare a memorandum which he could leave with him. After some discussion Chapin finally agreed that I should be included in the conversations. After this had been agreed to, all of the files and the proposed memorandum were turned over to Lawton, the First Secretary of the Embassy in order to get the latter's opinion on the form of the memorandum. Lawton discussed the matter with me and finally reached the opinion that it would be better merely to talk to Massigli and not present a memorandum. I agreed to this since I had not contemplated a memorandum in the first instance and only wanted to get to see Massigli in order to urge his cooperation in the new program. Chapin agreed to this and arranged an appointment with Massigli for 6 o'clock Monday night.

We met Massigli at the appointed time. Chapin introduced me as the War Refugee Board representative and outlined some of the features of the Board's work which had not been covered in previous meetings. He also asked whether we could be referred to other persons in the Foreign Affairs Ministry who would be more directly connected with the admission into North Africa of applicants for Fedhala. We stated that it was our hope that no red tape would cause delay of this program since progress along these lines would assist the program of bringing additional refugees into Spain. Massigli was extremely cordial. He referred, however, to the fact that the French facilities were limited and that they had tremendous problems of their own. We pointed out that post war considerations should not interfere with a program of saving lives now, and that to some extent a United Nations victory would remove part of the refugee problem since many refugees would want to return to their own lands.

- 2 -

Massigli asked us the number of people intended to be brought to Fedhala. When we told him that the present group numbered only 750, he said that he felt there should be little trouble. Very fortunately, at this time Meyrier, a Directeur des Affaires Politiques, and the man whom Massigli said would be more directly concerned with Fedhala came into the room. We were introduced and talked along the same lines for a few minutes. Meyrier also said that a group of 750 persons should cause no great problem.

Monday morning Mike and I saw Mendes-France. We explained to him that this matter was already under discussion with Massigli but in view of our past relations we felt we could talk to him on an informal basis. The general purpose of the new program was outlined to him and he expressed complete agreement therewith. He stated that he understood that this was an emergency program which required immediate action and agreed that no postwar problems should be permitted to delay action at this time. We talked briefly about the Fedhala situation and our fears that lower-rank functionaries of the French Securite might in their usual fashion interpose a lot of restrictions and red tape which might delay the program until it was too late. He again agreed without position and volunteered to talk to Massigli about it. Both Mike and I came away from the meeting feeling quite pleased with the attitude which Mendes-France had taken. It appears that he may be very helpful in future problems and that he might even propose the formation of a French committee. A French group might work through two channels: first, in assisting refugees in crossing the border into Spain, and second, in bringing refugees out of Northern Italy into Corsica. The use of the second channel is an idea which only occurred to me as Mike and I discussed the program on the way back from the meeting with Mendes-France. I have no idea as to its possibilities or probabilities, but it is something that I think is worth exploring. What is your opinion thereon?

On Saturday afternoon I had a meeting with a British officer who is working on the refugee program for MGS. He told me of the present movement of refugees from Yugoslavia to Allied occupied Italy. Refugees reach the Italian peninsula by almost any sort of boat and certain selected groups are brought over in Allied war craft. Other refugees have reached Allied territory by coming through the German lines. Insofar as non-Italian refugees are concerned a large number have already been evacuated to the Middle East. I will not go into this portion of the program in any detail as you no doubt are well acquainted with it. The most interesting statement that was made to me in the course of this conference relates to a recent order issued by the Allied Forces restricting the



- 3 -

movement of refugees into Italy. The British Major who gave me this information stated that if the Partisans were in control of the whole Yugoslav coast, it would be possible to restrict refugee movements completely, but since the coast was partly German-controlled and partly uncontrolled, it had been impossible to prevent the movement from that area. One of the expressed reasons for this order was the fact that the Allied authorities in Italy are finding it difficult to cope with the refugee problem. There also may be other good reasons for this order. It may well be that once refugees reach territory controlled by the Partisans they will be in a position of safety. It may also be that the Yugoslavs want to keep most of these people in Yugoslavia in order to aid in Partisan activities. In any event, it is a matter which will require further investigation. I saw Harold just before he left for Italy and he will look into it from that angle. I expect to follow it up as much as possible in this area, and if you are able to learn any information in the States, I should like to learn about it.

As I understand it, the Fedhala project will aid our present problem since it will remove refugees from Spain and thereby possibly make the Spanish more receptive to further groups. The same reasoning might be applied to the North African area, that is, if we are successful in removing refugees from North Africa, the French will in turn be more willing to permit the entrance of other refugee groups. In this connection your attention is called to the Spanish refugee group. The representative of the American Friends Service Committee has advised me that there are approximately 5,000 Spanish refugees who came to North Africa at the close of the Spanish Civil War. At one time most of these people were interned but they have since been liberated. Many of them have found jobs with the American or British armies, while others have found French employment. However, the incorporation of these people into the French economy is a slow and difficult one and they may again become a serious problem when the Allied armies leave. In the spring of 1943 a program was inaugurated under the auspices of the Joint Commission for Political Prisoners and Refugees in North Africa to remove part of this group to Mexico. Approximately 1500 Spanish refugees indicated their interest in such a movement. Since that time, however, no perceptible progress has been made. The two principal problems appear to be the granting of Mexican visas and transportation. The acquisition of visas seems impossible at the moment since, as I understand it, there is no Mexican representative in North Africa. If you consider it advisable, someone might investigate this matter to see what can be done.

Gabby Kerekes has also made one of his typical suggestions which might be looked into. It sounds a little bizarre but so have many of Gabby's earlier suggestions which eventually turned out to be worth-while. He advised that under the treaties of peace entered into in 1920 and 1921 certain agreements were made as to the Danube. An International Danube Commission was created to control various phases of the Danube problem, one of which established certain islands in the Danube as international territory under the jurisdiction of all the countries touched by the Danube and possibly England and France. Gabby believes that England and France may have withdrawn from the commission after the commencement of the war but understands that Russia asked to be included in its membership. Certainly Turkey is a member and possibly Switzerland. We do not know the present status of these islands. If Turkey has a strong position in this commission and the commission is still functioning, some of these islands may be places of refuge or may lend themselves to underground use. Gabby only remembers the name of one of these islands - Ada-Kaleh, which is on the Danube above Orsova and on the border between Yugoslavia and Rumania. He believes it is the northernmost island of the group. Some of the islands further south may prove more useful.

I am enclosing a copy of cable No. 2 which I sent to you and also copies of State Department telegrams with reference to Fedhala which should give you a little more background in the event you haven't seen them before.\*

Sincerely,

/s/ Leonard

L. E. Ackermann  
Special Representative,  
War Refugee Board

Mr. John W. Pehle,  
Acting Director,  
War Refugee Board,  
Room 288½ Main Treasury Building,  
Washington, D. C.

\*I have received the copies of the cables since I am informed that it is contrary to State Dept. regulations to furnish copies of their files to other departments without State Dept. clearance. You can probably secure copies in Washington.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm  
TO: Secretary of State, Washington  
DATED: March 7, 1944  
NUMBER: 784

## CONFIDENTIAL

The Legation has been informed by the Foreign Ministry that the War Refugee Board recently approached the Swedish Government on two occasions relative to Swedish assistance in rescuing Jewish children from Southeastern Europe. The board's representative in Ankara made the first approach to the Swedish Minister there and this was followed up by an approach to the Swedish Minister in Washington by Mr. Pehle, the board's director. On both occasions it was urgently requested by the board that permission be given for one of the Greek relief ships which call at Salonika to proceed to Constanza and take on board from eight hundred to one thousand Jewish children for transportation to Istanbul. It was understood that the Turk Government is willing to permit transit through Turkey, presumably en route to Palestine and the intention was to make an urgent approach to German, Bulgarian, Rumania, and Hungarian Governments to allow the children to leave if the shipping question could be agreed upon in principle.

The chairman of the Swedish Shipping Committee was consulted by Mr. Thyberg of the Foreign Ministry and the chairman remarked that Greek relief ships are not fitted for accommodation of passengers. Mr. Thyberg realizes that this objection may be minor in the circumstances. Instructions have been given to the Swedish Legation in Washington to suggest that the matter be taken up with other American and British agencies concerned by the War Refugee Board.

Without taking into account the fact that German consent still is lacking for three additional vessels to enter Greek relief traffic in order to transport increases granted recently (see my telegram of January 28, 1944, No. 291), ordinary deliveries from Canada to Greece have fallen behind. It is felt by the Swedish Foreign Ministry and by the British Legation that any extraneous delay in the shipping schedule for Greek relief must have serious and deplorable effect and this Legation agrees.

JOHNSON



## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: Marhh 7, 1944  
NUMBER: 770

## CONFIDENTIAL

The fact that you have had approaches through various channels from one or more of the Governments of Bulgaria, Rumania, and Hungary and that you have channels through which messages can be conveyed to one or more of these Governments is born in mind by the Department.

We instruct you to convey through such channels to the Governments of Bulgaria, Rumania, and Hungary, or any of them to which you have such access, the following information:

At the present time the Government of the United States is aware that these Governments are pursuing programs of persecuting their Jewish minorities and refugees of other nationalities who have escaped into their territories. Their persecution consists among other forms in sending such refugees beyond the borders of their own countries into Poland where they undergo various forms of cruelty and even death, dictated by Nazi degeneracy. Still another form of persecution consists in preventing the refugees from escaping to neutral countries where their lives may be saved.

The Government of the United States is determined to do everything it can to rescue such unfortunates who are in danger of losing their lives and to find for them havens of refuge. Any continuation by these Governments of the execution of these policies of Hitlerite persecutions is viewed with great seriousness by this Government and will be kept in mind. The President, in establishing the War Refugee Board, recently restated unequivocally the position of the United States Government in this matter. (Department's cable to Bern of January 25, 1944 No. 201). The Government of the United States takes the view that these Governments, as well as their subordinates and functionaries, are fully responsible for the actions of persecution committed on their territories and in the interests of humanity they should desist immediately. Moreover, they should be informed that in their own interest they will be well advised to take advantage in the future of such opportunities as may be available to them to allow refugees to depart across their borders into territories of any neutral countries which may be prepared to receive them.

- 2 -

You are requested to try to ascertain through appropriate channels that the Governments in question have received the substance of this message, and the results of the representations, if any.

The foregoing message was repeated to Cairo for MacVeagh as Greek Series 37 and to Stockholm, Lisbon and Ankara as the Department's cables Nos. 372, 713, and 177 respectively.

STETTINIUS

BE-322

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SCOO)

Ankara

Dated March 7, 1944

Rec'd 9:09 a.m., 8th

Secretary of State

Washington

393, March 7, 4 p.m.

FOR PEHLE WAR REFUGEE BOARD FROM THE AMBASSADOR

Hirschmann is disturbed at his failure to receive a reply from Schoff, President of Bloomingdale Bros to his two telegrams requesting an extension of from four to six weeks in his leave of absence. He feels that he has no right to jeopardize his position with the company remaining in Ankara any longer unless specifically authorized to do. As Hirschmann's services in connection with the carrying out of the boards program of rescuing Jewish refugees from the Balkans are invaluable and as he has already accomplished a great deal in a very short period of time I should be extremely loath to see him depart so soon particularly as there would inevitably be considerable delay before some one could arrive here to replace him. As you are doubtless aware my small staff and I are so overwhelmed that it is essential there be at least one individual on my staff to devote his entire time to refugee matters. In view of the foregoing, I would appreciate it very much if you could see your way clear to communicating with Schoff telephonically in an endeavor to persuade him to telegraph to Hirschmann immediately granting the requested extension of his leave of absence.

STEINHARDT

WFS



March 7, 1944

10:50 a.m.

TO: Mr. Warren

FROM: Mr. Pehle

Will you please transmit as soon as possible the attached cable from the War Refugee Board to Hirschmann in Ankara.

(Initialed) J. W. P.

Attachment.

JED:ecr  
3/7/44

AMEMBASSY

ANKARA

FOR IRA A. HIRSCHMANN FROM MR. PEHLE, ACTING  
DIRECTOR, WAR REFUGEE BOARD.

This is WRB Cable to Ankara No. \_\_\_\_\_. Please  
refer to our 159 of March 2.

We are prepared to send you whatever funds you  
may require for effective operations. Do not hesitate  
to keep us advised of your needs at all times.

If it would assist you in any way we will transmit  
say fifty thousand dollars to you at once. Please advise.

JEM:JED:car  
3/6/44

GEM-610

This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

Ankara

Dated March 8, 1944

Rec'd 11:10 p.m.

Secretary of State,

Washington.

397, March 8, 4 p.m.

FOR JOHN PEHLE, WAR REFUGEE BOARD, FROM HIRSCHMANN

The Swedish Minister informed us today that he has received a telegram from Stockholm dated March 4 which indicated that diversion of the SS BARDALANDA now in Salonika for our rescue purposes must be submitted to London which Stockholm reports it has done. The telegram from Stockholm points out that the BARDALANDA does not have life saving devises, food or adequate passenger accommodations so that special arrangements must be made for these if children are to be transported. The Stockholm telegram states that Washington has been informed accordingly.

The Minister's interpretation of this telegram is that Stockholm is trying to find a ship and has agreed in principle to do so. I assume original telegram requesting a ship several weeks ago emphasized the immediate need for any Swedish vessel it being his own suggestion that the BARDALANDA be diverted since it was already in adjacent waters. He suggests that more pressure be put on Stockholm from Washington for this or any other vessel quickly and that Stockholm be urged to indicate a specific ship (?) movement to Constonza, etc. He has agreed to telegraph Stockholm today urging more specific data and immediate action. I (?) him we would do so concurrently from (\*)

Ambassador Steinhardt and I while hopeful of obtaining an early affirmatively decision on the SS VATAN still feel that a Swedish is desirable. Besides the situation calls for more than one vessel if we are fortunate enough to secure both. Please advise.

STEINHARDT

(\*) apparent omission

EMB



## PARAPHRASE OF TELEGRAM SENT

TO: AMEMBASSY, CHUNGKING  
FROM: Secretary of State, Washington  
DATED: March 7, 1944, 8 p.m.  
NUMBER: 312

SECRET

(1) The reference made in paragraph 3 of your telegram No. 392 (Adler to Treasury) and paragraph 4 of your telegram No. 412 regarding the proposed shipment to China of \$20,000,000 in U.S. currency for sale in the black market by Kung has been noted by the Department.

(2) A cable to General Hearn from General Clay dated February 29 requests the views of Hearn with respect to the advisability of suggesting to Kung that we furnish the Chinese Government additional U.S. currency with which to purchase Chinese currency on the black market, such purchases to be under the supervision of a "board" on which there would be a U.S. Treasury representative. It appears that the two Governments would share the "profit". We have also noted the statement in Adler's reference cable that Kung has indicated a preference for a "joint account" handling of the sales of the requested \$20,000,000 U.S. currency.

(3) Although the Department agrees completely with the general objective of finding means whereby the U.S. dollar cost of our army expenditures in China will be reduced, it has some doubts with respect to the practicability of the "profit-sharing board" suggestion which General Clay made to General Hearn and it desires clarification of Dr. Kung's suggestion of a "joint account". Treasury Department has similar thoughts on the matter and is cabling to Adler.

(4) The declared purpose of Dr. Kung in selling U.S. currency on the open market is to bring the black market rate of U.S. dollars down. On the face of it, his is not a profit-making project. Consequently, it is reasonable to expect agreement on Kung's part that having been given control over the sale of such U.S. currency with an opportunity to accomplish his purpose, the proceeds of the sale of the U.S. currency which the U.S. army will furnish would be used to finance expenditures on behalf of or by that army in carrying out its program of construction. Should Kung desire to place the proceeds in a "joint account" there would seem to be no objection to doing this provided the arrangement does not interfere with the prompt use of the money for the contemplated purpose.

- 2 -

(5) We suggest that if the foregoing proposal is not acceptable any additional requests by the Ministry of Finance for U.S. currency for sale in China be treated in the following way: One half to be supplied by the War Department with the full proceeds credited to the U.S. Army in China and the other half to be charged against existing Chinese Government f credits in New York, the proceeds of the sale to accrue to the Ministry of Finance. In effect, such a procedure would accomplish the objective of the "profit-sharing board" procedure but it is believed it would be less likely to lead to difficulties and confusion.

It is requested that the foregoing suggestions be discussed with Dr. Acheson, General Hearn, and Adler and that your views be reported to the Department. We have discussed with War and Treasury Departments the substance of this cable.

STETTINIUS  
(Acting)  
(DA)

sh:copy  
3-18-44



PARAPHRASE OF TELEGRAM RECEIVED

107

FROM: American Embassy, Chungking  
TO: Secretary of State, Washington  
DATED: March 8, 1944  
NUMBER: 434

SECRET

Reference is made to the Department's 297, March 3, which is in reply to our 374, February 24.

(1) Apparently we have failed to make clear to officers handling this matter in the Department the magnitude and far-reaching seriousness of the problems involved in the financing of our military projects and of effectuating our military plans in this country.

It appears that we have failed to make clear specifically (a) that there is reason to fear that China's already tottering economy may be threatened with collapse under the cumulative impact of our present and projected activities because of huge money expenditures and corresponding increase in Chinese currency issue involved, great displacement of famlabor, widespread chronic shortage of materials and supplies including food; (b) that economic collapse, creation of economic crisis or development of a runaway inflation such as occurred in 1919 in Russia (then also largely an agricultural country) may have the further disastrous result of making it physically impossible to carry out our military projects and plans here.

It is also apparent that we have failed to make clear that there is little prospect that the rulers of China will enter into realistic, reasonable and equitable arrangements for conversion of funds or other assets into Chinese currency for our military expenses except under firm (if friendly) pressure involving or threatening to involve curtailment of our present postwar aid to China in the military, political and economic fields. The very evident intent to exploit existing situation to build up China's postwar foreign currency reserves has previously been emphasized by me. The desirability of lighting a fire under those who would thus exploit us by intelligent and controlled publicity in the United States, to which the Chinese are extremely sensitive, has also been suggested by me.

(2) In regard to the question of placing greater responsibility upon the Chinese Government for Army construction enterprises, apparently the War Department does not know or has not informed the State Department that this has been the procedure followed, except as to certain operational structures their equipment obtained by army under direct contracts and of course at high prices now prevailing which always increase several-fold whenever Army comes into area. The responsibility rests with the Chinese Government for all major work on all projects. After approval of the project by GMO, work is entrusted to the Ministry Communications whose engineers work under that Ministry and the National Military Council in collaboration with engineers of our Army.

It is our understanding that own communications has instructions so far as possible to use labor corps and similar organizations but all projects are urgent, have time limits for completion, and require labor forces many times the size of any labor corps on the spot or in nearby areas. Everything is hand labor; no machinery whatsoever is available; vast amount of transport is by coolie carrier; truck transport is scarce. Labor does not come forward willingly as the pay is so meagre and therefore labor has to be conscripted. Labor and food materials must



be on cash basis and when the Chinese treasury does not provide funds promptly, as is so frequently the case, work is delayed or stopped and labor disappears. Approximately 300,000 laborers are required on projects in the Chengtu area. This will give an idea of the magnitude of the work and dislocation of economy resulting. For our Army to recruit labor and undertake projects on its own would be impossible. The foregoing is concurred in by General Hearn.

It is our understanding that General Stillwell has for a long time unsuccessfully endeavored to persuade the GMD to disarm some one hundred of his poorest and worst equipped divisions and convert them into labor corps for construction of military roads and other projects. Even if GMD were willing, a strong obstacle in the way of accomplishment of any such plan would be the natural reluctance of concerned Chinese generals to relinquish the troops on which depends their position and influence. Conversion and organization would in any case require months and the movement of labor corps from area to area would require transport facilities which are non-existent.

In regard to financing, the Chinese Government prior to March 1 was to provide such facilities as air field including those on which little or nothing has been done since November last year principally for the reason that Chinese Government has failed to furnish funds, but not including Chengtu projects for which we undertook to pay, according to my understanding. The Chinese expect us to reimburse them for all projects from March 1 - with funds obtainable at Government rate of exchange. Thus far the only concession has been offered by Kungwo supplement exchange rate and in effect give us thirty to one instead of twenty to one charging the supplement as Reverse Lend Lease. In Chungking the black market rate for U.S. dollars is now about 220 to 1.

To persuade the Ministry of Finance to provide the funds to keep the Chengtu project moving and to finance the separate building and equipment contracts of the Army itself has been the problem for the Army which was largely handled by Dr. Acheson as financial adviser. The question of conversion rate from U.S. currency to reimburse Chinese for their currency advances - question on which the Embassy has been working in cooperation with Army vis a vis Chinese authorities - is yet to be solved. It is thought by Acheson that in regard to this problem we have made some headway. In order to effect its solution, the Embassy believes that strong pressure will be necessary from Washington.

(3) Because there is little (\*) that Chinese are capable of doing to counteract the acceleration of the inflationary process resulting from our war effort here in addition to the general economic deterioration the problem presents as to what assistance can be given by the U.S. Government. We believe the use of U.S. currency to hand down and partially control the black market rate is worth a try. Provided it is implemented, we believe Kung's proposal for importation of certain commodities would have beneficial effect upon prices by helping to restore confidence and also by forcing hoarders to disgorge commodity holdings. Of course, these measures would only be useful palliatives and could not be expected to go farther in alleviation of the situation than to retard the rate of acceleration of inflation.

(4) The larger overall problems, which we outlined in our 374, fundamentally remain irrespective of our employing such meagre means as may be available to us toward holding the situation in check. It is our belief that in formulating our

strategic requirements careful consideration must be given each case to the impact on China's economy and possible ultimate effect thereof on our future military operations and long range political objectives. Measures must be taken at the same time to press the Chinese to cooperate realistically in the financing and accomplishment of our plans. It is our belief that these are questions requiring the most serious attention of our Government's highest authorities.

GAUSS

(\*) Apparent omission

ef:copy  
3-13-44



NOT TO BE RE-TRANSMITTED

COPY NO. 12

BRITISH MOST SECRET  
U.S. SECRET

OPTEL No. 77

Information received up to 10 A.M., 7th March, 1944.

1. NAVAL

Early yesterday morning Motor Torpedo Boats attacked a small convoy off the Dutch Coast and probably sank a large trawler.

At ANZIO 5th gale restricted unloading. Port and anchorage shelled continuously.

On the 5th one of H.M. Motor Launches destroyed at BEIRUT by internal explosion. On February 27th one of H.M. Submarines torpedoed a westbound tanker off Southern FRANCE.

U. 744 was sunk yesterday in S.W. Approaches by 2nd Escort Group after a hunt lasting 30 hours. Three officers and 25 ratings captured.

2. MILITARY

ITALY. To noon 6th.

5th Army. Weather worsened. Heavy snow in hills. Mortar and Artillery active both sides. Our patrols inflicted casualties. Two small German attacks dispersed by Indian troops.

5th Army. Sharp fighting between New Zealand and German patrols.

Allied Bridgehead Force. Aggressive patrolling along the whole front.

RUSSIA. Russians have cut ODESSA-LWOW Railway at VOLOCHISK and have enlarged salient in this area by capturing ZBARAZH, 10 miles northeast TARNOPOL.

3. AIR OPERATIONS

WESTERN FRONT. 6th. 725 U.S. Heavy Bombers supported by 33 Squadrons Fighters sent to Germany. 375 Fortresses and 173 Liberators dropped total 1,225 tons on objectives in BERLIN and area. 105 other aircraft dropped 246 tons elsewhere. Enemy fighter casualties reported: By bombers - 93, 44, 66; by fighters 81, 8, 22. Our losses - 69 Bombers, 11 Fighters. Total 218 escorted Marauders dropped 157 tons at HIRSON Railway Centre east of ST. QUENTIN and total of 174 tons on two airfields in Northern FRANCE. 61 escorted medium and light bombers attacked military constructions Northern FRANCE. One aircraft missing, one enemy aircraft destroyed.

6th/7th. Aircraft despatched. Railway centre TRAPPES Southwest VERSAILLES 267. Mosquitoes to HANOVER, KIEL and KREFELD 22. Intruders 18 (2 enemy aircraft destroyed); Leaflets 5. All returned safely. Preliminary reports indicate attack on TRAPPES successful.

OPTEL No. 76 not sent to WASHINGTON.



March 8, 1944  
9:28 a.m.

HMJr: Good morning, Sam.

Judge  
Rosenman: How is Elinor this morning?

HMJr: She's better, thank you.

R: Good.

HMJr: Sam, I was just dictating a letter to the President telling him I was forwarding him this material from Dr. Weizmann ....

R: Yes.

HMJr: .... and then I noticed that the thing is addressed to you.

R: Oh!

HMJr: And I think that in view of that don't you think you ought to give it to him yourself?

R: All right.

HMJr: Don't you think it would look funny -- I mean, the -- the President would immediately say, "Well, why does Henry have to .... "

R: I'll take it up this morning.

HMJr: Will you do that?

R: Well, now can I tell him that -- can I -- in order to give some reason for it, can I tell him that he's talked with you about that bribe thing?

HMJr: Yes, and that I asked you last night ....

R: Yes.

HMJr: .... what was the latest, and that we discussed this memorandum.

R: Yes.

HMJr: And then you realized that you hadn't furnished him with a copy of it.

- 2 -

R: I'll give him -- I'll take the original in now.  
HMJr: And -- and give it to him?  
R: Yeah.  
HMJr: I think it would be much better.  
R: So do I.  
HMJr: Because it would - it would immediately raise a doubt in the President's mind, "Why does Henry have to send me a copy of a letter to Sam?".  
R: You're right.  
HMJr: Okay?  
R: I'm going to give him this original so you keep your copy.  
HMJr: Right.  
R: Okay.  
HMJr: Thank you.  
R: All right.  
HMJr: Good-bye.  
R: Good-bye.

March 8, 1944  
9:31 a.m.

Judge  
Rosenman:

Henry.

HMJr:

Yes.

R:

I find in looking through this stuff -- check me up on it because I'm doing it in a hurry and ....

HMJr:

Yeah.

R:

.... that the thing that contains the Philby story is a letter to Sumner Welles, of which he encloses a copy.

HMJr:

Now I have a thing here. Well, there's two. There's the first letter addressed to you.

R:

Yes.

HMJr:

And he says "First of all I want to let you know something about the Hoskins story" ....

R:

Yes.

HMJr:

.... then he says "I wrote down Sumner ...." ....

R:

"I cannot do better than send you the account of recent developments at this end which I wrote down to Mr. Sumner Welles in a letter in December.... I attach a copy of this letter with the enclosure by Philby".

HMJr:

Yeah, but I think the letter to you -- well, just a minute -- you've got me ....

R:

I guess they both have to go in.

HMJr:

I think I would send them both.

R:

Yeah.

HMJr:

I would send them both. That's what I would do.

R:

Yeah.

HMJr:

The letter to Sumner Welles and the letter to you.



- 2 -

R: Yeah.

HMJr: That's what I would do.

R: Okay. Well, I want to read this carefully to see whether there's anything offensive in there.

HMJr: Offensive?

R: Yeah -- before I send it in.

HMJr: Yeah. I don't think there is.

R: Neither do I, but ....

HMJr: Okey-doke.

R: All right.

THE WHITE HOUSE  
WASHINGTON

PERSONAL

March 8, 1944

Dear Henry:

I have given to the President the enclosures in Dr. Weizmann's letter of January fourth, to wit, the copy of Dr. Weizmann's letter to Sumner Welles, dated December thirteenth, and the attached excerpts from a statement from Mr. Philby to Dr. Weizmann, dated November seventeenth.

I did not want to take time to make copies of them, so I wonder if you could send me a copy of these papers made from the copy in your possession because I do not suppose I will get them back from the President and I would like to have my file complete.

Many thanks.

Very sincerely,



SAMUEL I. ROSENMAN

The Honorable,  
The Secretary of the Treasury,  
Washington, D. C.

March 10, 1944

Dear Sam:

In reply to your letter of March 8th, I have had a photostatic copy made of the material which you have asked for, and I am sending it to you herewith.

Sincerely yours,

Honorable Samuel I. Rosenman,  
The White House,  
Washington, D.C.



THE JEWISH AGENCY FOR PALESTINE,  
77, GREAT RUSSELL STREET,  
LONDON, W.C.1.

4th January, 1944.

Judge Samuel Rosenman,  
The White House,  
WASHINGTON, D.C.

I have been anxious to write to you for some weeks now, but have felt it better to wait for a good opportunity.

First of all, I wanted to let you know something of the "Hoskins story", of which you may have heard some echoes in Washington, and I think I cannot do better than send you the account of recent developments at this end which I wrote down for Mr. Sumner Welles in a letter dated December 13th. I attach a copy of this letter, with the enclosure by Mr. St. John Philby. (Mr. Philby, who is a great Arabic scholar and traveller, has been connected with Ibn Sa'ud for many years; he is, I believe, a great friend of the King). Though I addressed the letter to Mr. Sumner Welles, it is, as you will realise, intended for the President, to whom I was anxious to explain that it was not by us that his name had been so indiscreetly introduced into the matter of the guarantee. Ibn Sa'ud's change of attitude as reported by Colonel Hoskins, may I think be due to the long delay between the original mention of the idea and Colonel Hoskins' visit (the first session with Mr. Philby was three years ago); or to the fact that Colonel Hoskins came without the "firm offer" which the King expected; or - in my view probably - to the intervention of certain representatives of the oil companies which held important concessions in Saudi Arabia, and which must provide Ibn Sa'ud with a considerable income; the activities of such companies in the Middle

/East

...are, in my experience, usually anti-Jewish. In my own view, the sending of Hoskins to Ibn Sa'ud was a serious mistake: he came empty-handed, and quite unprepared - and he is in any event none too sympathetic. I did warn Mr. Sumner Welles about this in a letter which I wrote him before leaving America - of which you can get a copy from Mr. Meyer Weisgal.

I think the letter to Mr. Welles covers the rest of the Hoskins story - so far as it is known to us here. I should perhaps add that the "plan" which Mr. Philby mentioned to the King three years since was also mentioned to me, quite independently, and without any knowledge of Mr. Philby's views, by the Prime Minister, and this is why I have always attached considerable importance to it.

Since my return to London I have seen quite a number of people: the Prime Minister, Mr. Attlee, Field-Marshal Smuts, and of course the Colonial Secretary (several times) - apart from some other members of the Cabinet. No very precise information was made available to me, but my impression is that there are the following "probabilities" in the air:

1) It seems to be assumed that the White Paper cannot be maintained (though I'm sure that the Palestine Administration would do - and is doing - everything in its power to maintain the White Paper policy), and that something, at present unspecified, will replace it. It may be that the idea of partition is to be revived. Such a solution at this time would, I believe, be neither more final, nor could it be agreed to by the Jewish people. I do not know whether any definite decision has been reached or not, though I gathered from remarks dropped by Field-Marshal Smuts that our affairs were discussed at the recent meetings, and no doubt the President was in the picture - which makes me happy.

2) Hints are also being dropped in various quarters that the decision, whatever it may be, will be "imposed" on both sides, and not previously discussed

us or the Arabs.

The element in the present situation which worries us most is the bitterness between the British Administration in Palestine and the Jewish population. It stems, of course, mainly from the White Paper (to which, as already mentioned, the local officials would like to adhere indefinitely), and from all that has happened to us in the last few years: the Struma, the Patria, the evacuation of refugees from Athlit to Mauritius, the recent trials and searches for arms with the savage sentences imposed on our people (in striking contrast to the minimal punishment meted out to hundreds of Arabs guilty of similar and more serious offences) - all this, with innumerable small and larger chicaneries over a period of years, has contributed to exasperate the Jewish population. I have done my utmost - not, I believe, without some measure of success - to hold things steady, and have just recently invited delegations from Palestine and from the States to meet in London in order to discuss the whole situation and the possible decisions of which we may be informed. I cannot emphasise too strongly that our immediate anxiety is to prevent the occurrence in Palestine of incidents which may prejudice any future arrangements. Many Americans returning from Palestine are, I fear (like many of the British) unduly and adversely influenced by the local Administration, and anything which can be done from the American side to counteract this would be of great value. For the last year or so we have been hearing from British and American sources that everything in Palestine is set up for a clash between Jews and Arabs. On the other hand, we understand from many sources that relations between Jews and Arabs - at any rate in ordinary day intercourse - are improving, and these panicky reports have no real foundation. For myself, I am quite sure that talking about clashes is the worst way of bringing them about. Uncertainty is also a fertile breeding-ground /for



the sooner a definite decision is taken, and a constructive policy adopted, the better for everyone. The Prime Minister rightly attaches the greatest importance to correct timing (as you may see from the enclosed note of my talk with him); and we would agree, were it not that we fear that delay may play into the hands of the dark forces operating in that part of the world - forces anxious to provoke a clash, and prevent any constructive solution.

Just as I left America I heard, to my great distress, that you were not well, so that I could not see you to say goodbye. I am very happy to learn that you are back at work again - the best possible sign of full recovery.

I send you my very best wishes for a happy New Year, and look forward to hearing from you soon.

With kind personal regards, I am

Very sincerely yours,

Signed....CH. WEIZMANN

P.S. We have been thinking of going to Palestine - but of course it is difficult, things being as they are, to make any definite arrangements any time ahead.

SECRET

STATE OF CONVERSATION WITH FIELD-MARSHAL SMUTS, HYDE PARK HOTEL, LONDON, S.W.1.  
TELETYPE OCTOBER 14th, 1943, at 10 a.m.

I met General Smuts at the Hyde Park Hotel at ten o'clock this morning, and though we had not seen each other for eleven years, we met as old friends. I had, however, a considerable amount of leeway to make up in order to put before him a picture of the situation as I see it at present, and this took about half an hour.

I described our difficulties and frustrations: the White Paper, and what it means for us, the Jewish Army, etc., and incidentally told him that because of the White Paper probably about 150,000 to 200,000 more Jews had died in torment because we could not get them out. I added that in a few months now, there would be a notice over the gates of Palestine: "No Jew need apply!" I described the gun-running trials, and told him that Englishmen and Americans were apt to return from Palestine with poisoned minds, to spread anti-Jewish, anti-Zionist, anti-semitic propaganda, suggesting that the Jews were subversive, and attacking the United Nations in the midst of the war. They were trying to drive us into revolt, and at the same time they accused us of being subversive. It seemed that they were following the pattern so successfully evolved by Hitler: first defame - then you can do what you please with them.

The General listened with close attention, and at the end said that I had painted a dark picture. He thought I had changed a great deal in the years since we had met. I said it was small wonder if I had. But my attitude had taken a course precisely opposite to his own: he had started by fighting the British, and now everything was being done to drive the Jews into opposition to them. I think this made an impression on him.

I said that, so far as the Jews were concerned, Hitler had won the war, because he had succeeded in poisoning men's minds everywhere. He replied emphatically that Hitler was not going to win.

He asked me whether I thought the Jews still followed me? I said I believed that English, American and South African Jews still did. So far as Palestine was concerned, it was some years since I had been there and they might regard me as somewhat empty-handed. But I thought they would still follow me.

I told him the story about Ibn Sa'ud and Philby and the Prime Minister's reaction to me about his plan. But more than two years had passed since then, and nothing had happened. I was afraid that such an atmosphere was being created as would make it impossible for the Prime Minister - with the best will in the world - to do anything; his hands would be tied - the Administration in Cairo and London would see to that. I said it was therefore essential to do something. The first thing I would suggest was that General Smuts and myself should see the Prime Minister and discuss the matter. He thought this an excellent suggestion and said he would try to arrange it.

/That

That more or less terminated the interview. I am sending him a written note of the facts mentioned in my statement. He will, as he said, "chew it over", and we shall meet again. He will then try to arrange the interview with the P.M.

In conclusion, I said: the picture is gloomy, but there are still three men in the world who could solve our problem: the Prime Minister, Mr. Roosevelt and yourself. I then gave him a short account of my talk with Roosevelt.

The talk, which was throughout most friendly, lasted about three-quarters of an hour.

-----



EXCERPTS FROM MINUTES.

14th November, 1943.

INTERVIEW WITH GENERAL SMUTS:

Dr. Weizmann said he had seen General Smuts at 11 o'clock that morning, and had had a very cordial talk with him. General Smuts had given him as much time as he wanted. The General thought that things were going well for them. A decision might be taken by Mr. Stalin, the Prime Minister and the President at their present conference, and General Smuts might join them at the end of the week - or the beginning of next week. He suggested that Dr. Weizmann and Sir Wyndham Deedes should lunch with him before he left. The General said that the Prime Minister's mind was revolving round partition, which would give a good run to the Jews. He told Dr. Weizmann that he should not ask too many questions, so that he should not be committed. They wanted to retain Dr. Weizmann's leadership. General Smuts said that the talk which Dr. Weizmann had had with the Prime Minister meant more than they believed. Dr. Weizmann should not pay too much attention to what other people were saying: it would be the Prime Minister, the President, and perhaps he himself who would settle the matter. The General said they had friends in Mr. Amery and Sir Archibald Sinclair. In the meantime, Palestine must be kept quiet. He would see Mr. Casey on the way back. He mentioned that Mr. Casey had spoken to him about the Haganah. General Smuts did not believe there had been organised "provocation", but there probably was a good deal of "panic" (he used the words "terror judaica"), which led to provocative acts. Dr. Weizmann said that such acts had to be stopped, and General Smuts said he would talk about it that day. General Smuts said the Government had great confidence in Dr. Weizmann, and Dr. Weizmann replied that they had a funny way of showing it, because he was not even allowed to communicate with his people in Palestine and in America. General Smuts said he was surprised to hear this and would take it up. The General suggested that Dr. Weizmann might have to go to Palestine. Dr. Weizmann told him about Mr. Ben Gurion, and the cables sent to Palestine and America. General Smuts said that if necessary they would arrange for Mrs. Weizmann to travel with him.

Dr. Weizmann said that at one time they had heard that Sir Douglas Harris was here and was advising on some kind of partition scheme. General Smuts brushed this aside and said: "We will decide".

Summing up, Dr. Weizmann said they had discussed three points:

- (a) the stoppage of the arms searches;
- (b) communications with Palestine and America;
- (c) provision of transport facilities for Mrs. Weizmann if Dr. Weizmann had to go to Palestine.

SECRET

EXTRACTS FROM MINUTES OF THE 21ST DECEMBER, 1943.

TALK WITH MR. AMERY;

Dr. Weizmann said he had shown Mr. Amery the telegram he had received from General Smuts; Mr. Amery had answered that he could not tell him anything about it. Dr. Weizmann replied that he quite understood that, but it seemed to him that things were going towards partition. Mr. Amery replied that there would only be a definite decision when the Prime Minister was back in London. After some time, Mr. Amery said there was one thing he could mention, and that was the Palestine Currency Board had accumulated some £50,000,000, so that there would be some money to give both to Arabs and Jews. At one stage, Mr. Amery said; Let them impose it on you; otherwise the Arabs will refuse.

-----oO-----

77, GREAT RUSSELL STREET  
LONDON, W.C.1.

13th December, 1943.

Hon. Sumner Welles,  
WASHINGTON, D.C.

Dear Mr. Sumner Welles,

It was with deep regret that I learned of your leaving the Department of State. I hope you will forgive me for troubling you, even now, with a matter discussed between us while you were in office; for I should like it to be brought to the attention of the President, and if you are willing to do me this great service, I feel that no one is as well acquainted with the subject as you are yourself.

2. You will doubtless remember that during my conversations with you I mentioned a scheme for a Jewish-Arab agreement, originally put to me by Mr. St. John Philby, the well-known Arabian traveller and scholar, who is a personal friend of King Ibn Sa'ud. This I briefly repeated to the President when I had the honour of seeing him. May I remind you of its main outline? The Arabs should relinquish Palestine west of the Jordan to the Jews if, at that price, complete independence is secured to them in all other Arab lands in Asia. Mr. Philby envisaged considerable transfers of Arab population, and a compensation of £20,000,000 was to be paid to Ibn Sa'ud. When Mr. Philby first discussed this scheme with me in the autumn of 1939, in the presence of my colleague Mr. Namier, we replied that Jewry, though impoverished, will be able to meet the financial burden, of which part would have to take the form of Palestinian goods, or work on land to be developed for re-settlement of Arabs. But the political part of the programme could only be implemented by Great Britain and the United States.

In the talk with the President you suggested sending Colonel Hoskins to King Ibn Sa'ud. I felt reluctant to express my doubts, but, after careful consideration, I wrote to you deprecating the proposed choice because I knew Colonel Hoskins to be in general out of sympathy with our cause. The position with regard to Ibn Sa'ud was extremely delicate. As you will see from the enclosed letter from Mr. Philby, he had put his scheme before Ibn Sa'ud on January 8th, 1940. Ibn Sa'ud replied that he would consider it, if it came to him as a firm offer, but he would disavow Mr. Philby if this attitude was prematurely divulged. Clearly he feared opening himself to attack by rivals in the Arab world on account of a scheme which might never reach the stage of practical consideration.

After leaving America last June, I heard no more until the end of October, when Colonel Hoskins came to see me here three times in November. He told me that he had been to Arabia and had there heard for the first time about the Philby scheme



He reported King Ibn Sa'ud as having spoken with great bitterness about me, declaring that I had sent Mr. Philby to him with the offer of a bribe, which was contrary to his honour, patriotism, and religion; and that he had turned Mr. Philby out, and would not receive him in Arabia again. Colonel Hoskins also reported Ibn Sa'ud as saying that the £20,000,000 was to be guaranteed by the United States. Colonel Hoskins further informed me that Ibn Sa'ud had sent a written statement to the President in which Mr. Philby is alluded to, but not named.

5. The assertion about the United States guarantee for the money compensation was obviously based on a misconception somewhere (see above, paragraph 2). I should be profoundly distressed if the President thought I had used his name in this connection, which was never the case. Further, I was astonished by what Colonel Hoskins reported Ibn Sa'ud to have said about Mr. Philby, as I knew that Mr. Philby had remained a guest of the King for quite half a year after having put his scheme before him. I was therefore relieved the next time I met Colonel Hoskins to discover that the report of Mr. Philby's disgrace had been merely Colonel Hoskins' own deduction: he said he could not imagine that the King would welcome back a man who had suggested so distasteful a scheme. Mr. Namier and I discussed the matter frankly with Mr. Philby, who has also seen Colonel Hoskins alone. Mr. Philby's view (as you will see from the enclosure) is that Colonel Hoskins' mission left matters much as they stood, and that if the original scheme was offered to Ibn Sa'ud on behalf of the President and Mr. Churchill, it would be accepted.

6. When I was in America you were good enough to discuss with me at length the Palestine question. I hope that you have not lost the interest in Palestinian affairs which gave me so much encouragement and pleasure. May I put my views before you once more in special connection with Mr. Philby's scheme? It is conceived on big lines, large enough to satisfy the legitimate aspirations of Arab and Jews, and the strategic and economic interests of the United States and Britain. In my belief, none of the problems of the Middle East can be effectively settled piecemeal, but only by treating them as a connected whole. The world is deeply interested in solving the Jewish problem, the overwhelming majority of the Jews themselves desire a Jewish Commonwealth in Palestine, and expect its establishment to normalise the position of Jews in the Dispersion; the Arabs demand complete independence and freedom to achieve unity.

If the world supports the Jews in their demand for Palestine west of Jordan, let the Arabs concede it as a quid pro quo for fulfilment of their demands everywhere else. Our heritage in Palestine was cut down to the bone when Jordan was separated in 1922. What is left, is clearly a unit, and further division of it would deprive the settlement of finality. If the whole of west-Palestine is left to us, we plan to carry out a Jordan Development Scheme suggested to us by American experts. This would also benefit the Arab land on the east bank, and facilitate transfers of population. A scheme on such large scale would be greatly helped by the backing of an outstanding personality in the world, such as Ibn Sa'ud. I therefore feel, in spite of Colonel Hoskins' report, that, properly managed, Mr. Philby's scheme offers an approach which should not be abandoned without further exploration.

Yours very sincerely,

Signed.....CH. WEIZMANN.

-----  
EXTRACTS FROM A STATEMENT SENT TO ME BY MR. ST. JOHN PHILBY, 17.11.43.  
-----

.....It was, I said, on January 8th, 1940 - a few days after my return to Arabia - that I communicated "the plan" to the King. There was nothing whatsoever to prevent him telling me then and there that it was an impossible and unacceptable proposition - in which case I should have informed Dr. Weismann accordingly and dropped the whole thing. But the King did not tell me that. He told me, on the contrary, that some such arrangements might be possible in appropriate future circumstances, that he would keep the matter in mind, that he would give me a definite answer at the appropriate time, that meanwhile I should not breathe a word about the matter to anyone - least of all to any Arab - and finally, that if the proposals became the subject of public discussion with any suggestion of his approving them, he would have no hesitation whatsoever in denouncing me as having no authority to commit him in the matter. I was perfectly prepared to accept that position, and the King knew that I would communicate his answer to Dr. Weizmann. He did not forbid me to do so.

So far from being a persona non grata to the King owing to my connection with this business, I remained in Arabia until July 21st of that year (1940) - six and a half months after the fatal communication, and practically all the time as the King's guest at Riyadh or in his desert camp. Indeed, on June 1st His Majesty made me a gift of a newly-built house on the assumption and in the hope that I should live permanently in Arabia. Time dragged on with never a sign from the King, and on a certain occasion when Yusuf Yassin and I were alone together in the desert I ventured to broach the subject to him. As I expected he was hostile, but, so far as I know, he kept my confidence and I heard no more of the incident. Still later, under similar conditions of confidence, I told Bashir Sa'dawi the general outline of the plan, and found him unexpectedly favourable; but within the hour he had told the King of our conversation, and, when I walked into the audience-chamber that afternoon, the King summoned me to his side. Didn't I tell you, he said, not to talk to anyone about that matter? I made some very lame excuse, saying that I thought he must have forgotten all about it, and that there was no harm in talking about it as an academic proposition. Well, remember, he said; don't do it again! Meanwhile, the European situation was having a gloomy effect on Arabia, and I imagined that appropriate conditions for the discussion of Palestine affairs would be long in establishing themselves. In May I decided to press the King for an answer, but, as I anticipated, he put me off again, - though without one single word of reproach.

It was entirely on my own initiative that I decided about the middle of June to leave Arabia for America. Communications with my family in England had been cut off by the closing of the Mediterranean; but, when I gave this as my reason for going to America, the King telegraphed to the

/ Arabian



Arabian Minister in London to telegraph a weekly bulletin regarding my family. Nevertheless, I insisted on going despite the efforts of the King and the Amir Sa'ud to dissuade me on the ground that I might get into trouble owing to my habit of free speech. I answered that England was a democratic country cherishing the right of free speech at all times. In the end, unable to dissuade me, the King insisted on my recording in my diary that he himself had warned me not to leave Arabia lest I might get into trouble. On the very day of my departure the Crown Prince, who had come to the door to see me off, begged me to change my mind even at the last moment, and begged me to record in my diary that he too had tried to prevent me leaving Arabia.

I explained all this in detail to Colonel Hoskins in order to disabuse him of the impression that I was at any time, after making "the plan" known to Ibn Sa'ud, a persona non grata at his Court. As regards the future, I put it to Colonel Hoskins that the suggestion of my return to Arabia being unwelcome to the King was obviously susceptible of a very simple test. The very same suggestion had been officially made once before (in February 1941) and I had applied the test with the result that I had been categorically assured by the Arabian Minister in London not only that I would be welcome back in Arabia, but that he was ready at any time to give me the necessary visa for the purpose of returning thither. In view, however, of the withdrawal of Colonel Hoskins' original statement that the King would not permit my return, I did not think it necessary to take any specific action in the matter. I was, indeed, as I explained to Colonel Hoskins, completely satisfied with his explanation of the whole matter, and he readily accepted my suggestion that, as his remarks about the King's attitude to me had naturally shocked Dr. Weizmann, he should seek an opportunity of explaining the real position to them as he had done to me. With that, I brought the conversation back to "the plan". On his own showing, I said, he had known nothing of "the plan" until it had been mentioned to him by the King. It followed that he had not gone to the King with anything in the nature of a firm offer on the lines of "the plan" on behalf of the United States Government. A further statement, made by Colonel Hoskins to Dr. Weizmann (but not repeated to me) was that Colonel Hoskins started by asking the King whether he would see Dr. Weizmann; that the King replied that he would consider the matter, but some days elapsed without his returning to the subject. Concluding from this that the answer was negative, Colonel Hoskins asked him whether he would meet one of Dr. Weizmann's colleagues? It was then that the King is reported to have broken out against Dr. Weizmann and the Scheme. Colonel Hoskins was now aware, I went on, from what I had said, that the King had sworn me to complete secrecy and had warned me that he would, if necessary, denounce me. That was exactly what had happened, and the deduction I drew from the whole story was as follows:

The King, on hearing that he was to be visited officially by a confidential emissary of the American Government naturally assumed that the emissary was coming to communicate to him a firm offer on the lines of "the plan". The emissary came with no such offer, but merely with the suggestion that Ibn Sa'ud should meet Dr. Weizmann or some other Jewish leader, presumably for the purpose of further bargaining



over Palestine. The King, fully accustomed to the tortuous ways of diplomacy, had deliberately refrained both from giving a definite answer and from expressing his opinion of Dr. Weismann. He may well have thought that a few days of silent incubation would produce the firm offer which he had a right to expect if "the plan" reflected the desire of the British and American Governments. But Colonel Hoskins had no firm offer to make him; and when some days later he merely asked for the King's reply to his original suggestion about seeing Dr. Weismann, His Majesty, realising that "the plan" had obviously not won acceptance on the part of the two Governments concerned, allowed himself, as he occasionally does in moments of disappointment, the luxury of a fit of ill-temper at the expense of Dr. Weismann, the Jews in general, and myself. It was exactly what I would have expected in the circumstances. King Ibn Sa'ud is getting very weary of the ways of Western diplomacy, and he perhaps rightly suspects that the strategic, economic and political interests of certain Great Powers debar them from making any really acceptable offer to the Arabs.

Nevertheless, as I made clear to Colonel Hoskins after our very full talk over the whole business, his account of his conversations with King Ibn Sa'ud had not in the least shaken my conviction - a conviction on which I was prepared to stake my whole reputation, which was all I had to stake since I had already sacrificed my career by my fight for Arab independence - that, had he gone out to Arabia with President Roosevelt's firm offer, made on behalf of the American and British Governments, on the lines of "the plan", that offer would have been accepted. I could only draw the rather disappointing conclusion that the British and American Governments are not prepared to make the relatively light sacrifices involved in "the plan" even to save the Jews from persecution, torture and death. If, however, I am wrong on this point the opportunity presents itself for putting the matter to the test. If the two Governments are really desirous of an arrangement on the lines of "the plan" and are prepared to make to Ibn Sa'ud a firm offer in that sense, I am convinced that the King will accept it - but it must be a firm offer on the lines of "the plan", to be accepted or rejected as it stands without modification or bargaining. I have only my own conviction to pit against the views of Colonel Hoskins but no harm can come of putting the matter to the test. Either "the plan" is accepted, or the status quo remains intact without prejudice to anybody. For my part, I guarantee (for what my guarantee is worth) that the suggested firm offer will be accepted if made by any reasonably intelligent person of indisputable goodwill on behalf of the two Governments concerned.

H. St. J. PHILBY.  
17.11.43.

SECRET

EXTRACTS FROM MINUTES OF THE 25TH OCTOBER, 1943.

TALK WITH THE PRIME MINISTER:

Dr. Weismann said that there had been present at the lunch, besides Mr. and Mrs. Churchill, and Major Churchill, Mr. and Mrs. Attlee, Lord Portal, the Dowager Lady Reading, and another Labour man whom Dr. Weismann did not recognise. Dr. Weismann sat between Mrs. Churchill and Lord Portal. During lunch, Mrs. Churchill talked about Quebec and Orde and Lorna Wingate, and at one stage Mr. Churchill joined in by saying that he knew Dr. Weismann had wanted Orde Wingate for Commander-in-Chief of the Jewish Force, but they could not have him because he was wanted for other work.

After lunch the ladies retired and Mr. Churchill had introduced him to the other guests in very complimentary terms. The Prime Minister said it was a long time since he had seen him, and Dr. Weismann said it had been too long for him. Mr. Churchill then said that after they had crushed Hitler they would have to establish the Jews in the position where they belonged. He had had an inheritance left to him by Lord Balfour, and he was not going to change. Dr. Weismann said he did not think the Prime Minister would change, but there were dark forces working against them which might force the Cabinet's hand. Major Churchill said they were all only human, and none of them getting any younger; it was therefore necessary to act quickly. Mr. Churchill said they would have to take some chances. Turning to Dr. Weismann, he said: "You have some very good friends; for instance, Mr. Attlee and the Labour Party are committed on this matter." Mr. Attlee said he certainly was, adding that he thought something should be done about Transjordan. Mr. Churchill said he had been thinking about partition, but Transjordan was a good idea. He knew the terrible situation of the Jews. They would get compensation, and they would also be able to judge the criminals. As regards the position in the Near East he did not take for granted all the information that came from that part of the world. Mr. Attlee said to Dr. Weismann that some of his people were over-playing their hand; they were sometimes threatening. Mr. Churchill said they should not do that. He personally would prefer one good row. He would advise them not to have a series of rows. What they had to do was to watch the timing. He would not say publicly what he was telling Dr. Weismann now; there would be questions, and he would have to lose time explaining. They could quote his public utterances, and say that he would not budge from them.

Mr. Churchill repeated that they had a number of good friends; Mr. Attlee was committed, the Labour Party was committed, the Manchester Guardian was friendly, etc. He understood, however, that there were certain Jews in America who were opposed. He thought Dr. Weismann should try and win over Mr. Baruch. Mr. Churchill had talked to Mr. Baruch, and had told him that he was wrong, but had not succeeded in persuading him. Mr. Churchill went on to say that he was not going to change his views; he would bite deeply into the problem, and it was going to be "the biggest plum of the war."



When Mr. Churchill mentioned partition, Major Randolph and Dr. Weizmann agreed, and Mr. Churchill replied that he had been against it originally, but they had to produce something new instead of the White Paper. He had not meant partition in the literal sense - he then mentioned something about the Negev and Transjordan.

Speaking of the Arabs, the Prime Minister said that they had done very little, and in some instances had made things difficult for us. He would remember this when the day of reckoning came. Mr. Churchill added that when the Palestine issue came up, he would speak out, and proceeded to give the headings of his speech. He finished off by saying that Dr. Weizmann need not worry - they had a wonderful case.

At one stage, Dr. Weizmann mentioned that anti-semitism was growing, and the Prime Minister said he thought it was not so, and Lord Portal agreed with him.

Mr. Churchill said they could not yet discuss details. On the subject of the Arms Trial, the Prime Minister clearly did not know the details, but said again that they should not threaten. He suggested that Dr. Weizmann should go to Palestine, adding jokingly that he had freedom of movement throughout the Empire.

At one stage Dr. Weizmann said that March 1944 was approaching, and he feared then to see a notice over the gates of Palestine: "No Jew need apply." From Mr. Churchill's reply it had appeared that they were thinking of carrying forward the balance of certificates after March 1944, and Mr. Churchill added that in a couple of months or so after that, something else might turn up.

Mr. Churchill quoted, during the talk, the saying that "God deals with the nations as they deal with the Jews." Mr. Churchill also said that of every fifty officers who came back from the Middle East, only one spoke favourably of the Jews - but that has merely gone to convince him that he was right.

When the party broke up, and Dr. Weizmann said goodbye, the Prime Minister said: "Not goodbye - au revoir", and that he would see Dr. Weizmann again. Dr. Weizmann said he was glad to hear that because he had understood that the Prime Minister was not very keen on seeing him, and sometimes urgent things arose which he could discuss only with him.

The lunch and the talk which followed lasted until 3.30 p.m.

-----oo-----



MINUTE OF CONVERSATION WITH COLONEL HAROLD HOSKINS  
State Department Building-- Washington, D. C.  
December 28, 1943

CONFIDENTIAL

Col. Hoskins, Dr. Goldmann

Dr. Goldmann went to see Col. Hoskins at the latter's invitation.

Col. Hoskins said he had returned from London about ten days ago. He had seen Dr. Weizmann several times and he had asked Col. Hoskins to get in touch with Dr. Goldmann. He had reported to Dr. Weizmann on the result of his visit to Ibn Saud and wanted to give Dr. Goldmann the same report. He had discussed the Zionist problem with Ibn Saud and had proposed to him on behalf of the American government that Ibn Saud, or one of his representatives, meet with Dr. Weizmann, or other representatives of the Jewish Agency for Palestine. Ibn Saud had refused on two scores-- first, because of his generally antagonistic attitude toward Zionism, and, second, because Sir John Philby had come to see him in 1941 and, on behalf of Dr. Weizmann had offered him 20 million pounds (or dollars, the figure escapes me--NG), which he regarded as a personal insult to him. When Col. Hoskins saw Ibn Saud he did not know what the actual facts were and learned them only later in his conversations with Dr. Weizmann.

The real story is that Sir John Philby suggested to Dr. Weizmann that he be authorized to discuss with Ibn Saud the question of a loan for the development of Saudi Arabia; that Dr. Weizmann had discussed this proposal with British officials and had told Philby that if Ibn Saud would help the Jews, it should not be impossible that such a loan be arranged. It appeared that Philby, who had spent several months in Saudi Arabia without achieving anything, did not tell Ibn Saud that the idea of the loan originated with himself.

Col. Hoskins said that Dr. Weizmann felt that the President should be informed of the real facts and had wanted to give Col. Hoskins a memorandum to be submitted to the President, but since Col. Hoskins left England a few days before his scheduled departure the memorandum was not ready. He expects to get it through the American Embassy in London. In any case, Hoskins concluded, it is clear from his talks with Ibn Saud that the idea of using him as an intermediary was a mistake and that door must be regarded as definitely closed.

Dr. Goldmann said this was no surprise to the Jewish Agency. As Col. Hoskins might recall, in conversations with him and with Mr. Murray, Dr. Goldmann had said that the Agency was more than skeptical about Ibn Saud's taking a moderate stand; that Mr. Shertok had warned against the whole idea. However, since the State Department thought there was a chance, the Agency did not think it should prevent their trying it.

Col. Hoskins said that the idea about Ibn Saud had originated with Mr. Churchill who had discussed it with Dr. Weizmann in 1940. For this reason the President, after receiving his report, thought that Mr. Churchill and the British government, as well as Dr. Weizmann should be informed directly by Col. Hoskins about the failure of his mission; and for this reason he had been sent to London.

Col. Hoskins said that now the situation was clarified and other avenues of approach will have to be found to bring about an understanding between Jews and Arabs.

The talk then turned to the general situation about

-Palestine-

CONFIDENTIAL

MINUTE OF CONVERSATION WITH COLONEL HAROLD HOSKINS  
State Department Building-- Washington, D. C.  
December 28, 1943

Present: Col. Hoskins, Dr. Goldmann

Dr. Goldmann went to see Col. Hoskins at the latter's invitation.

Col. Hoskins said he had returned from London about ten days ago. He had seen Dr. Weizmann several times and he had asked Col. Hoskins to get in touch with Dr. Goldmann. He had reported to Dr. Weizmann on the result of his visit to Ibn Saud and wanted to give Dr. Goldmann the same report. He had discussed the Zionist problem with Ibn Saud and had proposed to him on behalf of the American government that Ibn Saud, or one of his representatives, meet with Dr. Weizmann, or other representatives of the Jewish Agency for Palestine. Ibn Saud had refused on two scores-- first, because of his generally antagonistic attitude toward Zionism, and, second, because Sir John Philby had come to see him in 1941 and, on behalf of Dr. Weizmann had offered him 20 million pounds (or dollars, the figure escapes me--NG), which he regarded as a personal insult to him. When Col. Hoskins saw Ibn Saud he did not know what the actual facts were and learned them only later in his conversations with Dr. Weizmann.

The real story is that Sir John Philby suggested to Dr. Weizmann that he be authorized to discuss with Ibn Saud the question of a loan for the development of Saudi Arabia; that Dr. Weizmann had discussed this proposal with British officials and had told Philby that if Ibn Saud would help the Jews, it should not be impossible that such a loan be arranged. It appeared that Philby, who had spent several months in Saudi Arabia without achieving anything, did not tell Ibn Saud that the idea of the loan originated with himself.

Col. Hoskins said that Dr. Weizmann felt that the President should be informed of the real facts and had wanted to give Col. Hoskins a memorandum to be submitted to the President, but since Col. Hoskins left England a few days before his scheduled departure the memorandum was not ready. He expects to get it through the American Embassy in London. In any case, Hoskins concluded, it is clear from his talks with Ibn Saud that the idea of using him as an intermediary was a mistake and that door must be regarded as definitely closed.

Dr. Goldmann said this was no surprise to the Jewish Agency. As Col. Hoskins might recall, in conversations with him and with Mr. Murray, Dr. Goldmann had said that the Agency was more than skeptical about Ibn Saud's taking a moderate stand; that Mr. Shertok had warned against the whole idea. However, since the State Department thought there was a chance, the Agency did not think it should prevent their trying it.

Col. Hoskins said that the idea about Ibn Saud had originated with Mr. Churchill who had discussed it with Dr. Weizmann in 1940. For this reason the President, after receiving his report, thought that Mr. Churchill and the British government, as well as Dr. Weizmann should be informed directly by Col. Hoskins about the failure of his mission; and was for this reason he had been sent to London.

Col. Hoskins said that now the situation was clarified and other avenues of approach will have to be found to bring about an understanding between Jews and Arabs.

The talk then turned to the general situation about

-Palestine-



Col. Hoskins said he had talked with Fari Pasha and other Arab leaders in Cairo and had seen Ben-Gurion in Jerusalem; he also had had a talk with Shertok in Cairo. On his way back from Saudi Arabia, he intended to go back to Jerusalem to see Ben-Gurion and Shertok, but in the meantime he got a cable asking him to return immediately. He got the impression from his talks with the Arab leaders that it should not be impossible to bring about a peaceful solution of the Palestine problem through an understanding mutually acceptable to both parties. He thought the American government could be very useful in this respect as the Arabs have great confidence in America.

Dr. Goldmann said that since the beginning of the war, the Jewish Agency had taken the position that America and England should cooperate in securing a solution to the Palestine problem. The Agency never believed in playing America off against Great Britain, but did believe, and was encouraged by many of its best friends in Great Britain, that it would be difficult for Britain to find a way out of contradictory commitments, and it would be easier if there were joint Anglo-American responsibility.

Col. Hoskins said he fully agreed with this attitude and that such was the main purpose he and others had who suggested the joint statement about Palestine to be issued by America and Great Britain. He said: "I know you were against it and finally prevented it. But I would like you to know my motives; I would not want you and your friends to think I was anti-Zionist." He said he felt that such a statement would ease the tense situation in Palestine and would bring America definitely into the picture as ready to take a hand in the solution of the Palestine question.

Dr. Goldmann said that the intent to bring America into the scene was certainly laudable, but for this purpose it was not necessary to issue such a statement as was contemplated. It was unacceptable for three reasons: (1) the Zionists did not agree with the evaluation of the Palestine situation as being on the eve of civil war, with the Jews ready to provoke disturbances. Dr. Goldmann said he knew that Col. Hoskins felt that way because he had seen his report, but thought that the picture was exaggerated and rather hysterical. The fact that nearly a year had passed without any disturbances should convince him that he was too fearful.

Col. Hoskins said that Dr. Goldmann might be right, but he believed the situation was still tense and mentioned reports of the killing of Jews and Arabs in recent weeks. However, he said, his motive was a genuine desire to prevent anything which would interfere with the effort, in which Dr. Goldmann was certainly as interested as he.

(2) Any joint statement between America and Great Britain, Dr. Goldmann pointed out, which does not indicate that the White Paper policy is changed, must be regarded as an endorsement of that policy by the American government.

(3) The warning to Jews and Arabs contained in the statement to discontinue public discussion would never have been accepted by Jews in this country or other countries; on the contrary, it would have alienated Jews and created a breach between the Administration and Jewish public opinion, which should certainly be avoided.

If, Dr. Goldmann said, the British and American governments would issue a statement that both were ready to act jointly to solve the problem and that a new policy would be initiated in due course, no



...would object to it. But for the reasons already given, the statement ...had been drafted was certainly most objectionable.

Hoskins said that the matter was no longer/real issue; a decision ...already been made against his position. However, he had raised ...to explain that whatever the differences, his motives were not ...Zionist. He said his only aim was to be used as a mediator between ...and Arabs and to help them reach a positive agreement.

Dr. Goldmann said this was again very laudable, but that in ...order for him to play such a role, he could not give the impression that ...he was biased against the Zionists and all Zionists had that impression. Dr. Goldmann draw his attention to various conversations with Senators ...and said that/Zionists would have to regard him as hostile, he could not ...play the role which he wanted to play.

Dr. Goldmann then asked whether he thought the time had come ...for discussions in London between the Zionists and the British about the ...final solution.

He said he thought the time was rapidly approaching when such ...discussions could start and that the British attitude that they were ...not yet ready for such discussions was beginning to change.

He knew that Dr. Goldmann was planning to go to London and ...said that there he would get a real picture of the situation and ...would also realize that the moment for discussing an ultimate solution ...was approaching. He said he had also read rumors of some partition ...scheme to be discussed by various British officials and asked what ...the Zionist position was.

Dr. Goldmann explained why Zionists were now insisting on ...the maximum area in the whole of Palestine-- the problem is no longer ...one of gradual and slow immigration; after this war the problem will ...be one of mass transfer of homeless and uprooted Jews and a small part ...of Palestine would not serve the purpose.

Col. Hoskins said he thought the Arab leaders understood that ...the White Paper policy would not stand; on the other hand, the Jews ...cannot expect that 100% of their demands would be satisfied. Some ...concessions may have to be made to Arab demands.

Dr. Goldmann said that once the Arabs recognized the right ...of the Jews to return to Palestine, a basis would be found for agreement ...with them. However, discussion is of no use, so long as they do not ...know that the policy of the Jewish National Home will be supported by ...America and Great Britain. Once they know this, they will be ready to ...reach an agreement; but so long as they think that America and Great ...Britain will adhere to the White Paper policy, there is no basis for ...agreement.

Col. Hoskins said he agreed with this and that the main problem ...was for America and Great Britain to work out a formula.

Dr. Goldmann said that the Zionists should be kept informed ...about such a formula and not be faced with a fait accompli.

Col. Hoskins said he would remain in Washington and would be

if Dr. Goldmann would keep in touch with him.

Before leaving Dr. Goldmann made an appointment for Dr. Silver.

The interview lasted an hour and a half.

NO

Washington, D. C.

March 8, 1944  
10:00 a.m.

TAX SIMPLIFICATION

Present: Mr. Gaston  
Mr. Sullivan  
Mr. Smith  
Mr. Surrey  
Mrs. Klotz

H.M.JR: Fred, I clipped that out of the paper today.  
(Refers to article in Washington Post March 8, 1944.)

MR. SMITH: The report that we got was that Wythe Williams, so far--. The head of the Frank Gannett newspapers here has been working on it for us--what is his name, Dickson?

MR. GASTON: Cecil Dickson.

MR. SMITH: He came up this morning with this-- Wythe Williams.

H.M.JR: Why is that name so familiar to me?

MR. SMITH: He is quite a substantial writer for Saturday Evening Post, and magazines like that. Since the war he has been a commentator on Mutual Broadcast.

MR. GASTON: He is a former foreign correspondent.

MR. SMITH: The only catch is that he is a very definite left-winger. I haven't seen the book yet. They are getting a copy of it for me. From your description you wouldn't think it was written by a left-winger.

MRS. KLOTZ: Is Cecil Dickson responsible for that?

MR. SMITH: No, he has been trying to find out for us "who done it."



- 2 -

H.M.JR: This little article says that he is Wythe Williams.

MR. SMITH: He also reports, incidentally, that the source of the information that Kennedy would like to supersede you, is Kennedy.

H.M.JR: That doesn't surprise me.

Now, let me read this. (The Secretary reads attached letter to Senator George, dated March 8, 1944)

I don't like this. Have you all been over this?

MR. SMITH: Yes.

H.M.JR: "I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system." Now look, this letter goes in the press, and there isn't anybody who would understand what it meant. I don't.

MR. SMITH: The administrative business--

H.M.JR: This doesn't mean anything to the man on the street.

MR. GASTON: Well, I thought the whole letter was designed to say--the idea was to say just that, that we would not recommend any administrative amendments in the tax simplification bill. That is what I understood the letter was to say.

H.M.JR: No.

MR. GASTON: If that isn't it, I don't know what the purpose of the letter is.

MR. SULLIVAN: That is my understanding, and this letter is to be the thing on which George and Doughton

- 3 -

hang their statements that neither of their committees will permit any administrative amendments.

H.M.JR: I read the editorial in this morning's Times. Did you people see it?

MR. SMITH: I haven't seen it.

H.M.JR: It is very good.

You know, I don't like this thing at all.

MR. GASTON: I don't know what the letter is to be about. I have no idea.

H.M.JR: Did you read this about the meeting?

MR. GASTON: Yes, sir.

H.M.JR: Have you read that?

MR. GASTON: Yes, sir.

(Mrs. McHugh brings in editorial clippings from the Times for March 8.)

H.M.JR: We have to go to the Times to get ideas on taxes. (Reading from editorial entitled "Tax Simplification.") "There is no reason why Congress need delay any longer in formulating a bill designed to achieve these ends. While problems undoubtedly are raised in connection with any revision of our tax structure, it will be difficult to make the average citizen understand why, after months of recognition of the need for reform, Congress still has not been able to formulate and to approve the changes required."

There is no dig at the Treasury, or anything.

Now, I was just wondering--do you mind if I take a minute to read this to see if this is correct? (Reads attached memorandum from Mr. Sullivan, dated March 7, 1944.)

- 4 -

Now, what I would do is this: After all you fellows went after me yesterday to say that we wouldn't weaken our position--somebody did, as to revenue.

MR. GASTON: I think I did.

H.M.JR: Now, I would say this: "I consider this legislation so urgent that I am advising you that the Treasury will refrain from making any other recommendations as a part of this bill."

MR. SULLIVAN: We discussed that yesterday afternoon with Randolph, Roy, and Stanley, and it was the opinion that if we put in the other recommendations they would say, "Well then, you are considering making recommendations for additional revenue at some other time." We felt that you needlessly raised a point.

H.M.JR: Well, what is in my head, so you get it, I want to get this by the President. You see, I had Judge Rosenman last night for supper. I told him about this thing--just so you people can get all the stuff that is in my head. Immediately his reaction was, "Well, if something like this is going to happen, the President should take the credit for it."

So I said, "Well, I don't agree with you. I think it is something that the Democratic party should take the credit for."

Then Sam went into a tirade about there being no such thing as a Democratic party.

I said, "You had better wait until election is over before you form a Roosevelt party."

MR. GASTON: He means that the President should take the credit for what, simplification?

H.M.JR: Yes.

MR. GASTON: I think so, too.



- 5 -

H.M.JR: You do?

MR. GASTON: Yes, but I don't know how you are going to improve the position in this letter.

H.M.JR: How is he going to take credit for it?

MR. GASTON: That is a very difficult thing. Congress is running away with the credit. I am just saying that Congress doesn't deserve the credit. We deserve the credit. It is the Treasury that has pushed for simplification.

MR. SMITH: We deserve the credit, and Congress is running away with the credit, so the President wants the credit.

MR. GASTON: I am all for the President getting the credit if he can.

MR. SULLIVAN: Well, the nearest he is going to get is that it is an administration measure.

H.M.JR: I just don't like this letter.

MR. SMITH: What was it that Stanley suggested in place of "administrative changes"? He got around it by saying--

H.M.JR: Is Surrey in on this?

MR. SULLIVAN: Mr. Blough didn't go to New York. His plane was a through plane; it was too late. I brought him into the meeting in Mr. Gaston's room with Fred.

(The Secretary sends for Mr. Surrey.)

H.M.JR: Now, you see, here is the thing I have to do: I am not going to send this letter up unless the President O.K.'s it. That is number one.

Then, I thought this: I don't like to do it, but I suppose I have to do it. The President will naturally, at least if he follows this course, although he may not--

- 6 -

he will refer it back to Byrnes and Vinson. In order to save time, I thought I might call up Byrnes and Vinson, if you people thought well of it, and say to Byrnes, "This is the idea. If you want to know more about it, John Sullivan will be glad to come in and see you." I can do the same with Vinson.

MR. SULLIVAN: Sure.

H.M.JR: I will say that I have sent this letter to the President, and I would like them to know about it. But I might save time by calling up Byrnes on the phone and getting his reaction. What would you think of getting Byrnes' reaction, just calling him up now and telling him this is what we are proposing and ask how he feels about it?

MR. GASTON: You mean a proposal that we won't attempt to gum this simplification up with any other sort of recommendation?

H.M.JR: That is right.

MR. GASTON: I understood that the purpose of this letter was to meet a very specific request by George that we would say that we wouldn't recommend any administrative changes. Admittedly, there are a lot of administrative things that ought to be done, but we agreed we wouldn't recommend any in this bill, but would confine it to simplification.

H.M.JR: You are getting this cold. See how it reacts on you (Klotz).

MR. SMITH: Would it upset the apple cart to put in a paragraph saying you had seen the recommendations that the Treasury had made to relieve the sixty million people of filing returns and that you highly approve of them?

(Mr. Surrey enters the conference.)

- 7 -

H.M.JR: I don't get that, Fred.

MR. SMITH: We made, as I understand it, some recommendations, one of which would just completely relieve an awful lot of people from making any returns at all. There is a feeling that we shouldn't take any credit for that at all, because it is a joint operation. I was wondering if it would upset the apple cart if you just mentioned in there that you were solidly behind the recommendations that the Treasury had made to the Joint Committee.

H.M.JR: I don't know. You sit up there with them?

MR. SURREY: Yes. I would have been up there today except I had to see some people.

H.M.JR: What do you think?

MR. SURREY: Is this in the letter?

MR. SMITH: Yes. Then we are taking a piece of credit again, indirectly. And would that just throw us all into another maelstrom, or would we get by with it?

MR. SURREY: I just want to point this out: There is one group that wanted to eliminate returns completely. By that they meant every document passing from the taxpayer to the Government in the case of people subject to withholding. We did not recommend that. We recommended that the employee at the end of the year would have to submit his receipt to the Government, filled out on the back with some additional information, maybe three or four lines. He also puts in some more information. We were very insistent on that.

So in a sense we were in the middle between the group that wanted to eliminate returns and the present simplified return. We wanted to go half way. As a matter of fact, the Bureau didn't even want to go that half way. The Bureau does prefer returns, but they agreed to go along with our recommendation. I don't know, since the



- 8 -

thing is in such a state of flux whether it would particularly add anything to our credit or not.

MR. SULLIVAN: You don't know what the final recommendation is going to be.

H.M.JR: Let me try this thing out on Byrnes, see.

MR. SULLIVAN: Sure.

H.M.JR: Maybe by talking with him, you see--

MR. GASTON: Unless you promised George a letter saying that you wouldn't make any kind of tax recommendations while this simplification bill was pending, I don't think I would introduce that thought at all, because it just sacrifices the Administration's position as wanting more taxes without accomplishing anything so far as I can see, unless George wants it.

H.M.JR: You mean that last?

MR. GASTON: I mean, why not confine this simply to the administrative changes, because that seems to be the only point that George has raised. I don't see why we should throw away any of our position as to the need of new revenue voluntarily. You see, if you made that general, it would be taken as a surrender by the Administration that we are not going to press for any revenue changes until this simplification bill is out of the way.

H.M.JR: If you left this sentence out, "I consider this legislation so urgent that I am advising you that the Treasury will refrain from recommending any administrative amendments as a part of this bill," and say, "I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system"

MR. GASTON: That is why I understood Senator George specifically asked for a letter stating you wouldn't recommend any administrative changes in connection with this bill.

- 9 -

H.M.JR: He didn't ask for it.

MR. SMITH: Listen to Surrey's substitute for that.

MR. SURREY: I don't think the substitute would take care of it, because I gathered what you want is to avoid having to say you will not recommend revenue legislation in connection with this bill. Is that what you want to avoid?

H.M.JR: No, I just don't like to say--I mean, it looks as though I made a deal. That is my reaction, see? "I consider this legislation so urgent that I am advising you that the Treasury will refrain from recommending any administrative changes as a part of this bill." It sounds like a deal.

MR. GASTON: I thought that was the understanding with George and Moughton, that you would give them a letter saying that we would refrain from asking for any administrative changes while this simplification bill was pending. If we would do that, that would greatly facilitate the action on the simplification bill. Of course, if there wasn't any agreement to that effect, there is no point to such a letter.

MR. SULLIVAN: They want to serve notice on both their committees that they will make every effort to keep any administrative amendment out of this legislation.

H.M.JR: Let me try to get over what I am trying to say. When I read this, "The Treasury will refrain from recommending any administrative amendments as a part of this bill," I was afraid somebody would say, "Now, look"--every businessman who has something will say, "I could have gotten this thing through if it hadn't been for the Treasury. The Treasury blocked me in getting this thing." They will cite some cases, Nelson of the New York Times, for instance. "Here is something that is crying to be done, but the Treasury said, 'No.'" And they will play down all this stuff about simplification and build up the importance of the changes necessary in the corporate law and say that we are blocking the progress of business.



- 10 -

MR. GASTON: We are not saying we will oppose them if the committees want to introduce them.

H.M.JR: I don't see why you can't say, "I am told they hope to be ready to submit their joint recommendations to the Ways and Means Committee of the House within the next ten days."

"I would like to take this opportunity to emphasize the importance of speedy enactment of the proposed legislation. Obviously here is one sphere within which we can appreciably lighten the load."

I don't see why we can't lift that sentence out, and just say, "I wish to assure you of the complete cooperation of the Treasury Department--". Why not leave the sentence out and see whether they ask for something like that to be put in? That is the answer, isn't it?

MR. SULLIVAN: I think they will think you are trimming them.

MR. GASTON: I wasn't at your conference, but I would like the letter better probably, or just as well, with that out, except that I understood that was what the letter was for, that you would agree that you would write a letter making that statement.

H.M.JR: It just didn't register with me the way it did with Sullivan.

MR. SULLIVAN: Oh, yes, there is a firm understanding that all three, Doughton, George, and the Treasury, would do their best to lick any kind of amendment that popped its head up.

H.M.JR: I agree, but you don't know what they are going to say in their letter.

MR. GASTON: Are they going to write a letter?

MR. SULLIVAN: They are going to issue a joint statement.



- 11 -

H.M.JR: I don't agree with you, John. What I would like to try is to leave that sentence out.

Now, what you are saying is, we are for simplification. We think it is very urgent to get it through. If you want to get it through, it stands to reason you can't have anything else.

MR. SURREY: Just say, "In the interest of expedition, I hope that the pending bill may be confined to simplification matters."

H.M.JR: Yes.

MR. SMITH: Then you have said something.

H.M.JR: Say that again.

MR. SURREY: "In the interest of expedition, I hope that the pending bill may be confined to simplification matters."

H.M.JR: Solely.

MR. GASTON: I think that worsens our position quite a lot.

MR. SURREY: That objects to the revenue aspect.

MR. GASTON: That says that while this bill is pending we are not going to recommend any revenue changes.

Now, the probability is we are not going to recommend any, but I don't see why we should weaken our position. We will enable these Republicans on this Committee to go out before the country and say, "The Administration bill was licked, and they gave it up. They can't say that they are so dog-goned anxious for revenue, because here in this letter they stated that they give up, 'We are not going to ask for any more revenue.'"

H.M.JR: Everything that you say about that is true also of this.

- 12 -

MR. GASTON: No. That doesn't seem to me to be so.

H.M.JR: Yes, because, "We will refrain from recommending any administrative amendments as a part of this bill--"

MR. GASTON: "Administrative changes."

H.M.JR: Then it leaves the inference that they can come back if we say that, "administrative," or "revenue."

If I were Doughton or George, I would say, "Make Morgenthau say, 'We won't ask for any administrative or revenue changes.'"

MR. GASTON: Did they ask for that yesterday?

H.M.JR: They will if they are smart, and don't think George isn't smart.

MR. SURREY: That is what puzzled me when I was writing a draft of the letter. I thought, "Can I make this possible answer so that all the Secretary will be saying is that this bill should go through because it deals with one issue only, and it is sensible legislation, probably, to deal with one issue at a time?"

MR. GASTON: You think it doesn't preclude the President if he wants to come along in the middle of this bill while it is under consideration and say that in addition to this simplification, "I think you ought to start a new bill right now to raise more revenue"?

MR. SURREY: Technically it wouldn't, and sensibly it might not. In other words, we can't say that this is a technical issue, this simplification. It is largely a thing for experts, and not much policy. Let's treat it as one matter and send it through. If we want to look at administrative changes, we can do that in another bill, and revenue in another bill. You have that out, I think, and I think it is fair, that in answer to Mr. Gaston we are not precluding revenue, that it is more orderly to make a bill on a single subject, simplification.

- 13 -

MR. GASTON: I don't know if they were trying to trap you yesterday into getting a letter from you saying you had abandoned your desire for more revenue.

H.M.JR: No. What happened, Herbert, is, Senator George turned to Congressman Doughton and said, "How about our making a joint statement?" the two of them on this matter.

I piped up and said, "Would you mind if I joined you in this statement?" Am I right so far?

MR. SULLIVAN: Correct.

H.M.JR: Then one of them said--and I don't know what they meant--"No, I think we had better keep it on this side of the table." Do you remember?

MR. SULLIVAN: I don't remember that phrase, but--

H.M.JR: Yes. I don't know; I took what they meant was on the Congressional side as against--

MR. SULLIVAN: It was Doughton who said it. He said, "I don't want to give any excuse to the Republican Members for not going along. If the three of us issue a joint statement, they will say, 'Ah, ha, you have been getting together and holding secret sessions.'"

H.M.JR: Then Doughton said, "If you will write me a letter on this thing, then, based on that letter, George and I will get out a joint statement."

MR. SULLIVAN: That is right. He was fumbling around, Herb.

MR. GASTON: All of that is incomplete until you say what preceded that. What is their statement to be about?

H.M.JR: I want to stop this argument. I want to write a letter to the President. "My dear Mr. President:



- 14 -

"Yesterday afternoon we had a meeting in my office with Senator Walter George, Congressman Robert Doughton, and Congressman Jere Cooper. Mr. Paul, Mr. Sullivan, and Mr. Nunan also were present.

"At this meeting it was agreed that the Congress of the United States would try to put through a bill which would confine itself solely to simplification of the individual income tax.

"It was unanimously felt that the introduction of administrative changes to the corporate law, or any other tax proposals, would greatly impede the progress of this bill.

"It is hoped that if this is passed by May 15 it will be unnecessary for many people to pay quarterly installments on September 15, because their tax will have been fully withheld at the source. This will affect some thirty million people."

MR. SURREY: I want to add my warning to Mr. Sullivan's. It might be that the system will end up with no change during the year, because the change might be more complicated in relieving these people.

H.M.JR: Leave that part out about the people.

"Both George and Doughton suggested that I write them a letter, copy of which is enclosed; and based on this letter, they will issue a joint statement announcing that this bill be confined solely to tax simplification. Before sending this letter, I would like to have your approval of this plan."

I want to put this in: "All of us here in the Treasury feel that this is a good move, not only good for the

- 15 -

country, but good Democratic politics. I would like to see it earmarked as a Democratic party measure, which can be done."

Now, I would like you to write that out and then take that letter and sort of clean it up for me, will you (Sullivan)? See what you can do. I don't want to tie Gaston up all morning. Let Smith work on it, will you, and Surrey?

Then I will have a meeting some time this afternoon. Let's say two-thirty. Would you come back at two-thirty?

MR. SULLIVAN: Yes, sir.

You have a look at it before then, will you, Herbert?

MR. GASTON: Yes.

H.M.JR: I am not going to argue, but if you people think--I want to leave this on my desk until I get a call from Byrnes.

MR. GASTON: I think Stanley's language might be all right, to confine this bill to simplification.

H.M.JR: Look, you have to get this by the President, and I am not going to send this thing unless it is agreeable to the President. The point I am getting at is that you have to read his message. You had better read his message once more, what he said about tax simplification, so that he doesn't feel--you ought to read his message. There is nothing in it that lets him down vis-a-vis Congress or vis-a-vis Barkley. I haven't read it very carefully. I read it once, but I just want to be sure, because the President did say so a week ago to me, "I want to think about my sending a message up in three or four weeks asking for the additional revenue."

Now, if I write this, I want to commit him so that he won't do that.

MR. GASTON: Yes. Well, that is the thing I would do, so that he won't do it.

- 16 -

H.M.JR: Yes.

MR. SULLIVAN: Then you want a more restrictive letter than this one.

H.M.JR: How do you mean?

MR. SULLIVAN: One that ties his hands more than this letter does.

H.M.JR: I don't want to use that language. What I want to do when I send this letter over to him before it goes on the Hill--I want the President to agree that while this bill is pending he isn't going to send up any kind of a message other than tax simplification.

Now, maybe he wants to join me. Think that over. Maybe he wants to put something in. Maybe you will want to send something yourself on tax simplification, but it has to be confined to that.

MR. SMITH: Don't you think that you might come right out and say, "I think we should agree that the legislative and executive branches should agree that this bill should deal solely with simplification"? Get that simplification out of the way and then something else could come. You could say it in so many words.

H.M.JR: But you have to keep in mind that the President is going to back me up, and that he will concentrate on tax simplification until this is out of the way. Nobody here has mentioned social security. He can't send a message. While this is up, he can't send a bombshell up there. We have to get that over to him, and point it out to him that there are to be no bombshells while this is pending.

Incidentally, I wish you (Sullivan) would write up, if it is in here, what Cooper said.

MR. SULLIVAN: That isn't in there.



- 17 -

H.M.JR: How he got these instructions from Byrnes to do a certain thing and he went down the line.

MR. SULLIVAN: I know what you mean. I will do that. I had never heard that story before. Randolph says that Jere has told him that forty times. Every time Jere is feeling blue he cries on Randolph's shoulder about getting double-crossed.

H.M.JR: Have I made it more clear?

MR. GASTON: You have made it more clear, but I don't think I agree with it. I don't see any reason why the President should tie his hands at all. As far as I know, they haven't asked for it. As a matter of practical conduct, I wouldn't, if I were the President, send up any revenue message while this is pending. I would try to get this through, but I wouldn't tie my hands not to do it.

H.M.JR: In the middle of this thing I am making a commitment for the Administration.

MR. GASTON: I don't know why you should make this commitment.

H.M.JR: Then you won't get it. Make the commitment and take the credit for it as a party.

MR. GASTON: What credit do you take for a commitment not to do--

H.M.JR: Get the bill through.

I have to see these Air Corps people now.

March 8, 1944.

My dear Mr. Chairman:

I understand that the staff of the Joint Committee and the Treasury tax staff are about to complete their work on simplification of individual income tax returns. I am told they hope to be ready to submit their joint recommendations to the Committee on Ways and Means of the House in about ten days.

Speedy enactment of the proposed legislation seems to me to be of the very first importance. Obviously here is one sphere within which we can appreciably lighten the load of inconvenience which the war has placed on American citizens.

I consider this legislation so urgent that I am advising you that the Treasury will refrain from recommending any administrative amendments as a part of this bill. I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system.

Sincerely yours,

Secretary of the Treasury.

The Honorable Walter F. George  
Chairman, Senate Finance Committee  
Washington, D. C.

## MEMORANDUM

March 7, 1944.

TO: The Secretary  
FROM: Mr. Sullivan

This afternoon at 3 o'clock you met with Senator George. Others present were Mr. Paul, Mr. Heman, and myself. Originally, Congressman Doughton, Cooper and Denny planned to attend this meeting but they were detained on the Hill because of a roll call on an Agricultural Bill.

Mr. Paul outlined to Senator George the tentative plan for simplification of individual tax returns. Senator George understood and appeared to approve this plan, although twice he expressed the hope that we could dispense with the filing of any return for those people whose taxes were fully paid through withholding. There was some discussion about changing the name of the Victory Tax, and he and Commissioner Heman thought it would not be wise to make this change. He suggested that the absorption of one tax by another start at the other end; that is, that the surtax absorb the normal tax. Later he said he regretted that it was necessary to start the surtaxes in such low tax brackets.

The Secretary asked the Senator's views on restricting this legislation to tax simplification. Senator George explained that he hoped it would be possible to do this but that if any administrative amendment -- however slight -- was in the Bill that came over from the Ways and Means Committee, it would be impossible for him to hold his Committee in line or to prevent amendments from being offered on the floor. He stated that he would very much prefer to have this Bill free of all administrative amendments.

Chairman Doughton arrived and was brought up to date on the general discussion. He said he was most desirous of restricting this Bill to individual income tax simplification and that if it was the desire of the Treasury and Senator George to accept such restriction, he would "concur" that there would be nothing else in it. Insofar as he was able to prevent administrative amendments. Senator George asked if Mr. Doughton didn't intend to simplify corporate income tax returns, and Mr. Doughton replied in the negative. Mr. Paul stated that something could be done on that but he preferred to wait until later. Senator George then said that he thought we could hold the line against all administrative amendments and that



- 2 -

even in the event that we discovered an error in the present law, we would correct it by a separate joint resolution rather than by an amendment to this Bill. The Secretary said that he would refrain from making any recommendations for administrative amendments at this time, and Mr. Doughton then remarked, "Well, that's all three of us, so that's decided. There will be no administrative amendments."

There was some discussion about the importance of speedy enactment of this simplification in the hope that it would free all wage and salary earners whose tax was being fully withheld from the necessity of filing a declaration or making a quarterly payment on September 15th. Mr. Doughton suggested that it would be helpful if someone came down from Treasury to tell the Committee how urgent it was to get immediate action on this Bill. He then inquired how much time would be necessary after passage of the Bill to put this into operation. Mr. Sullivan -- taking a quick shot in the dark -- said four months would be required and indicated that if this Bill were enacted into law by May 15th we would probably be able to have it in effect for September 15th.

Mr. Doughton said that from his previous conversation with the Secretary he thought that the Secretary might be going to discuss additional revenue. The Secretary replied that he had talked with the President and that the Secretary preferred to take one step at a time and restrict this Bill to simplification. Both Mr. Doughton and Senator George were in hearty accord with this decision.

Mr. Doughton suggested that he and Senator George issue a joint statement that this legislation would be restricted to simplification. The Secretary asked if he could be included in that statement. Mr. Doughton indicated he feared the Republican members might feel that this was a political move. He then suggested that the Secretary write to the two Chairmen stating the urgency of the passage of this measure and the decision of the Treasury to forego recommending any administrative changes. Mr. Doughton stated that this would give him and Senator George an opportunity for making a joint statement that the two Committees would likewise refrain from including administrative amendments in the Bill.

Congressman Cooper came in just after Senator George and Mr. Doughton had left. The Secretary brought him up to date on the developments of the conference and Mr. Cooper expressed complete satisfaction with the conclusions. He then went to the office with Mr. Sullivan and approved a tentative draft of the proposed letter to Mr. Doughton and Senator George.

MEMORANDUM

March 8, 1944.

TO: The Secretary  
FROM: Mr. Sullivan

JHS

Yesterday afternoon while discussing the strategy on the Simplification Bill, Jere Cooper spoke about the spot Justice Byrnes had put him in on the Rural plan. He said that Byrnes had assured him that if there was anything more than 60 per cent forgiveness straight across the board the President was determined to veto it. Accordingly, Jere and three other Democratic conferees refused to sign the conference report. This was signed for the House by Chairman Doughton and the Republican members.

Mr. Cooper went on to explain that four of the five Democratic conferees were against the conference report, that ten of the fifteen Democratic members of the Ways and Means Committee and a majority of the Democratic members of the House all voted against the Bill.

Mr. Sullivan read 3/8/44, per the  
Secretary's instructions.

157



March 8, 1944  
10:42 a.m.

HMJr: Hello.

Operator: Mr. Byrnes is busy and will call you, and Judge Vinson is out of his office and they expect him shortly.

HMJr: Oh. All right. Thank you.

Operator: Right.

11:04 a.m.

Operator: There you are.

HMJr: Hello.

James Byrnes: Hello.

HMJr: Henry talking.

B: Yes, Henry.

HMJr: Look, Jimmie, I wanted to get your ideas on this, and see how it hits you. Yesterday, George and Doughton and Jere Cooper were here. They were talking about the present tax bill, and they had not talked to each other, and we came to an agreement that we thought it would be a good Democratic Party measure if we confined this particular bill to the simplification of the individual income tax -- and nothing else. Hello?

B: Yes.

HMJr: And what they suggested was that I write them a letter urging them to speed the thing up, and more or less committing ourselves to the fact that we would, at this end, not ask for anything else, except for the simplification. In other words, no administrative changes of the corporate tax, and no in -- request at this particular time for more income. See?

B: Yeah. I'm just thinking.

- 2 -

HMJr: Well, I want you to think, and....

B: The -- just thinking aloud -- was that -- the President is -- is on record....

HMJr: Yeah.

B: ....and you are, asking for more money....

HMJr: That's right.

B: ....and now the -- the President urged this simplification on them?

HMJr: That's right.

B: It -- and I -- I just conclude as a practical matter that there's one damn thing that's going to be done -- they're going to act on that, no matter what anybody tells them, because the Bee was put on them -- and the country is talking about it so much that it will make the boys do something about that. Now, can you avoid committing yourself to them on the -- in a way that would look like you were abandoning your previous request?

HMJr: Well, the way the letter is written -- it isn't finished -- when it's ready I'd like John Sullivan to bring it over to show it to you, you see?

B: Ah -- that's the only thing if it don't have....

HMJr: Well....

B: ....don't have people shooting at you....

HMJr: No. No.

B: ....saying that you had retreated from your former position.

HMJr: I think the letter is so couched that -- that that is taken care of, but I -- I want to -- I'm....

B: Yeah.

HMJr: ....very conscious of that.

B: Yeah. Well, that's why -- I'm just thinking of -- out loud....

- 3 -

HMJr: I think ....

B: .... but I could see that would be the first thing that would occur to me that some damn fellow just saying that -- you -- that you're half-hearted about the thing, or you wouldn't have now admitted that you didn't need any more, or didn't want any more.

HMJr: Well, the point is -- the reason they want the letter from me is -- they say they're going to have some trouble keeping out administrative changes, and if I write this letter, then they'll get out a joint letter between them, saying they -- they don't want anything except tax simplification in this bill.

B: Well, could you -- could you dodge it by saying "in this particular bill"?

HMJr: Ah .... Yeah.

B: But, I mean in any way reiterate your -- your previous -- while not withdrawing the recommendation previously made that in this particular bill that you agree?

HMJr: Well, that's an idea.

B: I -- I don't see any harm, except the one thing that these damn editors ....

HMJr: Yeah.

B: .... these sharp-shooters -- if they would say that Treasury had no heart in the previous thing, and the best evidence is that after this -- they got time and that now that they don't say anything about the additional revenue -- we would indicate -- I hate to see them get you in that jam.

HMJr: Yeah. Now ....

B: That's what -- that's what you're bothered about, huh? (Laughs)

HMJr: Well, that's -- that's what I'm -- I mean ....

B: That you're thinking about.



- 4 -

HMJr: Yes, particularly in view of the editorial, of all places, in the New York Times, which if you haven't read, you should, where they put the entire blame on Congress that we haven't got tax simplification ....

B: I ....

HMJr: .... this morning.

B: Well, ah -- 'they put it on Congress?

HMJr: On Congress completely.

B: Well, ah -- hell -- you know I just believe whenever they go and enact legislation, some darn smart guy is going to say, "If they can do it now, why didn't they do it before?".

HMJr: That's right.

B: It - they've been throwing it on your doorstep all the time.

HMJr: That's right.

B: And if you -- if -- I'm glad -- I'll -- I've got the Times on my desk, but I hadn't - hadn't read it. I'll read it promptly, because ....

HMJr: Supposing you read it, and then what I could do is this: sometime this afternoon -- we haven't -- the letter that -- I'm not satisfied yet with the letter the way it's written, you see, and I'm working on it this afternoon. And I'll have Sullivan call up ....

B: Fine.

HMJr: .... if he may.

B: Yes.

HMJr: And come over and show it ....

B: Well, Henry, let me ask you -- did they ask you to write the letter?

HMJr: They asked me for it.

- 5 -

B: And they wanted you to - to limit it to this?

HMJr: Well, what they, as I remember it -- they were talking very fast -- Doughton said, "I think if you'd write us a letter, it would be helpful", and then he said, "based on that letter", Doughton and George would get out a statement announcing that this bill is going to be confined simply to simplifying the individual income tax.

B: Well, he -- he just put you in the darn thing, didn't he? They're already working on a bill. They've announced that they have, and ....

HMJr: Yeah, they've announced it, and ....

B: .... and it's a damn pity that they just didn't go on and -- and do it, without putting you in it.

HMJr: Ah -- I don't -- I mean, as I say, if we can't get a letter which is all right, I can -- I can withdraw, but I - I think this -- I think we should give them verbal assurance, anyway, that the Administration is back of this program, if I decide that it's a mistake to write a letter.

B: Oh, yes. Yes, indeed. You could -- that you're back of the program -- it -- is only -- I'm only thinking of one damn thing is whether you are -- everybody wants simplification, and if they would -- if you can so couch the letter that it doesn't cause you to withdraw recommendations previously made as to the necessity of greater revenue....

HMJr: Yeah.

B: .... then you'd be all right.

HMJr: Yeah. Well, after you've read it if you ....

B: All right.

HMJr: .... if you think that it's putting the ....

B: Ah ....

HMJr: Hello?

B: Yes.

- 6 -

HMJr: .... the Administration in a hole, I'll try to crawl out of it, that's all.

B: Well, we'll - we'll think it over carefully. If you can do what they want, you ought to do it, but you've got to look after Mr. Morgenthau once.

HMJr: Suits me.

B: Yeah. Those fellows up there may or may not do it. And the chances are, the way you've described it, that Bob just made that request without any consideration at all of what position it would put you in.

HMJr: Oh, he - he went off -- he ....

B: Just spontaneously.

HMJr: That's right.

B: Yeah. He didn't -- that's -- I judge from your statement he just was spontaneously suggesting -- and helpful, and it's all right, if it doesn't -- if it can be done so that it doesn't put you as back-tracking.

HMJr: That's right.

B: All right.

HMJr: Thank you.

B: Send it to me.



March 8, 1944  
11:36 a.m.

Col. Frank  
McCarthy:

Hello, Mr. Secretary.

HMJr:

How are you?

M:

Fine, sir.

HMJr:

Colonel McCarthy, through your predecessor and through General Bissell ....

M:

Yes, sir.

HMJr:

.... about every two months I used to go over to the air room ....

M:

I see.

HMJr:

.... and they would give me a lot of figures ....

M:

Yes, sir.

HMJr:

.... on production and so forth and so on of the Axis countries.

M:

Yes, sir.

HMJr:

I would like to have an opportunity to go over there again, and I think that the easiest way would be to ask General Bissell what they did for me the last time.

M:

Fine, sir.

HMJr:

Then he could tell you ....

M:

Yes.

HMJr:

.... what they did the last time that I was over there, and if I could just have that and the same explanation, except be brought up to date.

M:

I see. All right, sir. Fine. When would you like to come, Mr. Secretary?

HMJr:

Well, if it could -- if the air room isn't busy and the offices involved are not busy, if I could come at nine-thirty, Saturday morning.

- 2 -

M: Nine-thirty, Saturday morning.

HMJr: If - if - but if they're busy, don't hesitate to say it, because I can put it off.

M: Well, sir, I'll -- no, no -- that's fine. I'll call you back and confirm that.

HMJr: Yes.

M: Now, in the meantime, I have the complete collection of - of the Military Intelligence booklets that you wanted ....

HMJr: Fine.

M: .... and I'll send it over some time today.

HMJr: Fine.

M: I also have the memorandum on prisoners of war.

HMJr: Fine.

M: Ah -- which I haven't had a chance to read through yet; it just came to me this morning, but I hope it's going to be all right.

HMJr: Yes.

M: And I will know about that matter that you asked about the other day very shortly.

HMJr: About my boy?

M: Yes, sir. That's being looked into.

HMJr: But I don't want to -- you know -- aggravate the situation or -- you understand.

M: Oh, I understand perfectly. Yes, sir.

HMJr: But, if this -- well, I explained it to you, and I suppose it is a little difficult to find out, isn't it?

M: Well, in the case of an independent regiment, it is. Yes.

HMJr: Yeah.

M: Because you -- that -- it doesn't take the same planning to move an outfit like that as it does to move a division - ....

HMJr: Yeah.

M: ....so we generally know a long -- long in advance about individual divisions which are going....

HMJr: Yeah.

M: ....but about an independent regiment, you -- you might not know until some time later; however, I've got a man working on it, and I think we'll know very, very shortly.

HMJr: Well, of course, the trouble is, I don't think they know what they're going to do with mechanized cavalry.

M: Yes, sir.

HMJr: Isn't that one of the troubles?

M: Well, -- ah -- no, it's been pretty successful in some places. They've used some of it in the Pacific, of course.

HMJr: Yes, I noticed that.

M: And, it's -- it's a good complement for armored outfits....

HMJr: Yes.

M: It can move right along with them, and just as rapidly.

HMJr: Well, Colonel, would you give me a confirmation on that Saturday, or my office, or how will we leave it?

M: I will check it right away, sir, and call your office back.

HMJr: Thank you.



- 4 -

M: Be glad to do it right away.

HMJr: Thank you.

M: Good-bye, sir.

March 8, 1944  
11:50 a.m.

FREEZING OF ARGENTINA

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

H.M.JR: Good morning.

I thought I would tell you this - I don't know whether you are up to date - that I got a letter and a telephone call from Stettinius saying that he couldn't give me the figures and plan on the economic sanctions against the Argentine because the War Food Administration couldn't give it to him until Thursday.

Of course, I didn't say, "It seems to me that this information should have been at hand months ago."

Incidentally, somebody told Marquis Childs - did any of you read him?

MR. PEHLE: I read him this morning.

H.M.JR: This morning on the Argentine?

MR. PEHLE: Yes.

H.M.JR: He had the whole story. I hope he didn't get it from the Treasury.

MR. PEHLE: I am sure.

H.M.JR: Anyway, he had the whole story. This is the part that I sort of hesitate to tell you. I brought

- 2 -

it up with the President yesterday and I said I thought that we ought to take some very stringent action against the Argentine, that this thing was spreading: All the Good Neighbor policy for the last eleven years might go up in smoke at any time. You fellows mustn't repeat this to anybody.

The President said, "I can't just find out what is happening in the Argentine. We just don't know what happened there."

I said, "We do know, for example, that the German and Japanese military attaches are loose, and so forth."

He said, "Yes, but we just don't know what is happening."

I said, "Well, are you waiting on England?"

"No, no," he said, "we have to know more about this thing."

So I came back and called up Stettinius and said, "Well, why don't you keep the President posted?" I didn't say it quite like that.

Stettinius said, "What do you mean?" He ~~got~~ quite excited. He said that the President knows all about it.

So I said, "Well, he doesn't act that way."

He said, "I will get a memorandum up to give the whole thing to him all over again."

I am just telling you youngsters - remember I kept telling you about getting sawed off on the end of a limb. Here in the Treasury we think we know what the answer is. We know what should be done. But then when you go up against a thing like that with the President, and he says, "I just don't know what is happening in the Argentine"--



- 3 -

MR. PEHLE: Does that mean he doesn't trust the reports from Army?

MR. WHITE: I think what he really means is he didn't make his mind up, that the picture isn't clear enough to him. I suppose he knows all the episodes.

H.M.JR: Stettinius says he does. But again, with the Army saying they don't want to take on a war, and so forth and so on - somebody most likely told him that we can't afford the troops, ships, and so forth and so on. So it puts Stettinius in a very difficult position.

But here it is Wednesday - wasn't it Thursday he said?

MRS. KLOTZ: Thursday.

H.M.JR: So I just want to let you know.

I have been active - I have not been sleeping - but not very successfully.

MR. WHITE: The sad thing is that in a major field like that the President should be in the slightest doubt as to what his course of action should be.

If he said, "I don't think I am going to act yet; I am going to wait," but to take the position he doesn't know what it is about--

H.M.JR: But for us to send a bomb-shell over at this time would be just wasting our ammunition. I don't know whether you men agree with me or not.

MR. PEHLE: You mean State?

MR. LUXFORD: I don't see anything to be gained right now.

H.M.JR: If we sent this to State or the President - I think we have just so much ammunition, and I think

- 4 -

it would be wasted. I have got to wait until I hear from Stettinius. He was very courteous. He not only wrote, but telephoned. And he was naturally upset when I told him that the President said he didn't know what was going on.

MR. WHITE: Is he liable to take that to the President?

H.M.JR: I don't care. Why should I?

That is that. I don't know if you men have any bright ideas.

MR. PEHLE: I just want to mention that Jim Mann, who is the Treasury-trained man that went to Argentina, is back here working for the War Refugee Board. He has first-hand knowledge of what has been going on. He is a very competent person.

H.M.JR: I would like to see him.

MR. PEHLE: He is here whenever you would like to see him. He really knows the whole story.

H.M.JR: How do you spell his name?

MR. PEHLE: M - a - n - n.

MR. LUXFORD: Funny story about Jim Mann and you, Mr. Secretary. A long time ago he brought the proclaimed list in to you - it must have been three years ago - you said, "Young man, what is your name?" And to this day Jim Mann can tell the nicest story about it.

You said to him, "Who sent you up here? You go back and tell Bernstein and Foley they can bring those things in themselves."

He hadn't come up here to bring it in to you; he sent it in, and you said for whoever was outside to come in. He came in shaking. I laugh every time I think of it.

- 5 -

MR. WHITE: Anyway, he left for South America.  
(Laughter)

MRS. KLOTZ: It isn't that you are terrible, but they are afraid of the Secretary of the Treasury, that is all.

H.M.JR: I can only vaguely remember it.

MR. PEHLE: He has done a very good job down there. You sent him a very good letter at one point, which was very helpful to him with Armour.

H.M.JR: And then Stettinius said to me, "Now, you are not going anywhere else, are you, to get information about the Argentine?"

I said, "Listen, Ed, my money is on you, and I am counting on you to do the right thing."

MR. PEHLE: That is a nice answer.

MRS. KLOTZ: I think you said the President said, "We haven't anything on the Argentine."

MR. WHITE: Because you were counting on him, that is why you went to the President!

H.M.JR: I told him I got some stuff from the Army.

MR. WHITE: Is Hull coming back very soon?

MR. PEHLE: He will be here Friday.

H.M.JR: Yes. Well, that is all I have. What are you (Pehle) trying to do? What is your private worry?

MR. PEHLE: My private worry is this, Mr. Secretary: If the President is rewriting that declaration to say that maybe the British ought to let some of the Jews into Palestine--

(Mr. White and Mr. Luxford leave the conference)



- 6 -

H.M.JR: Yes?

MR. PEHLE: This may be the crucial time to get added to that declaration something to the effect that not only are we asking the British to take them into Palestine, but we are willing to let them into the United States on this restrictive basis. It may be the best time, since he is under very great criticism for his attitude on Palestine. He might just take it and it might work through.

H.M.JR: O.K.

(The Secretary places a call for Miss Grace Tully)

MR. PEHLE: And we talked about this thing in the Treasury - my staff yesterday morning, and yesterday afternoon we had a meeting with Gaston, Paul, White, Luxford, and the people working on it. We are all in agreement. We weren't talking about adding it to the declaration; we were talking about it as a separate thing. But if he is now putting in the declaration something about the British, they will take it very badly. If he wants something to make it good--

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

March 8, 1944  
12:02 p.m.

HMJr: Hello.

Operator: Miss Tully. Go ahead.

HMJr: Hello.

Miss Grace Tully: Good morning, Mr. Secretary. How are you?

HMJr: How are you?

T: Very well, thank you, and very happy, thank you.

HMJr: You are?

T: Yes, sir.

HMJr: Well ....

T: It was nice work.

HMJr: .... I wanted to thank you for what you did.

T: Well, I don't know whether I did anything ....

HMJr: Yes, you did.

T: .... you were the one -- to do. Did I?

HMJr: You did a lot, because you -- by asking me to see him, and -- ah -- I might have done it, but anyway, you - you were very helpful.

T: Well, grand. I'm glad if I was. I - I think I probably blew up, but I really felt so strongly about it, and -- and I hated to see any injustice done, and I knew that if you knew all the facts and then you went into it, and then if you decided after that, that was fair enough.

HMJr: Yeah.

T: And I knew you'd be fair about it and decent about it, and if you gave a person a chance to tell a story, he'd have both sides and then it was entirely up to you, and if it was wrong, it was wrong, but at least, he was given a chance, and I think people feel so much better if they're given at least a Chinaman's chance to explain their own case.

- 2 -

HMJr: Well, I think I would have done it, but - but your -- helped me do it.

T: Good. And I think the Boss is happy over it.

HMJr: Is he?

T: Yes.

HMJr: Well, that's very important.

T: And I really have worried about -- really one of the very, very -- things in my mind that have -- very strong in my mind, was his protection, and I really -- I really felt that it -- with all the things that are going to happen this year, I felt very, very shaky on any change -- taking on inexperienced men who didn't know this kind of a job and how to run it. And that worried me very much.

HMJr: Well, you know the man is on probation?

T: Uh-huh.

HMJr: That's between the President and that man and myself.

T: Yeah. Uh-huh.

HMJr: And - but as long as he keeps his oath ....

T: Yes.

HMJr: .... everything's all right, but if he's ....

T: Well, that's fine. I'm - I'm sure he will.

HMJr: But if he breaks it, his - his understanding with me is that he doesn't get a second chance.

T: No, well, I don't think anybody deserves that. I think one chance is all you're -- you can be asked to give.

HMJr: You knew -- you knew under what circumstance he took the oath?

T: No. No, I didn't get any details. I just knew he was reporting back. I mean, I didn't ....



- 3 -

HMJr: Well, he took it to his priest.  
T: Oh! Uh - huh.  
HMJr: For life.  
T: Yeah.  
HMJr: For life.  
T: Uh-huh.  
HMJr: So if he breaks that, well, then I just couldn't have any confidence.  
T: No - no.  
HMJr: What?  
T: No - no.  
HMJr: No, but I -- I know -- he went -- and that was his own suggestion. Not mine.  
T: Yeah.  
HMJr: And he -- and I didn't suggest he take it for life, but he's taken it for life.  
T: Uh - huh.  
HMJr: Now, if he can't keep that ....  
T: Well ....  
HMJr: .... loyalty to his God ....  
T: Well, I'm sure he wouldn't do it, if he couldn't -- if he didn't feel he could do it.  
HMJr: No, so that's -- that's -- and I told him if he ever broke it, I expected him to come, direct.  
T: Uh - huh.  
HMJr: To me.  
T: Yes.

- 4 -

HMJr: But, anyway, I'm glad you people over there are happy.

T: Yes, that ....

HMJr: And I - I am.

T: Well, I'm glad you are.

HMJr: Yes. Now, I got one - one matter that I need some help.

T: Yes, sir.

HMJr: I gave the President yesterday a so-called declaration on the refugee Jewish problem of the world.

T: Declaration?

HMJr: Yes ....

T: Yes.

HMJr: .... I mean announcing that -- to the Germans and their satellites ....

T: Yes.

HMJr: .... and so forth and so on -- it was signed by Stimson and Stettinius and myself ....

T: Yes.

HMJr: .... a letter and then this thing. Now, I understand from Sam that the President is rewriting the thing himself ....

T: I see.

HMJr: .... and that he expects to use it.

T: Yes.

HMJr: Now, if he is rewriting it ....

T: Yes.

HMJr: .... I'd - I'd very much like to see it ....

- 5 -

T: Yes.

HMJr: In its changed form.

T: All right.

HMJr: To make sure that -- well, if he still has the spirit, and I might -- I might want to make some suggestions myself.

T: Yes.

HMJr: You see?

T: Yes.

HMJr: So, he got it -- Early handed it to him yesterday, but there's a letter of transmittal from -- with Stimson and myself and Stettinius on it.

T: Yes. All right. Fine. He hasn't done anything on it yet, with me, at least, and when he does, I'll give him your message with it -- that you'd like to, if he's making any changes, you'd like to see them, and perhaps make some suggestions.

HMJr: That's right.

T: Fine. And also, Mr. Secretary, I am sending over to you, I think that Myron Taylor memorandum, and the President suggesting that you and the Acting Secretary of State work it out with him -- with Taylor.

HMJr: Right.

T: Fine.

HMJr: Right. Thank you.

T: Right.

HMJr: Good-bye.

T: Right. Good-bye, Mr. Secretary.



- 7 -

H.M.JR: She says it hasn't got to her yet. The Myron Taylor thing is being sent over for Stettinius and me to handle. That is what I told him.

MR. PEHLE: That is wonderful. And she is going to let you see a copy of the declaration?

H.M.JR: Yes, and if I get time I will go into this matter.

MR. PEHLE: Yes, sir. Thank you.

H.M.JR: But as I say, I just cleared Gaston and the Attorney General on a matter that has been on my desk for five days.

MR. PEHLE: I know you are terribly crowded.

H.M.JR: But this other thing, I will get it. I am home tonight. I am all right tonight. I may have you come over after supper.

March 8, 1944  
2:18 p.m.

Operator: There you are.

Operator: Yes, ma'am.

HMJr: Hello.

Operator: Mr. Secretary?

HMJr: Speaking.

Operator: Just a minute, please, Judge Vinson.

Judge Fred  
Vinson: Hello, Henry.

HMJr: How are you?

V: Pretty good.

HMJr: Fred, Doughton and George and Jere Cooper were  
down here at my office yesterday ....

V: Yes.

HMJr: .... and we had quite a talk. And the gist  
of it was that they wanted to confine this  
present tax bill to simplification of the  
personal income taxes, you see?

V: Yes.

HMJr: And -- to which we agreed. And then in the  
course of the discussion, we were talking  
about Doughton and George getting out a joint  
statement in order to hold the Democratic  
members in line -- and then Doughton asked me  
whether I wouldn't write him a letter saying  
that we here cooperated with them and hoped that  
they would confine this particular piece of  
legislation to simplification. Now, I had quite  
a talk this morning with Jimmie Byrnes about it,  
you see?

V: Yes.

HMJr: And I told him we were working on this letter,  
and when the letter was so that I was satisfied  
with it, before I sent it to the President for  
his okay, because if this goes up, it's a

HMJr: (cont'd) commitment from the Administration, I'd -- I'd like you to take a look at it, to see if you can see any bugs in it.

V: Well, I'll be glad to, Henry, just off-hand....

HMJr: Yes.

V: .... ah -- it looks to me like that if -- if you say that you just want to confine solely to that ....

HMJr: Yes.

V: .... it might be construed that we were all wet, when we asked for the ten-and-a-half billion.

HMJr: I see. Well, we've been trying to couch the letter in a way that it wouldn't do that. Now, whether we can be successful or not, I don't know.

V: I -- I figured you had thought of that.

HMJr: Oh, very much so. I mean, there's ....

V: I - I ....

HMJr: .... there's no way to stop -- well, let's put it this way -- not to lose ground from what we've got now.

V: That's right, and I really think the Chief and the Administration has gained and is gaining ground.

HMJr: Oh, I think so. If you haven't seen the editorial in today's New York Times, you should take a look at it.

V: Well, I'll look at it.

HMJr: I was amazed.

V: And you see if -- if we have anything in there that -- that indicates that we don't want more ....

HMJr: Yeah.



- 3 -

V: .... by George, it seems to me we can get it -- get a body blow. What did Jimmie think about it?

HMJr: Well, more or less the same line....

V: Yeah.

HMJr: ....and he said that it looks a little new to him and he wanted to think about it, and he thought we should get simplification through, you see?

V: Yes.

HMJr: But he didn't want to lose the ground that we had, nor do I. And I told him that just as soon as we were satisfied with it here, I -- I wanted Sullivan to get in touch with both of you gentlemen and let you have a chance to look at the letter.

V: Well, that's fine. I hadn't -- I didn't know anything about -- it's the first I'd heard about the -- the meeting, and I'm glad they're going ahead,...

HMJr: Well, it was an off-the-record meeting, and ....

V: Yes. I'm glad that they had a -- they're urging -- they're going to try to simplify, and I think they can. I think they can do a real job. I think they could have done it before if they'd....

HMJr: Well, weren't....

V: ....put in the extra -- utilized the heat....

HMJr: Yeah.

V: .... that -- and the energy that they exerted in fuming around....

HMJr: That's right.

V: .... and directed it toward simplification, because I don't know that the moon's changed, or -- well, the moon may have changed a time or two, but the sun's, I guess, still in....

- 4 -

HMJr: That's right.

V: ....its relative position.

HMJr: Well, the point -- what I was trying to do, that Paul was worried about, was we wanted to get simplification through without a lot of administrative changes.

V: That's right.

HMJr: And he said if I could get them to sort of declare themselves, it would make his job easier. And, until I went up on the Hill, Doughton and George hadn't talked to each other....

V: Yes.

HMJr: .... and what -- and George said he couldn't hold it in the Senate if they put in any administrative changes in the House. And....

V: You might fix your letter in regard to that, rather than amount.

HMJr: Uh -- how do you mean?

V: Just simplification without administrative changes.

HMJr: Yeah. Well, that's what we've done. That's what we've done.

V: But Doughton, as I got your statement, Doughton wanted you to say that -- that that was all you wanted.

HMJr: No. If I said that, then I gave the wrong impression. No, he wanted help from the Administration to keep this particular bill confined to simplification, and keep out all of the two hundred changes in it that everybody wants, you see?

V: Yeah.

HMJr: No, he wanted our help to confine it to that. He said he might need help with his own Democratic members. And he thought of it while he was sitting here. It wasn't something that

HMJr:  
Cont'd.

he could have thought of it in advance,  
because he didn't know where George stood,  
and George didn't know where Doughton was.

V:

Uh huh.

HMJr:

See?

V:

Well, he's a pretty long-headed old boy, though,

HMJr:

I know.

V:

Longing to get the nod ....(Laughs)

HMJr:

Well, that's why I'm I'm conferring with  
you now....

V:

Well....

HMJr:

....I mean I want to get all the good advice  
that I can.

V:

All right. That's fine, old boy, and I'll  
I'll be glad to look it over.

HMJr:

And Sullivan will bring it over when -- when  
we're satisfied with it here.

V:

All right, Henry.

HMJr:

Thank you.

V:

Bye.



March 8, 1944  
2:31 p.m.

Dan  
Bell: Hello.

HMJr: Dan.

B: Yes, sir.

HMJr: I was just inquiring out of curiosity, whether I've ever been informed in advance of these meetings that Paul holds on taxes.

B: Uh huh.

HMJr: And I don't think I've ever been informed. I just saw a copy of a memorandum they sent you on March 7. I wish you'd talk to me about it sometime, and I think having these meetings, and not talking to somebody in the Office of the Secretary -- I think it's terrible. Remember we talked about it once before.

B: They sent me a copy of a memorandum?

HMJr: I have one of March 7 that he sent you -- a memo.

B: What kind of a meeting?

HMJr: They're going to have another one Thursday on taxes.

B: You mean he sent it to me. I haven't seen it.

HMJr: Well, it's dated March 7th from Blough to Bell.

B: That was yesterday, wasn't it?

HMJr: Yeah.

B: Well, it may be in my basket, but my basket was cleaned up last night before I went home.

HMJr: Well....

B: If it has come, it's come this morning.

HMJr: Well, you inquire. The way I got it, I asked Miss Chauncey. I said, "Do they ever let...." You see, last night just as Paul was leaving....

B: Hello.

HMJr: ...."By the way, there's going to be a meeting on Post-War Taxes. If you'd care to drop in Thursday, I'd be glad to see you."

B: Uh huh.

HMJr: So, I said, "Well, that's nice of you. Who's going to be there?" And he said, "Well, just some of the people, and...." So then this morning -- I said, "I know there have been a couple of meetings, have they ever let my Office know what took place at the meetings?"

B: Uh huh.

HMJr: And then they got some stuff together, and amongst that -- evidently they must have asked Paul's office -- came this memo dated March 7th to you.

B: Well, I haven't seen it, and I haven't had any notice of the previous meetings.

HMJr: Well, I haven't...

B: I heard of the one. That was the day that you were going to have the Conference, and he said he had about forty-five people in his office.

HMJr: Well.

B: I heard of it the first time at your Conference.

HMJr: Now, there is another one going to be held Thursday.

B: Uh huh.

HMJr: On March 9th.

B: I see.

HMJr: Here are these big meetings, with all these plans, and neither you nor I, evidently, are told anything.

B: Well, I'm not.

HMJr: Well, I'm not.

B: I can answer that.

HMJr: Well, just as a matter of curiosity, look for a memorandum dated March 7.

B: All right. I will. May be in my basket. If it is, it came this morning, because I cleaned up before I went home last night.

HMJr: Now, the second meeting was on February 1st, and there's a report on that. I wondered if you ever -- if they ever gave you a copy of that.

B: Not that I recall.

HMJr: Yeah.

B: But I'll check up on that, too.

HMJr: And then let's you and I have a little talk together, and then we'll talk to Paul and Blough that this thing has got to stop.

B: All right. Fine.

HMJr: Thank you.

B: Okay.



March 8, 1944

MEMORANDUM FOR THE SECRETARY:

You asked me to give you, from your files, the reports on two recent meetings held by the Treasury tax group on tax incentives. I could not furnish these reports because copies had not been made available to you or this office.

I contacted Mr. Blough's office and asked for copies. The report of the first meeting was not available because it had been written in rough form only. They gave me a copy of the report of the second meeting. They also gave me a copy of a memorandum addressed to Mr. Bell, which I understand went to him this morning, a copy of which we had not previously had. *Rec 2/11/44*

*n. m. Chauncey.*

COPY

Report on second meeting on incentive effects of  
taxation February 1, 1944, 2 P.M.

I. Procedure of meeting

The check list of the problems for discussion was expanded (the revised list is attached). It was agreed to proceed with the corporation-income tax at the following meeting.

There was some discussion of the ability to judge various tax revisions without more exact knowledge concerning the revenue needs of the Government in the postwar period and postwar economic conditions. It was generally agreed, however, that it would be useful to proceed to discuss the effects of different taxes, ranking them on the basis of their incentive effects.

II. Discussion of the excess-profits tax

The excess-profits tax and investment

Mr. Fournier stated that the excess-profits tax had a very adverse effect on the ability of growing industries to retain earnings. Historically, he believed, most of our major industries had reached their present levels by use of internal rather than external funds.

It was agreed that an excess-profits tax based on average earnings did not allow for growth, but that a peacetime excess-profits tax would undoubtedly be based on invested capital.

The excess-profits tax and monopoly

Mr. Hinrichs raised the question whether monopoly profits alone would be recaptured by an excess-profits tax. He believed that the efficient firms in highly competitive industries would be subject to such a tax. The tax would, therefore, be the reverse of an incentive tax; it would penalize efficiency.

- 2 -

Mr. Shoup countered with the general proposition that whenever a tax can recover elements of surplus in the economic system, taxes may be reduced at other points where they impinge on economic incentives. Monopoly profits would be one such surplus, as would be differential earnings resulting from greater efficiency.

The discussion then turned to the ability of an excess-profits tax, based on invested capital, to recapture monopoly profits. Mr. Goldsmith and Mr. O'Donnell pointed out the substantial variations in invested capital between industries and firms, resulting from variations in procedures for asset valuation. The treatment of intangible assets, for example, varies greatly among firms.

Inability of an excess-profits tax to recapture monopoly earnings might also result from dissipation of monopoly earnings through excessive managerial salaries, Mr. Rosensen pointed out. Mr. Goldsmith doubted if this effect would be significant unless a wage and salary policy based on the level of profits were adopted.

#### The excess-profits tax and prices

Mr. Musgrave believed that the future of the excess-profits tax depended not upon its ability to recapture monopoly profits, but upon its ability to force monopolies to adopt competitive-price policies. The mere reduction in monopoly earnings was not too satisfactory a tax device, since low-income groups might be the purchasers of the monopoly's output. The tax would, in effect, represent an excise tax, since the Government would be acquiescing in the higher monopoly prices though recapturing the resultant excess profits. He thought none of the classical excess-profits taxes would force a competitive-price policy, and the question then was whether the tax could be formulated, perhaps along the lines suggested by Dr. Higgins, to achieve this result.



COPY

- 3 -

Mr. Gilbert asked whether the excess-profits tax was not simply shifted to consumer. He thought it was obvious that this had happened during the war. He did not know in exactly what industries this took place; but he believed that there was little shifting in the case of homogeneous products.

When the assumption upon which such a conclusion rested -- that monopolies do not maximize profits -- was pointed out, Mr. Musgrave and Mr. Rosensen held that for political reasons a monopoly charged as high a price as it could get away with. Excess-profits taxes, by reducing profits after taxes, would allow monopolies to get away with higher prices.

Mr. Colm thought that a case could be made for an excess-profits tax with an invested-capital base, graduated by size of corporation, to improve the price structure. He believed that high profits to large corporations mean something quite different than high profits to the small, since large corporations could offset losses of one unit against profits of another unit. High profits for the small corporation, on the other hand, might mean merely a recovery of earlier losses. A more satisfactory competitive structure could thus be achieved by use of such an excess-profits tax. He did not believe that this tax would have quite the same results as a graduated normal-tax and surtax, but that it was similar in effect to more adequate averaging devices.

#### Repeal of the excess-profits tax

The discussion then turned to the timing of repeal of the excess-profits tax, if it were not to be retained.

As to the technique of repeal, Mr. Hinrichs believed that abrupt repeal of the excess-profits tax would create enormous windfalls in certain industries, e.g., steel, and that a share of the windfall would be demanded by labor. These industries might be in a position to meet labor's demands; but other industries, whose wage structures were intimately related, might not be able to meet the rise because their windfall from repeal was smaller. A distortion in the wage structure might, therefore, result, with strikes a concomitant effect. He believed that the excess-profits tax should be eliminated by price reductions, rather than sudden repeal.

COPY

- 4 -

As to the timing of repeal, Mr. Salant thought the excess-profits tax should be retained during the immediate postwar period in order to recapture profits from the sale of durable consumer goods.

Mr. Hinrichs believed repeal of the tax would be entirely unacceptable as long as any semblance of wage regulation remained. Mr. Goldsmith added price regulation of any kind.

Mr. Gilbert, however, held that manufacturers would not push production of civilian goods after reconversion until the tax was repealed. It would be particularly unfortunate, if the slump in war employment were not matched by a rise in civilian employment. He urged, therefore, the repeal of the tax after cessation of the European phase of hostilities, and the use of renegotiation to recapture war profits.

Mr. Goldsmith objected to the effect of such timing on war production. He held that civilian producers earned just as much profits as war producers through the indirect effects of Government spending. In one way or another, therefore, war producers would shift over to more lucrative civilian production.

Mr. Colm and Mr. Musgrave placed emphasis on retention of the excess-profits tax until effective use of the carry-backs had been made in the reconversion period.

Treasury Department, Division of Tax Research      February 23, 1946



Proposals to improve the incentive effects of taxation <sup>1/</sup>

The following list, though tentative and incomplete, contains proposed postwar tax changes which have been brought to the attention of the Treasury research staff, or which this staff has considered from time to time in its research work. It is suggested that you (a) extend this list by adding omitted items, and (b) indicate the items you would prefer to have discussed first.

1. Excess-profits taxes

- a. Eliminate the excess-profits tax, to stimulate risk-taking and to reward efficiency
- b. Retain the excess-profits tax permanently, to capture monopoly profits

2. Corporate-income taxes

- a. Eliminate "double taxation" of corporate income to
  - . reduce discrimination against risky ventures and to reduce discrimination in favor of debt financing
- b. Eliminate the interest deduction, to reduce discrimination in favor of debt financing
- c. Reduce taxes of small enterprises, to secure a more satisfactory competitive structure
- d. Reduce taxes on certain industries, to encourage the flow of capital into them
- e. Reduce taxes on new enterprises, to encourage a higher level of investment and a better competitive structure
- f. Change the methods of computing taxable income
  - (1) Allow the use of inventory reserves or some other method of inventory valuation, to eliminate distorting effects of price changes on income
  - (2) Permit taxpayers to adopt flexible depreciation policies, to encourage expansion of investment
  - (3) Extend the averaging of income, to reduce risks and to equalize the tax status of enterprises with fluctuating as against stable income

---

<sup>1/</sup> The stated consequences resulting from the adoption of each proposal do not necessarily represent the Treasury's views, but are rather the views generally held by the proposal's advocates.



- 2 -

- g. Tax all dividend income (at the corporate level) and eliminate the consolidated-return privilege, to penalize interlocking corporations

### 3. Individual-income taxes

- a. Reduce taxes on all or certain types of dividend and business income:
  - (1) To eliminate double taxation of corporation income
  - (2) To encourage additional equity investment in enterprise
  - (3) To encourage launching of new enterprise
- b. Extend the averaging of income, to reduce the discrimination against investments yielding fluctuating income
- c. Reduce surtax rates, to increase the volume of savings
- d. Increase surtax rates, to decrease the volume of savings
- e. Replace the income tax by two taxes -- one on savings and one on spendings, to control savings more effectively in a depression, and consumption expenditures in a boom
- f. Eliminate all taxation of capital gains and losses, to encourage investment in equity securities and a more stable level of stock prices
- g. Eliminate special taxation of capital gains, to reduce savings
- h. Eliminate the tax-exempt security privilege, to foster investment in business securities
- i. Allow the deduction of construction outlays of individuals, to encourage a higher level of construction activity

### 4. Employment taxes

- a. Expand payroll taxes, to increase the security of individuals and thus to encourage a higher level of spending or investing
- b. Reduce payroll taxes and substitute steeply progressive individual-income taxes, to increase consumers' expenditures

- 3 -

5. Sales and excise taxes

- a. Eliminate excise taxes, to achieve a better allocation of resources to different industries and the maintenance of a higher level of consumers' outlays
- b. Levy a permanent general sales tax, to reduce consumers' outlays and encourage savings

6. Inheritance taxes

- a. Increase inheritance taxes, to break up the economic power of large fortunes
- b. Reduce inheritance taxes, to stimulate risk-bearing and investment

7. Sundry taxes

- a. Impose a tax on hoarding, both at the corporate and individual level, to increase the turnover of funds and thus to encourage a higher level of consumption and employment
- b. Impose a tax on machinery, to discourage its use in competition with labor
- c. Impose a tax on idle machinery, to encourage its full utilization
- d. Impose a tax on business enterprises which decreases as employment increases, to encourage a high level of employment.

Treasury Department, Division of Tax Research      January 28, 1944.

March 7, 1944

To: Mr. Daniel Bell  
From: Mr. Blough  
Subject: Meetings on the incentive effects of taxation

A series of meetings with representatives of other Government agencies to explore the incentive effects of taxation was initiated by the Treasury at Mr. Paul's suggestion in the latter part of 1943. The purpose of these meetings was to bring about an interchange of ideas on the subject of tax incentives, particularly in relation to the stimulation of postwar production and employment. It was hoped that this discussion would clarify the role of taxation as a means of stimulating those factors which contribute to a high level of employment. It was also hoped that these meetings would develop further information which would be useful to the Treasury in the formulation of tax policy.

The first of these meetings, attended by 44 representatives of 21 agencies, was held on December 9, 1943. Many proposals for the improvement of the postwar tax structure were discussed. Among the possible revisions in corporation taxes suggested in the discussion for the purpose of stimulating investment were several forms of undistributed profits taxation, more adequate averaging of corporation income and losses, and exemption of income invested by business enterprise in fixed capital.

The second meeting, held on February 1, 1944, was devoted to a discussion of the future of the excess-profits tax. The questions discussed were: (1) whether or not the excess-profits tax should be retained in the peacetime tax structure; (2) if retained, what form it should take; (3) if repealed, when repeal should take place. No strong sentiment developed in favor of a peacetime excess-profits tax. There was some difference of opinion when in the postwar period the present excess-profits tax should be repealed. Most of those present, however, believed that it should be retained at least as long as other wartime controls. The minutes of this meeting are attached.

The third of these meetings is scheduled for March 9, 1944. The discussion will center about possible postwar revisions in the corporation income tax. A copy of the agenda for this meeting is attached.



Incentive effects of the corporation-income tax

1. Is there justification for special taxation of business income as such? For corporation income as such?
2. In levying taxes on business or corporate income should any attempt be made to differentiate between different kinds of income based on (a) the size of the business unit, (b) the age of the business unit, or (c) the industry in which it operates?
3. Does the prewar corporation-tax system discriminate against equity financing? Does this reduce the volume of equity financing through the substitution of debt financing? Does this reduce the volume of total financing?
4. Would the following changes in the corporation-tax base represent desirable ways of removing such discrimination?
  - (a) Expanding the base by
    1. Disallowing the deduction of interest expense
    2. Disallowing the deduction of interest and other payments for the use of capital (e.g., rent)
  - (b) Narrowing the base by
    1. Giving the shareholder full credit for the corporate-income tax when dividends are distributed (British system)
    2. Allowing the corporation a deduction for dividend payments, but giving no credit to the individual shareholder for the corporate tax on undistributed earnings (undistributed-profits tax)
    3. Allowing corporations a deduction for dividend payments and for undistributed earnings but requiring such earnings to be allocated to individual shareholders
    4. Eliminating all taxes on corporate income
5. Assuming an appropriate adjustment in individual-income taxes so that there would be no change in overall revenue yields, which of these alternatives would be more favorable to equity financing?

- 2 -

6. What would be the respective effects of these alternatives on the allocation of corporate income as between dividend payments and undistributed profits? On total undistributed profits?
7. What implications underlie the choice between these alternatives in connection with (a) the growth of monopolies, (b) the separation between ownership and management, and (c) the expansion of business investment into those fields offering the highest return?
8. What would be the effect of these alternatives on the price and wage decisions of corporation management?
9. What would be the effect of these alternatives on the views of business management with respect to the profitability of additional investment?
10. Which of these alternatives would contribute most toward a high level of employment in the postwar period?

Treasury Department, Division of Tax Research

February 29, 1944

March 8, 1944  
2:45 p.m.

TAX SIMPLIFICATION

Present: Mr. Gaston  
Mr. Smith  
Mr. Surrey  
Mr. Sullivan  
Mrs. Klotz

H.M.JR: Did you gentlemen see the talk I had with Mr. Byrnes?

MR. SULLIVAN: I did.

H.M.JR: Well, I had another one with Vinson just a few minutes ago and it is practically the same thing.

MR. GASTON: Here is that other thing. I changed that last paragraph. (Hands the Secretary revised letter to the President dated March 8, 1944, and revised letter to Senator George and Mr. Doughton dated March 8, 1944, attached)

H.M.JR: Got a new date on the front?

MR. GASTON: Yes.

MR. SULLIVAN: Was Jim joking when he talked with you?

H.M.JR: No.

MR. SULLIVAN: It didn't look very friendly in cold print.

H.M.JR: On the air, it was very friendly. No, Mrs. Klotz was amazed. He was extremely friendly.

MR. SULLIVAN: That is why I asked, because it doesn't read that way.



- 2 -

H.M.JR: I never heard him so friendly.

MR. GASTON: Oh, Byrnes?

H.M.JR: Yes. But to sum up both of them, the thing I worried about is we give up the position on additional revenue.

MR. SULLIVAN: I don't think we do.

H.M.JR: Well, anyway--

MRS. KLOTZ: That is what Mr. Gaston said.

H.M.JR: Now, which comes first?

MR. SMITH: This (indicating) is the revision of the letter to George and Doughton, and the one above is the President's letter.

H.M.JR: Which was the one this morning?

MR. SMITH: This is the revision.

H.M.JR: (Reading) "It is my hope that in order to expedite passage of this measure, your committee will restrict this bill solely to simplification. I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system."

I don't know whether that will take care of the objections of Byrnes and Vinson.

MR. SULLIVAN: I think it takes care of them, but it doesn't do what you agreed to do. You agreed to say that the Treasury wouldn't ask for any administrative amendments.

MR. GASTON: I think that implies it.

- 3 -

MR. SULLIVAN: Yes, it is an inference, but they wanted to have the Secretary's statement to help them with their own Committee Members and come to a firm understanding.

H.M.JR: After talking it over with Byrnes and Vinson, and hearing Gaston, I can give them my word, as far as we are concerned, and I want the President's word, and I want Byrnes' and Vinson's word. In the midst of this bill, let's get our own thinking straight. I am willing to say to them that as far as I am concerned, if the President will O.K. it - that is all I need, the President's O.K. - that while this bill is pending, the Administration won't ask for anything else.

Now, of course, the only danger of that is they might then hold that bill up all summer to block us from asking anything.

MR. GASTON: That argues that you should not say that definitely in the letter. You don't in this letter here (referring to revised draft). You just say that you hope they will restrict this bill.

H.M.JR: Another way - you could say that if they will get this bill through between now and the 15th of May, we won't ask for anything else - from now until the 15th of May. So they couldn't stall all summer, you see.

What do you think, Stanley?

MR. SURREY: You mean write that in the letter?

H.M.JR: No, no. If Sullivan goes, he has to know what I have in my mind. I have told Byrnes and Vinson he is coming over with this letter.

Let him say to these people, "Now, is the Administration willing to say to these two Committees that if they will concentrate on simplification and get a bill

- 4 -

out between now and the 15th of May, from this end of Pennsylvania Avenue there won't be any other requests?"

MR. SURREY: That is what the letter to the President says, in effect.

H.M.JR: Let me read it. (The Secretary reads attached letter to the President, dated March 8, 1944)

That is a good letter.

MR. GASTON: Yes.

MR. SULLIVAN: There is one statement in the second paragraph that isn't strictly true. There was discussion of additional revenues at the time they agreed about keeping administrative changes out.

H.M.JR: One of them raised the question about additional revenue. Doughton said--

MR. SULLIVAN: That was after the agreement with me. It is not important, unless--

H.M.JR: Just emphasize it to the President.

MR. SULLIVAN: It does that, all right.

H.M.JR: I want to emphasize it to the President. I want to lean over backwards so that he can't subsequently say, "Henry, you should have warned me and I am sorry you didn't. Therefore I have to send this message up for additional revenue." Therefore I would like to leave it in.

I want to go out of my way to paint it as black and in as much detail to the President as possible.

It is all right. What I would like to have you do, John - you have all seen this, I take it? (General assent) ...is to take my letter to the President, and



- 5 -

my letter to Doughton and George, and call up Vinson and Byrnes and find out - both of them couldn't have been nicer. I told them I wanted their advice, and the only thing that they are worried about is the thing that Gaston put yesterday, that we shouldn't retreat from our position, that we are in a position of asking for ten and a half billion dollars additional revenue. We don't want to retreat from that position.

MR. SULLIVAN: I will take it over.

H.M.JR: All right, that is a good job. I am pleased. And mind you, when you are going over there, these are the two men who wanted the President to veto the bill, so they have a stake in the thing, you see.

MR. SULLIVAN: All right.

H.M.JR: So if we can get it by them - well, anyway, it is the correct way, I think, to work, before I go to the President, to get the people's advice that he would ask, and make it easier for him. Then we can put on a P.S. afterwards and say, "These letters have been shown to both Byrnes and Vinson."

MR. SURREY: It is the only practical course. This Ways and Means Committee will only consider one thing at a time.

H.M.JR: Well, what I was trying to do was, quite frankly, to get some credit for myself out of this thing, in view of all the criticism. But Doughton and George, I am sure, don't want me to have any credit, and I think we have to watch ourselves - as one of these men said - that my letter isn't used as a billboard and have them say, "Well, you see Treasury now says that we were right, and they don't want any more revenue."

MR. SMITH: I think this letter will do you a lot of good. You are saying, in so many words, "Let's take this one thing and lick it." It is awfully important. This is the first time anybody said to restrict to just simplification and get it out of the way.

- 6 -

H.M.JR: Up to the meeting yesterday, that wasn't the policy. The policy was made here, because George didn't have the faintest idea last Friday where Doughton stood. And Doughton wasn't clear in his own mind.

But from a personal publicity standpoint, you think it is all right?

MR. SMITH: I do.

H.M.JR: Does anybody not think so?

MR. SULLIVAN: No, my sole worry is that that is a departure from the agreement that was made here yesterday afternoon. You remember Doughton said, "That makes the three of us all asking for the same thing."

H.M.JR: Don't worry, because I have had things - look, if I shot the letter without showing it to him - but before I deliver the letter I am going to let them read it, John.

MR. SULLIVAN: I am aware of that.

H.M.JR: We may never get a letter at all. I told them that I would have to consult the President, didn't I?

MR. SULLIVAN: Yes, sir, you did.

H.M.JR: If they say that this isn't quite the way it was, we can say, "Well, we have to make some changes in order to get it through."

MR. GASTON: It seems to me that saying that you hope that nothing else will be introduced is pretty near the same, or is substantially the same, as saying that you won't introduce anything.

MR. SULLIVAN: If they raise the question I will say, "Of course, when we are asking you not to do it, we wouldn't think of doing it ourselves."

- 7 -

MR. SURREY: You have never definitely committed yourself not to present administrative matters. They go back on their agreement every time in the Senate if they have the chance.

H.M.JR: Over here, you are only worried about the Hill - is that it?

MR. SULLIVAN: Yes.

H.M.JR: Well, this is the way I understood it.

MR. SULLIVAN: It is O.K. with me as long as I have told you.

H.M.JR: All right.

MR. SULLIVAN: I want to be able to leave one with them.

H.M.JR: Anything else?

MR. SMITH: That is all.



C O P Y

206

March 8, 1944

My dear Mr. President:

Yesterday afternoon we had a meeting in my office with Senator Walter George, Congressman Robert Doughton and Congressman Jere Cooper. Mr. Paul, Mr. Sullivan and Mr. Nunan also were present.

At this meeting it was agreed that the Congress of the United States would set out immediately to enact a bill providing simplification of individual income tax.

It was felt unanimously that this particular bill should be confined solely to simplification, and that the introduction of administrative changes, or of suggested revenue increases, or of alterations in taxes other than individual income tax, would serve only to develop arguments and greatly impede the progress of much needed simplification.

It was agreed by George and Doughton, therefore, that all proposals that might arise in the Congress to enlarge the scope of this particular bill would be resisted by the Committee. It was suggested that the Treasury agree to the same procedure.

I subscribe to this, as do all the people in the Treasury. However, if we do agree, I believe we will be promising, in effect, that no revenue or social security message will be sent up at least while the simplification bill is pending in the House. Since there are to be no public hearings on the simplification bill, it appears that we would thus be tying our hands until, at most, the latter part of April.

- 2 -

All of us here in the Treasury feel that any possible disadvantages of this restriction are outweighed by the necessity and desirability of putting through a bill -- and it should be ear-marked as a Democratic party measure -- to simplify the individual income tax system. We feel that this is a good move, not only for the country, but for the Democratic party.

George and Doughton asked that I send them a letter, which they can use in Congress to help keep extraneous considerations out of the bill, and which might be used as the basis of a press statement to be released by them. Such a letter is enclosed.

I should like your approval.

Faithfully yours,

The President

The White House

FS:mlf

- 2 -

All of us here in the Treasury feel that any possible disadvantages of this restriction are outweighed by the necessity and desirability of putting through a bill -- and it should be ear-marked as a Democratic party measure -- to simplify the individual income tax system. We feel that this is a good move, not only for the country, but for the Democratic party.

George and Doughton asked that I send them a letter, which they can use in Congress to help keep extraneous considerations out of the bill, and which might be used as the basis of a press statement to be released by them. Such a letter is enclosed.

I should like your approval.

Faithfully yours,

The President

The White House.

FS:mlf



March 8, 1944

My dear Mr. Chairman:

I understand that the staff of the Joint Committee and the Treasury tax staff are about to complete their work on simplification of individual income tax returns. I am told they hope to be ready to submit their joint recommendations to the Committee on Ways and Means of the House shortly.

Speedy enactment of the proposed legislation seems to me to be of the very first importance. Obviously here is one sphere within which we can appreciably lighten the load of inconvenience which the war has placed on American citizens.

It is my hope that in order to expedite passage of this measure, your Committee will restrict this bill solely to simplification. I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system.

Sincerely yours,

To be sent to:

The Honorable Robert L. Doughton,  
Chairman, Committee on Ways and Means

and

The Honorable Walter F. George  
Chairman, Senate Finance Committee

MEMORANDUM

March 8, 1944.

TO: The Secretary  
FROM: Mr. Sullivan

JHS

Today I brought to Justice Byrnes and to Judge Vinson your proposed letter to the President relating to your conference with George and Doughton and your proposed letter to these two chairmen asking that the Simplification Bill be restricted to simplification of the individual income tax alone.

Justice Byrnes said, "That's fine. That's the only thing to do. Tell Henry it's all right."

Judge Vinson said that he was afraid this letter would be interpreted as receding from our position that we need more tax revenues. He suggested that a sentence be inserted to the effect that this letter was not to be interpreted as evidence that you had changed your opinion that you need more revenue. At the same time, he said that it should not be so phrased that the inference could be made that another revenue bill was soon to come up. He said that this would be unwise, because probably there wouldn't be another revenue bill.

I indicated to Judge Vinson the difficulties we might have with the simplification legislation if the Committee got the idea that as soon as they completed work on that they would be confronted with a demand for additional revenue. He said that he realized the delicacy of the situation. He is to see Justice Byrnes at 4:30 this afternoon and said he would like to discuss it with Justice Byrnes. He is to call us either tonight or tomorrow morning.



THE SECRETARY OF THE TREASURY  
WASHINGTON

March 8, 1944

My dear Mr. Chairman:

I understand that the staff of the Joint Committee and the Treasury tax staff are about to complete their work on simplification of individual income tax returns. I am told they hope to be ready to submit their joint recommendations to the Committee on Ways and Means of the House shortly.

Speedy enactment of the proposed legislation seems to me to be of the very first importance. Obviously here is one sphere within which we can appreciably lighten the load of inconvenience which the war has placed on American citizens.

It is my hope that in order to expedite passage of this measure, your Committee will restrict this bill solely to simplification. I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system.

Sincerely yours,

The Honorable Robert L. Doughton  
Chairman, Committee on Ways and Means  
House of Representatives  
Washington, D. C.







THE SECRETARY OF THE TREASURY  
WASHINGTON

March 8, 1944

My dear Mr. Chairman:

I understand that the staff of the Joint Committee and the Treasury tax staff are about to complete their work on simplification of individual income tax returns. I am told they hope to be ready to submit their joint recommendations to the Committee on Ways and Means of the House shortly.

Speedy enactment of the proposed legislation seems to me to be of the very first importance. Obviously here is one sphere within which we can appreciably lighten the load of inconvenience which the war has placed on American citizens.

It is my hope that in order to expedite passage of this measure, your Committee will restrict this bill solely to simplification. I wish to assure you of the complete cooperation of the Treasury Department in working with your Committee toward the best possible simplification of our individual income tax system.

Sincerely yours,

The Honorable Walter F. George  
Chairman, Senate Finance Committee  
United States Senate  
Washington, D. C.



March 8, 1944  
3:05 p.m.

Operator: Operator.  
HMJr: Hello.  
Operator: He's coming right on. There you are.  
HMJr: Hello.  
Judge Rosenman: Henry.  
HMJr: Yes.  
R: Did you notice who Stettinius is taking with him?  
HMJr: No.  
R: One is Bowman.  
HMJr: No, I didn't notice that.  
R: And the other is Wallace Murray.  
HMJr: No!  
R: I just noticed it in one of my digests of newspaper releases. Ah - the reason I called you was that that statement has finally come down to me and Steve for re-drafting.  
HMJr: So Stettinius told me when he came back from the White House.  
R: Yeah. You mean today?  
HMJr: He called me up when he got back.  
R: Yeah. So, it's in now, and I'm supposed to broaden it.  
HMJr: Would you do this? Could we have a look at it, or could Pehle come over to see you, or -- when you've got it about the way you want it?  
R: Yeah.

- 2 -

HMJr: Will you ....

R: Yeah, I'll give him a ring.

HMJr: Will you send for Pehle?

R: Yeah.

HMJr: I'd appreciate that.

R: Okay.

HMJr: Is the President going to give it out?

R: The President is going to give it out, but he's - he's going to send some advance notice over to Britain.

HMJr: So they said.

R: Huh?

HMJr: Is he -- so Stettinius told me.

R: Yeah, but I don't want to clear it in the sense of getting an "okay" -- I just want to give them some advance notice.

HMJr: Ah - advance notice with ....

R: Statement that the President is going to ....

HMJr: You mean ....

R: Now, I don't know whether I can get away with that.

HMJr: Yeah.

R: I certainly don't think we ought to wait until it's approved.

HMJr: No.

R: Do you?

HMJr: No.

R: Yeah.



- 3 -

HMJr: Ah -- is he going to bring in the Palestinian thing?

R: Well, as I draft it, I'm not going to. I have no instructions to, and ....

HMJr: Well, if they haven't, I think it's much better not to.

R: So do I.

HMJr: I think....

R: I'm going to try to get away without it.

HMJr: I think that the thing is much better -- it's much -- well, it mixes the two things up.

R: You're right. Just like -- just like - ah - ham and ....

HMJr: And ham.

R: No, ham and matzoth.

HMJr: (Laughs)

R: Don't forget to tell me about that movie Friday, if you're going to have one.

HMJr: I won't, Sam. Thank you for calling.

R: Okay. Good-bye.

HMJr: Good-bye.

March 8, 1944  
3:08 p.m.

HMJr: Things have happened and I don't know whether -- they happened so fast around here, I don't know whether I can -- did I tell you about Stettinius calling me?

John  
Pehle: On what?

HMJr: Well, Stettinius called me at one-fifteen; he had seen the President, and the President told him -- uh -- that he'd turn over this statement to Steve Early and Sam Rosenman. See?

P: Uh huh.

HMJr: For broadening, and that they wanted to have it also -- to consult the British on it, you see? Now, I just talked to -- Sam Rosenman called....

P: They want to consult the British?

HMJr: Yeah.

P: Oh.

HMJr: Rosenman said he -- what he's going to do is just to inform the British.

P: Inform them?

HMJr: Inform them. Now, the other thing is that -- uh -- I asked Sam whether the President said anything to him about including Palestine in this statement. Hello?

P: Uh huh.

HMJr: The way he'd talked yesterday, and he said, no, that had not been mentioned to him, and he thought he'd leave it out -- what did I think? -- and I said I thought it would be much better to leave it out. Not bring in the -- the Palestinian -- the Zionist business. Hello?

P: Yeah.

HMJr: I think you're in agreement on that, aren't you?

- 2 -

P: Well, depending on whether we can get this other thought in.

HMJr: Well, now wait a minute.

P: Yeah.

HMJr: Now, I asked him to let you come over to see him when he had re-written it -- the way he wanted to do it....

P: Yeah.

HMJr: ....and at that time I thought you could....

P: I'd like to....

HMJr: ....give him this idea about camps in America.

P: I'd like to -- I should like to have a chance to sell him on it. He'll take some selling, too.

HMJr: Yeah. I -- at least you can make the effort -- I'm not very hopeful.

P: Uh huh.

HMJr: But -- because that will be another new idea for the President, you see?

P: Yeah, but he needs something to combat the criticisms of the attitude that the Administration is taking on Palestine.

HMJr: Well, do you think that if you put in the camps in America, you also ought to bring in the Palestinian thing?

P: Uh -- well, is -- do I get it straight that -- that what the President said on Palestine was -- that he was talking about saying that he was asking the British to open it up temporarily?

HMJr: No, what -- what he wanted to say was -- have the British say, not us, he didn't say anything about us -- he wanted the British to say that as the refugees came out, in whatever quantities they came out, they could go to Palestine -- in any quantities that they came out, you see?



- 3 -

P: As a temporary thing?

HMJr: Well, that wasn't -- he didn't say temporary.

P: Well, that's just inconsistent with what Stimson and Marshall said up on the Hill.

HMJr: I know, but this is after that.

P: I see.

HMJr: You make a mistake, then you turn a somersault.

P: Yeah.

HMJr: Then you can turn another somersault.

P: Gee! It's hard to keep up with it.

HMJr: Well, look....

P: (Laughs)

HMJr: ....you haven't been on this kind of work very long. I mean this is just one....

P: Oh, my God.

HMJr: ....of a half a dozen things that I have opposite the White House all the time.

P: Gee, I just don't understand.

HMJr: And they wonder sometimes why I'm tired.

P: Yeah. I can understand if this sort of thing happens very often.

HMJr: Well, it's constant. This is constant. Now, look. I'm perfectly willing for you to go over and see Rosenman and you can sell him on anything that you want as far as I'm concerned. I've got that much confidence in you.

P: Well, all right, but....

HMJr: Rosenman will call you.

- 4 -

P: Yes, sir.

HMJr: And if he doesn't -- he said definitely that he would call you....

P: All right.

HMJr: ....when he had it ready.

P: All right. Fine.

HMJr: Okay.

P: Fine.

March 8, 1944  
3:51 p.m.

HMJr: Hello.

Speaker  
Sam

Rayburn: Yeah, Henry.

HMJr: Hello, Sam. Sam, when would be a good time tomorrow morning for me to drop in and see you?

R: Oh, I think eleven o'clock would be fine -- ten-thirty or eleven o'clock -- I'll be here.

HMJr: Which would you prefer? -- I'll be punctual.

R: Well, I'd say -- I'd say eleven o'clock.

HMJr: I'll -- I'll -- I'll be at your office at eleven.

R: Fine.

HMJr: Thank you.

R: Be glad to see you, Henry.

HMJr: Thank you.



March 8, 1944  
3:50 p.m.

#### JEWISH EVACUATION

Present: Mr. Pehle  
Mr. DuBois  
Mrs. Klotz

MR. PEHLE: That is the way it is set up, Mr. Secretary.

H.M.JR: Of course it is a magnificent idea.

MR. PEHLE: To give you one further thing, this is what we would add to the declaration. (Hands the Secretary attachment "A".)

H.M.JR: I just don't know whether we have courage enough. Who wrote this?

MR. PEHLE: DuBois.

MR. DuBOIS: J. B. Friedman and I wrote it.

H.M.JR: It is wonderful, beautiful. If I were you, when you go back to your room I would call Rosenman and tell him that you are waiting on him.

MR. PEHLE: Yes, sir. Let me say, we went through some heartaches on that thing. We thrashed it out very thoroughly. Then we had a meeting yesterday afternoon with Paul, White, and Gaston.

H.M.JR: On this?

MR. PEHLE: Not on that piece of paper, but on this idea, and on the other two documents. They have all read them over carefully. We are all in agreement.

- 2 -

H.M.JR: That is easy.

MR. PEHLE: Sure. The real question is, will the President do it, and will the Board put it up to him?

H.M.JR: I think there is a good chance of getting the Board to put it up to him, see.

MR. DuBOIS: I am convinced, Mr. Secretary, that it is the heart of our whole program. We are operating now with the great opposition of the British. We approached the Spanish Government on humanitarian grounds. We approached the Turkish Government, and we asked the French to set up a camp on humanitarian grounds. We are approaching all other governments, asking them on humanitarian grounds to do something. We, ourselves, look like hypocrites.

MR. PEHLE: Let me give you this slant on it, Mr. Secretary. I was talking to Leavitt of the JDC this morning.

H.M.JR: Will you just hold your idea a minute? I think I have an idea. What has happened to this Justice Murphy committee?

MR. PEHLE: Very little, Mr. Secretary. I would be very, very worried about using them in any way for this reason: The Justice Murphy committee is trying to do two things; it is trying to save the Jews of Europe, and at the same time combat anti-Semitism. I think the thing to do is to separate those two things, never to admit that all the people who have anti-Semitic leanings of one kind or another are willing to let the Jews in Europe die, because many of them aren't willing to let them die. That committee, therefore, is troublesome on that ground. They haven't done anything. I haven't heard anything since their original announcement.

H.M.JR: Let me just think out loud and see. After all, the thing that made it possible to get the President really to act on this thing--we are talking here among ourselves--was the thing that--the resolution at least had

- 3 -

passed the Senate to form this kind of a War Refugee Committee, hadn't it? Bloom was holding it. It was reported out, wasn't it?

MR. DuBOIS: Reported out, yes.

MR. PEHLE: It was public pressure, too.

MR. DuBOIS: It was more because of what you did than anything else, in my opinion.

H.M.JR: I had something to do with it, granted, but the tide was running with me.

MR. DuBOIS: That is true.

H.M.JR: I think that six months before I couldn't have done it. Now, what I am leading up to is this: I am just wondering who the crowd is that got the thing that far.

MR. PEHLE: That is the emergency committee, Peter Bergson and his group.

H.M.JR: If they got them that far, I wonder if the idea that is expressed in here--if there is a possibility of getting a resolution through, particularly the same group who have been slapped down on the resolution in Palestine. If you could get it half way through, and then the President would say, "Rather than do it up there, we had better do it ourselves--"

MR. PEHLE: If it can't be done the other way, that is an alternative. It took a long time to get that resolution that far. I mean, it gets buried in the Committee, and there are a lot of people who will oppose the thing.

H.M.JR: You see, you have never seen me work opposite the White House before. You have been too far removed from me, you see. This isn't the only thing, and the thing that is so difficult for me is to keep going day after day with all the rebuffs.



- 4 -

MR. DuBOIS: Our soldiers are looking for a lot more than just beating the Japs and the Germans.

H.M.JR: Certainly, I get up every morning and take it for granted I put a twenty-five pound yoke around my neck as a handicap. But somebody coming in the Treasury doesn't realize that. But I am all for going--now, Rosenman told me--he called me up--that Wallace Murray and Isaiah Bowman are the two men who are going with Stettinius.

MR. PEHLE: Murray is one of the worst--

H.M.JR: Bowman, they think, is just as bad now.

MR. PEHLE: Is Stettinius going over there on the White Paper thing?

H.M.JR: I don't know.

MR. PEHLE: Do you know what Rosenman is doing on the White Paper?

H.M.JR: No. I don't think we are doing anything.

MR. DuBOIS: There is a bare possibility--

H.M.JR: But get this: He is taking Wallace Murray, who is supposed to be one of the worst anti-Semites in the State Department, and Isaiah Bowman. They now think he is the man who has been feeding the President all the anti-Palestinian stuff. He is going to accompany Stettinius. But I am all for going just as far as you can with this, you see.

(Mrs. Klotz entered the conference.)

H.M.JR: This is a beautiful thing they have written, a magnificent thing. (Hands statement "A" to Mrs. Klotz.)

MR. DuBOIS: It seems to me there is a bare possibility that the President might go for this on his own.

- 5 -

H.M.JR: I told John to go ahead over there and see him.

MR. DuBOIS: Aside from the problems involved in this country on this, this would solve the Palestine thing beautifully.

H.M.JR: I agree with you a hundred and one percent. I am sorry to say that there is about a ten percent chance of getting it done.

MRS. KLOTZ: This is beautiful.

MR. DuBOIS: The reason, it seems to me, we should run the risk, Mr. Secretary--

H.M.JR: There is no risk. I am telling you to do it, and I want you to bring it up before the Board; but in order to save time, when you get to Rosenman, try to get it across. We will try to make it a Board matter.

MR. PEHLE: Did Rosenman indicate when you said the President had asked to have the resolution broadened-- I take it that means he doesn't want it aimed just--

H.M.JR: What has happened is this: Rosenman didn't see the President direct. His message came to him from Stettinius, but Stettinius told me that the President said this was too much for the Jews. Wasn't that the language?

MRS. KLOTZ: It was too something.

MR. DuBOIS: It just ruins it.

MR. PEHLE: If they won't go along with the declaration--

H.M.JR: Then, when I talked to Sam, Sam said, "I had direct contact with the President." I got it from Stettinius. Stettinius told me he went directly to see Early, and Early wasn't there. So he went to see Rosenman. You know Early's reaction. It has been that right along.

MR. DuBOIS: The declaration isn't much good, John, if--

MR. PEHLE: I agree with that. Not only that, but if they are not willing to issue a declaration that



- 6 -

pointedly refers to the atrocities, which doesn't take much courage in my estimation--it has been done before here. We don't talk much about it, but it was done in 1942. It was rather pointedly on the atrocities and a United Nations declaration on the Jews. It has been forgotten by now.

H.M.JR: Did it mention the Jews?

MR. PEHLE: It was on the Jews. The United Nations did it. I don't know who engineered it.

H.M.JR: I would like to see that tomorrow. I think you ought to take that over with you.

MR. PEHLE: I intend to.

It was never backed up by action, so it didn't do any good. But if he is shying away from merely saying, "Look what is being done. It is going to be punished, and we will provide some havens, then gentlemen, because this takes some courage." This will cause some trouble. I started to mention to you--I mentioned this thing to Leavitt today just as an idea, something we were thinking about. I expected to have Leavitt tell me it was a terrible thing, but Leavitt didn't tell me it was a terrible thing. Leavitt said he had some doubts as to whether it would do any good from the point of view of the persecution of the Jews as a phobia with the Germans, and he didn't know whether this would change it. "But," he said, "I think you ought to do everything you can, and this is the biggest thing you can do, the most important single step you could take."

Now, that is from a conservative man.

MR. DuBOIS: Even more than that, I am convinced in my own mind that without this we are just scratching the surface.

H.M.JR: You don't like the Murphy idea, so let me give you another person who might make a public statement



- 7 -

calling on this Administration to do this thing, and that person is Harlan Stone. I mean, if you get nowhere, Stone might call on this country to do something.

Now, I have been told that he talks that way privately, but he hasn't talked publicly yet. I mean, I don't know about this particular phase, but something along this line.

MR. PEHLE: Well, that involves this tactic, doesn't it? You might put it up to Rosenman, but he is cold. You put it up to the President, and we don't get any place. Then the public starts clamoring for it.

H.M.JR: Where we have to be careful--I don't mind how much you boys push me. I have been here eleven years, and I still have my faith in democracy and that everything is going to come out all right. I don't know why. I get down once in a while, but I keep going. But in the suggestions which I make, I am the President's appointee. I throw out these things; then I have to take a second look. I can't do things to undermine him. And you boys have to watch that, too. I mean, I suggest these things, but I can't--I never have, and the day I want to do those things I will do it as a private citizen. But we can't even suggest people; we have to remember that. I throw these things--I am thinking out loud. Every time I throw out something, don't take it as though that was the last word.

MR. PEHLE: In my own mind, it is very easy to justify to some extent forcing the Administration's hand, both from the point of view--

H.M.JR: I know, but--

MR. PEHLE: But it isn't against the President's interest; it is in his interest.

H.M.JR: I know, but I have a conscience on that, and you have to play that game by my rules. You can't divert from that. I mean, I can't play any other way.

- 8 -

I made the suggestion, you didn't, you see. Then, I caught myself. When I get to that point, then I had better do it as a private citizen. But the other way, going back to Stone, would be to ask Stone to call on the President and urge it to him face to face.

Another fellow might do this--I mean, calling on the President direct--Charles Evans Hughes--I don't know whether either of you ever read his early history. Did you ever read his speeches when he campaigned in New York? If you want some diversion, get Charles Evans Hughes' speeches when he campaigned for Governor of New York. They are the most liberal things you have ever heard; they are amazing.

MR. PEHLE: Hughes?

H.M.JR: They are perfectly amazing. He was a great liberal. Charles Hughes is the man who was counsel and who "busted" the insurance monopoly, and my father was the man who represented the policy-holders. He was chairman for the policy-holders. It was Hughes and my father who drove James Hayes out of this country to Paris.

MR. DuBOIS: How does Mrs. Roosevelt act in this?

H.M.JR: Well, she is out of the country.

MR. PEHLE: Morris Ernst wouldn't be any help, either, I don't think.

H.M.JR: No.

MR. PEHLE: He wouldn't stand up.

MRS. KLOTZ: Do you know Lowdermilk?

H.M.JR: No, who is he?

MRS. KLOTZ: He is a Christian, and--

MR. PEHLE: He is at Agriculture. He went over to investigate the agricultural possibilities for Palestine, and apparently was converted.

- 9 -

MRS. KLOTZ: He is extremely well thought of. I don't know much about him.

MR. DuBOIS: We were told that Biddle would be all for this, Mr. Secretary.

MR. PEHLE: I think he would.

H.M.JR: Oscar told you that?

MR. PEHLE: No, but I am quite sure he would. Biddle has a curious kind of real liberal side. Biddle was willing to take a crack at the Spanish Falangists when it wasn't the best political thing to do. On many things he is terrible, but on some things, curiously enough, he comes through.

H.M.JR: Well now, you got your little lecture after I made my suggestions about the President?

MR. PEHLE: Yes.

H.M.JR: I meant that very seriously.

MR. PEHLE: I took you seriously.

H.M.JR: Let's keep going ahead. Don't you fellows get down and out now. I don't, after eleven years, and I am fifteen to twenty years older than you are.

Take it over and see what you can do with Rosenman.

MR. PEHLE: Rosenman is a tough assignment.

H.M.JR: Why don't you try to get Ben Cohen in on it?

MR. PEHLE: Ben isn't much of a fighter.

MRS. KLOTZ: You see, Mr. Morgenthau, you have to get somebody who is close enough to the President who is willing to fight.

MR. PEHLE: And whose political judgment the President would have some confidence in. We need someone who would



- 10 -

say to the President, "Don't be afraid of this issue. It will make you, not break you."

H.M.JR: Well, anyway, look, gentlemen--

MRS. KLOTZ: Stone is a good thought.

H.M.JR: Yes, Stone is a good thought. I am about the only person in town who can really get down to the thing, see? I don't know anybody else. I don't know what he thinks of my political judgment, but at least I do talk to him, and Mrs. Roosevelt has always said that I am about one of two or three people who do talk to him. She ought to know.

MR. PEHLE: You mean, speak up to him?

MRS. KLOTZ: Yes.

MR. PEHLE: Just two or three people?

H.M.JR: Yes, one of two or three.

MR. PEHLE: What would you think of this? Don't you think before we get too much further we ought to really convert Stettinius to this?

MRS. KLOTZ: Is he opposed to it.

MR. PEHLE: He is cold. He doesn't know anything about it. We haven't mentioned it to him, because, boy!--

MR. DuBOIS: The danger of that, John, is he won't try without getting some advice.

MR. PEHLE: I just want him to be on the right side and have some answers.

H.M.JR: I think you are right, and I think you ought to get to Stimson, too. Did you have any trouble seeing Stimson the other day?

- 11 -

MR. PEHLE: No.

H.M.JR: I would ask to see him again, because last Saturday--is that when you saw him?

MR. PEHLE: Yes, sir.

H.M.JR: And this is Wednesday. I would ask to see him again.

MR. PEHLE: All right.

MRS. KLOTZ: Because on this thing, I think Stimson would be good, strangely enough.

H.M.JR: I know he would be all right.

MR. PEHLE: You know, we are making one decision right now in talking to Rosenman about this thing.

H.M.JR: You have no choice in the matter--oh, in bringing this to Rosenman?

MR. PEHLE: And that is, what would happen if we really got Stimson sold and Stettinius sold, and the three Board members talk to the President?

MR. DuBOIS: Or sent a memorandum to the President?

H.M.JR: Let me say this: That is going to take a week.

MRS. KLOTZ: There is something to that.

MR. PEHLE: I am just worried.

H.M.JR: Here is another thing: I went to the President and sold him on this stuff, and he had it. Now, something strange doesn't work well with the President, bringing this thing in new. That doesn't mean that you can't do this as a second thing. I mean, the two things don't have to be hooked up together.

- 12 -

MR. PEHLE: No.

MR. DuBOIS: Though, if he is looking right this minute for a solution to the Palestine thing, this helps solve that at the same time.

H.M.JR: But my instinct is not to tie these two things together. I didn't have time to think about it.

MR. PEHLE: I am not clear on that.

H.M.JR: My old elbow says - this is the first time today I have been quiet and been able to think. I wouldn't do it. I would do the spade work first and he may need it far more than to sound off to him after he is dissatisfied.

Now this thing - Stettinius said the President gave him a big black book and a lot of stuff that he had, but there was nothing in this. This will catch the President and he will think we are trying to put something over on him.

MRS. KLOTZ: May I say something? You know when you came back after you saw the President, you told the boys this - you told me definitely the President wanted to include Palestine in this thing. When you talked to Rosenman, he said he didn't know anything about it.

MR. PEHLE: And when you talked to Tully she said it hadn't reached the President. That is what I couldn't get cleared up.

H.M.JR: He took it from his basket and gave it to Stettinius today. It didn't go through Miss Tully.

MRS. KLOTZ: But knowing how opposed Rosenman is to Palestine, I have a feeling that he wasn't quite truthful.

H.M.JR: No, because all the information he got was from Stettinius. And Stettinius comes back from the



- 13 -

President and calls me immediately. Stettinius goes from the President to Rosenman and tells him what the orders are. Stettinius comes to me and tells me what the orders are. But if I was operating on my own - on my old elbow, which is pretty good - opposite the President, I wouldn't do this; I wouldn't introduce this thing.

MR. PEHLE: I feel this way; if the tide were running with us and they weren't watering it down, I would throw it in. But with the tide running against us, I am afraid of throwing another thing in. I really am. I am agreeing with you.

H.M.JR: Supposing Rosenman puts it in. The President says, "Henry didn't mention that to me. Where did this come from?"

MR. PEHLE: And the Board hasn't been primed on it.

H.M.JR: And the Board hasn't acted on it.

MR. PEHLE: I am worried about sneaking it in.

H.M.JR: Hull, or whoever could say something, if they wanted to be nasty, could say, "You sent this over; you withheld that."

It isn't in the resolution from the Board to the President.

MR. PEHLE: Oh, no.

H.M.JR: Look, boys, I wouldn't do it.

MR. PEHLE: Don't you think that is right?

MR. DuBOIS: I do. Maybe we can hold up the declaration for awhile, because if they are trying to get it out on this broad basis, it is no good anyway.

H.M.JR: That is where you are wrong. You can't blow hot and cold on this thing. Stettinius goes to

- 14 -

Rosenman and says, "This has to be done promptly; the President wants it done right away." Then we blow cold on the thing.

MR. PEHLE: I think all we can say, Mr. Secretary - though if they water it down too much, we ought to take strongly the position that this is--

H.M.JR: I am going to have a chance. I asked Rosenman, through you, to let me see it. I asked Miss Tully to let me see it. So I have two places.

Let me advise you, please. Go over and see Rosenman. Don't introduce this thing. Let's see what we get.

This is too good, because if Rosenman says thumbs down, and then you try to get it through the Board again, he has got to defend his position.

MR. PEHLE: I think that is right. I am sure you are right.

MRS. KLOTZ: Yes, you have something there.

H.M.JR: And the Board hasn't seen it.

MRS. KLOTZ: You have to build it up before you give it to him. Right.

H.M.JR: I want to keep this. (Refers to legalized statement)

MR. DuBOIS: I think you are right.

H.M.JR: It is a magnificent idea. But there are too many people who are having this brought on cold.

MR. DuBOIS: We will shoot for having this presented to the next Board meeting and in the meantime sending them copies?

- 15 -

H.M.JR: No. Pehle, I should try to see both Stettinius and Stimson before the Board.

MR. DuBOIS: That is what I really meant.

MR. PEHLE: There is one question of judgment there, Mr. Secretary. That report to the Board would put the Board in a position where it would be difficult for them not to go ahead with the President. Now, suppose we lay the foundation with Stettinius and Stimson, and if we don't get adverse reaction, then shoot copies of the report to the three Board members to be taken up at the next meeting.

MR. DuBOIS: That is what I meant.

H.M.JR: See Stettinius, see Stimson, come back and talk it over with the old man, and let's see where it stands. But I would leave the thing as it is and try to get as good a thing as possible.

Rosenman also said, "My instructions were to consult the British. I am not going to consult them. I am going to try to get away with just informing them."

Certain things have happened which I can't explain - I am not withholding anything which would help you - why Rosenman is in a defensive position opposite me. And in this thing he has every reason to want to make good.

You have to take my word for it.

MR. PEHLE: Fine.

H.M.JR: He is in a defensive position where he is very anxious to make good.



We shall find havens of refuge for these persecuted people and we shall find the means to assure their maintenance and support until the tyrant is driven from their homelands. Let it be proclaimed to the world that this great nation, which from its inception has been a refuge for the fugitive from injustice, oppression and persecution, is prepared to furnish temporary asylum for all oppressed persons in imminent danger of their lives who escape from Hitler. Although all such people so brought into this country will in view of military necessities be required to remain in refugee centers during their stay here, they will receive the humane treatment which our civilization provides, and here they will be safe. Upon the termination of the war they will be sent back to their homelands.

With the cooperation of the other United Nations we are determined to insure that refugees from death may live again on their own soil. To this end those members of the United Nations principally concerned have already pledged themselves to insure that refugees who are given asylum by other countries will be welcomed to their native lands after the war.

Our action is not merely the performance of a humanitarian duty; it is the final symbol of our triumph, under Divine guidance, over the forces of darkness that would have enslaved us.

In the name of justice and humanity let all freedom loving nations rally to this righteous undertaking.

## REPORT TO THE WAR REFUGEE BOARD

As you know, the Board has already initiated many measures which if fully implemented may result in saving the lives of refugees. These measures have been based upon two general principles:

(1) We believe that at this stage of the war there is a chance of saving many Jews and other victims of enemy oppression from death through an organized and concentrated program designed to change the actions and attitude of the enemy, particularly his satellites, subordinates and functionaries. The Office of War Information is cooperating with us in our efforts to convince the people in Germany and the satellite countries of the seriousness with which we view this matter and of our determination to forestall further extermination of the Jews and other persecuted minorities and to facilitate their escape.

(2) We are convinced that there is a real opportunity for actually bringing many of these people out of German controlled territory. We are determined to do what we can to bring these people out, in as large numbers as possible. In this connection, it may be noted that the War Shipping Administration has been cooperating with us in our efforts to solve the shipping problem.

### The Major Difficulty

To make this program a real success, however, it is essential that one major difficulty be overcome at once. The crux of this difficulty lies in the simple fact that the United Nations have not been prepared to supply even temporary havens of refuge for substantial numbers of the persecuted peoples of Europe, particularly the Jews.

The tremendous significance of this fact will be seen from the following:

(1) Weakness in our program to get the enemy forces to desist from their policy of extermination.



- 2 -

Whatever the United Nations may do to try to undermine the Nazis' determination to exterminate the Jews and other minorities has a great inherent weakness if it is clear to the enemy forces and to the whole world that the United Nations would not be willing to receive these peoples even if the enemy released them. Our actions, if not our words, have made it clear that such is the case. The Bermuda Conference turned down the suggestion that an immediate approach be made to Germany to release the Jews, and the conclusion is inescapable that some fear that the Germans might dump the Jews on the Allies if we offered to take them.

The enemy must not be given the pretense of justification that the Allies, while speaking in horrified terms of the Nazi treatment of the Jews, never once offered to receive these people if the Germans released them. The moral aspect of the problem is pre-eminent and we should leave no stone unturned to make that issue clear. The willingness of the United Nations to receive these people could be brought home with such force to every German and to every man in German controlled territory that the Nazis, even if reluctant to desist from their massacres, may feel a pressure difficult to resist.

(2) Weakness in our program to actually bring the oppressed victims out of enemy territory.

The Board has no intention of turning down any project for the rescue of refugees facing death solely because of the problems which may be involved in finding a temporary place to put these people once they escape from Hitler.

However, the fact that we do not now have a place where we can assure that these people can go, at least temporarily, in as large numbers as possible is actually interfering to a great extent with our efforts to bring these people out of enemy territory.

An examination of the two major programs of evacuation which the Board has undertaken makes this eminently clear.



- 3 -

(a) Evacuation into and through Spain.

In order to facilitate the evacuation of as many refugees as possible from occupied areas to Spain, the Board requested Ambassador Hayes to approach the Spanish Government, on humanitarian grounds, with a program designed to encourage the entry of more refugees into Spain. The Board suggested that the refugees now in Spain be removed as rapidly as possible to Camp Lyautey at Fedhala, Morocco, which is now empty, and that the Spanish Government maintain reception centers for new refugees. The Board indicated its willingness to make the necessary arrangements for financing these refugee centers and to assume responsibility for removing refugees from these reception centers to other places. As a part of this program, the Spanish Government would be asked to relax its border and other controls and by appropriate means indicate its willingness to accept refugees.

In commenting upon this program, Ambassador Hayes states, among other things:

"It is my feeling that Spanish Government could best expedite release of refugees from German controlled areas of Europe by directly approaching German Government with offer to grant transit or temporary residence visas to refugees wishing to leave those areas in much the same way that it has recently effected release of above mentioned Sephardic Jews the ultimate destinations for such refugees to be arranged by the War Refugee Board or other such organization. It should be emphasized, however, that sympathetic consideration of Spanish Government to such a proposal can hardly be expected until there is found more adequate solution to problem of destinations for these refugees than provided by Fedhala project in order that effective evacuation of stateless refugees still in Spain can be expeditiously accomplished and assurances given Spanish Government that all refugees admitted to Spain in future under such arrangement would be removed without delay to further destinations."

- 4 -

Even if the obstacles which the French Committee is placing in the way of a speedy evacuation of refugees to the camp at Fedhala can be removed, it is obvious that the limitations which exist upon placing refugees in such camp are such that we are in no position to satisfy the Spanish Government that we will take refugees, particularly Jews, off of their hands in unlimited numbers and without delay. The difficulties being created by the French in connection with the use of this, the one refugee haven which now exists, are, incidentally, directly traceable to the apparent belief of the French that large numbers of evacuated refugees are to be dumped in North Africa and that none are to be taken to British and American territories.

We can not get the Spanish Government to receive large numbers of Jewish refugees unless we can find some other place to which these refugees can be speedily removed.

(b) Evacuation into and through Turkey.

One of the greatest opportunities for actually bringing people out of Hitler's control exists in the areas adjacent to Turkey and the Black Sea. It is known that in Transnistria, Rumania, and Bulgaria there are substantial numbers of refugees in imminent danger of death. There are strong indications that the Rumanian Government at least will permit a substantial number of refugees to leave Rumania.

We have requested that a program for evacuation through Turkey similar to that suggested for evacuation through Spain be presented to the Turkish Government. Through the War Shipping Administration and the Foreign Economic Administration we have already guaranteed to the Turkish Government that if they use one of their ships for this purpose, this Government will replace such ship if lost.

In view of the fact that Palestine is the principal if not the only place to which refugees can now be removed from Turkey, it must be expected, if other havens of refuge are not found, that the British will strongly oppose the evacuation of large numbers of Jewish refugees to Turkey. This



- 5 -

was made clear by the British in December 1943 when the Foreign Office objected to the issuance of a license by this Government authorizing the World Jewish Congress to remit money to Switzerland for the rescue of Jews from France and Rumania. In stating their objection to even the preliminary financial arrangements, the Foreign Office expressed its concern with "the difficulties of disposing of any considerable number of Jews should they be rescued from enemy occupied territory," and indicated the view that all rescue operations will be greatly hampered by the difficulties of finding accomodation in the countries of the Near East for any but a very small number of Jewish refugees.

This situation obviously intereferes to a major extent with the Board's program for evacuating persons in the Black Sea areas.

#### Recommendation.

It is essential that we find at once a temporary haven of refuge where substantial numbers of Jews and other war refugees can be put if rescued. Even if none of these refugees were ever actually sent to such place, the mere announcement that such a place existed might spell the difference between success or failure in the task which faces us.

As you know, one of the specific recommendations made at the Bermuda Conference was that the British Government consider the question of admitting refugees to Cyrenaica. Moreover, in July 1943 the President expressed a definite interest in the possibility of establishing refugee havens in Cyrenaica and Tripolitania. This matter was again mentioned to the British in January of this year. Although we are again pressing the British on the use of Cyrenaica and Tripolitania, it seems doubtful whether any agreement can be reached in a short enough time to do any good.

Even if this refuge could be obtained at once, it is important to note that the United Nations will have lost the tremendous psychological effect of an offer to give temporary asylum to refugees in their own territories, sending them



instead to the former colonies of a conquered enemy.

I am also convinced that we cannot expect the British, the Russians or others to receive refugees into their territories unless we ourselves are prepared to take such steps. The situation in this respect is best expressed by the reply of the Government of Nicaragua to our request that they cooperate with our policy of rescuing refugees. That Government has informed us that "Nicaragua sympathizes with that policy and that it will permit the entry of war refugees under the same conditions as the United States and in a number proportionate to the population of both countries."

I therefore recommend for your urgent consideration that this Government take the lead at once in this humanitarian cause and announce to the world that it will provide temporary havens of refuge in this country for all oppressed peoples escaping from Hitler - these people to be placed in camps established in this country and to remain there until the termination of the war, at which time they will be returned to their homelands.

I am not unmindful of the political and other difficulties which may attach to any effort to bring refugees to the United States. I am convinced, however, that any difficulties which may arise in connection with this proposal are far outweighed by the moral and humanitarian considerations involved.

The following significant points should be borne in mind in connection with the proposal:

(1) Under this proposal refugees would be treated in effect as prisoners of war. They would be received outside the regular immigration procedure and kept in camps until the end of the war. The sole consideration involved in bringing such refugees into this country would be whether such action would help to save their lives or the lives of other refugees.

(2) No violation or attempt to evade immigration laws would be involved since the people would remain only until the termination of the war and would not come in under the quota system. In fact while in the camps in this country all such persons would be ineligible for admission under the immigration laws.

- 7 -

(3) There could be no objection on security grounds any more than in the case of prisoners of war.

(4) The principal United Nations involved have already agreed that each of them will receive after the war its nationals who have fled for their lives and have been given asylum in other countries. These nations have also agreed that it is a part of their settled policy to assure such conditions in enemy and enemy occupied countries as will permit the return thereto of all persons displaced therefrom who have sought refuge elsewhere. This agreement, already concurred in by the United States, Great Britain, the Soviet Union, Luxembourg, Yugoslavia, Norway, The French Committee, Greece, Belgium, Poland, Czechoslovakia, and the Netherlands will make clear to the people of the United States that such refugees as may be accepted in camps here will be returned to their homelands at the end of the war.

(5) This proposal is not without precedent and is in reality the same as that adopted in the case of civilian internees, including Jewish refugees, who have been brought here from Latin American countries and placed in internment camps.

(6) The humanitarian considerations which might be urged against the confinement of the refugees are answered by the simple fact that treating them as prisoners of war is better than letting them die.

The practical effect of such a step by the Government of the United States would be tremendous. Our allies would without doubt follow our lead. That this country, which has always been a refuge for the fugitive from injustice, oppression and persecution, should take the leadership in this matter would be in keeping with our heritage and with our ideals of liberty and justice.

In the hearts and minds of all peoples under Nazi domination and throughout the world such action might well have an effect tremendously favorable to our whole war effort and to our reputation as a nation which has always carried the torch in great undertakings.

- 8 -

I, therefore, strongly recommend that the Board approve this program, submitting it without delay to the President for his approval. Attached is a proposed memorandum to the President from the Board.

Attachment.

JED:JEF:ecr  
3/6/44



March 8, 1944

242

MEMORANDUM FOR THE FILES:

Secretary Morgenthau had previously arranged for me to talk to Judge Rosenman and to discuss with him the draft declaration to be signed by the President. I called Judge Rosenman's office this afternoon and requested an appointment. His office called back and I saw Judge Rosenman about 6:00 p.m. Rosenman had on his desk a copy of the declaration as amended, and he showed me a letter which Stettinius had written to him and to Early following Stettinius's talk with the President in which Stettinius indicated that the President wanted the declaration to be issued in the form of a statement and wanted the statement rewritten so as to be aimed less directly at the atrocities against the Jews.

I then read the Rosenman draft of the statement. When I finished I explained to Judge Rosenman carefully why I felt that it was a mistake to weaken the declaration in the way that it had been weakened. I explained that the Moscow Statement of Atrocities had made no reference to the atrocities against the Jews as such, and that while that might not be important in the United States it was singularly important in Germany where the people were led to believe that this country was not concerned at all about the atrocities against the Jews who were not particularly regarded as human beings. We had some discussion of the matter at the conclusion of which Judge Rosenman said:

"I don't agree with you. Do you want me to say I agree with you when I don't?"

Judge Rosenman then went on to say that he had advised the President not to sign the declaration because of its pointed reference to Jews because he felt any such statement would intensify anti-semitism in the United States.

I then told Judge Rosenman I would like to take the statement back to my office and go over it with my staff and show it to Secretary Morgenthau. Judge Rosenman resisted giving me a copy of the statement as redrafted, saying that if it were to be shown to Secretary Morgenthau he would also have to send copies to Stettinius and Stimson. I told him that I was discussing the matter with him as the Acting Executive Director of the War Refugee Board and that if he gave me a copy of the statement I was very willing to take the responsibility as to whom it was shown. Judge Rosenman finally gave me a copy of the statement as redrafted but did it very reluctantly and only after he had first argued that he wanted to have the statement retyped and taken into the President in his bedroom. I told him I could not see any need for such haste in the matter. Rosenman also said that Secretary Morgenthau had been very difficult and was making it very hard for Judge Rosenman in connection with this matter.

Rosenman finally said that he would show the redrafted statement to the President in the morning.

(Signed) J.W. Pehle

JWP:1hh

Draft. 244  
3/8/44-

STATEMENT BY THE PRESIDENT OF THE UNITED STATES.

The United Nations are fighting to make a world in which tyranny and aggression can not exist; a world based upon freedom, equality and justice; a world in which all persons regardless of race, color or creed may live in peace, honor and dignity.

In the meantime in most of Europe and in parts of Asia the systematic torture and murder of civilians -- men, women and children -- by the Nazis and the Japanese continue unabated. In areas subjugated by the aggressors innocent Poles, Czechs, Norwegians, Dutch, Danes, French, Greeks, Russians, Chinese, Filipinos -- and many others -- are being starved or frozen to death or murdered in cold blood in a campaign of savagery.

The slaughters of Warsaw, Lidice, Kharkev and Nanking -- the brutal torture and murder by the Japanese, not only of civilians but of our own gallant American soldiers and fliers -- these are startling examples of what goes on day by day, year in and year out, wherever the Nazis and the Japs are in military control -- free to follow their barbaric purpose.

In one of the blackest crimes of all history -- begun by the Nazis in the day of peace and multiplied by them a hundred times in time of war -- the wholesale systematic murder of the Jews of Europe goes on unabated every hour. It is therefore fitting that we should again proclaim our determination that none who participate in these acts of savagery shall go unpunished. The



United Nations have made it clear that they will pursue the guilty and deliver them up in order that Justice be done. That warning [is now repeated so that no one shall fail to hear and understand. It] applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries. All who knowingly take part in the deportation of Jews to their death in Poland or Norwegians and French to their death in Germany are equally guilty with the executioner. All who share the guilt shall share the punishment.

Hitler is committing these crimes against humanity in the name of the German people. I ask every German and every man everywhere under Nazi domination to show the world by his action that in his heart he does not share these insane criminal desires. Let him hide these pursued victims, help them to get over their borders, and do what he can to save them from the Nazi hangman. I ask him also to keep watch, and to record the evidence that will one day be used to convict the guilty.

In the meantime, and until the victory that is now assured is won, the United States will persevere in its efforts to rescue the victims of brutality of the Nazis and the Japs. In so far as the necessity of military operations permit this Government will use all means at its command to aid the escape of Jews--and all other intended victims of the Nazi and Jap executioner -- regardless of race or religion or color. We call upon the free peoples of Europe and Asia temporarily to open their frontiers

to all victims of oppression. We shall find havens of refuge for them, and we shall find the means for their maintenance and support until the tyrant is driven from their homelands and they may return.

In the name of justice and humanity let all freedom loving people rally to this righteous undertaking.

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

247

INTER-OFFICE COMMUNICATION

DATE  
March 8, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

This is the United Nations Declaration on the  
extermination of the Jews, issued in December, 1942.





EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

247

INTER-OFFICE COMMUNICATION

DATE March 8, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

This is the United Nations Declaration on the  
extermination of the Jews, issued in December, 1942.



December 17, 1942

## UNITED NATIONS DECLARATION

The attention of the Belgian, Czechoslovak, Greek, Luxembourg, Netherlands, Norwegian, Polish, Soviet, United Kingdom, United States and Yugoslav Governments and also of the French National Committee has been drawn to numerous reports from Europe that the German authorities not content with denying to persons of Jewish race in all the territories over which their barbarous rule has been extended, the most elementary human rights, are now carrying into effect Hitler's oft-repeated intention to exterminate the Jewish people in Europe.

From all the occupied countries Jews are being transported in conditions of appalling horror and brutality to Eastern Europe. In Poland, which has been made the principal Nazi slaughterhouse, the ghettos established by the German invader are being systematically emptied of all Jews except a few highly skilled workers required for war industries. None of those taken away are ever heard of again. The able-bodied are slowly worked to death in labor camps. The infirm are left to die of exposure and starvation or are deliberately massacred in mass executions. The number of victims of these bloody cruelties is reckoned in many hundreds of thousands of entirely innocent men, women and children.

The above-mentioned governments and the French National Committee condemn in the strongest possible terms this bestial policy of cold-blooded extermination. They declare that such events can only strengthen the resolve of all freedom-loving peoples to overthrow the barbarous Hitlerite tyranny. They reaffirm their solemn resolution to insure that those responsible for these crimes shall not escape retribution, and to press on with the necessary practical measures to this end.

MAR 8 1944

2:25 p.m.

To: Mr. George L. Warren

From: J. W. Pehle

I should appreciate it if the attached cable were transmitted to Cassoday in London as soon as possible.

(Initialed) J.W.P.

JHM:JWPehle:lh 3/7/44



FROM TREASURY TO WINANT FOR GASSODAY.

Please contact Lt. Colonel Bernard Bernstein, Assistant director, Fiscal and Financial Section, Civil Affairs Division, Supreme Headquarters, American Expeditionary Force, indicating to him that the War Refugee Board would appreciate his opinion as to the reliability of one David Zagha who says he met Colonel Bernstein in North Africa. Also any comments Colonel Bernstein may be able to make with respect to Zagha's possible usefulness to the War Refugee Board for confidential work in the field will be appreciated.

Advise Colonel Bernstein that he may reply to War Refugee Board's inquiry through State Department facilities, marking cable for attention of John W. Pehle, Acting Executive Director of the Board.

JHM:JBF:JWPehle:1hh 3/7/44

## AIRGRAM SENT

NO. A 248

TIME 12:00 noon

AIRGRAM  
Mar. 8, 1944

AMEMBASSY,

LONDON.

FROM DEPARTMENT AND FBA, FOR ECONOMIC WARFARE DIVISION

1. The American Friends Service Committee has submitted export license applications for the following two shipments:

(1) Ten tons of men's, women's and children's new and used clothing shoes of total value \$20,000 to be consigned to Vannarnas Samfund (Society of Friends) Stockholm, Sweden for distribution to refugees who have come to Sweden from other parts of Europe. The applicant states in support of this request that it is already operating a transfer service of funds from this country for refugees located in Sweden, and that it is reported by the Society of Friends in Sweden that clothing for said refugees is urgently needed.

(2) Ten tons of new and used men's, women's and children's clothing and shoes of value \$20,000, 6.5 tons condensed milk of value \$18,000, 31.5 tons of soup mix of value \$12,000, 31.5 tons whole wheat or oat base cereal of value \$4000. These goods to be consigned to the International Red Cross at Geneva, Switzerland, and/or Secours Quaker, Marseilles, France for distribution to approximately 8,000 foreign refugees in French internment camps. In support of this application reference is made to the distribution of thirty-four tons of clothing sent from the U.S. by the Quakers to France in 1943, and more particularly to the report on such distribution, as prepared by the International Red Cross on August 25, 1943, and submitted to the British and American Governments. It is stated that ten tons of clothing will not meet the needs of all the internees but will provide for the most needy cases. With regard to above food supplies, it is estimated that they will provide sufficient supplementary rations for 8,000 internees during sixty days. A cable from Secours Quaker dated December 11, 1943, is quoted stating that they are prepared to carry on work in France without interference of any kind, and that they can maintain absolute control over all such distributions.



## AIRGRAM SENT

NO. A 268

TIME 12:00 noon

AIRGRAM

Mar. 8, 1944

AMEMBASSY,

LONDON.

FROM DEPARTMENT AND FBA, FOR ECONOMIC WARFARE DIVISION

1. The American Friends Service Committee has submitted export license applications for the following two shipments:

(1) Ten tons of men's, women's and children's new and used clothing shoes of total value \$20,000 to be consigned to Vannarnas Samfund (Society of Friends) Stockholm, Sweden for distribution to refugees who have come to Sweden from other parts of Europe. The applicant states in support of this request that it is already operating a transfer service of funds from this country for refugees located in Sweden, and that it is reported by the Society of Friends in Sweden that clothing for said refugees is urgently needed.

(2) Ten tons of new and used men's, women's and children's clothing and shoes of value \$20,000, 5.5 tons condensed milk of value \$12,000, 31.5 tons of soup mix of value \$12,000, 31.5 tons whole wheat or oat base cereal of value \$6000. These goods to be consigned to the International Red Cross at Geneva, Switzerland, and/or Secours Quaker, Marseilles, France for distribution to approximately 5,000 foreign refugees in French internment camps. In support of this application reference is made to the distribution of thirty-four tons of clothing sent from the U.S. by the Quakers to France in 1943, and more particularly to the report on such distribution, as prepared by the International Red Cross on August 25, 1943, and submitted to the British and American Governments. It is stated that ten tons of clothing will not meet the needs of all the internees but will provide for the most needy cases. With regard to above food supplies, it is estimated that they will provide sufficient supplementary rations for 5,000 internees during sixty days. A cable from Secours Quaker dated December 11, 1943, is quoted stating that they are prepared to carry on work in France without interference of any kind, and that they can maintain absolute control over all such distributions.



# 363 To London

-2-

2. With regard to the clothing shipment to Sweden, we have no particular objection, as there probably is a definite need for such clothing in Sweden. If this view coincides with that of the sub-committee on relief in London, we propose to ascertain, before taking any other action, whether the Swedish Government would be agreeable to the shipment of this clothing to an individual relief organization in Sweden. In this connection, we have in mind the general assurances made to the Swedes concerning replacements through the blockade, in case of need, of food and clothing consumed by refugees in Sweden.

Regarding the proposed shipment to France, we feel that it would not be advisable to approve, although we realize that the particular refugees in question were granted a blockade concession in the past. However, said refugees would no longer appear to be more qualified for such blockade privileges than many others in similar circumstances in enemy territory.

Please present the above proposals to the sub-committee on relief for consideration.

Stettinius, acting

aab

DOR:ELH:ATM  
2-23-44

HM

WStones  
Liaison:  
RA-SLS-HMK:ar:rk  
2/18/44 LG

cc: Miss Chauncey (Sec'y), Abrahamson, Bernstein, Aksin, Cohn, DuBois, Friedman, Gaston, Hadel, Laughlin, Leaver, Luxford, Mann, McCormack, Paul, Pollak, Rains, Smith, Standish, Stewart, H.D. White, Files.

Treasury Department  
Division of Monetary Research

Date March 8, 1944

To: Miss Chauncey

Here are some pages from a long  
report from our Mr. Olsen in Stockholm,  
which the Secretary might be interested  
in reading.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½



4. Special Reports. The Legation's Special Reporting Section, as well as the Commercial Section, prepare a great number of studies on special problems in the Scandinavian area, Baltic countries, Germany, and the Ukraine, which I believe would be of considerable background interest to the Treasury Department. Among the subjects might be mentioned labor conditions, industrial developments, agricultural problems, shipbuilding, living conditions, etc. I have gone over some of these reports and they are well prepared and most interesting even though not directly related to my own work. In order that the Treasury Department's attention may be specifically directed to the existence of these reports, hereafter I will forward a monthly or semi-monthly list of selected reports prepared by the Legation which I believe would be of interest to the Treasury.

In connection with the various types of reporting activity of the Legation it is hoped that the Treasury Department will instruct me specifically with respect to any phase of such reports it wishes me to develop further. Also, it is possible that with respect to certain cables marked "Repeat to Treasury" the Financial Attaché was not a collaborator, but simply managed to have the cable in question specifically directed to Treasury's attention. Consequently, it should not be assumed that such cables necessarily contain all the information available locally so far as special Treasury interests are concerned.

## II. Comments on the Swedish Situation.

A. General Economic. Based on preliminary observations, it is difficult to see what Anglo-American policy vis a vis Sweden has contributed as a wartime instrument. Whether different results could have been obtained by following another direction is, of course, speculative, but the fact remains that Sweden stands today, with our blessing via the Anglo-American-Swedish Trade Agreement, as the most potent economic satellite Germany has in all Europe. There is very little, short of actual military collaboration, that Sweden could supply beyond what it already is supplying, to further the German war effort. What it is supplying, however, is a most substantial contribution to Germany's will and ability to continue the war. This will be confirmed most certainly when millions of tons of Swedish iron and steel, carried in Swedish boats to Germany, are shot at, dropped on, and otherwise greet our invasion forces on the Western European front. This, it seems to me, should be the true measure of Anglo-American policy as expressed by the Trade Agreement. What it has accomplished, beyond supplying official sanction to a Swedish position which occasionally prompts even some of its own press to squirm morally, is unclear to me.

This



This is not to say that we could have prevented these shipments, since certain fundamentals of Swedish internal economy, as well as Swedish industrial self-interests as expounded by the Axel Johnson type, plus German power diplomacy, probably would have produced the same result. It does not seem necessary, however, that we should have collaborated with the Swedes in determining the extent to which they should materially harm our war effort, or that we should actually assume a responsibility which is clearly Sweden's to face in her own conscience. It must be with some relief that the Swedes find us quibbling with the score or more petty violations monthly of the Trade Agreement, rather than focusing on the main issues. Thus, we protest strongly the shipment of 200,000 tons of iron to Germany in excess of the quota, in a reproachful tone inconsistent with the 10,000,000 tons we did authorize; the shipment of 20 tandem bicycles to blind veterans in Finland, which apparently looms more ominous than authorized shipments of millions of ball-bearings to Germany, etc., etc. We seem much farther from the war in Stockholm than in Washington.

The root of the present situation here seems to be the British policy towards Sweden, which does not appear to have been particularly cooperative or useful as a wartime instrument. The British Mission here appears to be more pro-Swedish than the Swedes themselves, and unconsciously post-war in point of view and action. Perhaps that has left American policy in the position of determining (1) whether it should follow British policy for unity's sake, trying perhaps to outdo, if it can, the British in wooing Swedish good-will, (2) whether we should take a middle course, or (3) whether we should take a strong position consistent with the facts and with our all-out war effort. The Swedes appear to be pro-American if pro anything, including Swedish. From the international point of view they have a tremendous respect for American industrial might, look to the United States as the only hope of extricating Sweden from its difficult position vis a vis Russia and Germany, but considers us rather immature in political matters. Most of the papers are almost dangerously pro-Allied, and everybody is convinced of the certainty of an early Allied victory in Europe. It is difficult to understand, therefore, why we can not take advantage of this spontaneous support, plus our large investment in the propaganda efforts of O.W.I., to forge a strong war position in Sweden. As it is, we are liked tremendously, but Germany is getting millions of tons of iron to shoot at us.

**B. Refugees.** Turning to a brighter side, there is no question but what Sweden has extended a kind and helpful hand to the refugees coming across her borders, and this assistance has been of inestimable value in maintaining

life

I doubt if the Germans are buying dollars in the local black market because of their shortage of Swedish crowns. The only likely instances would be those cases where, by pouch facilities, they could take advantage of a wide spread in buying rates here and selling rates in Switzerland.

It should be emphasized again that the foregoing represents only general notes on a very complex local situation, and probably not at all reliable.

### III. Comments on the Norwegian Situation.

A. General. Much similar to the situation in London, the outstanding impression gained of the Norwegian group here is its great disunity. Even among the official group itself may be found numerous opposing factors openly critical of each other - either based on political jealousy, personal self-interest, or temperamental and ideological incompatibility. As might be expected, this has greatly weakened the effectiveness of Norwegian representation in both London and Stockholm, and has been very damaging to its prestige. If the Swedes are right about anything, it would be their statement that as long as there are two Norwegians you will have at least two Norwegian points of view. There appears to be only one Norwegian who escapes even the slightest criticism and that is the King, who enjoys tremendous respect and esteem among all Norwegians. Apart from him, there appears to be much bickering among those official directing Norway's Government in Exile, against which group is aligned important influences also in exile but not associated with the exile government, and possibly aligned against both of which are certain groups remaining in Norway. In connection with the latter, this would be particularly true of the former Communist element, which has remained in Norway to the last man in carrying on an active resistance against the Quislings, and which may emerge from the occupation in unexpected political strength.

The foregoing situation seems particularly disappointing since a continuation of these influences may have a most serious effect during Norway's early reoccupation period when internal political conditions will unquestionably be chaotic. It is not unlikely that these influences have severely handicapped even current operations, since I do not see how anyone can feel reasonably confident that he is dealing with a political group that the Norwegians will consider responsible after reoccupation of Norway.

Apart



Apart from the foregoing, I have been impressed with these other outstanding characteristics of the Norwegians on this side of the water. First, many of them in Europe seem to express the attitude that the world, particularly the Allies, owe something substantial to Norway. Secondly, they have been unreliable sources of information in most cases; I have had to cross-check everything they have supplied and invariably the whole thing washes out. Thirdly, very few Norwegians can keep a secret, and this is something all of us should bear in mind constantly. I hope that these circumstances will improve, since I have learned that the Norwegian Government both in London and Washington have written to their Mission in Stockholm of my scheduled arrival - which ordinarily would have facilitated useful contacts. In view of my Norwegian origin, I should be able to work with this group on an effective basis and perhaps my next sampling will be more productive.

B. Norwegian Refugees. General comments regarding the number of Norwegian refugees have been supplied elsewhere in this report. Since last summer the number of Norwegians escaping to Sweden has been reduced very considerably, due to the severe reprisals of the Germans. Almost all of them escaping since that time are persons with no immediate relatives in Norway, or persons who have been able to arrange escape with their entire families. The deportation of Oslo University students, however, and more recently the reported meeting of Terboven and Quisling with Hitler, has resulted in a sharp increase of refugees. In one day alone last week, 123 slipped out via the underground and large numbers are expected all this month since those in Norway of the ages 17 to 35 appear to have been definitely tagged. This does not include the Jewish population since virtually all this group, save those deported in the early stages of the occupation, have successfully fled to Sweden.

One of the strikingly admirable aspects of the Norwegian group is the skill and daring with which it is carrying out underground operations. There is hardly a Norwegian refugee in Sweden, physically able, who is not involved in some sort of underground activity. There are anywhere from 300 to 500 individual groups engaged in specialized operations on a limited scope. Thus you will find small groups involved in radio communications, home propaganda, exports, arms and ammunition, facilitating the escape of certain refugees, intelligence, etc. Certain groups here are working on the systematic sabotage of the German war machine when the invasion starts. As the Department knows, the King has asked Norwegians to refrain from sabotage, and whatever activity of this nature currently going on in Norway is being carried out by the communists. Similarly, there are not many inside

Norway



Norway except the Quislings and Nazis, who are not engaged in some sort of activity. Both inside and outside Norway, their operations are carried out with a reckless disregard of personal safety that is almost foolhardy.

The Germans have found it most baffling to deal with this problem. They are continually searching for a "key man" in these operations, and now and then execute somebody. However, the operations continue. The truth of the matter is that there are no key men, but instead several hundred very small groups working independently of each other on a very specialized operation. It is rare for one group to know what another is doing, or the individuals comprising the group. In this connection, it is understood that the Norwegian Mission here made an effort to get these operations coordinated, but met with stiff opposition due in large part to the feeling of the underground group that the Legation could not maintain the present secret basis of operations.

Inside Norway, there is very little the Germans could do to break up these operations except exterminate three-fourths of the population, which is impracticable since many Germans are themselves deeply involved. As a result, when the Germans try to break up these operations by acts of terrorism such as the deportation of Oslo students, invariably it is only the completely innocent that are the victims. The members of the underground are tipped off well in advance. Thus, on the day of the Oslo student episode, over half of the University's enrollment stayed at home. This has been the case when many other German repressive measures were scheduled.

Turning to the financial status of the refugees, it appears generally satisfactory. Almost all of them come here rather well supplied with Norwegian currency, either their own or contributed to the advancement of underground operations by friends in Norway who have no use for it there since they can buy very little. Upon their arrival in Sweden, they are allowed to redeem at the Norwegian Legation, at close to par, 400 kronor with which to purchase clothing and food. Then they are allowed to redeem an additional 300 kronor monthly until they find employment, after which time their only means of redemption would be the black market. It might be mentioned, parenthetically, that the Norwegian Legation disposes of a considerable amount of the currency it acquires from refugees through sales to the British against sterling credits. It may be said, therefore, that in view of this emergency arrangement with the Norwegian Legation, as well as the rapidity with which these refugees find employment, that there are not a large number of severe hardship cases. Those who, for one reason or another,

are

the German deficit of 8,000,000,000 Danish Kr. in the German-Danish clearing, mostly represented by inflated Danish currency or obligations of the National Bank to the commercial banks, the German occupation has left no long-term scar on the Danish economy. It is pointed out, for example, that Danish livestock is greater now than before occupation. Also, certain industries such as ship-building and chemicals, are stronger than ever before. Very little property has been destroyed by the Germans, and only an insignificant amount confiscated. This includes American and British property as well. The average Dane feels, therefore, that if the war could be brought to a quick end before the Germans had time as a last minute act of desperation and vandalism, to ravage the country, then Denmark will have survived the occupation with remarkably good fortune. Just now, they are troubled that so many Danish farmers, lured by the extremely high wages the Germans are offering, have left their farms to work at the fortifications being constructed at Jutland. This labor migration may have a serious affect on next year's supply of grain and fodder - upon which depends the backbone of Danish economy.

In certain respects at least, my first impressions are that the Danes have handled themselves in a delicate situation rather skillfully. They have taken a very strong position against the Germans in certain internal matters, such as property rights and personal liberties, and have gotten away with it in most cases. German occupation of Denmark has been on a most peculiar basis compared with other occupied countries. A great effort has been made to avoid trouble with the Danes, and it is not rare to find the Nazis indignantly denying their intention of carrying out some program of dirty work, which the Danes correctly enough surmised but protested so loudly in advance that the Germans would hastily abandon the program. This sort of an approach, for example, has been very effective in keeping the German oppression of Danish Jews at a minimum - only about twelve hundred actually having been deported. When the Germans proposed that all Jews wear a yellow star as in other countries, the King said he would wear one too, and the plan was abandoned. Apparently the Nazis themselves facilitated the escape of Danish Jews to Sweden, since they were anxious to eliminate them as a possible source of trouble. Actually, most of the Danes are very much afraid of the Germans, even the refugees here in Sweden move about very cautiously for fear of the Gestapo. Apparently the Danes have been rather useful to the British in specialized sabotage and underground intelligence operations. It is understood that what the Danes lack in numbers in such operations they make up to some extent by a high degree of skill in carrying out the operations. The Danes seem to be

satisfied



the part of a member of the local British Mission (Turnbull) they were wildly celebrating such official recognition, and were terribly disappointed when the error was clarified. Other Danes, like Henriques for example, are very anxious that Denmark not be included among the United Nations. He gives as his reason the example of Poland, which he feels is handicapping the Allied war effort, but in reality he is very much afraid of Germany. Like many Danes, his one hope is to get through the next few months without aggravating the Germans into destroying Denmark in the closing moments of the war.

It is stated that virtually all full-Jews have now escaped from Denmark and that there is little to give concern as to the possibilities of a terrorist campaign against Jews. This is assuming that the Germans continue their policy of taking no steps against half-Jews in Denmark. There is some indication that refugees from Denmark may increase in the next two months - largely due to Gestapo measures to reorganize the Danish Police, a group that has been somewhat easy to work with in a variety of pro-Allied interests - including refugees. At present, Danish refugees are coming into Sweden at the rate of a little less than 500 a month. As the Department knows, the big months were October and November of 1943.

C. Black Market Operations in Danish Currency. Black market operations locally in Danish currency are very extensive, due to the heavy demand for underground purposes. Consequently, the rates are rather good - a trifle under 0.65 Swedish Kr. for one Danish Kr. It probably would be reasonably accurate to say that the demand for such currency now, at least in large lots, is much more than actual supply.

V. Individuals Met During the Month. Following are brief comments concerning individuals met during the month who would be of interest to Treasury.

1. Mr. Wigforss - Minister of Finance. Has been in his present capacity since 1932 and a stalwart of the Social Democratic Party. Seems to be tremendously interested in the United States, particularly its politics, but I would not say he was strongly pro-American. He is an intense worker, and said to be a great scholar. His new Budget has not been considered impressive locally, and actually is more an "estimate" than a Budget. It might be mentioned that in his budget discussions he coined a phrase that Sweden had progressed to an era of "stabilized budget crisis", whatever that means. Perhaps it is directed hopefully to the coming fall elections.

2. Mr. Rooth - Governor of the Riksbank. Generally regarded to be a warm friend of the United States, and extremely cooperative and helpful. Has a charming personality and is most hospitable.

Is



MRE - 325

This telegram must be paraphrased before being communicated to anyone other than a government agency. (RR)

Bern

Dated March 8, 1944

Rec'd 9:15 a.m.

Secretary of State

Washington

1387, March 8, 8 a.m.

Department's 659, February 26.

I have informed Mr. McClelland of Board's wish to appoint him its special representative in Switzerland. He has informed me by letter dated March 6 of his willingness to accept appointment. I am taking up the matter with Mr. Piletgolaz and will report as soon as possible.

HARRISON

RR

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 8, 1944  
NUMBER: 1408  
1

## CONFIDENTIAL

In a letter dated March 7 we transmitted to the Red Cross the confidential message given in the Department's telegram of March 6, 1944, no. 740.

HARRISON

cc: Miss Channoy (Sec'y), Abrahamson, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, McCormack, Paul, Pollak, Raines, Arvin, Laughlin, Lesser, Luxford, Mann, Standish, Stewart, H.D. White, Files.

## CORRECTION

March 8, 1944

In cable from Ankara 80 March 3, 5 p.m. re  
transit facilities through Turkey for Jewish refugees  
change serial number from "80" to "380"

DIVISION OF COMMUNICATIONS AND RECORDS

CSB



Ted Gamble  
The Secretary

March 8, 1944

Please go ahead and get Peter Odegard to do the history of the War Bonds. I think it is a good idea. Thank you.

# TREASURY DEPARTMENT

265

## INTER OFFICE COMMUNICATION

DATE March 8, 1944

TO Secretary Morgenthau  
FROM Mr. Thompson

The request for a cafeteria pass for Judge Rosenman came through Mr. Paul's secretary one day while you were in Florida, at which time I understand Judge Rosenman was with Mr. Paul. Mr. Paul's secretary phoned my office and asked if there would be any objection to giving the Judge a cafeteria pass. My secretary cleared with me and I gave approval. Mr. Paul then gave the Judge one of his guest passes. Whether the Judge asked for the pass or whether Mr. Paul suggested that he have one I do not know.

We have issued only two kinds of passes — one for Treasury employees and the other for guests. Ordinarily the guest passes are used only as staff members take guests to the cafeteria, but they are also adaptable to issuance for regular use for persons not employees of the Treasury.

*dm*

March 8, 1944

## MEMORANDUM FOR THE SECRETARY

From: Mr. Sullivan

MS

For a number of years the Treasury Department has been promoting the negotiation of treaties with other countries to eliminate or minimize double taxation. Heretofore the British Government has been unwilling to enter into negotiations looking toward such a treaty.

On December 21, 1943, the State Department wrote to Ambassador Winant asking him to ascertain whether the British would undertake exploratory conversations at this time in Washington or London as might prove mutually acceptable. Ambassador Winant now cables that the British would like to begin conversations as soon as possible in London. The State Department in a letter of March 3 asks for the Treasury reaction.

Due to transportation difficulties it would not be possible for American representatives to go to London for at least thirty days after the trip was arranged, which would put the actual departure sometime during April. It is expected that the conversations would last approximately one month although it would not be necessary for all American representatives to be present the whole time.

In such negotiations the State Department ordinarily sends two representatives and the Treasury Department two. Mr. Eldon P. King, Special Deputy Commissioner of Internal Revenue, has been active in treaty matters and has participated in all negotiations over nearly a decade. In the negotiations with Canada in 1941 and again last Autumn Mr. Roy Blough has also participated.

The issues involved and the importance of the right solution are probably greater in the case of Great Britain than of any other nation. The present willingness of the British to negotiate probably arises from a change of view of what is in their interest; the American interest continues at least as great as it has been in the past.



- 2 -

In view of the circumstances I believe it would be desirable to proceed with negotiations as requested in Ambassador Winant's cable. Presumably Mr. King would participate for the Bureau of Internal Revenue. If Mr. Blough can be spared here I think he should go also and in case a larger delegation proves possible I suggest that Mr. Surrey as Tax Legislative Counsel would also contribute substantially to the negotiations.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. ....

With the compliments of British Air Commission  
who enclose Statements Nos. 126 and 127 -- Air-  
craft Despatched -- for the weeks ended February  
22nd and February 29th respectively.

The Honourable Henry Morgenthau, Jr.  
Secretary of the Treasury  
WASHINGTON, D. C.

March 8, 1944

## STATEMENT NO. 126

**MOST SECRET**Aircraft Despatched from the United States  
Week Ended February 22nd, 1944.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		2	
Liberator GR VI	India	India		5	
Coronado GR I	Canada	Canada			2
<u>NORTH AMERICAN</u>					
Mitchell II	U.K.	U.K.		3	
Mitchell FI	Canada	Canada			10
<u>VEGA</u>					
Ventura GR V	M.E.	M.E.		2	
Ventura GR V	S. Africa	S. Africa		4	
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		13	
<u>GLAS</u>					
Dakota III	U.K.	U.K.		20	
Dakota III	India	India		8	
Dakota III	S. Africa	S. Africa		2	
Dakota III	M.E.	M.E.		1	
Dakota III	Canada	Canada			1
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		1	
<u>MOORDUYN</u>					
Harvard	U.K.	U.K.		18	
<u>GRUMMAN</u>					
Avenger	U.K.	U.K.		1	
Hellcat	U.K.	U.K.		3	
<u>VULTURE</u>					
Vengeance	U.K.	U.K.		8	
Vengeance	Australia	Brisbane		2	
<u>AIRCHILD</u>					
Cornell PT-26A	S. Africa	Capetown		50	
Cornell PT-26B	India	Karachi		38	
Argus	M.E.	Suez		10	
<u>CURTISS</u>					
Kittyhawk	Australia	Brisbane		10	
<u>CINSON</u>					
Reliant	U.K.	U.K.		7	
<u>BEECH</u>					
Beechcraft UC-43	U.K.	U.K.		6	
<b>TOTAL: 153</b>				<b>61</b>	<b>13</b>

Movements Division  
British Air Commission  
February 26, 1944  
mmh



# MOST SECRET

270

STATEMENT NO.127

Aircraft Despatched from the United States  
Week Ended February 29th, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		1	
Liberator B VI	India	India		5	
Liberator GR VI	U.K.	U.K.		4	
Liberator GR VI	India	India		1	
<u>NORTH AMERICAN</u>					
Mitchell II	Canada	Canada			
Mitchell II	Bahamas	Nassau		3	3
Harvard	M.E.	Alexandria	5		
Harvard	S. Africa	Capetown	12		
Mustang	U.K.	U.K.	1		
Mustang	N.W. Africa	Casablanca	11		
<u>VEGA</u>					
Ventura GR V	S. Africa	S. Africa		2	
<u>LENN MARTIN</u>					
Baltimore V	M.E.	M.E.		13	
<u>DOUGLAS</u>					
Dakota III	U.K.	U.K.		26	
Dakota III	M.E.	M.E.		6	
Dakota III	S. Africa	S. Africa		1	
Dakota III	India	India		3	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		10	
<u>CURTISS</u>					
Kittyhawk	S. Africa	Capetown	4		
Kittyhawk	N.W. Africa	Casablanca	1		
<u>VULTEE</u>					
Vengeance	India	Karachi	14		
Vengeance	Australia	Sydney	2		
<u>WOORDUYN</u>					
Harvard	India	Karachi	5		
<u>FAIRCHILD</u>					
Cornell PT-26B	India	Karachi	3		
Cornell PT-26A	S. Africa	Capetown	41		
<u>GRUMMAN</u>					
Wildcat	S. Africa	Capetown	5		
<u>STINSON</u>					
Reliant	U.K.	U.K.	2		

TOTAL: 106 75 3

Please note and correct on Statement  
No.125: 1 Liberator B VI reported  
exported to India should read M.E.Movements Division, British Air Commission  
March 6th, 1944

mmh

Regraded Unclassified



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE  
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission  
who enclose Monthly Report No. 6 covering  
Aircraft Flight Delivery as at February 29, 1944.

The Honourable Henry Morgenthau, Jr.  
Secretary of the Treasury  
WASHINGTON, D. C.

March 8, 1944.

SECRET

March 3, 1944

MOST SECRET

REF. NO. D-55  
MONTHLY REPORT NO. 6LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT  
(Covering Movements through February 29, 1944)

(1) PORT. (BAC-L/L)	(2) LIB. (BAC)	(3) HUD. (BAC-L/L)	(4) VENT. (BAC)	(5) FL. BOAT (BAC-L/L)	(6) VENT. (L/L)	(7) BOST. (L/L)	(8) BAIT. (L/L)	(9) B24 (L/L)	(10) B25 (L/L)	BRITISH		(12) TRANSP. (L/L)	TOTAL
										(11) B26 (L/L)	(13) B27 (L/L)		
UNITED KINGDOM	92	96	807	141	397	37	181	1	264	298		6	2556
MIDDLE EAST		5	95						29			48	209
WEST AFRICA									22			2	24
AUSTRALIA					27								27
SINGAPORE					9								9
INDIA									121			2	123
OTU'S IN CANADA			210	68		64				15		20	377
BCAF					28	1	1		15**				45
NASSAU									34	68			102
45 GROUP RAFTC		11	42	10	5				8				76
Enroute U.S. from U.K.					1								1
Accra, Takoradi, Rabat, or Freetown			91	134		257		918			96	271	1767
En route Overseas					1	15		21	20	2		22	81
Gander, Goose, etc.	3			1					6	8		30	48
Nassau or Bermuda (en route)	3			1	21	3		11	23		1	4	67
Special duty in Canada		1		1				5					7
Montreal	8			2	1	3	1		23	57	1	39	135
In Canada en route Montreal												4	4
CRASHED AFTER EXPORT			52	19	10	6	16	32	2	7	11	2	157
En route export						3		17	9			22	51
At modification center					75	23	35		107	11		1	252
En route modification center									4				4
Special duty in U.S.		2						4	1		1		8
CRASHED IN U.S.		1	28	5		1	1	14	4	2	7	1	64
DIVERTED TO U.S.		50	22	281*									353
TOTAL	106	165	1348	663	575(a)	413	235	1023	692	468	171	688	6,547

\* Including 15 returned under Req. ESC 41018 after use by U.S.A.A.F. for training, with 45 off DA-152 also under 41018 after A.A.F. training use. All 60 are included in Column 6.

\*\* Later re-allocated to Canada by M.A.C. (AIR), under Req. CA-00076

(a) Reduced by 21 PBN's and 17 PBM's returned to U.S. Navy.

PLANNING AND AIRFRAME SUPPLY  
BRITISH AIR COMMISSION  
WASHINGTON, D.C.

Regraded Unclassified



VO  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (SCOO)

March 8, 1944

7 p.m.

DEPARTMENT OF STATE  
DIVISION OF

MAR 10 1944

COMMUNICATIONS  
AND RECORDS

AMEMBASSY,

CHUNGKING (CHINA)

314

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Reference is made to your cable of February 29,  
no. 392, paragraph 8.

1. Treasury would appreciate further clarification from you of Dr. Kung's proposal that the sale of U.S. currency in China be on joint account of China and ourselves.

2. The information contained in the remainder of the cable is for the Ambassador and yourself and, if thought desirable, the other American negotiators, as to Treasury views on Dr. Kung's proposal that U. S. currency be sold on joint account.

3. Treasury feels following program would be desirable.

(a) Sales should be either of dollar currency, drafts or gold as convenience and market conditions make preferable.

(b) All needed dollar currency or gold would be transported to China by the United States, subject, of course, to the Army's providing transportation

-2-

facilities.

(c) The yuan account resulting from the sale of dollars or drafts or gold would be held in the name of some designated United States agency or individual rather than in the name of both the United States and China.

(d) Yuan proceeds to be applied first to meet all of United States needs. Surplus yuan to be for account of Chinese Government against dollar credits at average rate of month. Settlements to be made monthly.

(e) Selection of agencies and determination of techniques to be agreed jointly by Chinese Ministry of Finance and United States Treasury if above principles are adopted. It would not be necessary for any formal United States-Chinese agency to be set up to handle these transactions. There would be close cooperation between United States Treasury representative and Chinese Ministry of Finance with regard to sales and the United States Treasury representative would be kept fully informed on how the sales were going.

4. If, however, what Dr. Kung meant by the proposal for a joint account is that the United States make

-3-

available in China U. S. currency which would be sold by the Chinese Ministry of Finance and the proceeds divided between the United States Government and the Chinese Government on some pre-arranged basis, then the program contained in paragraph 3 could be modified. Presumably, under any program sufficient yuan would be obtained to cover all United States governmental expenditures in China.

Among the ways in which the program given above could be modified are:

(a) Yuan proceeds of the sales of currency or drafts or gold could be divided between the Chinese Government and the United States Government on some pre-arranged proportion. United States Government would be willing to take more than one-half of the proceeds and, in fact, would be willing to take up to 100% of proceeds up to our needs. United States would, of course, be reimbursed for portion of proceeds given to Chinese by debiting Chinese accounts in New York.

(b) The division of the yuan proceeds of the sale could be on the basis of giving to the United States the official rate plus one-half of the difference between the official rate and the average price at which the yuan



-4-

was obtained. This procedure is the least desirable.

(c) Amount of yuan proceeds of the sales given to the United States could be based on rate of 100 to 1, with the Chinese Government keeping any yuan excess.

5. Any arrangement for the sale of U. S. currency or drafts or gold should not hold up arrangement under which the Chinese would advance yuan to meet United States governmental expenditures. These advances could be repaid:

(a) In yuan obtained from proceeds of sale of U. S. currency or drafts or gold.

(b) In U. S. dollars at negotiated rate of exchange to be reviewed from time to time.

6. In view of the steady decline in value of yuan, no arrangement should be made for a specific rate except with provision that this rate would be subject to review at appropriate time in future.

STETTINIUS  
Acting  
(EGC)

FMA:GFL:EEC  
3/8/44

CA

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETOPTTEL No. 78

Information received up to 10 a.m., 8th March, 1944.

1. NAVAL

HOME WATERS. 6th/7th. MTB's attacked convoy off IJMUIDEN closing to within 500 yards of harbour entrance. Probably sank a 2,000 ton cargo ship and an auxiliary vessel as well as damaging trawlers and R-boats. Five MTB's slightly damaged, 6 casualties.

MEDITERRANEAN. 6th. Weather moderated at ANZIO and unloading was continued.

2. MILITARY

BURMA. 5th. In HUKAWNG VALLEY U.S. and Chinese forces captured MAINGKWAN, 90 miles S.W. FORT HERTEL.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. 1,256 tons dropped on TRAPPES Railway Centre.

7th. Medium, light and fighter bombers dropped 107 tons on military objectives, 51 tons on coastal defences and 59 tons on an airfield in Northern France.

7th/8th. Aircraft despatched: LE MANS Railway yards 304, N.W. GERMANY 15, Intruders 21, Leaflets 6. All aircraft returned. Thick cloud over LE MANS and 100 aircraft being unable to see markers returned with their bombs. Bulk of remainder achieved good concentration.

ITALY. 6th. 36 Invaders attacked transport north of ROME and 113 Warhawks attacked gun positions and ammunition dumps in the ROME-ANZIO area.