

Diary

Book 708

March 9-10, 1944

- A -

| | Book | Page |
|---|------|--------|
| Argentina | | |
| See Foreign Funds Control | | |
| Association of American Colleges | | |
| Executive Director asks to see HMJr concerning church and charitable deductions - 3/9/44..... | 708 | 23, 27 |
| a) Conference - 3/13/44: See Book 709, page 149 | | |
| 1) Paul memorandum on March 11 conference with Joint Committee - 3/15/44: Book 710, page 132 | | |

- B -

Baer, Frank L.
 See Morgenthau, Henry, Jr.: "Washington Broadcast"

- C -

| | | |
|---|--|-----|
| Colleges (American), Association of | | |
| See Association of American Colleges | | |
| Correspondence | | |
| Mrs. Forbush's mail report - 3/10/44..... | | 234 |

- D -

| | | |
|-------------------------------------|--|----|
| Deferments, Military | | |
| Fletcher, Walter S. | | |
| McDavid, Rudolph M. | | |
| Pehle, John W. | | |
| Applications approved - 3/9/44..... | | 17 |

- E -

Exports
 See Strategic Materials

- F -

| | | |
|---|--|-----|
| Financing, Government | | |
| Conference; present: HMJr, Bell, Murphy, Lindow, Haas, and Tickton - 3/10/44..... | | 99 |
| a) Haas memoranda discussed | | |
| 1) Developing a Borrowing Program for the Calendar Year 1944..... | | 122 |
| 2) An Exploratory Memorandum to Facilitate Discussion of Problems in Money Market Management during 1944..... | | 134 |
| 3) Outlook for Sources of Funds for Federal Borrowing during the Calendar Year 1944... | | 156 |

- F - (Continued)

| | Book | Page |
|--|------|------|
| Financing, Government (Continued) | | |
| War Savings Bonds | | |
| 4th War Loan Drive | | |
| State War Finance Chairmen thanked for cooperation - 3/9/44..... | 708 | 52 |
| Fletcher, Walter S. | | |
| See Deferments, Military | | |
| Foreign Economic Commission | | |
| Thomas bill to establish discussed in Paul memorandum - 3/10/44..... | | 251 |
| Foreign Funds Control | | |
| Argentina: "Show Cause" Order: HMJr suggests serving on State Department as to why they should not apply complete economic sanctions - 3/9/44..... | | 8 |

- G -

| | | |
|---|--|-----|
| Gasoline | | |
| See Strategic Materials | | |
| Germany | | |
| Swedish exports of iron ore to Germany reviewed in White memorandum - 3/10/44..... | | 255 |

- I -

| | | |
|--|--|--|
| International Migration Service Office | | |
| See War Refugee Board | | |

- L -

| | | |
|---|--|-----|
| Latin America | | |
| Argentina: See Foreign Funds Control | | |
| Peru: See War Refugee Board | | |
| Lend-Lease | | |
| U. S. S. R.: Report on availability of cargo for March sent to FDR - 3/9/44..... | | 58 |
| United Kingdom: Federal Reserve Bank of New York statement showing dollar disbursements, week ending March 1, 1944 - 3/10/44..... | | 246 |

- M -

| | | |
|--|--|----|
| McDavid, Rudolph M. | | |
| See Deferments, Military | | |
| Messengers on Secretary's Staff | | |
| No replacements if any are drafted - HMJr's orders - 3/9/44..... | | 21 |
| Morgenthau, Henry, Jr. | | |
| "Washington Broadcast": Comment on HMJr and the authors (Wythe Williams and Frank L. Baer) discussed by HMJr and Paul - 3/10/44..... | | 92 |

- N -

Book Page

New Zealand
See War Refugee Board

- O -

Oil
See Strategic Materials

- P -

Pehle, John W.
See Deferments, Military

Peru
See War Refugee Board

Petroleum
See Strategic Materials

Poland
See Post-War Planning: Currency Stabilization
" War Refugee Board

Post-War Planning
Currency Stabilization
Poland: Proposal for United Nations Bank - reaction to -
3/9/44..... 708 60

- R -

Refugees
See War Refugee Board

- S -

Scrap Iron
See Strategic Materials

Strategic Materials
Scrap Iron, Gasoline, Petroleum: HMJr wants exports
by months and by Ports for five years before
Pearl Harbor - 3/9/44..... 14
a) Haas report - 3/13/44: See Book 709, page 196

Sweden
See Germany

- U -

U. S. S. R.
See Lend-Lease
" War Refugee Board
Unitarian Service Committee
See War Refugee Board

| | Book | Page |
|---|------|------|
| War Refugee Board | | |
| New Zealand: Attitude on rescue and relief to victims of Nazi persecution outlined - 3/9/44..... | 708 | 68 |
| U.S.S.R.: Attitude on rescue and relief to victims of Nazi persecution outlined - 3/9/44..... | | 85 |
| "Refugees, 1930-1942" - a report prepared by George Warren (now with State Department; also Executive Director of the International Migration Service Office, New York City) - 3/10/44..... | | 256 |
| Stettinius provided with memorandum on ways in which he can help while in London - 3/10/44..... | | 272 |
| a) Klotz-Stettinius conversation: See Book 711, page 206 | | |
| Winant provided with pattern of action to be taken by Board to be used in conference with British Government - 3/10/44..... | | 279 |
| Warren, George | | |
| See War Refugee Board: "Refugees, 1930-1942" | | |
| "Washington Broadcast" | | |
| See <u>Morgenthau, Henry, Jr.</u> , for authors thereof | | |
| Williams, Wythe | | |
| See Morgenthau, Henry, Jr.: "Washington Broadcast" | | |

March 9, 1944
9:10 A.M.

Present:

- Mr. Pehle
- Mr. DuBois
- Mrs. Klotz

Mr. Pehle: I read it to him, Mr. Secretary, word for word. I read it to him and made him listen to it. He said no; the thing as we drafted it would stir up anti-Administration sentiment. I told him why he was wrong. He said, "You want me to agree with you when I don't."

HM, Jr: What is the principal thing he left out?

Mr. Pehle: What he has done -- he hasn't left out much -- instead of making it a declaration by the President, it's a statement by the President. That's the first thing, and the President probably requested that after Rosenman put it in his mind. Secondly, instead of being a statement on the systematic murder of the Jews, it's now a statement on atrocities of all kinds which mentions the Jews among others. We don't think it is necessary to tell the people again about how our soldiers were murdered. Everybody knows how we feel. You don't have to tell the people how we feel about the Japanese.

The thing we were trying to bring home is that this country is opposed to the Hitler plan to exterminate the Jews. That is buried in this statement. It's there, but buried, and it's buried by the statement that "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".

-2-

HM, Jr: I am glad that in the second paragraph he does not mention the Jews, because it's not mixed with that and he says here, in a paragraph all by itself, "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." Now, there is a paragraph by itself -- the whole business.

I would be delighted to see the President give this thing out. It's so much better than nothing. You people have been so close and wanted the ideal, which you can't get, but I would be upset if he brought the Jews in with the second paragraph with all the others, but as long as he has a paragraph entirely devoted to them, I would let it go. I don't think we can stop it.

Mr. Pehle: I don't think we can stop it. As far as the statement is concerned, I agree -- and I think the most of us do -- it's much better than nothing.

But above and beyond that, the thing that is important to my mind is whether Rosenman's counsel on these matters is going to carry.

HM, Jr: Supposing you were the Attorney General and the President of the United States, after all these years, beings in a personal Counsel -- or, to bring it a little closer to home, supposing he brought into his office George Harrison to advise him on public finance. How would I feel? But he hasn't. But he did bring in a personal counsel because he thought he needed one. But if he brought in a man like George Harrison or Randolph Burgess or anybody as his personal adviser on public finance. But the Attorney General had to swallow it and like it. Now you boys can't say to yourselves or

-3-

to me that the President of the United States can't have an assistant.....

Mr. Pehle: We are not saying that.

HM, Jr: ... who can review things for him.

Mr. Pehle: His choice of Rosenman is his choice.

HM, Jr: But it isn't like he brought a man in to advise him on refugee and Jewish affairs.

Mr. Pehle: But he did bring him in to advise him over three Cabinet officials. There is nothing we can do about it, but I am just pointing out the importance

HM, Jr: The only reason you could take offense would be if after this thing was started he brought in Rosenman to advise him on this subject.

Mrs. Klotz: He's taking what he's going to do from here on.

Mr. Pehle: If Rosenman is going to be his adviser on these Jewish matters, it's going to very seriously interfere. The question in my mind is if the President ought to be told that Rosenman's counsel on these matters is not good counsel and we prefer nothing even though we recognize the merit in this thing. That's very strong stuff, I realize.

HM, Jr: I think, inasmuch as this one paragraph is entirely devoted to the Jews and stands out by itself, I would let it ride. That doesn't mean that the President is even going to do this. Let her ride. And you tell me why Rosenman should make a dirty remark about me. I don't know.

Mr. Pehle: It wasn't a dirty remark. You ought be proud. He feels you don't agree to his reaction to this thing.

-4-

Mrs. Klotz: He has a guilty conscience because he knows nobody else agrees with him. It's a natural statement.

HM, Jr.: There is nothing more difficult than dealing with the White House, so my advice to you gentlemen is to let nature take its course. I am not at all sure that this will see daylight.

Mr. DuBois: I don't think it makes an awful lot of difference whether it does or does not. In the case of Europe, I don't think this is going to be very effective. I think it has lost 90% of its effect. If the suggestion of camps in America is not in it, I think 90% of what we can do is lost.

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.

and
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

- 2 -

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,

March 9, 1944
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. O'Connell
Mr. DuBois
Mr. Gaston
Mr. White
Mr. Luxford
Mr. Blough
Mr. Thompson
Mr. Sullivan
Mrs. Klotz

H.M.JR: I wanted Luxford and DuBois to hear the beginning of this part. After they hear it, I will excuse them. This morning I got an idea which may be good and it may not be good. I think you lawyers call it a "show cause" order.

What I would like to have prepared in the Treasury is a show cause order on the State Department as to why they should not apply complete economic sanctions. Do you see? We giving all the reasons. I don't want to put it in the form of "I said this," and "I said that," but the basic reasons why. I think you call that--

MR. LUXFORD: We get the point.

H.M.JR: Which would be a different attack. We apply this thing in getting ready - you can pretty well tell what will come over today. What was the last country this morning? Paraguay, I think.

Do you boys get the idea?

MR. LUXFORD: Yes.

- 2 -

MR. DuBOIS: Yes.

H.M.JR: That kind of approach which I can serve on the Secretary of State, why we think they should apply complete economic sanctions.

The only thing I would like to introduce into this thing, which would be a little bit different, I would like to talk a little bit about post-war American markets, and so forth and so on.

At the beginning of the war everybody was so worried that the Germans were going to jump off from Dakar and attack us. It seems to me that right now they are using Spain, and that man Franco is Hitler's stooge, and from there it goes - instead of from Dakar, it goes from Spain down to South America.

MR. LUXFORD: Did you see Moley yesterday? He took that line - gold from Franco down to Argentina.

H.M.JR: No, this was original.

You have got this fellow Mann, and who is the Lieutenant Colonel with G-2?

MR. LUXFORD: Towson.

H.M.JR: I thought I would call up General Bissell and ask whether Towson could come over and help us, and give us the latest stuff.

Now going back again, I don't know whether it was '38 or '39, the then Foreign Minister of Spain under the Republic, who is here now - what is his name?

MR. LUXFORD: Del Veyo.

H.M.JR: He wanted at that time - and this is interesting - to furnish the State Department with the names of the people in South America that the Falangists were using for propaganda purposes.

- 3 -

He said, "I can give them the names of all of them."

The State Department wouldn't even let him furnish them with the names. He is in New York.

MR. LUXFORD: We saw him.

H.M.JR: If you wanted anything as to what is going on down there, it is there. But I would like to approach it from this standpoint and see what we can get.

MR. LUXFORD: I take it that this document will be a political document.

H.M.JR: Political and economic.

MR. LUXFORD: That is all I wanted to be sure of. It can be both.

H.M.JR: Oh, yes. It should be a kind of a document that if you are going to go before a court and ask for an injunction, why you should have an injunction on the State Department to stop these people.

MR. LUXFORD: That is right.

H.M.JR: And you have to prove it from all angles why we should get them to stop this thing from spreading in South America, which is a little different approach than slapping an order on me. (Laughter)

This ought to be good fun.

MR. LUXFORD: It will be. How much time do we have?

H.M.JR: I don't know. Not more than today. Enough time to do a bang-up job.

MR. SULLIVAN: On the post-war foreign markets there is an excellent article that is coming out in next month's Fortune, by Janeway. He sent it to me. I will be glad to get it to you. I think you should read that, too, Mr. Secretary.

- 4 -

MR. LUXFORD: It will be very helpful.

H.M.JR: I can't see, other than South America and Russia, much markets for us.

So you like the idea?

MR. LUXFORD: Very much.

H.M.JR: Joe?

MR. DuBOIS: Very much.

MR. LUXFORD: I think we will need Harry's help on part of it.

H.M.JR: He will be around. What is the fellow's name you want?

MR. LUXFORD: Towson. Mann brought his files up here. I don't know whether he told you that or not.

H.M.JR: No, I haven't seen Mann.

MR. WHITE: In other words, this is a document which you are submitting as a Member of the Cabinet and not as Secretary of the Treasury. The reason I say that is not how you submit it, but it shapes how it is formed.

(The Secretary holds a telephone conversation with Captain Easter in General Bissell's office)

12
March 9, 1944
9:38 a.m.

HMJr: Hello.

Operator: General Bissell is up in the Chiefs-of-Staff office. I have Captain Easter in his office.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello.

Captain
Easter: Yes, sir.

HMJr: This is Mr. Morgenthau speaking.

E: Yes, sir, Mr. Morgenthau.

HMJr: Before General Bissell took over, Lt. Colonel Towson used to come over once in a while and talk to us about South America.

E: Yes, sir. Well, he's still in this office and he is General Bissell's aide.

HMJr: Yes.

E: And he just happens to be out at the moment.

HMJr: Well, if it's agreeable to General Bissell, could he be instructed to come over and see Mr. Luxford, Assistant General Counsel, at Treasury and bring us up to date on the South American situation, particularly the Argentine?

E: The South American situation, particularly the Argentine.

HMJr: Yes.

E: All right, sir. I certainly will. I'm sure he can come over any time you'd like.

HMJr: Well, if it's all right, he can just contact Mr. Luxford.

E: Mr. Luxford?

- 2 -

HMJr: Yes.

E: All right, sir. Fine, Mr. Morgenthau.

HMJr: Thank you.

E: You are welcome, sir.

- 5 -

H.M.JR: He is still in the same position, so that is that.

Now look, don't worry too much in what capacity I do it. I want to do it as an American citizen.

MR. WHITE: The reason why I am suggesting that is merely to make clear that the document should not be confined to matters which are exclusively the function of the Treasury, but should comprehend the whole situation.

H.M.JR: The document should be sufficiently inclusive so that you could win your case in court.

MR. LUXFORD: It should be the document that State should prepare.

H.M.JR: Right. Now, George, I have one thing I want you to do. Make a pencil note. I want you to go back to five years before Pearl Harbor and by months I want to know how much scrap iron left this country and from which ports they left, if that is available, by months. I mean, you put the ports, most likely, on one side, and the months, and then the totals at the bottom. And then the same for gasoline and petroleum products. I don't know whether they say gasoline is separate from crude oil, in Customs, but if they do, give me as much breakdown as possible.

Then after you get those figures, give me some kind of a line showing - so I can get some kind of a chart to see whether the thing went up very rapidly or whether it was a steady thing. It would be very interesting, for instance, if the amount constantly increased up to Pearl Harbor.

Those two things I would like to see.

MR. HAAS: Yes, sir.

- 6 -

H.M.JR: Or any other strategic exports to Japan from this country.

If they showed what were the various grades of gasoline, it would be very interesting.

MR. HAAS: Do you remember, at your request we got that - Pacific reports from the Customs Agents for a period?

MR. GASTON: Yes. That is what we got into some trouble about - Stone, you know, of The Nation - Ickes showed him some of those reports and he printed some stories about them. Do you remember that?

H.M.JR: Sort of vaguely.

O.K.

(Mr. Luxford and Mr. DuBois leave the conference)

H.M.JR: Now, Thompson.

MR. THOMPSON: I have three or four more cases on the key list. They don't have to go to Puryear. They go directly to the local Board.

H.M.JR: I thought you told me that he knocked out some of the things that were on the key list.

MR. THOMPSON: Well, those cases were gone over before he put them on the key list. While pending before the Board, he approved them on the key list and disapproved them as individual cases.

MR. GASTON: If they had been on the key list before we sent them over, we wouldn't have sent them.

MR. BELL: See the article in the Post this morning? There was an article in the Post this morning about these disapprovals of WPB. Kind of hit the Committee pretty hard.

- 7 -

MR. O'CONNELL: Ernst told me this morning, if this was a deferment matter, it might contrast what happens in the Government as distinct from private corporations. A steel company was quite upset over having had the local Board turn down sixteen out of two hundred-odd requests for deferments of pre-Pearl Harbor fathers. If that were typical, it is worth the general view that we had, that they are more lenient with respect to industries than our Review Committee is with respect to Government.

MR. THOMPSON: We haven't lost a case yet, before the local Board.

H.M.JR: Rosenman the other night said, "When anybody comes to me, I always say that the Treasury only has eleven deferments."

I said, "What do you mean, 'comes to you'?"

He said, "Well, when they go above this Board, they go to the President, and then they come to me."

I said that I didn't know that.

He said, "Well, the State Department asked for twenty-three deferments and they got one." They then went to the President and he wouldn't do anything about it. But Hull called him directly from wherever he is, on the telephone, and the President said, "Hold it up until Hull returns, because the old man seems to be angry about it."

But the point of my story is, you can go to the President, and from the President to Rosenman.

MR. BELL: There is still another appeal after the President! (Laughter)

H.M.JR: I gave these boys a little lecture that they had better leave Palace politics to me after twenty years.

- 8 -

I don't know how well I fared, but I think I fared a little bit better than some of the others.

MR. WHITE: I might throw a little light on this deferment business. This chap that was put in charge of the Committee, Puryear, I think he is, is terrifically overwhelmed by anybody who is either a Congressman or a Senator, and he was told by one of the men--

MR. O'CONNELL: Costello.

MR. WHITE: That is right. ...that he had better not - he was reported to have said he better not have any Government people on the deferment. When all these deferments came before his Committee, he knocked them all out with the exception of some very, very few. I think the story is that out of some hundreds of Department of Labor, he left one, or something of that kind. There immediately began to pour in a terrific stream of protests. They went to see Costello - other people - in response to Puryear's statement that Costello said there shall be no Government people deferred. Costello laughed loudly and said that he never said anything of the kind, and if they wanted to do it, it was all right with him. And he treated the matter as a huge joke.

That has happened since these deferments have been turned down. So whether that presages a new policy, I don't know.

But that was the origin of turning all these people down, because this fellow Puryear is apparently a fourth-rate nit wit.

(The Secretary signs applications for deferment of John W. Penhale, Walter S. Fletcher, and Rudolph M. McDavid)

- 9 -

H.M.JR: We will let you (Sullivan) ride up to the Hill with me.

Mr. SULLIVAN: Right.

MR. THOMPSON: That is something for Cabinet that the Secretary wanted on the deferment question.

(Mr. Thompson hands the Secretary one-page document entitled "Treasury Department Deferments.")

MR. BELL: Everybody is being hit, now, and Paul is being called--

MR. THOMPSON: And that is for Judge Rosenman.

(Mr. Thompson hands the Secretary short memorandum dated March 8, 1944, regarding cafeteria pass for Judge Rosenman)

H.M.JR: This is an isolated case?

MR. THOMPSON: Yes, oh, yes, it is.

That is all.

MR. BELL: Just to tell you that we have got, up to last night, two billion eight hundred and sixty million of the exchange bonds in.

Are you going to see Harry and me sometime today on the Russians?

H.M.JR: Yes. I am in a bad spot, today. I am going up to see the Speaker at eleven, so it knocks my morning into a cocked hat. I will put you down.

MR. BELL: It has been hanging fire since the 15th of February, and we didn't get it from the War Department until the 29th of February.

- 10 -

H.M.JR: All right. I would like to see you and George sometime this week, if you are ready, about how much money we need for the rest of the year. I read the report last night. I want to go over it with you, this question of expenditures, cutback, and all the rest of that stuff. I would like a session.

MR. HAAS: We have done a lot of work on it.

H.M.JR: When will you be ready?

MR. HAAS: I think almost any time. We have been working with the Federal Reserve people to save you some trouble trying to get a clearance.

H.M.JR: I mean on expenditures and that kind of stuff.

MR. BELL: I have just got some new items. I am ready to talk to you at any time on the cash position.

MR. HAAS: Any time.

MR. BELL: I think we ought to get started, because we will probably want the Banking Committee in.

MR. HAAS: It is a very difficult problem this year.

H.M.JR: Nine-thirty tomorrow, the first appointment, Bell, Haas, and anybody else.

MR. HAAS: All right.

H.M.JR: Now, that memorandum you sent me was about the first of February. Have you a more recent one?

MR. HAAS: We have more recent information which we have used in another memorandum on financing problems from now to the end of the year.

H.M.JR: Let me have a run on that tomorrow, then.

- 11 -

MR. BLOUGH: Mr. Sullivan has the only item I am interested in at the moment.

H.M.JR: I don't like to tell you when Paul isn't around, but these meetings which are coming again this afternoon--I have no reports on any of the meetings that I asked for yesterday or the day before. If they are important enough to invite forty people to, they are important enough, I think, to let the Secretary of the Treasury and the Under Secretary of the Treasury know about.

MR. BLOUGH: You want a report direct to you on them? I didn't know; I assumed that he was taking care of that side of it.

H.M.JR: The reason I speak to you is because I asked for something; the reports have your name on them.

MR. BLOUGH: Yes, they went from me to him. I send them to Paul, but I will be glad to send them direct, if you wish.

H.M.JR: No, I will say this to Paul when he gets in. When is he coming back?

MR. O'CONNELL: He should be in at noon.

H.M.JR: I mean, if you are going to have thirty or forty people in, the Office of the Secretary of the Treasury, which includes me and the Under Secretary and the Assistant Secretaries, should know about these meetings, and nobody at the top knows.

MR. BLOUGH: Yes.

H.M.JR: You can pass it on to Paul, or I will pass it on.

MR. O'CONNELL: You have been in the habit of making a memorandum to Randolph.

MR. BLOUGH: I have responsibility there. They have been at the technical level, which is the reason why I haven't bothered you.

- 12 -

H.M.JR: But, supposing I am at a press conference and there are forty people asking me questions and none of us at the top knows anything about this.

MR. BLOUGH: You are right.

H.M.JR: I know I am right for once.

MR. BLOUGH: It is one of these cases where the thing falls between and it doesn't get to you. I would rather get them from three sources than no source. As I say, I don't know. They may be very important, or very unimportant. I might not read them when I get them, but at least I should be served with the papers.

MR. O'CONNELL: You are very legal this morning.

H.M.JR: I am dealing with a lot of lawyers. Anyway, I am talking now as the Office of the Secretary of the Treasury, which includes Sullivan, Gaston, Bell, and myself. We are part of the Treasury.

MR. THOMPSON: And twenty-seven messengers. The twenty-seven messengers were put back yesterday. I don't think we will get them all in conference, but we will get half of them.

H.M.JR: Dowling was very much impressed; he was getting very efficient. I asked him if he had read it. He said he sure had.

MR. THOMPSON: They have all perked up quite a lot.

MRS. KLOTZ: They felt that they really had a workout.

H.M.JR: But my order still holds on Dowling; and if any of the men are drafted, no replacements.

MR. BELL: There was one item that was discussed the other day in these tax conferences on simplification. It was a question of combining some of the rates which might have the effect of lowering the normal tax, and increasing

- 13 -

the surtax. That has begun to seep around through the market that this is another means of getting rid of partially-tax-exempt income on our securities. That brings up the old question of your statement that nothing would be done directly or indirectly.

H.M.JR: Paul has mentioned that to me a couple of times. He said he wanted to talk to you about it.

MR. BELL: He did talk to me, and I said that we ought to go rather slowly, certainly during this time when our financing was getting harder and harder, that you ought to know about it and see whether it was a violation of your statement.

H.M.JR: Would you write a letter for me to Stettinius, please, today, sending him a copy of the Press Department's note on this Belgian currency business and simply say that we take it for granted, in view of my conversation with him Sunday, that I would like to point out that we are in receipt of this memo from the President, and we take it that is the last word.

MR. WHITE: I don't think that is necessary, in view of subsequent developments.

H.M.JR: Stettinius has a peculiar way, and a very good way. When these things are up, he writes letters on the things to confirm them. In view of the thing, I would like to have a letter go between us.

MR. BELL: Well, it has gone over there, hasn't it, Harry?

MR. WHITE: A copy has gone over. Acheson called you up, and they have already approved. The State Department has approved the draft which we have handed the Belgians; they have just approved it after holding it three or four days.

H.M.JR: Stettinius may not know about it. I mean, Acheson didn't know, or--I still think it would be good, if you don't mind.

- 13 -

the surtax. That has begun to seep around through the market that this is another means of getting rid of partially-tax-exempt income on our securities. That brings up the old question of your statement that nothing would be done directly or indirectly.

H.M.JR: Paul has mentioned that to me a couple of times. He said he wanted to talk to you about it.

MR. BELL: He did talk to me, and I said that we ought to go rather slowly, certainly during this time when our financing was getting harder and harder, that you ought to know about it and see whether it was a violation of your statement.

H.M.JR: Would you write a letter for me to Stettinius, please, today, sending him a copy of the Press Department's note on this Belgian currency business and simply say that we take it for granted, in view of my conversation with him Sunday, that I would like to point out that we are in receipt of this memo from the President, and we take it that is the last word.

MR. WHITE: I don't think that is necessary, in view of subsequent developments.

H.M.JR: Stettinius has a peculiar way, and a very good way. When these things are up, he writes letters on the things to confirm them. In view of the thing, I would like to have a letter go between us.

MR. BELL: Well, it has gone over there, hasn't it, Harry?

MR. WHITE: A copy has gone over. Acheson called you up, and they have already approved. The State Department has approved the draft which we have handed the Belgians; they have just approved it after holding it three or four days.

H.M.JR: Stettinius may not know about it. I mean, Acheson didn't know, or--I still think it would be good, if you don't mind.

- 14 -

MR. BELL: I will refer to the conversation.

H.M.JR: You and White refer to Sunday's conversation and simply say that there will be no misunderstanding between the two departments; that is the way I understand it.

MR. BELL: All right. What happened on that is, Dean called me day before yesterday, I guess it was, and said that they had considered that final, and I told them that there seemed to be some doubt in Stettinius' mind, but he thought the President had told him he thought he agreed with the State Department.

He said, "Yes, that is true, but we have checked that through Miss Tully, and Miss Tully said she didn't think there was any doubt but what the President knew what he was doing when he dictated the memorandum."

H.M.JR: Get it to Mrs. Klotz by two o'clock, will you, White and Bell collaborating.

Is there anybody who wants a decision this morning?

MR. SULLIVAN: I do. The Executive Director of the Association of American Colleges wrote you and wanted to call. I called him and said that the reason I was phoning was because his letter, although dated March 6, had just arrived, and I noticed that he wanted a conference this week and that you were committed for the rest of the week, but I would be very glad to see him. He was very indignant, insisted that he should see you, and couldn't understand why you wouldn't be willing to meet with them.

I said, "Well, that is not the Secretary's position at all; it is the fact that your letter arrived so late in the week that he had no time left on his calendar."

"Well," he said, "we can come down next Monday to see him."

I think you ought to see them for a few minutes.

- 15 -

H.M.JR: Can I get a degree out of it?

MR. SULLIVAN: He has six hundred colleges.

MR. BLOUGH: Chances are you will if you give him what he wants.

H.M.JR: There is nothing I can give them; that is why I thought I would let Sullivan see him.

MR. SULLIVAN: He wanted to know if Bell was around. I said, "Yes."

"What is his position."

I said, "He is Under Secretary."

He said, "Can you talk to him right now?"

I said, "No, I can call him on the other phone. I will be glad to do that. I think he will probably suggest that you see me."

"Well," he said, "I am sick and tired of seeing bookkeepers."

MRS. KLOTZ: Yes, he was terrible. He came in right after the conversation.

MR. SULLIVAN: He has very definite ideas about it.

MRS. KLOTZ: He was mad, because he said he could go to see the top people everywhere, and why weren't you willing to see him?

H.M.JR: You (Sullivan) remember the story, because it affected you, when we had the fellow, the President of Consolidated Aircraft--he wanted to see me while this thing was on. He said, "I have seen everybody in the Cabinet but Morgenthau." I told him I wouldn't see him until the thing was settled. He laughed finally. Do you remember? He stood outside, and I wouldn't see him. I said he had to settle it with you.

- 16 -

MR. SULLIVAN: That is right. He did. It was two and a half billion dollars off of a twenty million dollar contract.

H.M.JR: You think I should see him?

MR. SULLIVAN: I think you should.

MRS. KLOTZ: He handled it very well, the fact that they asked for the meeting this week.

H.M.JR: All right, I will put it down for three o'clock on Monday. Will you be present, please? What are the colleges?

MR. SULLIVAN: The Association of American Colleges. What he is going to get is the president of one of the local colleges, and the head--

MRS. KLOTZ: Tell the Secretary whom he is bringing.

MR. SULLIVAN: Bishop Hughes, and the head of the Catholic Charities, and several charitable institutions here in the District.

H.M.JR: I am going to put Sullivan down for two forty-five so you can come in and coach me.

MR. BELL: I saw Bishop Hughes with you. Do you remember that group on the tax problem?

MR. SULLIVAN: A couple years ago?

MR. BELL: No, no, before the tax went through.

MR. BLOUGH: The tax withholding business. You brought them in while the Secretary was away.

MR. GASTON: Maybe it is the fixed credit deduction of six percent.

MR. SULLIVAN: Randolph has been in on it.

- 17 -

MRS. KLOTZ: He said he was very mad at Randolph. He wouldn't have anything to do with him.

MR. SULLIVAN: They were fraternity brothers, and Randolph had brushed him off.

MR. HAAS: All in the name of charity, John?

H.M.JR: I am putting Paul down, too, Paul and you at two forty-five.

MR. GASTON: This is what?

MR. SULLIVAN: The Association of American Colleges.

MR. GASTON: The other one is the major organization.

H.M.JR: This isn't worth getting a degree?

MR. GASTON: No. Am I right, Roy?

MR. BLOUGH: Yes. The ones you would like to have the degrees from--

MR. BELL: Don't give in yet.

MR. GASTON: This is an association of fresh water colleges.

March 9, 1944.

27

MEMORANDUM FOR SECRETARY'S FILES

FROM: Mr. Sullivan

The attached letter was answered by telephone call to Mr. Snavelly. I advised him that the Secretary had no time available the rest of the week but that I would be glad to meet with the group. Snavelly was indignant that the Secretary would not meet with them and I told him that if he cared to postpone it until the following week I would endeavor to get him an appointment. He agreed to such an appointment and after consultation with the Secretary I phoned him again and arranged for a meeting at 3 p.m. on March 13th.

OFFICERS FOR YEAR ENDING JANUARY 1945

President FRANCIS F. GAINES
President, Washington and Lee University

Vice-President MILDRED H. MCAFEE
President, Wellesley College

Treasurer LE ROY E. KIMBALL
Comptroller, New York University

GUY E. SHAVELY
Executive Director

ADDITIONAL MEMBERS BOARD OF DIRECTORS

JAMES B. CONANT
President, Harvard University

PERCY A. ROY
President, Loyola University (New Orleans)

FRANCL. MCCLUER
President, Westminster College

ELAM J. ANDERSON
President, University of Redlands

March 6, 1944

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

Dear Secretary Morgenthau:

A group of representatives of the church, educational and other charitable institutions should like very much to have a brief conference with you in the immediate future concerning the problem of assuring adequate recognition of gifts to religion and charity in present plans to simplify the Federal Income Tax returns.

If it is not too presumptuous we hope you can arrange to see us early some afternoon in the present week.

Faithfully yours,

Guy E. Shavely

GES:D

March 9, 1944
2:30 p.m.

29

John L.
Sullivan:if I could get a memorandum to you.

HMJr: Well....

S: I -- do you want me to walk in with it, or do you want me to tell you. I have some people in the office here with me.

HMJr: Well, you'd better -- uh -- maybe I'd better finish what I'm going to do first -- I'm working on my tax. I'll finish that first.

S: Right. I have to be out at a meeting at three-thirty.

HMJr: I'll see you before then.

S: Thank you.

HMJr: Don't leave the Treasury, though, without seeing me first.

S: No, sir.

HMJr: All right.

March 9, 1944
2:40 p.m.

30

HMJr: Ed, two things: first, social.

Edward R.
Stettinius: Yeah.

HMJr: I wondered if you and Mrs. Stettinius were free Monday night, whether you would care to have just a quiet supper with us.

S: Well, we would love it, sir, but for the fact that I was -- I just have to be in New York on Sunday and Monday both.

HMJr: Oh.

S: This is terrible bad luck as the President asked me to dine on Sunday and I'm missing that, and now you on Monday.

HMJr: I see.

S: But I -- I've got to -- for you, privately -- I've got a little hemorroid business that I've got to attend to before I go to England.

HMJr: Oh.

S: So, I'm going to have to take two or three days next week to do that.

HMJr: I see.

S: I've just got....

HMJr: Well....

S: I've got to do it before I go.

HMJr: Maybe when you get back.

S: Maybe when I get back, before I go.

HMJr: Pardon?

S: I say, when I get back, before I go, maybe we could have a visit.

HMJr: Would you let me know when you come back?

S: Yes, sir.

HMJr: We can have very few appointments.

S: Wonderful.

HMJr: Now....

S: We'd love it.

HMJr: Well, you -- well, I -- well, you give me a ring when you get back.

S: I will.

HMJr: Now, the other thing is: I have the President's -- the memorandum from the President about Myron Taylor, and the letter....

S: Yeah.

HMJr:in which he says, "I am enclosing a memorandum from Myron Taylor. Will you and Ed Stettinius work it out with him?"

S: Yeah.

HMJr: (Laughs)

S: Huh.

HMJr: Now, I'm at your service.

S: Well, I think it's a thing -- my suggestion would be, at the next meeting of the Refugee Board....

HMJr: Yeah.

S:just raise that the President -- that Myron Taylor has sent a memorandum to the President, a copy of which he sent to me, which I have given to Hull.

HMJr: Yeah.

S: And the President has given you.

HMJr: Yeah.

- S: And that Myron Taylor emphasized the -- the matter of the Inter-government Committee being ignored, and then decide a policy as to the War Refugee Board, maybe, communicating with the Refugee Committee and asking it for its suggestions and pledge cooperation.
- HMJr: Of course, that isn't what the President suggested, but you'd rather not sit down with Myron Taylor, is that it?
- S: Well, no. I don't -- no, the -- it's just a matter of time.
- HMJr: I see.
- S: About my trying to -- I mean, if -- whether -- when we could do it, you see?
- HMJr: Yes.
- S: I'm -- I'm not -- I'm not trying to duck it. It's just a question of doing it and having the time to do it.
- HMJr: Yeah.
- S: I would think -- I don't -- I would think it would be an easy way, though, to -- for you, so that you don't have to get in a lot of discussion about it -- to just deal with it at a meeting of the Board. Don't you?
- HMJr: Well, if you think that that's easy, I don't care. I'd just as leave bring it up.
- S: Yeah.
- HMJr: Get our policy established before I talk to Myron Taylor. After all, it's not a personal thing on my part.
- S: That's what -- my suggestion would be to bring it up at the Board and get Hull and Stimson and get a policy established and then just tell Mr. Taylor what the policy is.
- HMJr: Okay.

S: Because he's -- he's just -- he's peeved that he has been ignored, as I told you.

HMJr: But the letter didn't have the part that you were afraid of -- that he, you know.

S: That one....

HMJr: The part about....

S: About you -- about you being....

HMJr: Jumping on -- about being excited and all that.

S: Well, that was in a separate one.

HMJr: That's a separate one?

S: That was -- that was a separate little note that he wrote to the President.....

HMJr: I....

S:in addition to this one.

HMJr: I see. Well, I can do it that way just as well if that's going to save you time.

S: I would think it would be better.

HMJr: Okay.

S: Righto.

HMJr: Now, when am I going to get your Argentinian memorandum?

S: Well, I checked this morning and it looks like it will not be until the end of the week.

HMJr: Oh-oh.

S: And it does not now look as if you will have anything until -- I've instructed Acheson to call upon you personally with this thing in hand as soon as it was available.

HMJr: I see.

S: And I don't think he's going to -- the way things are moving now with the Combined Chiefs-of-Staff, and the Combined Boards that they are going to have out the whole exhausted picture until the end of the week.

HMJr: This week?

S: The end of this week.

HMJr: End of this week?

S: That's what they told me this morning.

HMJr: I see.

S: And I've said that you and the President and Hull are to get -- are to get copies immediately.

HMJr: Yeah. Okay. Well, when you get back from New York, give me a ring.

S: I will. I promise.

HMJr: Take care of yourself.

S: Righto.

HMJr: Bye.

March 9, 1944
3:28 p.m.

35

HMJr: Hello.

Operator: I'm sorry, Mr. Morgenthau, I had to take Miss Brady.

HMJr: All right.

Operator: There you are.

HMJr: Hello.

Dorothy
Brady: Hello, Mr. Secretary.

HMJr: How are you all?

B: Fine.

HMJr: Got a pencil?

B: Yes, sir, right in my hand.

HMJr: Good. Now, look, I'm sending you a letter addressed to the President with an enclosed proposed letter to Congressman Doughton and Walter George.

B: Yes.

HMJr: I have shown this correspondence to Jimmy Byrnes, who has okayed it.

B: Yes.

HMJr: I have shown it to Vinson, and in the report that I got back -- if you've got a pencil -- he said -- I tell you what I'll do, the easiest way is, I will send the memorandum from Sullivan to me on it. I think that's the easiest way.

B: All right.

HMJr: Now, the catch in this thing is this: if we are going to do this, I've got to get the President's 'Okay' by tomorrow night, because I've got to get it up on the Hill by Saturday.

B: Uh huh.

HMJr: See?

B: Well, why don't you get it right over and I'll take it right in?

HMJr: What could be better?

B: All right.

HMJr: And this memorandum from Sullivan to me doesn't show that Jimmy Byrnes approved it; it just shows what Vinson's....

B: All right.

HMJr:questions.

B: All right.

HMJr: Right?

B: Fine.

HMJr: Thank you.

B: You're welcome.

As it went to President 3/9/44.

Handwritten scribbles

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.

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:mif

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 9, 1944.

TO: The Secretary
FROM: Mr. Sullivan

Judge Vinson called me at 1:30 to say that he had had no opportunity yesterday afternoon to discuss with Justice Byrnes your letters to Senator George and Congressman Doughton. He stated that his view remained the same and that if we could devise language which would indicate to George and Doughton that we were not receding from our position that additional revenue was needed, and if this could be done without indicating to Congress a new revenue bill was impending, He thought this would improve the letter. However, he added that he had no language in mind and he would not be displeased if after considering it you decided to send the letters as they are now written.

JLS:fw

March 9, 1944
3:30 p.m.

JEWISH EVACUATION

Present: Mr. Pehle
Mrs. Klotz

Mr. PEHLE: I wanted to tell you that I talked to both Stettinius and Stimson. I wanted you to know they have both seen the statement that Judge Rosenman thought I wouldn't show to all the members of the Board. I showed it to them so that we weren't playing favorites.

H.M.JR: You went over?

MR. PEHLE: Sure. Stimson gave me forty minutes. Stettinius said he had talked to the President about this yesterday and that he strongly urged that the declaration be sent.

H.M.JR: Stettinius--

MR. PEHLE: He emphasized how carefully it had ~~been~~ gone over, that it was carefully drafted, that Hull and all these people had approved it, and he couldn't get any place with the President. The President said it was too pointedly on the Jews and he, Stettinius, didn't know - I didn't think he knew - that Rosenman is the one that counseled the President not to sign it. I told him that. I generally--

H.M.JR: You counseled Stettinius it was Rosenman?

MR. PEHLE: I told Stettinius it was Rosenman that counseled the President not to sign it. I told him, generally, what the developments were.

- 2 -

He said he didn't see anything else that could be done at this point. He said he didn't know whether any statement would come out.

On the camp thing he thought we ought to push forward. I can't say he thought it through. He is leaving any time now.

H.M.JR: He has got to go to New York for a minor operation before he goes. I just spoke to him.

MR. PEHLE: It is going to be very difficult over there with him gone.

Then I saw Stimson. Stimson read the statement through very carefully. It took about ten minutes. He said he feels it is much stronger than it was before, and he said regardless of the motives involved and anybody who changes it, he feels it is stronger and not to worry about it. Which was of some comfort, because he was obviously sincere and friendly. Now, that is just his judgment; he doesn't know--

H.M.JR: I didn't go that far.

MR. PEHLE: He said it builds up to a climax, now.

H.M.JR: Don't underestimate Stimson in the morning!

MR. PEHLE: He was quite keen, Mr. Secretary, and very friendly, and he insisted on going back and telling me what happened during old Administrations, and so forth. But he was all right.

Now, on the camp thing, he wasn't good on that. I mean, he knew it would meet with objection. It wasn't that, so much, but he didn't know whether he would favor it. It was because of this, he said that if you brought large numbers of people in here there would be extremely strong pressure on the Congress later to change the immigration laws to let them in. And he felt that we are at a stage where we shouldn't have additional immigration.

- 3 -

I gave him the argumentation. He was very friendly and sympathetic. He is strongly against anti-Semitism. He says he is, and I believe him.

H.M.JR: Did he go back to his days with Brandeis with you?

MR. PEHLE: Yes, he did - about the wailing wall.

H.M.JR: His experience with Brandeis?

MR. PEHLE: He told me about the wailing wall thing and something about what political pressure he thinks the Jewish groups could organize. He is obviously affected by that to some extent. He thinks they are a very powerful political force.

H.M.JR: I wish they were.

MR. PEHLE: Sometimes they are and sometimes they are not.

MRS. KLOTZ: They are going to be on this.

MR. PEHLE: For instance, he referred to the time many years ago when the Congress unanimously passed a resolution calling on the President to tell the Russian Government - the Czarist Government - that they should treat the Jews better. Now he says, unanimously, the Congress did that.

H.M.JR: Look that up.

MR. PEHLE: This is such an incident.

H.M.JR: I don't question it, but I would like to see it.

MR. PEHLE: Now he said about the Palestine thing that the State Department had asked him to take that line, and were not willing to come out themselves and take the line, but he said that he believed in the position the War Department was taking.

- 4 -

This is quite confidential: He said the real reason is that we want to pull out all our troops from that whole region, even the ones that are there now for use elsewhere, and that if there is any trouble, we don't think we can. It was obvious that he felt sincere about it. Whether he is being misled about it - he feels that way.

Now, I asked him whether the War Department feeling on the Palestine resolution extended to temporary immigration, and he said no. He said the reason they feel so strongly on this is because it is such a propaganda thing, that there is so much talk, and because it is openly put up as a Jewish home in Palestine, which means exclusion, ultimate exclusion of the Arabs, and the War Department feels that that is going to cause trouble. I am sure he feels that way. But he did say that the State Department was using the War Department on that.

H.M.JR: I am awfully glad I told you - at least I think I did - to go over and see those two people.

MR. PEHLE: You told me to, and I was going to. I thanked him for the time, and he said he was delighted to do it, that really the only time he got to think about these things was when I came over, and he was delighted to sit down and talk about them. He was very friendly.

He said that I should bring this matter up before the Board. He said, "I haven't much of an alternative to suggest, have I?"

H.M.JR: You?

MR. PEHLE: He said that he didn't - to the camp idea. He said, "I haven't much of an alternative, have I?"

I mentioned the Cyrenaica thing. He thought that had some real possibilities.

Generally he was very friendly and sympathetic, but he was worried about it.

- 5 -

H.M.JR: You know, I drove a couple of hundred miles through Florida this time, and before you made this suggestion I said to my wife - I literally passed thousands of acres of perfectly good land. I was thinking of the resettlement there.

Now, throw this in your mind: Claude Pepper might head a thing like that to invite some of these people to come to Florida. They have only a million and a half people in Florida - permanent population.

MR. PEHLE: Of course, when you talk about permanent resettlement--

H.M.JR: No, I am not.

MR. PEHLE: Seems to me it would have major opposition. First there is a strong feeling against immigration, and second, these people, most of them, will not stay on the land. They have done it in Palestine under the best conditions, but every place else, the minute you settle them in Brazil they flock to the cities, and if they are given land, they sell it or rent it out to somebody.

H.M.JR: I meant, here was a place, anyway. I mean, all kinds of land.

MR. PEHLE: I wanted you to know those things. I think the thing to do - the statement is over at the White House, they can decide what to do about it. At least, everybody knows about it now. They have been shown the re-draft and Stimson thinks it is stronger.

H.M.JR: I am glad he does. I told you I thought that that paragraph, the second or third one on the first page where it stood up by itself, was very strong. Well, I needn't go over it again. I am glad you did the thing. It is over there. Of course, with all these Palestinians here in town, the President may do something.

- 6 -

MR. PEHLE: I asked Stettinius if he was taking Murray and Bowman with him, because I am not amiss to telling him I think that - he said not on the Jewish problem. The reason he is taking Murray is because Eden insisted they bring him because they have nobody that knows the problems in the Near East the way Murray does.

He says Bowman is going on the general problem of geographical boundaries and things like that, and that he wouldn't take either one of them on the Jewish problem.

H.M.JR: But he is taking the two people who are supposed to be the most unfriendly - or as unfriendly as anybody - he is not taking anybody who is friendly.

MRS. KLOTZ: Exactly. Where is he going?

H.M.JR: London.

MR. PEHLE: I am just giving you that for what it is worth. He said it would probably be the first of May before he gets back, depending on what he runs into.

H.M.JR: He is making a major mistake by going. He can very easily lose all the reputation he has built up. He can't gain anything, he can only lose.

MR. PEHLE: Well, you asked Mrs. Klotz to have me mention that some night you wanted me to talk to the White House people.

H.M.JR: In view of this, there is no great hurry.

MR. PEHLE: Several of my people know some of the White House people. There is no reason why they shouldn't go ahead and talk. Abramson, for example, knows both the political man over there - whatever his name is - and one of the assistants very well. And Lauchlin knows those people.

H.M.JR: Good.

Juste

48

WU2 48

RK NEWYORK NY MAR 9 1944 740P

044 MAR 10 AM 8 21

HON HENRY MORGENTHAU JR

SEC OF THE TREAS

GREATLY APPRECIATE YOUR FINE TELEGRAM I HAVE ENJOYED THIS SERVICE WITH YOU AS MUCH AS ANYTHING I HAVE EVER DONE AND I LOOK FORWARD TO A CONTINUING INTEREST AND PARTICIPATION THE ANNOUNCEMENT WAS WELL RECEIVED BY THE WAR FINANCE COMMITTEE HERE THIS AFTERNOON AND EVERYTHING IS IN ORDER

W RANDOLPH BURGESS.

815 AM MAR 10 1944.

RECEIVED MAR 10 1944
J. B. G.

Handwritten scribble

TED R. GAMBLE

WAR FINANCE DIVISION

EXPENSES OF LOANS

MARCH 9, 1944

W. RANDOLPH BURGESS,
CHAIRMAN,
WAR FINANCE COMMITTEE,
1270 Sixth AVENUE,
NEW YORK 20, NEW YORK.

IN KEEPING WITH MY ORIGINAL UNDERSTANDING WITH YOU I ACCEPT YOUR DECISION TO RETIRE AS CHAIRMAN OF THE NEW YORK WAR FINANCE COMMITTEE. IT IS MY UNDERSTANDING THAT YOU WILL CONTINUE TO GIVE US THE VALUE OF YOUR COUNSEL AND LEADERSHIP AS CHAIRMAN OF THE EXECUTIVE COMMITTEE. WE AT THE TREASURY ARE DEEPLY GRATEFUL TO YOU FOR THE SPLENDID HELP THAT YOU HAVE GIVEN US IN THE IMPORTANT STATE OF NEW YORK. YOU HAVE EVERY RIGHT TO BE VERY PROUD OF THE CONTRIBUTION YOU HAVE MADE TO THE DIFFICULT TASK OF FINANCING THIS WAR IN A SECTION OF THE COUNTRY WHERE A SUBSTANTIAL PART OF THIS JOB HAD TO BE DONE. THE SUCCESS ENJOYED BY THE STATE OF NEW YORK UNDER YOUR ABLE GUIDANCE IS TANGIBLE EVIDENCE OF YOUR EFFECTIVENESS. I AM SURE THAT MR. FORD AND YOUR ASSOCIATES WILL BE PLEASED TO KNOW THAT YOU WILL BE ABLE TO GIVE THEM SOME OF YOUR TIME IN THIS CONTINUED EFFORT.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY.

TRG:DFT

Gawle

WU3 69

WURK NEWYORK NY MAR 9 1944 738P

544 MAR 10 AM 8 21

HON HENRY MORGENTHAU JR

SEC OF THE TREAS

I AM DEEPLY APPRECIATIVE OF YOUR CONFIDENCE IN ME AND THE KIND EXPRESSIONS IN YOUR WIRE I AM HONORED AND HAPPY TO ACCEPT THE APPOINTMENT AS CHAIRMAN OF THE WAR FINANCE COMMITTEE FOR NEW YORK YOU MAY COUNT ON ME TO SERVE WITH DEVOTION AND FIDELITY TO THE UTMOST OF MY ABILITY THAT MR BURGESS WILL CONTINUE HIS ACTIVE SUPPORT AS CHAIRMAN OF THE EXECUTIVE COMMITTEE IS MOST PLEASING

NEVIL FORD.

817 AM MAR 10 1944.

TED R. GAMBLE

51

WAR FINANCE DIVISION

EXPENSES OF LOANS

MARCH 9, 1944

NEVIL FORD
EXECUTIVE MANAGER
1270 SIXTH AVENUE
NEW YORK 20, NEW YORK.

YOU ARE HEREBY APPOINTED CHAIRMAN FOR THE WAR FINANCE COMMITTEE FOR THE STATE OF NEW YORK. WE AT THE TREASURY ARE PLEASED TO KNOW THAT WE ARE GOING TO CONTINUE TO HAVE THE VALUE OF YOUR GOOD SERVICES AND WOULD LIKE FOR YOU TO KNOW THAT THIS APPOINTMENT IS IN A MEASURE AN ACKNOWLEDGMENT OF THE SPLENDID HELP THAT WE HAVE HAD FROM YOU SINCE THE INCEPTION OF THIS PROGRAM. I KNOW YOU ARE PLEASED WITH THE ARRANGEMENT OF HAVING MR. RANDY BURGESS'S CONTINUED SUPPORT AS CHAIRMAN OF YOUR EXECUTIVE COMMITTEE. EVERY GOOD WISH TO YOU.

HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY.

TRG:DPT

March 9, 1944

Dear Mr. Williamson:

Now that the Fourth War Loan Drive is over and the smoke of battle has cleared away, you can look back with pride upon your accomplishment.

The fact that every State exceeded its overall quota was in itself a magnificent achievement. The record sale of well over 60 million E Bonds represents the fruits of a great, hard and successful campaign.

The Treasury assigned to you as Chairman of the War Finance Committee in your State a monumental task. It did so because it had great faith in your capacity and your leadership. You have more than justified that faith.

May I congratulate you on your achievement and thank you for your fine, thoughtful and patriotic cooperation.

Sincerely,

(Signed) H. Morgenthau, Jr

Mr. Ben Williamson, Jr.
Chairman
War Finance Committee
808 Second National Bank Building
Ashland, Kentucky

STATE WAR FINANCE CHAIRMEN

Ed Leigh McMillan
War Finance Chairman
1525 2003 Comer Building
Birmingham 3 Alabama

Governor Ernest H. Gruening
War Finance Chairman
P. O. Box 110
Juneau, Alaska

Walter R. Binson
War Finance Chairman
Room 215, New Post Office Bldg.
Phoenix, Arizona

W. W. Campbell
War Finance Chairman
114 East Capitol Ave.
Little Rock, Arkansas

Charles R. Page
War Finance Chairman
743 Masonic Bldg.
San Francisco 5 California

Robert H. Boulton
War Finance Chairman
621 South Spring St.
Los Angeles 14, California

Clarence H. Adams
War Finance Chairman
302 Colorado Bldg.
Denver 2 Colorado

Eugene E. Wilson
War Finance Chairman
36 Pearl St., Room 523
Hartford, 3 Connecticut

Henry T. Bush
War Finance Chairman
1064 Hotel DuPont Building
Wilmington 99, Delaware

John A. Reilly
War Finance Chairman
853 Washington Bldg.
Washington 5, D. C.

W. W. McEachern
War Finance Chairman
404-08 Federal Bldg.
Jacksonville 1, Florida

Charles A. Stair
War Finance Chairman
1202 C&S Natl. Bank Bldg.
Atlanta 3 Georgia

Fred H. Kanne
War Finance Chairman
Young Hotel Bldg.
1055 Bishop St.
Honolulu 9, Hawaii

John A. Schoonover
War Finance Chairman
423 Idaho First Natl. Bank Bldg.
Boise, Idaho

Harold H. Swift
War Finance Chairman
300 Illinois Bankers Bldg.
105 West Adams St.
Chicago 3, Illinois

Eugene C. Pulliam
War Finance Chairman
816 Illinois Bldg.
Indianapolis 4 Indiana

~~Vernon L. Clark~~ *Herbert L. Horton*
War Finance Executive Manager *Co. Chairman*
800 Walnut Bldg.
Des Moines 8, Iowa *John J. Hallen*
Co. Chairman

W. Laird Dean
War Finance Chairman
208 Federal Building
Topeka, Kansas

Ben Williamson, Jr.
War Finance Chairman
808 Second National Bank Building
Ashland, Kentucky

S. Albert Phillips
War Finance Chairman
510 Republic Building
Louisville 2, Kentucky

Leon C. Tujague
War Finance Chairman
512 Pan American Building
Camp and Poydras Sts.
New Orleans 6, Louisiana

Phillips H. Payson
War Finance Chairman
Room 607, Bank of Commerce Building
Portland 3, Maine

Howard W. Jackson
War Finance Chairman
601 Maryland Trust Building
Baltimore 3, Maryland

F. Winchester Denio
War Finance Chairman
79 Milk Street
Boston 10, Massachusetts

Frank N. Isbey
War Finance Chairman
600 Union Guardian Bldg.
Detroit 26, Michigan

O. J. Arnold
War Finance Chairman
370 Northwestern Bank Bldg.
Minneapolis 2, Minnesota

Rex I. Brown
War Finance Chairman
1005-08 Lampton Building
Jackson 196, Mississippi
106

Walter W. Head
War Finance Chairman
200 Federal Commerce and Trust Bldg.
208 North Broadway
St. Louis 2, Missouri

A. T. Hibbard
War Finance Chairman
~~308 Federal Building~~ 28 Union Bank Bldg
Great Falls, Montana
Atlanta

W. Dale Clark
War Finance Chairman
636 World-Herald Building
Omaha 2, Nebraska

Forest B. Lovelock
War Finance Chairman
35 East 4th St.
Reno, Nevada

~~Winthrop L. Carter~~ *Norman S. Bean*
War Finance Chairman
Bell Building
922 Elm St.
Manchester, N. H.

Franklin D'Olier
War Finance Chairman
~~Room 406, Federal Building~~ 972 Broad Street
Newark 2, New Jersey

Cale W. Carson
War Finance Chairman
101 Federal Building
Albuquerque, New Mexico

W. Randolph Burgess
War Finance Chairman
1270 Sixth Ave.
New York 20, New York

Clarence T. Leinbach
War Finance Chairman (*Post Office Box 6-2*)
204 Sutton Bldg.
Greensboro, North Carolina

F. L. Conklin
War Finance Chairman
Neirling Block
108 1/2 First Street East
Jamestown, North Dakota

Phil J. Trounstine
War Finance Chairman
536 Union Commerce Building
Cleveland 14, Ohio

A. E. Bradshaw
War-Finance Chairman
203 Drew Building
Tulsa 3, Oklahoma

E. C. Simmons
War Finance Chairman
1233 American Bank Building
Portland, Oregon

G. Ruhland Rebmann
War Finance Chairman
~~1714 S. W. S. Building~~
13 South Twelfth St.
Philadelphia 7, Pennsylvania

G. Burton Hibbett
War Finance Chairman
1812 Industrial Trust Building
Providence 3, Rhode Island

Christie Benet
War Finance Chairman
Farm Credit Administration Building
1401 Hampton Street
Columbia 29, South Carolina

Walter H. Burke
War Finance Chairman
Post Office Building
Sioux Falls, South Dakota

G. Cecil Woods
War Finance Chairman
330 Third National Bank Building
170 Fourth Ave.
Nashville, 3 Tennessee

Nathan Adams
War Finance Chairman
Dallas Power & Light Co. Building
Dallas 1, Texas

Charles L. Smith
War Finance Chairman
Union Pacific Building Annex.
19 West South Temple Street
Salt Lake City 1, Utah

Levi P. Smith
War Finance Chairman
135 Main Street
Burlington, Vermont

Francis P. Gaines
War Finance Chairman
214 North Fifth Street
Richmond 19, Virginia

Reno Odlin
War Finance Chairman
901 Federal Office Building
Seattle 4, Washington

A. C. Spurr
War Finance Chairman
608 Security Building
Charleston 1, West Virginia

Walter Kasten
War Finance Chairman
735 North Water Street
Room 630
Milwaukee 2, Wisconsin

Fred W. Marble
War Finance Chairman
303 Federal Building
Cheyenne, Wyoming

March 13, 1944

55

○

Copies given to the following:

Mr. Paul
Dr. White

THE UNDER SECRETARY OF STATE
WASHINGTON
March 9, 1944

Dear Henry,

As it now appears that I shall be away from Washington the first of next week when the economic report on the Argentine becomes available, I have asked Dean Acheson to follow the matter with you direct.

With best wishes,

Sincerely yours,



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

March 9, 1944.

Dear Ed:

Following up our conversation of last Sunday, I am sending you herewith for your records a photostatic copy of the memorandum dated February 29, 1944, from the President to the Treasury, in which he stated " * * I have talked with Mr. Stettinius about this and I think the position taken by the Treasury Department is the right one."

I assume we can look upon this as the final decision in the matter and proceed accordingly with the Belgian Agreement.

Sincerely yours,

(Signed) Heary

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

sub
DWB:ew

Handwritten signature

MAR 9 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for March.

The inventory of material in storage as of March 1, 1944 was 380,242 tons or 45,207 tons more than the February 1st inventory. Production scheduled for March shows a decrease of 5,102 tons as compared with February.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

cc Mr Mack

SECRET

Handwritten initials and signature:
The
dm
W.F.B.

TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING MARCH, 1944

| <u>COMMODITY</u> | <u>STORAGE MARCH 1, 1944</u> | <u>PRODUCTION DURING MARCH</u> | <u>TOTAL AVAILABLE</u> | <u>PRIORITY CARGOES TO PORT AREAS SPECIFIED TO DATE FOR MARCH</u> |
|--|----------------------------------|------------------------------------|------------------------|---|
| AGRICULTURAL MACHINERY & IMPLEMENTS | | 68 | 68 | |
| ALUMINUM | 2,413 | 4,250 | 6,663 | 2,650 |
| AUTOMOTIVE EQUIPMENT & PARTS | | 23 | 23 | |
| BEARINGS | 269 | 112 | 381 | 246 |
| BRASS & BRONZE | 18,394 | 6,494 | 24,888 | 6,720 |
| CHEMICALS | 15,531 | 1,861 | 17,392 | 1,249 |
| CLOTHING & TEXTILES | | 30 | 30 | 30 |
| CONSTRUCTION MACHINERY | | 1,762 | 1,762 | |
| COPPER IN VARIOUS FORMS | 45,010 | 6,467 | 51,477 | 6,608 |
| FERRO-ALLOYS | 508 | | 508 | |
| GRAPHITE PRODUCTS | 1,340 | 4,754 | 6,094 | |
| HAND AND CUTTING TOOLS | | 1,583 | 1,583 | |
| INDUSTRIAL MACHINERY | 106,011 | 16,665 | 122,676 | 2,554 |
| LEAD & LEAD ALLOYS | 1 | | 1 | |
| LEATHER & LEATHER PRODUCTS | | 1 | 1 | |
| NICKEL & NICKEL PRODUCTS | 720 | 92 | 812 | 493 |
| NON-FERROUS METALS, OTHER | 304 | 6 | 310 | 310 |
| PAPER & PAPER PRODUCTS | 2,699 | 537 | 3,236 | 823 |
| PLASTICS | 4,373 | | 4,373 | |
| RUBBER | 3,227 | 2,568 | 5,795 | 1,568 |
| STEEL, ALLOY & SPECIAL | 42,334 | 7,897 | 50,231 | 3,584 |
| STEEL, CARBON | 58,644 | 6,750 | 65,394 | 1,848 |
| STEEL, PIPE & TUBING | 48,829 | 3,587 | 52,416 | 1,232 |
| STEEL, RAILS | 7,960 | | 7,960 | 7,960 |
| TIN PLATE | 21,582 | | 21,582 | 1,120 |
| ZINC | 103 | | 103 | 103 |
| TOTAL | 380,242 | 65,507 | 445,749 | 39,098 |

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as

SECRET

EMBASSY OF POLAND
IN THE
UNITED STATES
FINANCIAL COUNSELOR

60

NEW YORK 14 WALL STREET

K.10/44
March 9th, 1944.

Hon. Harry D. White
Assistant to the Secretary
U. S. Treasury Department
Washington, D. C.

Dear Mr. White:

Pursuant to our yesterday's telephone conversation, I wish to enclose a letter of Dr. Ludwik Grosfeld, Minister of Finance of the Republic of Poland to Hon. Henry Morgenthau, Jr., Secretary of the Treasury, together with memorandum, regarding the proposal for a United Nations' Bank for Reconstruction and Development. I should appreciate your kindness in handing this letter and enclosure to Secretary Morgenthau.

In connection with Secretary Morgenthau's letter to the Minister of Finance, dated November 23rd, 1944, in which was stated, amongst the others: "If any of your experts should be in Washington, the technical experts of this Government will be glad to discuss the tentative proposal with them", I wish to inform you that Minister Grosfeld has authorized Dr. Zygmunt Karpinski, Director of the Bank of Poland, and me to discuss with you some additional points, which are not covered by the enclosed memorandum.

Conforming to your suggestion, I shall communicate with your secretary, in order to establish a definite time, when we could come to Washington, for such purpose, during the week beginning with March 20th, 1944.

With best personal regards,

Sincerely yours,

JZ:AZ
Enc.

JANUSZ ZOLTOWSKI
Financial Counselor

Copy:efc
3-17-44

MINISTERTWO SKARBU
POLISH MINISTRY OF FINANCE

61

Stratton House,
Piccadilly
London, W.I.

L.dz....26/Tjn./Fin/44

4-th February, 1944

Excellency,

I wish to acknowledge with thanks receipt of your letter of the 23rd November 1943, accompanied by the preliminary draft of a tentative proposal for a United Nations' Bank for Reconstruction and Development.

This proposal has been studied by me and my experts with the greatest interest, and I should like to congratulate you and your technical staff on initiating the discussion on this important and far-seeing measure.

I strongly believe that the provision of foreign capital for reconstruction and development will prove, from the political and economic as also from the social viewpoint, to be one of the crucial and urgent problems of the post-war period. The project of establishing an international agency for long-term credits is particularly welcome by my country which being one of the capital-poor countries, and therefore a much less active partner in international trade than either her natural resources or the number of her population would justify, attaches great weight to the idea of organising and encouraging foreign investments.

I am taking this opportunity to express my appreciation for your decision to submit simultaneously for examination both, the project of United Nations' Stabilisation Fund and the project of United Nations' Bank for Reconstruction and Development. It is my firm belief that the operations of these international agencies would bring about a much more tangible result if they were established at the same time.

Following your kind invitation to make comments on the proposal I consider that there are some points of importance which I should like to bring to your attention. In my opinion the problems of assuring the continuity in the flow of foreign capital to the debtor countries, of the cost of credit and finally of the financing of increasing imports of consumer's goods should be further explored. I take the liberty of enclosing a note in which these subjects are treated in greater detail.

-2-

I should be grateful if your experts could discuss these and some other lesser points with the Polish experts, M. J. Zoltowski, Financial Counsellor of our Embassy in Washington and Dr. Z. Karpinski, Director of the Bank of Poland, who are at present in the United States and whom I have instructed to be at the disposal of your experts.

Sincerely yours,

MINISTER OF FINANCE

GROSSFELD

His Excellency
Hon. Henry Morgenthau, Jr.,
Secretary of the United States Treasury,
WASHINGTON, D.C.

Encl.

Copy:ec
3-17-44

March 9, 1944

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

It will be appreciated if you will have the attached cable to London dispatched immediately.

(Signed) J.W.Pehle

Attachment.

FH:hd 3/9/44

CABLE TO LONDON

Reference is made to your cable No. 1541, February 24, 1944, concerning discussions with Dr. Nahum Goldman of World Jewish Congress.

1. One of first actions of War Refugee Board was to cable International Red Cross for a report concerning what areas in occupied Europe the International Red Cross could operate in to provide food and medicines to the Jews and other persecuted minorities in those areas and to advise Intercross that War Refugee Board is prepared to see that funds are made available immediately for necessary operations. As stated in our cable to you, No. 1020 of February 9, 1944, urgent request of Intercross to Intergovernmental Committee for funds to purchase foodstuffs in Hungary, Rumsnia and neutral countries for distribution to internees in central Europe was expedited by War Refugee Board and American Jewish Joint Distribution Committee made \$100,000 available at once to Intercross for this feeding program.

The War Refugee Board has not made any decision to approach the blockade authorities concerning the shipment of supplies from this country to the Jews and other persecuted people of Europe.

2. The World Jewish Congress license issued in December by the State Department was later amended by the Treasury Department with the approval of the State Department permitting rescue and relief operations in enemy and enemy-occupied territories up to a total cost of \$100,000

- 2 -

of which \$25,000 have already been remitted to Switzerland. The American Jewish Joint Distribution Committee has been licensed to carry on similar operations costing \$600,000, of which \$200,000 have been remitted to Switzerland. Licenses have also been issued to several other private organizations in the United States to carry on similar relief and evacuation operations from Switzerland.

The War Refugee Board, as stated in cable No. 1503 of February 29, is preparing for your information and for submission to the British Government a detailed statement of the actions already taken and of the programs initiated to bring rescue and relief to the persecuted people of Europe.

The War Refugee Board has no objection to Jewish or other organizations in Great Britain appealing to the British Government for permission to carry on and finance operations similar to those which have been authorized by this Government.

FH:hd 3/8/44

TELEGRAM SENT

RE

PLAIN

March 9, 1944

PLAIN

War Refugee Board

AMEMBASSY,

LONDON.

1792, Ninth

FOR SCHOENFELD FROM MR. PEELE, ACTING DIRECTOR,

WAR REFUGEE BOARD.

We greatly appreciate the information contained in your no. 30 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.

STETTINIUS
(ACTING)
(GLW)

WRB:GLW:KG
3/8/44

BC

Embassy
XXXXXXX

No. 1179

San José, Costa Rica
March 9, 1944

SUBJECT: Free Italy Proposals with respect to Repatriation of Political Refugees

STRICTLY CONFIDENTIAL

The Ambassador has the honor to report that it has been learned from the Embassy's well-informed, confidential source that Dr. Francisco FROLA, President and Mario MONTAGNANA, Secretary of Alianza Internacional Giuseppe Garibaldi por la Libertad de Italia, Apartado 777, Mexico has written to Adriano ARIE, President of Italia Libre in Costa Rica stating the campaign for the return of Italian political refugees to Italy initiated by the "Alianza" is progressing successfully. However, they state Allied authorities in Italy and the Department of State are opposed to their return.

Arie is requested to intensify his activities in this direction and to collect signatures for a petition requesting the intervention of President Roosevelt, Prime Minister Churchill and Marshall Stalin. It is also suggested that letters and telegrams be sent the Department of State and that a delegation call upon the Embassy.

800 Free Italy
VCH/lkb

To Department: original and hectograph.

CM

AIRGRAM

Wellington, New Zealand.

Dated March 9, 1944

Rec'd 3 p.m., 24th

Secretary of State,
Washington.

A-30, March 9, 9 a.m.

CONFIDENTIAL FOR DEPARTMENT USE ONLY.

Reference is made to the Department's circular airgram of January 26, 1944 at 7:00 p.m. setting forth the policy of the Government of the United States in connection with the rescue and relief of the Jews of Europe and other victims of enemy persecution.

In accordance with the instruction of the Department, I approached the New Zealand Government in order to explain the policy outlined in the Department's airgram and to ascertain the degree to which it was prepared to cooperate in obtaining the objectives of the President's Executive Order.

In this connection the following note has been received from the Prime Minister and Minister of External Affairs (Mr. Fraser):

"CONFIDENTIAL

2nd March, 1944.

"My dear Mr. Charge d'Affaires,

"I have to acknowledge receipt of your letter of the 18th February in which you inform me of the policy of the Government of the United States of America in connection with the rescue and relief of the victims of enemy persecution.

"It is noted that the President has by executive order constituted a War Refugee Board in the

-2- #A-30, March 9, 9 a.m., from Wellington

United States whose function it is to ensure that the policy of the Government respecting war refugees is carried out.

"The New Zealand Government have always viewed with the greatest sympathy the plight of the many thousands of people who are suffering persecution and hardship at the hands of the enemy. The policy of the Government has been and continues to be one of affording to these people the maximum possible assistance consistent with the resources and the security of the Dominion.

"In furtherance of that policy the Government have associated themselves from the outset with the activities of the Inter-Governmental Committee on Refugees, which was initiated by the Conference held at Evian in 1938 on the suggestion of the President of the United States. More recently, the Government have expressed their intention to continue their association with the Committee on the basis proposed by the Bermuda Conference.

"With regard to the specific enquiries made in the final paragraph of your letter, I have to inform you that the admission to New Zealand of refugee aliens, as of all other aliens, is governed by the provisions of the Immigration Restriction Acts which require that any person of other than British birth and parentage wishing to enter the Dominion must first obtain an Entry Permit from the Customs Department. In the granting of such permits during recent years it has been the practice to look sympathetically on applications from persons suffering persecution or displaced from their country or residence, and in fact, considerable numbers of permits have been granted to refugees including Jewish and other political refugees from Europe, Chinese women and children and persons of various nationalities (including natives of Pacific Islands) displaced from their homes or threatened by Japanese aggression in the Pacific.

"As the refugees status of an applicant is not necessarily apparent from his application papers, it is not possible to state accurately the number

of refugees

-3- #A-30, March 9, 9 a.m., from Wellington.

of refugees admitted to New Zealand. It is estimated, however, that during the years 1933 to 1941 inclusive, the total number of permits issued was in excess of 3,700 (including 492 Chinese refugee women and children). This total does not include evacuees from Pacific territories afforded hospitality in New Zealand who are estimated to number between 500 and 600; nor does it include some 65 Poles from Japan to whom the Government agreed to give temporary refuge.

"The granting of permits after 1941 has of course been affected by the spread of the war of the Pacific, but I may say that within recent months the Government have agreed to receive and provide accommodation for up to 700 Polish refugee children from the Middle East.

"Yours faithfully,

(Signed) P. Fraser,
Minister of External Affairs."

It was requested in the instruction under reference that the Legation submit a report concerning the existing situation in New Zealand. Insofar as the Legation has been able to discover, the policy of the New Zealand Government is, as the Minister of External Affairs points out in his note of March 2, one of "affording the victims of enemy persecution the maximum possible assistance consistent with the resources and security of the Dominion".

It is of course evident that the ability of New Zealand to receive refugees is greatly restricted by the size of the country (103,416 square miles with a population of 1,714,799 according to the New Zealand Official Yearbook.)

Another factor to be taken into consideration in connection with the settlement of refugees in the Dominion is its isolation and distance from Europe.

It is the understanding of the Legation that there have been no cases of refugees being turned back at New Zealand ports of entry. If there are incidents of this nature in the future, the Department will be promptly informed.

848
JJJ/drm

CHILDS

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON
TO: AMEMBASSY, LONDON
DATED: MARCH 9, 1944
NUMBER: 1782

CONFIDENTIAL

We refer herewith to your telegram of February 23, 1944, no. 1492.

As regards refugees on the Island of Rab, it is requested that you inform us to what account the funds should be deposited whether British Foreign Office or Finance Officer. The American Jews Joint Distribution Committee is willing to make an initial remittance of \$25,000 when advised on this point.

Please inform us whether lire to cover cost of evacuations will be transmitted to partisans in Yugoslavia or will be made available to persons in Italy, if it is possible to ascertain this.

STETTINIUS

TELEGRAM SENT

HKL

PLAIN

March 9, 1944

AMERICAN CONSULATE GENERAL

JERUSALEM (PALESTINE)

40, ninth.

For David Schweitzer, Eden Hotel, Jerusalem, from
Isaac L. Asofsky, Hebrew Sheltering and Immigrant
Aid Society:

QUOTE In view our desire to give fullest coopera-
tion to War Refugee Board in its efforts to save
people from occupied countries we suggest you
proceed to Ankara as soon as possible to streng-
then HIAS Committee there and contact Ira
Hirschmann, Refugee Board's representative, Care
American Embassy, who may want utilize your
services stop You know HIAS agreed make availa-
ble its facilities including personnel to Refugee
Board. UNQUOTE.

STETTINIUS
(Acting)
(GLW)

WRB:GLW:EEH

73

International Committee of the Red Cross
in Geneva, Switzerland
Delegation to the United States
of America

1645 Connecticut Avenue, N. W.
Washington 9, D. C.

Ref. A/2/h

March 9, 1944

Mr. J. W. Pehle
Executive Office of the President
War Refugee Board
Washington 25, D. C.

Dear Mr. Pehle:

Referring to my visit at your office, I am sending you herewith the copies of two letters addressed by the International Red Cross Committee to the "Directeur Intergouvernemental pour les Refugies" in London, one of December 9, 1943, and the other of February 25, 1944.

I suppose that these documents will answer the question asked in your letter of March 2nd, but if you need more information I am ready to forward your request to Geneva.

Very truly yours,

MP/AL
2 copies

Marc Peter
Delegate of the International
Committee of the Red Cross

73

International Committee of the Red Cross
in Geneva, Switzerland
Delegation to the United States
of America

1645 Connecticut Avenue, N. W.
Washington 9, D. C.

Ref. A/2/h

March 9, 1944

Mr. J. W. Pehle
Executive Office of the President
War Refugee Board
Washington 25, D. C.

Dear Mr. Pehle:

Referring to my visit at your office, I am sending you herewith the copies of two letters addressed by the International Red Cross Committee to the "Directeur Intergouvernemental pour les Refugies" in London, one of December 9, 1943, and the other of February 25, 1944.

I suppose that these documents will answer the question asked in your letter of March 2nd, but if you need more information I am ready to forward your request to Geneva.

Very truly yours,

MP/AL
2 copies

Marc Peter
Delegate of the International
Committee of the Red Cross

TRANSLATION FROM FRENCH

December 9, 1943.

G.59/2
 G.59/4
 G.59/7/W.J.C.

The Director of the Intergovern-
 mental Refugee Committee
11 D Regent Street, London SW 1

By airmail

My dear Director:

We have been informed by our delegation in London that, following an appeal of the World Jewish Congress, the American and British Governments have charged the Intergovernmental Refugee Committee with the task of investigating whether certain funds should be put eventually at the disposal of the International Red Cross Committee so as to enable it to purchase in Europe relief goods for certain groups of needy Jews in Germany, in the occupied countries, and in Central Europe. We wish to express our gratitude for this generous gesture in which we see a mark of confidence and a valuable encouragement of our efforts to aid all the victims of the war.

In this connection, we take the liberty of drawing your attention to the following point:

When the World Jewish Congress has informed us a few months ago of its intention to launch an appeal to the Allied Governments requesting considerable funds be put at the disposal of the International Red Cross Committee for help in Europe, we were very happy to see that this action was to have been undertaken in favor of civilian victims of the war without distinction of race or religion. It seems, however, that this initial project has been abandoned and that it has been decided that the action under consideration should be limited to certain groups of Jews in Central Europe. We state with regret that this restriction renders exceedingly difficult, if not illusory, the carrying out of this project. It would have a better chance of acceptance by the other party, had it been organized within the framework of a general action. We are convinced that you will the better understand our remark since your committee, too, -- as would appear from an article in the Times of Friday, October 15 -- has the intention of extending its activities to all populations which had to leave their domiciles for racial, religious, or political reasons.

We could not be but happy over such an extension of the contemplated relief action, since it would enable us to secure the aid of certain circles whose concurrence in the circumstances is occasionally indispensable and therefore to increase considerably our chances of obtaining tangible results.

- 2 -

You certainly are not unaware of the difficulties which we meet in certain countries when we wish to take action in favor of Jews, arising from the fact that the authorities consider that this issue relates exclusively to internal policy. Consequently, our relief work is based only on permits usually restricted to concrete cases and which never acquire the character of established rights. Moreover, we must see to it that the gifts which are entrusted to us benefit those for whom they have been intended and them alone. We must, therefore, be able to exercise very serious control in order to justify the confidence placed in us both by the donors and by the blockading authorities. During these last years, we were obliged more than once to refuse to undertake a relief action which was asked of us, because we did not think ourselves able to assume the responsibility in view of the lack of sufficient opportunities for control. For this reason, it is very difficult for us, at least for the present, to undertake relief work in certain countries occupied by Germany, despite our desire to help the Jews who ask it of us.

On the other hand, we wish to notify you that on several occasions, we could have undertaken relief action under satisfactory conditions, had the necessary means been put at our disposal at the right time. To quote a concrete case, we would have been able, a few months ago, to get assistance to the Jews in Poland, since the control which the German Red Cross was able to exercise contained all desirable guarantees. Unfortunately, we did not have the financial means at that time. At present, the German Red Cross is no longer able to assume the control which we ask it to exercise, and we can, therefore, no longer transmit any assistance to Poland.

It follows from our experience that it is unfortunately impossible to establish in detail a long-term plan for action, since it would probably remain a dead letter because of the frequency with which changes occur and sudden and unforeseen decisions are taken. If we indicate to you, below, the places in which, thanks to increased funds, we could undertake relief, action, or extend work already in operation, we do so only to give you a more precise idea of the domain to which we would like to see you bring quick and generous help. Without, however, being able to assure you that any particular action could be taken at any given time. We shall gladly send you reports on each action which we will take; they will permit you to judge whether you wish to continue your efforts with our help and to undertake new activities.

To insure that our action brings effective assistance to the largest possible number of beneficiaries, we must be able to send relief as soon as an opportunity arises and without waiting for months the arrival of the necessary sums. We would, therefore, be very grateful to the Intergovernmental Committee, if it could consider whether it might

- 3 -

not put the necessary sums at our disposal, leaving us to judge in each particular case whether a given action is justified and whether it could be accomplished under satisfactory conditions. Any other procedure would risk the loss of a number of occasions for efficient action.

In this connection, we should like to draw your attention to the fact that only those amounts are of practical value to us the use of which is not limited to neutral countries, since the opportunities for purchase in the latter countries are fairly restricted.

Permit me, my dear Director, to say a word about the Joint Relief Commission of the International Red Cross, an agency of the International Red Cross which has already been able to carry out various relief actions in favor of Jews. It has been created in 1940, by the International Red Cross Committee together with the League of Red Cross Societies, and it has the task of coming to the aid of civilian populations which have been made victims of the war, more particularly of women, aged, and children. The closest collaboration exists between the International Red Cross Committee and the Joint Relief Commission over which I have the honor to preside.

The Joint Relief Commission, among other things, has sent food, pharmaceutical products, artificial teeth, spectacles, artificial limbs, etc., to Jews interned in the camps of Southern France. Moreover, it has insured the distribution in these same camps of several tons of clothing, the gift of an American charitable organization. The distribution of these gifts was supervised by the delegates of the International Red Cross Committee.

I should like now to review the different countries in which action in favor of Jews could be intensified or undertaken.

Rumania

About 70,000 Jewish deportees of Rumanian nationality -- men, women, and children -- in Transnistria are now in a very precarious position, especially from the point of view of clothing. A delegation of the International Red Cross Committee was able to get into that region (also into Odessa) and to investigate on the spot the opportunities for helping them in cooperation with Jewish organizations in Rumania and with the Rumanian Red Cross. All facilities have been accorded to us by the Rumanian Government, and we believe that our delegates will not encounter any difficulty in supervising the contemplated distribution. We don't have reason to fear, therefore, that relief sent to needy Jews would be utilized for the benefit of people other than those for whom it was intended. In the first place, it would be necessary to find shoes, which are lacking in Rumania for these Jews in need. If these deportees could return in the near future to the territory of Rumania proper, it would be necessary to be able quickly to procure for them clothing and shoes.

With this in view, we ought to dispose either of the goods or of money to buy it. In the latter case, it should be "free" money, that is, we should be able to spend it in continental countries, Germany excepted. Food would also be necessary, but this could be bought partly in Rumania. We add for your information that we have organized a relief action on a small scale for these deportees, which could serve as a model for similar actions in other countries. Jewish groups dispersed in abandoned or evacuated villages in Transnistria assume in close co-operation with the National Red Cross the distribution of gift packages, while the delegates of the International Red Cross Committee supervise the functioning of this organization, control the purchases and verify distributions on the spot from time to time. Their reports and bills of sales permit us to judge whether the action is taking place in accordance with the intentions of the donors -- who in this instance are Swiss -- and whether it is appropriate to continue it.

Croatia

The same thing can be said of about 600 Jews who, as distinct from the position in Rumania, are partly detained in three camps in this country -- Jasenovac, Stara Gradiska, Gredjani-Salas. Our delegate in Zagreb could be in a position to insure control of the action which the Joint Relief Commission would be glad to undertake if sufficient means would be placed at its disposal. Croatian authorities would certainly permit the dispatch and the distribution of gifts. Some deliveries of gifts have already been made to Jews in Croatia and in Slovakia by the Joint Relief Commission.

Slovakia

Certain Jewish circles in that country have asked us to secure relief and especially to provide pharmaceutical products. Unfortunately, we were unable to do so because of a lack of funds.

The International Red Cross Committee has not yet considered the creation of a permanent delegation in that country, since the question of organizing a relief action on a fairly large scale could not have been envisaged in view of the reasons explained above. A delegation of the International Committee which has visited that country a few months ago has found, however, that the appointment of a permanent delegate would be opportune in view of the difficult position in which certain categories of the population find themselves. We would be happy to study this question, but here again, in order to be able to undertake a relief action, we would have to be able to count on the cooperation of donors.

Hungary

We believe that a relief action in favor of Jewish refugees in that country, who come mainly from Germany and from Poland, would be necessary and that the authorities would lend it their assistance. We

- 5 -

have just sent a delegate to Hungary to study the situation and to report to us. If we have not yet busied ourselves with the Jewish problem in Hungary, this is because we did not have sufficiently large amounts to spread our efforts. We have thought it correct to utilize our means to help the Jews in Germany.

Germany and Occupied Countries

The outlook is less and less favorable, although the problem appears there in a more acute form than elsewhere.

The Joint Commission has organized several deliveries, on a small scale, to the Jews in forced residence in Theresienstadt (about 50,000) and coming from all the countries occupied by Germany. The competent authorities have permitted the sending and distribution of individual packages and of stimulants. Unfortunately these products cannot be found in Switzerland without the greatest difficulty, and we have asked the Federal Authorities to permit us to send some foodstuffs which could be bought more easily. This activity of the Joint Commission could certainly be pursued on a larger scale, if more considerable amounts would be remitted to us.

Outside of Theresienstadt, we could try to send packages to the labor camps of Upper Silesia where many Jews of different nationalities are found. This brings up the question of supervision in occupied countries. We don't believe that direct control such as is permitted in the countries mentioned above could be obtained in the territories occupied by Germany; it seems that only the German Red Cross could assume this task. The Jewish circles with whom we have cooperated for years think, just as we do, that distributions organized or supervised by the German Red Cross could be considered as offering full guarantee. We know that the gifts which are entrusted to it come into the hands of those for whom they are intended. It might happen, of course, that these gifts benefit indirectly the detaining authorities, if they refuse to admit that these gifts are nothing but a supplementary ration and if they take the outside gifts into account in establishing the food rations of the persons under their administration.

As far as Poland is concerned, it seems unfortunate that for the present at least one would have to renounce the sending of relief to that country. Indeed, the German Red Cross has informed us that it could not assume any responsibility for the distribution of such gifts among the intended receivers. This does not mean that the situation could not change; perhaps the Joint Commission could resume sending packages some day. We add for your information that the Joint Commission has only now received the receipts for the collective gifts sent several months ago. The receipts are signed by the President of the "Jüdische Unterstützungstelle" (Jewish Office of Assistance) in Cracow. If the matter interests you, you may take note of a report of the Joint Commission regarding its activities in Poland, a report which is in the possession of our delegation in London. It will give you a precise idea of the manner in which the Joint Commission accounts for its activities.

- 6 -

On the other hand, the opportunities for purchases by the Joint Commission in Central Europe are as follows, (no other countries come in consideration for the moment for the purchase of food).

| <u>Hungary</u> | Pengos | per kilogram | |
|---|--------|--|----------------|
| Dehydrated onions | " | 7.15 | " " |
| Julienne | " | 7. | " " |
| Green and yellow peas | " | 205. | " 100 kilogram |
| String beans | " | 125. | " 100 kilogram |
| "BB" soup, ready for cooking | " | 5.50 | " kilogram |
| "Karamalt" nutritive flour for children | " | 9. | " " |
| Apples | " | 4. | " " |
| Wheat flour | " | 81. | " 100 kilogram |
| Pate of game | " | 11.60 | " kilogram |
| Game conserves | " | Different prices, with a basic price of 9.50 per kilogram. | |
| Refined millet | " | 100. | per quintal |
| Puree of game | " | 12.35 | " kilogram |
| Hind part and breast of hare | " | 12.95 | " " |
| Maccaroni | " | 2.20 | " " |
| <u>Rumania</u> | Lei | per kilogram | |
| Green and yellow peas | " | 74. | " " |
| Sunflower oil | " | 297,361. | " ton |
| "Acide gras" (?) | " | 231,110. | " " |
| Salt pork, lard and fat | " | 370. | " kilogram |

These prices are subject to some variations.

In conclusion, basing ourselves on the experience which the International Red Cross Committee and the Joint Relief Commission of the International Red Cross had in the course of their activities in favor of Jews in Europe during this war, we would like to submit to you the following suggestion. We would be grateful if you could put at our disposal a sum of about 300,000 francs to begin with, which would permit us to act in the sense indicated above. It would be, of course, indispensable that we should be able to utilize this sum for purchases in Central Europe, notably in Hungary and Rumania, where we have indicated above the opportunities for purchase are fairly extended. We would keep you informed of our projects, of the system of control which could be instituted, of the purchases and of the distribution which we would carry out. If the activities thus put on a new and broader basis produce satisfactory results, and if the reports of our delegates contain the promise of

- 7 -

an opportunity for extension, we shall submit new propositions with a view to increasing the funds that would be put at your disposal*thanks to the generosity of the World Jewish Congress and of the interested authorities.

Accept, my dear Director, etc.

(Signed) Carl J. Burckhardt

Member of the International Red Cross
Committee

* Probably missprint. Should read "at our disposal".

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Consul, Geneva
DATED: March 9, 1944
NUMBER: 107

SECRET

Given below is the substance of a telegram from Charles Joy and Robert Dexter of the Unitarian Service Committee for Noel Field, 2 Rue Vieux College, Geneva.

The War Refugee Board, concerning which information can be supplied by the American Consul, desires to make it possible for refugees to go to Switzerland from all surrounding European territories. Every effort is being made by the Board to satisfy the Swiss Government's concern regarding the removal of refugees after the war and arrangements are being made for their maintenance while in Switzerland. Underground or any other methods may be used. Is it possible for you to speed up process in Switzerland if funds are made available. We suggest that you consult Walter Fabian and Rene Bertholet. Reply should be sent in the same channels. Regards.

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: March 9, 1944
NUMBER: 782

CONFIDENTIAL

License No. W-2137 has been issued by the Treasury to Selfhelp of Emigres from Central Europe, New York City, for the purpose of effecting relief and evacuation operations of enemy and enemy-occupied territory. Information regarding this license should be given to Mrs. Fanny Schultheise-Hirsch, Comite Pour le Placement de Refugies Intellectuels, 7 Rue Gautier, Geneva. The text of this license is the same as those issued to the World Jewish Congress, the Union of Orthodox Rabbis, and the American Joint Distribution Committee (please see our cable of February 21 No. 584) except that in paragraph (b) of the license to the Selfhelp of Emigres from Central Europe that the total amount authorized for the period ending August 31, 1944 should not exceed Swiss francs 93,618 or the dollar equivalent.

The operations which this license covers are approved by Treasury, the Department, and War Refugee Board.

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM SENT

TO: AMERICAN LEGATION, Bern
FROM: Secretary of State, Washington
DATED: March 9, 1944,
NUMBER: 784

CONFIDENTIAL

License W-2148 covering the following transaction has been issued by Treasury to the Vaad Mahatzala Emergency Committee, New York (hereinafter referred to as "Vaad").

There is desire on the part of Vaad to communicate with Rabbi Chaim Szmulewicz, 21/3 Baikal Road, Shanghai, China, but it is eager that such communication not be regarded by the authorities as having originated in the United States. Consequently, there should be delivered to Isaac Sternbuch, St. Gallen, Switzerland, the following message with request that it be transmitted at once to Rabbi Chaim Szmulewicz as having originated from him. While you should of course deliver a paraphrase of the message, you should take special care in this connection so that Rabbi Szmulewicz will be able to understand the full implication of the message received by him. Rabbi Szmulewicz will understand the reference to "50 rabbis" to mean \$50,000.00. The following is the substance of the message:

There is available from Kalmanowitz support fifty additional rabbis. Therefore you should arrange distribution to be among all scholars of rabbinical colleges, together with rabbis, post-graduate students, and their families. You are requested to make suitable arrangements. A reply is requested.

Isaac Sternbuch is to sign the foregoing message and the Legation should immediately forward to the Department his reply.

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON
TO: AMEMBASSY, ANKARA
DATED: March 9, 1944
NUMBER: 180

CONFIDENTIAL

War Refugee Board sends the following for Hirschmann.

We have requested Myron Black, the field director of War Shipping Administration's Foreign Service Division, who is now in Cairo, to proceed immediately to Ankara to survey with you the entire shipping situation. Although Mr. Black can remain in Turkey only a few weeks, he will arrange to have someone detailed permanently to Ankara from the Cairo office if it is deemed necessary.

Please inform us at once of any and all developments regarding shipping problems. This problem is a most important one and it is hoped that we can solve it with the assistance of the War Shipping Administration which has been most helpful.

STETTINIUS

PARAPHRASE OF TELEGRAM RECEIVED

85
COPY

FROM: The American Embassy, Moscow
TO: The Secretary of State, Washington
DATE: March 9, 1944
NUMBER: 775

SECRET

The following message refers to circular airgram dated January 26, 1944, 7 p.m., from the Department.

There are no private or public agencies in Russia which are active in bringing war refugees into the country so far as the Embassy can find out. The enormous refugee problem of taking care of the millions of Soviet citizens whom the German invasion displaced is the one with which Russia is essentially concerned.

The relief of the Jews and the Poles whom the Government of the U. S. S. R. sent to Siberia and Central Asia from the portion of eastern Poland which the Russian forces occupied in 1940 is another of their problems. The breaking of diplomatic relations between Poland and Russia has complicated this problem. The Australian Legation which represents Polish interests in the U.S.S.R. has been able to secure exit visas for only a very few although many of the persons mentioned above would like to get out of Russia.

Steps to repatriate Russian war refugees from North Africa were taken by the Government of the U.S.S.R. you may remember.

The only immigrants who are likely to receive a welcome here during the period of the war at least, would be persons with a Communist background and entrance into the country in all probability would be desired by very few others.

I do not believe it would be advisable under these circumstances to approach the Government of the U.S.S.R. on this subject unless in developing our own specific plan of action we find that for its execution we need the cooperation of Russia.

HARRIMAN

DOR:MPL
3/11/44

CABLE TO AMBASSADOR HARRIMAN, MOSCOW.

TO HARRIMAN FROM THE WAR REFUGEE BOARD.

Our circular airgram of January 26 described the functions of the War Refugee Board, composed of the Secretaries of State, Treasury and War. This Board has been established by the President to take action for the immediate rescue and relief of the Jewish people of Europe and other victims of enemy persecution.

The Board is actively engaged in carrying out the policy of this Government as announced by the President, and is seeking the cooperation of all members of the United Nations in this tremendous task.

The Board is fully conscious of the great work which the Russian Government has done to date in saving the lives of untold numbers of refugees, including Jews, from Hitler who were rescued in the midst of battle from the jaws of the German army. At the same time the Board is convinced that if it could secure the cooperation of the Russian Government in some of the projects on which this Government is working, the chances of saving many people from death would be greatly increased. In view of the outstanding record of the Russian Government in this whole matter we are not suggesting that pressure be put on them to do more than they are now doing. We feel, however, that if the Russian Government can be convinced of the fact that we are sincerely determined to do what we can to prevent the murder of the Jews and other persecuted peoples by Hitler, they may be prepared to cooperate in some of the programs which we have under consideration.

There are many ways in which the Russian Government might be of assistance in connection with these programs. The representative of the War Refugee Board in Turkey, Ira Hirschmann, at the suggestion of Ambassador Steinhardt, has already discussed two specific problems with Soviet Ambassador Vinogradov in Turkey. Vinogradov was informed of our intention to exert pressure on Bulgaria and other satellite countries and was requested to take parallel action. Vinogradov was also informed of our efforts to get the Turkish Government to give permission for the use of a ship for evacuating refugees and was asked to support our request. Although Vinogradov agreed to speak to the Bulgarian

- 2 -

Minister informally, he pointed out that on both of these matters he could not act formally except through Moscow. Vinogradov suggested that you should request the assistance of his Government on these two problems and he agreed to do likewise.

We feel that it is very important that you discuss this whole matter with the Russian Government immediately. You should make clear the policy of this Government and discuss frankly the problems with which we are faced.

The following information concerning some of the things we are working on and some of the obstacles we have encountered is furnished for your information and use in connection with your discussions with the Russian Government:

(1) The War Refugee Board is convinced that it is of utmost importance to undertake at once an organized and concentrated effort to make clear, by all appropriate means, to all Axis satellites that the Allied Governments view in a most serious light their assistance in any form to Hitler's program to exterminate the Jews, and other similar groups, regarding all such action as criminal participation in organized murder. The Board also believes it necessary to make clear to the satellites, by all possible means, its intention to do everything in its power to rescue such unfortunates who are in danger of death, in order not only to give the satellites a clear view of the attitude of this country in the matter, but also of the opportunities which exist for assisting in the execution of our policy. The Board feels very strongly that a campaign of this kind must be made through all possible channels and be constantly repeated at every available opportunity. The Board believes that parallel action on the part of other Allied Governments would do a great deal to assure the success of this endeavor. At the moment it is important that pressure be brought to bear particularly on Rumania, Bulgaria, and Hungary, because in those areas there are many refugees in imminent danger of death who can be evacuated to Turkey and other places if those Governments permit it.

In addition to making formal representations to the governments of the satellite countries, the Board feels that there should be employed in this campaign all available means for

- 3 -

effecting the widest dissemination of our attitude not only to the governments themselves but to the largest number possible of the people of satellite countries. In this connection the Office of War Information is cooperating with the War Refugee Board in bringing home to the people in Germany and the satellite countries the fact that we mean business in this matter.

(2) In addition to this program designed to bring about a change in the actions and attitude of our enemies, the Board is convinced that there is a real opportunity for actually bringing many of these peoples out of German controlled territory. The Board is convinced that one of the greatest opportunities for actually rescuing such people 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. It also appears that arrangements can be made with the Turkish Government to receive refugees from these areas. There are strong indications that the Rumanian Government at least will permit a substantial number of these refugees to leave Rumania. It is indispensable that means of transportation be found at once.

The Board is now trying to make arrangements for a small Turkish vessel to proceed to the Rumanian port of Constanza and evacuate approximately 1000 children to Turkey. The Board's representative in Turkey reported that the charter of the S.S. VATAN, a small Turkish ship, might be obtained if we could offer to the Turkish Government a guarantee to replace the ship if lost. This Government promptly offered such a guaranty. It is possible that the Russian Government may be of some assistance to us in our negotiations with the Turkish Government. We are also taking up with the Swedish Government the possibility of obtaining some Swedish ships for this purpose. In your discussions with the Russians you should bear in mind that this transportation problem appears to be the key to evacuations in the Black Sea areas.

(3) It is one of the functions of the Board to find places which will serve as temporary havens of refuge to which persons now in danger of death in German controlled Europe may

- 4 -

be removed. In getting the cooperation of Spain and Turkey the essential point is to make sure that we remove as soon as possible the refugees coming into these countries and transport them to other places. A camp has been set up in North Africa to which refugees from Spain are being removed in order that more refugees may enter Spain from occupied areas. Refugees coming into Turkey are at present being received into Palestine. In order to increase the flow of refugees through Turkey from occupied areas the Government of that country is being requested to relax border and other controls, etc. The Board is offering to arrange for financing the setting up of reception camps which would receive refugees entering Turkey and would make it possible to take them on to other places as rapidly as possible.

The Board believes that if a substantial number of persons are to be evacuated it will be necessary to find at least temporary havens of refuge in many places. Accordingly, the Board is presently exploring all possibilities of this kind.

In the case of Switzerland the Swiss Government apparently is willing to accept refugee children if it can be guaranteed that such children will be removed from Switzerland after the war. Efforts are being made to satisfy Switzerland on this score.

If the Russian Government were prepared to accept immediately Jews and other war refugees who escape to neutral countries from German controlled Europe, or who could be transported from the Balkan countries across the Black Sea to Russia, and give them at least a temporary haven of refuge in Russia, the possibility of evacuating large numbers of people would be greatly increased. Also if the Russian Government were prepared to give assurances to countries like Switzerland that she would be willing to take refugees from them after the war, they might be willing to receive considerably more refugees than they are now receiving. If as a result of your discussions with the Russians it appears that they would be willing to receive such refugees at least on a temporary basis, you should of course make all efforts to secure their full cooperation.

- 5 -

As can be readily seen from the above, by virtue of the physical and time factors involved, Russia could be of tremendous assistance to us in solving some of the obstacles which we are encountering. Your prompt and personal attention to this matter will be greatly appreciated.

This cable has been repeated to Ambassador Steinhardt at Ankara.

JED:JBF:ecr
2/29/44

NOT TO BE RE-TRANSMITTEDCOPY NO 12U.S. SECRETBRITISH MOST SECRETOPTTEL NO 79

Information received up to 10 A.M. 9th March 1944.

1. NAVAL

S.W. Approaches. Early 9th one of H.M. Corvettes escorting convoy, torpedoed and sunk by U-boat N.W. of CAPE FINISTERRE.

2. MILITARY

Russia In SHEPETOVKA Sector, Russians have reached CHERNY OSTROV 10 miles N.W. PROSKUROV and outskirts of STARA KONSTANINOV, 30 miles North of PROSKUROV.

Burma ^BARAKAN. East of MAYU range 7th Indian Division captured four hill features 2 miles south of LETWEDET and repulsed subsequent Japanese counter attack. On 6th/7th DADAN, on coast 12 miles south of MAUNGDAW, occupied by one company.

Kaladan. In KYAUKTAW area Japanese have infiltrated immediately North of junction of PICHANG and KALADAN RIVERS. Some withdrawal of West African troops has taken place.

3. AIR OPERATIONS

Western Front 8th. 470 escorted Fortresses and Liberators dropped 828 tons on ball bearing factory ERKNER (16 miles S.E.S.E. of BERLIN). Visibility excellent, good results claimed in early stages before dense smoke prevented accurate assessment. Enemy casualties by bombers 42:14:9 by supporting fighters 83:10:32 for loss of 38 bombers and 18 fighters. 215 escorted Marauders effectively attacked airfields at VOLKEL and SOESTERBERG (HOLLAND), 46 light and fighter bombers attacked military objectives in NORTHERN FRANCE.

8th/9th. 8 enemy aircraft operated over ENGLISH CHANNEL of which three flew over Coastal area of SUSSEX and HANTS. Slight damage. No casualties.

Italy and Southern France 7th. Offensive operations by 1361 aircraft included dropping of 283 tons on airfields in ROME Area, 245 tons on railway and other targets in Northern ITALY and attacks by 48 escorted Fortresses on harbour area of TOULON.

March 10, 1944
9:35 a.m.

92

HMJr: Hello.

Randolph
Paul:

Hello.

HMJr: Yes, Paul

P: I wanted to give you the authors of that book.

HMJr: Oh.

P: There are two of them.

HMJr: Yes.

P: Wythe Williams is one.

HMJr: Yeah.

P: The other is Frank L. Baer. He was with that Press Agent in Washington by the name of Shepp, but before that he was with Hearst.

HMJr: Yeah.

P: And Williams is that -- the radio commentator.

HMJr: Oh. Where did you get that information?

P: Well, I got it through Morris Ernst. I saw Morris late Wednesday afternoon and he -- he had tried during the day to find out. You see, he had to make it incidental to something else.

HMJr: Yeah.

P: And then we -- he couldn't find out -- then we got hold of Frank -- of Louis Gannett, thinking he'd know and he couldn't tell -- he didn't know, and yesterday -- late yesterday Morris called me about it and he'd found out somehow and I don't know how.

HMJr: Did you read it?

P: Yeah.

HMJr: Nice stuff, isn't it?

P: Yeah. Well, I think it's part of a general political operation. I don't think it's any -- just the general thing that was going to come along.

HMJr: Well, you're lucky. You've got a good article in Colliers, I see.

P: Well, that's an old one. They -- I heard they were -- they came to see me about it -- uh -- that was last summer.

HMJr: Really?

P: And I heard it was going to be unfavorable and all I could do was see them and try to make it as favorable as possible. I don't know. I don't like it much.

HMJr: You don't? Well, if they wrote it about me, I'd think it was wonderful.

P: Well, I suppose you have to take all these things in comparison with what it might have been.

HMJr: Yeah. Ah -- I got word last night, and I'm waiting to get it -- the President has okayed my letters.

P: I see. The one that you wrote to Doughton?

HMJr: Yeah.

P: And has he agreed not to send up any message?

HMJr: Well, I just got it by word of mouth.

P: Yeah.

HMJr: And I'm waiting until it comes over and I'll send Sullivan up on the Hill with it.

P: Oh, it hasn't gone up there yet? I see.

HMJr: No, I only got word late last night.

P: You wanted to get his clearance before you sent it up?

HMJr: That's right.

P: Well, I think that was a good idea.

HMJr: The President's -- well, I wouldn't dream of sending it without clearing it with the President.

P: Yeah.

HMJr: Okay, I'll see you later on.

P: All right. Bye.

March 10, 1944
9:41 a.m.

95

HMJr: Hello.

Colonel
Martin: Hello.

HMJr: Good morning, Colonel.

M: Good morning, Mr. Secretary.

HMJr: I hear you've inquired about the briefing I had here the other day.

M: Well, I wanted to be sure that when you came over tomorrow, we gave you, as nearly as possible, just what you wanted. I remember the presentations that you've had in the past and I wondered -- just wanted to be sure that the one that you were interested in tomorrow here is along the same lines or if you wanted it confined almost entirely to the combined bomber-offensive in Germany.

HMJr: No, I'd like to go around the world.

M: Around the world?

HMJr: And I'd like to know how many planes we have in various areas and how many enemy planes are facing us.

M: Yes.

HMJr: You see?

M: Yes.

HMJr: That's principally what I'd like to know.

M: Oh, yes.

HMJr: Around -- that's what you showed me the last time.

M: That's right, Mr. Secretary.

HMJr: Around the world.

M: Yes.

HMJr: Now, I forget this Lieutenant whom you sent me -- over to me the other day.

M: That was Lieutenant Marvel.

HMJr: Now, he gave me some information as to the size, rather than as to the production of the factories in Germany of both single and twin-engine planes.

M: Yes.

HMJr: And on reading the weekly summary of the Joint Intelligence Committee, either Lieutenant Marvel or this report -- they just don't "gee".

M: Uh huh.

HMJr: Do you get that report?

M: I don't remember it.

HMJr: It's just out. It's the March 8th report.

M: March 8th. I'll check up on that.

HMJr: I -- so not to -- I mean, what I'm saying can't be understood by anybody....

M: Yeah.

HMJr: He brought me over a chart which he showed, what the production of the factories are estimated in Germany as -- well, as of....

M: Yes. I know the chart. I know the chart you mean. I know the figures that you are referring to.

HMJr: And he said he was going to have it photostated for me and let me....

M: Yes.

HMJr: So that identifies it?

M: Yes, that's right.

HMJr: And, of course, I was delighted when I saw the figures.

M: Yeah.

HMJr: Then last night I picked up this most recent March 8th copy of the Joint Intelligence Committee and those figures and what Marvel gave me just don't seem to be -- I mean I -- I -- is Marvel -- are you

- 3 -

HMJr:
Cont'd. sure of those figures -- is he sure of them -- or
 wherever they got them from?

M: Yes, sir, those -- those figures are the best
 information that we have at the present time.
 They are supposed to be right up to date. They
 are a combination of British and U. S. figures.

HMJr: I mean, you know the chart I'm referring to?

M: Yes, I know the chart you are referring to, Mr.
 Secretary. I'm perfectly sure I -- I know the one.

HMJr: Well....

M: Well, I'm going to get this copy of the J.I.C.
 report. I'll see what that says.

HMJr: Yeah.

M: And -- did it vary very greatly?

HMJr: Well, in the impression that I get, it varies
 radically.

M: Are you sure they are talking about the same thing?

HMJr: I'm not sure.

M: Yes. Well, I will get that and we will clear that
 up at the meeting tomorrow.

HMJr: Would you do that?

M: Yes, I'll be sure to do that.

HMJr: Because that's another -- another thing I've asked
 for was -- when I came over there, was the production
 of German and Japanese and they've always given me
 that, but Marvin's material -- and without, in any
 way, trying to discredit Marvin, because he seemed --
 heretofore, you've sent somebody over who has come
 back from England, to me, who had that fresh viewpoint.

M: Yes.

HMJr: You don't have such a person?

- 4 -

M: Well, I know I -- we haven't got anybody that is just back and is thoroughly familiar with the situation. I think the trouble was that when Lieutenant Marvel went over there, I hadn't seen him before he went over and I'm afraid that he didn't completely understand just what was required.

HMJr: Well, I don't....

M: I'm very sorry. I'm very sorry about that.

HMJr: Well, I think it was unfair to him because he had no instructions as far as I can tell. I said, "Haven't they told you what I've been getting?" And he said, "No." So....

M: That was unfortunate and we all apologize.

HMJr: Well, I don't want apologies. I just would like occasionally to be brought up to date, that's all.

M: Oh, yes. We certainly will try to do that.

HMJr: Well, thank you so much.

M: Thank you. We'll meet you then at nine-thirty tomorrow at the river entrance.

HMJr: Thank you very much.

M: Thank you very much, Mr. Secretary. Goodbye.

March 10, 1944

9:45 a.m.

FINANCING

Present: Mr. Bell
Mr. Murphy
Mr. Lindow
Mr. Haas
Mr. Tickton

H.M.JR: Now, Mr. Bell?

MR. BELL: This one and the next one are a little difficult to decide, I think. As I told you when you were in Florida, I was experimenting a little with the balances to see whether we could eliminate the Sixth Drive this year. About the only place we could put the Sixth Drive, unless you did a lot of bank financing, would be in January. Of course, that is a bad month.

I guess that we shouldn't assume that there is any possibility of a change in Administration, but I suppose there might be. You couldn't have a drive in January, with that possibility, because you would have to make your plans prior to the election. So I eliminated that. The only period available--

H.M.JR: I would be packing in January.

MR. BELL: We all would, maybe.

The only period available at all in there is November 15, on. And I think that is the only thing we can do. I have assumed in this estimate that the drive - the Fifth Drive - will be in June and July for fourteen billion dollars, and then I have extended it on, hoping that we can rig up some scheme of partial payments -

- 2 -

of instalment payments. I put seven hundred and fifty million dollars a month in August, September and October.

Now, that is a total for the drive of sixteen billion two hundred and fifty, which I think is conservative, and is less than you got in the Fourth Drive.

Then I have done the same thing in the November drive, extending the partial payments over into March.

H.M. JR: Can I look at the chart you are looking at, or is it a military secret?

(Mr. Bell hands chart to the Secretary)

H.M. JR: What is that line across there?

MR. BELL: That is the financing line.

Then when you come to May, we would raise the certificate maturing at that time, of a billion six hundred million dollars, by two billion dollars, making it three billion and a half to three billion six. You would do the same thing in August.

H.M. JR: That is what you call banking sales?

MR. BELL: Yes, banking sales.

Then in August you would have another certificate maturing of two billion six, and you would raise that a billion.

Then in September you would have to have some bank financing in order to carry you through to the Sixth Drive beginning about November 15. Then the next bank financing would be over in February.

If you carry that through, you will have good balances - you can see in the last line marked there at the end of the month - good balances all the rest of this

- 3 -

fiscal year - seventeen billion going out of February; fourteen and a half out of March; ten billion out of April; seven and a half billion out of May; seven billion six going out of June; nine billion eight in July; seven billion three in August; eight billion seven in September. Now they begin to drop, and this hits the low point, four billion in October, and three billion six going into November.

Of course, that can be adjusted by a little more bank financing, or some other wrinkles that we have.

I talked to Burgess about the Fifth War Loan. He doesn't think we ought to have any part of it, so far as the organizations are concerned, in July.

H.M.JR: He would be willing to go through the 4th of July?

MR. BELL: Well, he says that the banks are getting in a critical situation so far as the labor is concerned.

H.M.JR: Yes, I spoke to him.

MR. BELL: So he suggested you have it May 15, on. But this can be shoved either way.

H.M.JR: Well, that isn't - he must have changed. But Decoration Day is on the 31st.

MR. HAAS: The 30th.

H.M.JR: ...which is a Tuesday. When is tax payment?

MR. BELL: April 15 for the 1944.

H.M.JR: I personally would like to start the thing on Decoration Day.

MR. BELL: And just take the month of June?

H.M.JR: Yes.

- 4 -

MR. BELL: That is all right. That will leave the accounting period up to the 15th of July.

H.M.JR: I would like to get it as much - they would want to do some recruiting.

Burgess wouldn't like it, but I would like it to start on Decoration Day, and not necessarily run through the 4th of July.

MR. BELL: I am not sure that isn't all right. I think we had too much time last time.

H.M.JR: Start it on Decoration Day. I don't care how long they run it.

MR. BELL: I would want to run it certainly to the middle of July.

H.M.JR: He wanted to get the benefit of the mid-month payment, which for the 15th is a Saturday. Would a fellow take his pay check on the 15th and go and buy a bond the same day?

MR. BELL: Mid-month payments?

MR. LINDOW: You mean the 15th of July? I suppose some would, but it wouldn't get into the accounting unless you ran to the end of the month.

H.M.JR: I should think if this drive started on the 30th of May and ran until Friday, June 30 and closed - I mean, as far as carrying over Saturday, July 1 - you see? Then give them fifteen days for the accounting. What?

MR. LINDOW: Yes.

MR. BELL: I suppose there is some new money that comes in around July 1, dividend payments, that you might try to get?

H.M.JR: Yes.

- 5 -

MR. BELL: That wouldn't be enough, just one day.

H.M.JR: The 4th is a Tuesday and that is a holiday. Monday is the 3rd; people could put it in on the 3rd.

Well, anyway, I would like to start it, because I want to get as much headstart ahead of the tax payment as possible. I think it is a good day.

"Remember the soldiers who died" - and so forth.

MR. BELL: Good day to start it off.

H.M.JR: I would rather that day than July 4th which is a celebration day.

MR. BELL: There would be a lot of speeches on that day, or would you do your preliminary work on the 29th.

H.M.JR: I don't care, but I would like to start a little bit earlier than these other people.

MR. HAAS: You might even push it two weeks earlier, the 15th.

MR. LINDOW: Memorial Day, of course, has no significance in most of the States south of the Potomac.

H.M.JR: Well, think about it. I would like to get a little bit ahead of June 15.

MR. BELL: You might even start it a week before, the 20th, or something like that.

H.M.JR: Be all right with me.

Now, I don't quite get this thing - new money. When did you propose to get new money? How much did you propose to get?

MR. BELL: Two billion dollars of new money on May 1.

- 6 -

H.M.JR: How?

MR. BELL: By increasing the maturing certificate, which amounts to one billion six, to about three billion and a half to three billion six.

H.M.JR: Two billion of certificates, May 1?

MR. BELL: And a billion dollars in August.

H.M.JR: How much are you going to get in the drive?

MR. BELL: I was starting the banking first, but all right, in the June estimate we get five billion dollars, and the reason I did that, I patterned it after the Fourth. Now, if you shove it back to May, you will get more than that. And then nine billion in July. You see, I split the month. The corporate, I thought, might come July 1. Altogether, including the delayed payments, sixteen billion two hundred and fifty million dollars.

H.M.JR: I wouldn't count the two hundred and fifty. Sixteen billion - I am going to put that down for the drive.

MR. BELL: That is right. Then there is another certificate maturing on August 1, of two billion six. That would increase that by a billion dollars. It would give you new money there. Then four billion dollars of additional bank financing in September, note or certificate or bond.

H.M.JR: That will take us through?

MR. BELL: That will take us through with a three billion six hundred million dollar balance going into November. And that is lower than we contemplated.

H.M.JR: Of course, you could make that a five billion balance.

- 7 -

MR. BELL: Oh, yes, but there is another program that has to come into the picture, that is the bill program. Heretofore we have discussed this matter with the full Federal Reserve Board and we have never got any place. They have had their minds closed before we ever get there, and Eccles does most of the talking and there isn't anything you can do to get him out of the decision he has already made.

Starting out this time, George and his crew is talking with Goldenweiser about this whole picture. (To Haas) And the Federal Reserve of New York hasn't been in on it yet?

MR. HAAS: Only except as we talk to Allan and Rouse.

MR. BELL: Now, Roelse, who is Federal Reserve Bank of New York man, will be in the picture and they will keep it on the technical level until they can come to some program, if they can.

George is recommending that we increase bills by a hundred million dollars the first of April. Then - what is the second date?

MR. LINDOW: Two hundred million beginning June 1.

MR. BELL: That raises seven billion dollars by the end of the year. Nothing sacred, I think, about those two dates.

H.M. JR: You mean the total bills outstanding will be what?

MR. LINDOW: Twenty billion - about thirteen now.

MR. HAAS: It is all involved in another, more complicated problem.

MR. BELL: Yes, the whole thing is complicated and ought to be studied very carefully by the technical groups before we go to the Board to discuss it.

- 8 -

H.M.JR: Before you come to me to discuss it.

MR. HAAS: We have been two or three months on it. We are all right.

MR. BELL: The boys have written several memoranda on this whole problem and we want to send to the Board and the bank, copies of just two of the memoranda--

MR. HAAS: Three.

MR. BELL: That is right. ...as a basis for discussion only, and say they are tentative, and so forth. They are prepared to give you copies of them any time you want to read them. They are quite long - all told, I think about a hundred pages. (See Memorandum of March 10, from Mr. Haas, attached)

MR. BELL: If we start that bill program as contemplated, any time along in there, why that will either increase your balances, or you can decrease your other bank borrowing. And we may want to do a little of both.

H.M.JR: I want to study that, too. Don't commit the Treasury to it until you have committed me.

MR. HAAS: We are not committing you, no. This is just a discussion among the technical group.

But the point is - I don't want to interrupt Dan, I would like to talk after he is through.

MR. BELL: Go ahead.

MR. HAAS: I was going to say, Mr. Secretary, that we have been working on this thing for about two months. It is something that I hope we will have time to seminar with you. We are not going to make any commitments. We don't know what your views on the thing are. But I hope we can have some time to sit down uninterruptedly, maybe for four hours, or a couple of sessions.

- 9 -

But if this is right - now, all our group, including our outside consultants, feel that it is - if it is, it handles your situation through this difficult political period just like a clock. You have no hazard or anything involved in it. If you don't do this, some other action the Federal Reserve will have to take. You will have to do some of this even if they do take some action in regard to reserves.

MR. BELL: They have got the reserve problem, and also you have the ratio of gold to deposits in currency outstanding, also. It is now sixty-two, isn't it?

MR. HAAS: Yes.

MR. BELL: Dropped from a high of ninety-one. That is gradually going down all the time. If it falls below sixty, you may get some comment. If it falls below fifty, you are certainly going to get some comment. The question here as to what action you can take and cause the least adverse discussion on the outside from people like Spahr, and so forth, that Committee, is a thing that has got to be decided. If you need legislation--

H.M.JR: I am ready, any time.

MR. HAAS: We are ready any time you are, Mr. Secretary. As I say, we have been working several months.

MR. BELL: This group feels that the less said about it until after November 7th, the better. We think you can get by until after November 7th without much discussion of the problem.

H.M.JR: You have to let me know what that does to the debt limit.

MR. BELL: On the debt limit we will have, according to the Budget, about two hundred and fifty-eight billion dollars debt by the end of the fiscal year, 1945 - June 30.

- 10 -

Now, we have drawn a bill which ought to be handed to Doughton right away, because I held it up due to this tax controversy, which would increase the debt limit to two hundred and sixty billion dollars.

H.M.JR: Do you need that?

MR. BELL: Yes.

H.M.JR: What is the debt limit ceiling now?

MR. BELL: Two hundred and ten.

H.M.JR: What is our debt limit? What will it be on the first of January?

MR. BELL: Next year? It ought to be somewhere close to two hundred and thirty.

MR. MURPHY: It is about one hundred and ninety.

MR. LINDOW: You would want to -- about two hundred and thirty or two hundred and thirty-five.

MR. BELL: I didn't do this on this two hundred and sixty because I had in mind we would have to go up, anyhow, in the spring and get it increased. So I thought two hundred and sixty would certainly take care of the debt limit.

H.M.JR: Sullivan has to go up on the Hill on a tax matter for me to see Doughton and George. Why couldn't he sound them out?

MR. BELL: He could. George has already been sounded out by Tom Lynch who was head of the Legislative Council.

H.M.JR: I would rather have Sullivan do it.

MR. BELL: O.K. But George said he would follow Doughton. He doesn't want to do it before the House takes action.

H.M.JR: When you leave the room, will you speak to Sullivan? I would much rather let Sullivan handle it.

MR. BELL: O.K.

I started to give it to you the other day.

H.M.JR: I have got this February 3 thing from Haas here. What I would like to know is this: These figures, as I remember them, this fiscal year, get it down to an expenditure of eighty five billion.

MR. HAAS: If Germany collapses in September.

MR. LINDOW: That wasn't this fiscal year, Mr. Secretary, that is fiscal '45. The estimate for war expenditures for fiscal '45 in the Budget is ninety billion. If Germany goes out in September, that would drop to about eighty-five, according to Stacy May.

Now, after sometime has elapsed from the German collapse, and the war with Japan is continuing, the level should drop to seventy to seventy-five billion.

H.M.JR: Of course, I think they have got to change all their things, now, because I think that there is a good chance of maybe Japan going out first.

MR. BELL: Isn't it funny? You hear that almost every place.

MR. LINDOW: Those are very tentative figures, anyway, because they can't get the military to tie themselves down to a program which they think is realistic.

- 12 -

MR. BELL: As a matter of fact, I think his figure is high, if Germany goes out, on the expenditures for Japan. I think it ought to drop to between forty-five and fifty. They think sixty-five or seventy.

MR. LINDOW: If they take the military programs after the collapse of Germany, they would get a cut in munitions expenditures alone of about twenty-five percent. Now, they have raised that to thirty percent themselves, figuring that some of the items are just overstated, particularly the Navy items. And they think that that may itself be too low an estimate of what the cut will be, that is, thirty percent, but they can't tell, and they are already five percent over what the military say. They don't like to go any further, but knowing the conservatism of the military authorities, it is not surprising.

(The Secretary talking to Admiral Leahy on White House phone:)

Hello, Admiral Leahy.....

How are you?.....

Admiral, I would like to get you over here to the Treasury to have lunch with me, if you would. I want to tell you what I have in mind. We are planning our financing for the rest of the year. There is a question of when the Fifth War Loan will come. We get these figures from the War Production Board, and they are based on the percentage of when Germany might fall, or when Japan might fall. There are a lot of military items in there. I wondered if you could get authority from the President to talk to me, or how freely you could talk, so that I could in some way gauge this thing as to how much we would have to borrow, and what the best time will be to borrow it. I want to let you know beforehand so you won't think I am on a fishing expedition.

I think the President knows.....

- 13 -

He has paid me the compliment of saying I am one of the few people in town who can keep my mouth shut...

Well, I can have it either Monday or Tuesday to suit your convenience.....

What time do you like to eat?.....

One o'clock.....

I have my own little dining room here, and if you could, as I say, give me as much of the picture.....

Just myself, nobody but myself.....

No, it would be me, and nobody else, and no memorandum made of any kind.....

Well, I just thought I might.....

I will leave it to you, but if you could lift the curtain for me, and, as I say, you will have my word that it will not be repeated to anybody.....

Right.....

Yes.....

Yes.....

As I say, something to gauge this thing, you see. It is awfully hard. So far the good Lord has been with us.....

And a little hard work.....

But I don't want to make a bust of this year, anyway.....

That is right.....

Right.....

- 14 -

One o'clock.....

And if you come right across the street to my private entrance.....

Right.....

Thank you.....

H.M.JR: He says he doesn't have to ask the President, and he will do it. He says he will tell me anything he knows. I mean, why should we guess about it?

MR. BELL: Yes. Well, we will probably guess about it, anyhow.

H.M.JR: No, but there are certain things, you see, gentlemen. I don't agree with Stacy May at all.

MR. HAAS: He is just guessing, like anybody.

H.M.JR: I will tell you why: This particular thing here (Refers to chart attached to Mr. Haas' memorandum.)--I wish he were right, but here he has the thing July, two years after the defeat of Germany, and after the defeat of Japan, only four and a half million employed, and two and a half million people in the armed forces, and manufacturing still employing thirteen million people, the same as July, '41.

MR. HAAS: That is Labor.

MR. LINDOW: That was based on the specific assumption-- I got that from Mr. Donald Davenport over at the Bureau of Labor Statistics, who knows as much about the manpower situation as anybody in town.

H.M.JR: That isn't very much.

MR. LINDOW: That is right, but that was based on the assumption that economic activity would be the same as in 1941. He is not really forecasting it, but he is saying that if you can have that kind of a level, this is the situation you face.

- 15 -

H.M.JR: Oh, I thought this was a forecast, because I think it is absolutely cockeyed. I wish you people would just follow out my trend and tell me whether I am wrong or not. I believe that the day that Germany, rather than Japan, collapses--I don't say which comes first--that day we will have the damnedest cancellations that you ever saw. Everything is just going to shut down.

MR. HAAS: That is right.

H.M.JR: And they are not going to be able--the Congress of the United States isn't going to be able to keep the soldiers, particularly--the Navy may be something different--keep the soldiers in the Army. Every mother and father is going to write his Congressman and say, "Get the boy home," as I am. Sure, I want my boys home. I don't want them fussing around when this war is over. Everybody else is going to be in the same shape. Mrs. Dickinson wants her husband home. Right?

MRS. DICKINSON: Right!

H.M.JR: Everybody is going to do everything they can to get their family home.

MR. BELL: I think it is crazy, too, to assume that this thing is going to extend over a two-year period.

H.M.JR: Take my hunch on this thing and do some original figures. I am saying to you, then, if I am right--I don't say if you people agree with me, but at least follow my thought. Now, if I am correct, there will be complete cancellation. They are going to get these people out just as fast as the ships can come home. Don't forget, we have a lot of ships. They can pile them on. My God, I saw them pile them on in World War I. You did, too.

MR. BELL: Sure.

H.M.JR: I mean, they pile these people in like cattle. They have them seven deep on the Queen Mary going over

- 16 -

now and in the summer time. They have two meals a day, and the people sleep on the decks. If they took them over that way, they will bring them back that way.

MR. BELL: They will bring them back the southern way.

H.M.JR: This was a year ago, whenever I was up at the port of embarkation--they were just piling them in like cattle, and the boys will be glad to be piled in.

MR. BELL: I'll say they will.

H.M.JR: Dan, after all, with the cancellations, don't forget that present tax rates, or schedules, stay, and these people--let's say that General Motors--I don't know, they have four billion dollars worth of business, I saw somewhere. Maybe it is two billion.

MR. LINDOW: More than that, I think.

H.M.JR: I think it is four billion. General Motors gets cancellations, let's say, on three billion. Is that too extreme?

MR. BELL: You mean if Germany falls?

MR. LINDOW: Well, if Japan is still going, it is hard to tell.

H.M.JR: Let me say, because I am so extreme, that it is fifty percent. I think it will be seventy-five percent, but I think you should figure fifty percent cancellation, and possibly seventy-five percent. The present tax schedule stays. General Motors says they can convert in six months. During that period they are not going to make any money. What is going to happen? How much money are we going to get from taxes?

MR. HAAS: They have that carry-back in there.

MR. BELL: How much are you going to pay out in refunds?

- 17 -

H.M.JR: They say the outside figure is four billion. I think they are low. I can't guess that figure, but what I am saying to you men is, for God's sake get away from the Stacy May figures. I think he is cockeyed, and should be fired. I don't think he has any brains or imagination. I am talking extreme, but I am saying to you, "Do it my way. Figure on fifty percent cancellations, figure seventy-five percent cancellations," see?

MR. HAAS: And see what it works out to.

H.M.JR: I have been wanting to say this to you ever since I read this memorandum; if you don't mind my saying so, I don't think it is very good, because it is based on Stacy May.

MR. HAAS: I misunderstood. I thought you wanted us to get their views.

H.M.JR: But that doesn't mean, George, you can't think yourself.

MR. HAAS: We had some thoughts.

H.M.JR: Well, put them down. Do it my way and see what this means, and I will get some information, and I will ask them how much I can pass along. But you can make your own things. You can say the war is going to last six months or nine months; it is going to last a year and a half or two years. Do it in three-month jumps, and then put it in three-month jumps.

MR. HAAS: We will figure out a very extreme situation. That is what we have been trying to do to see what it means on redemptions and all our financial operations.

H.M.JR: If the thing is going to be as bad as I think it is going to be--

MR. HAAS: You should be able to handle it even then.

H.M.JR: And then, what are the redemptions? Ted Gamble says the movie crowd says we are going to have

- 18 -

good business for ten years. They are going to worry about what is going to happen at the end of ten years. I may be all wrong.

MR. HAAS: That is from Wall Street.

H.M.JR: Of course, you have to keep this in the office. I am an extreme pessimist on what is going to happen. Henry Wallace says two or three years, the way it was in the last war. Well, it took from 1918 to 1920, and then we got the bump. Let me just throw this stuff at you.

All of the food people said--I checked with Marvin Jones last night, and I know what happened at Atlantic City--UNRRA. Every one of those countries say that at the end of one crop season they can either support themselves, or they will have food for export. You fellows had better wake up; you have been asleep. I checked it with Marvin Jones. Ask what's-his-name from White's office.

MR. HAAS: I have seen that statement in the papers.

H.M.JR: I checked it last night. He said the same thing happened at the food conference. Norway said, "Give us a hook and line and a couple of vessels. At the end of four months we will be exporting fish."

Poland said, "After one crop season we will export potatoes."

It is the same way with Czechoslovakia. There will be a tremendous strain on us for food for one crop season. Then, if the--

MR. HAAS: At the Dallas food conference they were worried about the inflationary pressure for that short period.

H.M.JR: Now, all this stuff--you fellows have to do a little original thinking, if you will, along my lines. Then you can tell me why I am wrong.

- 19 -

MR. HAAS: We are not as bad off as you think.

H.M.JR: Well, you are when you send me a memorandum like that, George. It isn't worth the paper it is written on. It is just following the usual channel.

I don't mind, after you come back and say, "Morgenthau, you are cockeyed"--you can tell me that, but prove it. I am willing to be proven wrong, but that thing is crazy. Do you think I am crazy, I am cockeyed, Dan?

MR. BELL: No.

MR. HAAS: It isn't a matter of being cockeyed, but I think what you say has possibilities, and we should be prepared to meet that. I hope you are wrong, because I think things should be arranged so that doesn't take place that way.

H.M.JR: I have lived two-thirds of my life; I hope I am wrong. But my boys have to start in life fresh, with all their lives ahead of them. So everything in me says, "I hope I am wrong."

MR. BELL: There is beginning to be a good deal of talk.

MR. HAAS: There doesn't have to be a forecast; it is a possibility, and we should say, if that happens, "What can we do to take care of it. On the other hand, what can we say to make sure it doesn't happen?"

H.M.JR: Let's get it first on the basis of a forecast.

MR. BELL: There is beginning to be a good deal of talk around the Government service about the post-war budget. Eccles made a speech not long ago in which he said the budget would be twenty billion dollars. Someone afterwards said twenty billion dollars. I think that is a little dangerous and premature.

H.M.JR: The reason I don't want this to get out-- I don't want the soldiers who are overseas to think, "My

- 20 -

god, are these the conditions we will come back to?" Nothing would be worse for their morale. But I also agree that if we get the thing and look at it, then what the hell will we do about it.

MR. HAAS: This do-nothing trend worries me, Mr. Secretary, you know, politically, which is the real question to the thing. If you get that sort of thing, everything is all right, do nothing--

H.M.JR: Do you remember my statement here when I talked about Hancock and his dismissal wages? I shocked poor Mrs. Dickinson. I said, "Hancock's attitude was, 'Let the "sonsabitches" starve.'"

One of the principal criticisms of the Baruch-Hancock report is that nothing on dismissal wages--nothing is going to happen for the people who are laid off. It is all for business.

MR. HAAS: That is right, take care of business. And you won't have any business unless that part is taken care of.

H.M.JR: I don't know what the answer is, but it is my job to know what the worst could be and to be ready for it. That is another reason why I don't think I am going to go along with Bell and you fellows to get down to three billion dollars.

MR. HELL: Three billion six.

H.M.JR: That is six.

MR. BELL: You mean the balance? Well, it won't get down there if we get the program adopted. I will have to admit that that is dangerously low.

H.M.JR: I would like to keep enough on hand so I have thirty days to turn around in.

MR. BELL: I think that is good policy.

- 21 -

H.M.JR: Three billion six would not permit me to turn around. What would I need to have a balance and thirty days to turn around in?

MR. BELL: We ought to stick to our ten billion dollars. That is right.

H.M.JR: It is like any other military reserve.

MR. BELL: What we need to do is propose the bill program right on top of this, and you won't have any excess balance any place along the line at the end of the calendar year.

MR. LINDOW: That makes the other problem worse.

H.M.JR: Take a fresh look at this thing. I want a thirty day--let's talk in terms of ten billion dollars as a working balance. Have a fresh look, see, in view of the way I feel. I feel good today. You wouldn't know it.

All right?

MR. BELL: Yes, O.K.

H.M.JR: Come back and see me Monday or Tuesday.

MR. HAAS: But, Mr. Secretary, on this other problem about what will happen at the collapse, to work that out will take us some time. But you still have these other problems in your lap which are even more urgent than that which you could start on, immediate problems.

H.M.JR: But I am telling you now I want a ten billion dollar balance.

MR. HAAS: We can fix that up.

H.M.JR: But that shouldn't take so long.

MR. HAAS: Well, as I say--

- 22 -

MR. BELL: If we adopt the bill program, our ten billion dollar balance is all right.

H.M.JR: Aren't there any new men who have grown up in universities in the last ten years? My God, there ought to be somebody who has some brains, in business schools, or some place or other. I mean, there must be some place, somewhere, somebody who has some intelligence.

MR. BELL: Well, I don't know. You get somebody on this problem-- we know more about it here than anybody outside. It takes months to train them.

How about the bankers committee?

H.M.JR: What about them?

MR. BELL: ABA.

H.M.JR: I am seeing the other fellows on the 20th.

MR. BELL: The Chairmen?

H.M.JR: Yes, the 20th. They didn't put it down, either. Do you want the bankers the 21st?

MR. BELL: Around that time, whatever is convenient to you. Now, they are going to be here just one day?

H.M.JR: As far as I am concerned, one day. Why don't you call up and let me have them for lunch downstairs on the 21st?

MR. BELL: All right. What day is that?

H.M.JR: Tuesday.

MR. BELL: O.K. It is a good day.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1944

TO Secretary Morgenthau
FROM Mr. Haas *HA*

Attached are the three memoranda -

- (1) Developing a Borrowing Program for the Calendar Year 1944
- (2) An Exploratory Memorandum to Facilitate Discussion of Problems in Money Market Management During 1944
- (3) Outlook for Sources of Funds for Federal Borrowing during the Calendar Year 1944

which we are using as a basis for discussion with the research staffs of the Federal Reserve Board and the New York Federal Reserve Bank.

Draft of March 8, 1944

Developing a Borrowing Program
for the Calendar Year 1944

SUMMARY

The following table shows the estimated amount of financial outlays by the Treasury in the calendar year 1944, and a proposed borrowing program to take care of these requirements. The figures are classified into three financing periods, each period closing with a war loan drive.

Estimated Financial Outlays of the Treasury
and Proposed Borrowing Program
Calendar Year 1944

(In billions of dollars)

| | : Jan.-: : Feb. : | Mar.-: July : | Aug.-: Dec. : | Total |
|---|----------------------|------------------|------------------|-------|
| Financial outlays: | | | | |
| Deficit..... | 10.5 | 23.6 | 22.4 | 56.6 |
| Redemptions and cash maturities..... | 1.2 | 5.5 | 5.6 | 12.3 |
| Total..... | 11.7 | 29.1 | 28.0 | 68.9 |
| Borrowing program: | | | | |
| War loans..... | 16.7 | 16.6 | 17.3 | 50.6 |
| Direct bank financing program: | | | | |
| Bills..... | - | 2.6 | 4.4 | 7.0 |
| Certificates..... | - | 1.0 | - | 1.0 |
| Other financing..... | 1.8 | 5.7 | 6.1 | 13.7 |
| Total..... | 18.6 | 25.9 | 27.8 | 72.3 |
| Change in working balance..... | +6.9 | -3.2 | -.2 | +3.4 |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

- 2 -

It will be noted that financial outlays are estimated at \$68.9 billions for the year. This estimate is developed in Section I of the present memorandum. The gross borrowing program of \$72.3 billions is discussed in Section II. This total would cover the financial outlays of \$68.9 billions and would provide for an increase in the working balance of \$3.4 billions during the year. The working balance would reach a low for the year of about \$3 billions on November 15.

It is assumed for purposes of this memorandum that the Fifth War Loan will be held in June-July on essentially the same lines as the Fourth War Loan; we estimate that sales will amount to \$16.6 billions. Similarly, the Sixth War Loan is assumed for November-December, and our estimate of sales is \$17.3 billions.

On this basis it will also be necessary to raise \$8 billions in a direct bank borrowing program sometime during the remainder of 1944. It is suggested that this take the form of weekly increases in Treasury bills beginning April 6, providing \$7 billions in all by December 31, and of new cash of \$1 billion in connection with the May certificate roll-over.

For the year as a whole it is estimated that nonbank sources will absorb \$38.1 billions of a total increase in the public debt of \$60.0 billions. This estimate is based on the continuation of recent experience in security sales to nonbank

- 3 -

investors, as outlined in a separate memorandum on "Outlook for Sources of Funds for Federal Borrowing During the Calendar Year 1944". Bank sources will have to take up the remaining \$21.9 billions of Federal securities, unless sales to nonbank investors can be increased over recent experience. Market purchases will provide for more than half of the bank absorption, with the remainder accounted for mainly by the suggested \$8 billions direct bank financing program.

I. Financial Outlays

Financial outlays for the calendar year 1944 are estimated at \$68.9 billions, divided as follows:

| | (In billions of dollars) |
|--|-----------------------------|
| Deficit..... | 56.6 |
| Redemptions of savings bonds and notes, and cash maturities.... | <u>12.3</u> |
| Total financial outlays..... | <u><u>68.9</u></u> |

The derivation of these figures is discussed in the following paragraphs. The figures include budgetary items and net Treasury outlays to Government corporations.

The estimated deficit of \$56.6 billions for the calendar year is derived as follows:

- 4 -

| | (In billions of dollars) |
|--------------------------------|-----------------------------|
| War expenditures..... | 91.8 |
| Interest..... | 3.1 |
| Other nonwar expenditures..... | 4.3 |
| Total expenditures..... | <u>99.2</u> |
| Net receipts <u>1/</u> | 42.6 |
| Deficit..... | <u>56.6</u> |

1/ Including Revenue Act of 1943.

These estimates are based principally on figures appearing in the 1945 Budget, adjusted wherever necessary to reflect changes made in the current analysis of Treasury cash position prepared by the Under Secretary's office. The estimate of receipts reflects the passage of the Revenue Act of 1943.

In addition to the deficit of \$56.6 billions, it will be necessary to cover redemptions of savings bonds and savings notes, and cash maturities of marketable securities, aggregating \$12.3 billions.

It is estimated that savings bond redemptions will increase gradually on the basis of the past pattern, reaching a total of \$2.9 billions for the year. Redemptions of savings notes are estimated at \$7.1 billions redeemed for taxes and \$.7 billions redeemed for cash, making a total of \$7.8 billions.

Cash maturities of marketable securities are estimated at \$1.6 billions. It is assumed that Treasury bills and

- 5 -

certificates of indebtedness will be rolled over as they mature. In the case of certificates, incomplete exchanges will call for an estimated \$1.1 billions of cash payments. It is assumed that notes maturing during the year and bonds becoming callable for the first time will all be refunded by exchange offers. This includes both direct and guaranteed issues. Incomplete exchanges in the case of notes are expected to amount to \$.2 billion (including the full amount of the Federal Public Housing Authority note which was paid off on February 1), and in the case of bonds to another \$.3 billion.

II. Blocking Out a Borrowing Program

As against financial outlays of \$68.9 billions, it is proposed that a borrowing program of \$72.3 billions be planned for. This would involve a net increase in the public debt of \$60.0 billions, which would cover the deficit and an increase in the working balance of \$3.4 billions required for reasons discussed below. A separate memorandum on "Outlook for Sources of Funds for Federal Borrowing During the Calendar Year 1944" concludes that nonbank sources will absorb \$38.1 billions of the \$60.0 billions increase in the debt, leaving \$21.9 billions to be absorbed by banks, as shown in the following table. Figures for the calendar year 1943 are presented for purposes of comparison.

- 6 -

| | 1944 | 1943 |
|--|--------------------------|-------------|
| | (In billions of dollars) | |
| Nonbank sources: | | |
| Individuals..... | 16.0 | 13.2 |
| Insurance companies and savings banks..... | 6.7 | 5.2 |
| Other corporations and associa- tions (including dealers and brokers)..... | 8.8 | 8.5 |
| Federal agencies and trust funds. | 4.8 | 4.7 |
| State and local governments..... | 1.8 | 1.2 |
| Subtotal..... | <u>38.1</u> | <u>32.7</u> |
| Bank sources..... | 21.9 | 24.4 |
| Total..... | <u>60.0</u> | <u>57.1</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

The fact that bank sources will have to provide \$22 billions of new funds during the calendar year may seem surprising at first thought. The sources of funds memorandum, however, analyzes the new funds accumulating in the hands of various nonbank investors during the year as the counterpart of the Federal deficit, and estimates the amounts of such funds which may be expected to be placed in Federal securities on the basis of the experience during our War Loans. If the bond selling organization should sell considerably more securities than in the recent past, the forecast of \$38.1 billions of net absorption of Federal securities by nonbank investors may prove low. It is to be hoped that nonbank sales may be considerably increased from the estimates derived in the sources of funds memorandum so that bank participation may be reduced, but it is not safe to plan on this possibility.

- 7 -

In blocking out a borrowing schedule for the calendar year it is convenient to break the year into a number of periods. These periods consist alternately of months in which war loans are conducted and of months between loans. It is assumed that the Fifth War Loan will be held in June-July and that the Sixth War Loan will be held in November-December. Accordingly, there are three periods with war loans and two without them.

Table 1 analyzes the Treasury's financial situation in these five periods, excluding direct bank financing other than the limited participation associated with savings deposits. The table begins with the working balance at the beginning of the period and closes with the working balance at the end of the period. Gross borrowing within each period is classified between different types of continuing sales of securities on the one hand and war loans on the other; and financial outlays are listed.

Sales in the Fourth War Loan reached \$16.7 billions as compared with the goal of \$14 billions. It is assumed that the Fifth War Loan will raise \$16.6 billions and the Sixth War Loan \$17.3 billions, if the Fourth War Loan pattern is followed.

It will be noted that the working balance shown in Table 1 for the end of the Fifth War Loan will be insufficient to carry the Treasury until the Sixth War Loan scheduled for

- 8 -

November-December. The estimates indicate that the working balance will reach a negative figure of \$1.2 billions by the end of October, and will fall to about negative \$3.6 billions by mid-November, when the proceeds of the Sixth War Loan might begin coming in.

Some of the funds required to maintain a satisfactory balance might be obtained from nonbank investors by advancing a portion of the Sixth War Loan program, as for example by an offering of securities to corporations in August or September. This would only be a temporary solution, however, since the November-December sales would be correspondingly reduced.

It is proposed instead that a direct bank borrowing program be instituted to raise about \$8 billions within the next six or eight months. With such a program the working balance could be maintained at a satisfactory level through October and the ~~first~~ half of November until the proceeds of the Sixth War Loan begin to come in.

In addition to this direct bank financing program, banks will absorb securities through market purchases to the extent of an estimated \$13 billions, and will acquire about \$1 billion of securities through the limited purchases associated with their savings deposits. This would account for

the \$22 billions of net absorption of Federal securities by bank sources estimated for the calendar year.

The planning of the proposed \$8 billions direct bank financing program should be undertaken at once, since particular emphasis must be placed on the related problems associated with bank reserves. These aspects are discussed in "An Exploratory Memorandum to Facilitate Discussion of Problems in Money Market Management During 1944". It is concluded in the memorandum that bill offerings should be increased in the near future in order to provide adequate bills to the Federal Reserve Banks and commercial banks.

Accordingly, consideration should be given to the possibility of increasing bills by \$100 millions a week for new cash beginning April 6, and by \$200 millions a week beginning June 1. If the weekly increase of \$200 millions is carried through to the end of the year, a total of \$7 billions of new cash will have been raised from bills by December 31. Most of these bills would, of course, be absorbed by bank sources, so the bill program would account for almost all of the \$8 billions direct bank financing program deemed desirable. It is proposed that the additional \$1 billion be raised by increasing the May 1 certificate roll-over of \$1.7 billions to provide for additional cash of \$1 billion from bank sources.

Table 2 presents a revised analysis of the Treasury financial situation during the calendar year on the basis of the proposed bank program of \$8 billions discussed above. Under this program the working balance would drop to an estimated \$5.0 billions at the end of October, and to about \$3.0 billions on November 15 when the proceeds of the Sixth War Loan would presumably begin to come in.

Table 1

Analysis of the Treasury Financial Situation, Calendar Year 1944
Without Direct Bank Financing Program 1/

(In billions of dollars)

| Item | Jan.- | Mar.- | June- | Aug.- | Nov.- | Total |
|--|-------|-------|-------|-------|-------|------------------|
| | Feb. | May | July | Oct. | Dec. | calendar year |
| Working balance, beginning of period..... | 11.5 | 18.4 | 6.7 | 11.6 | -1.2 | 11.5 |
| Gross borrowing: | | | | | | |
| Continuing sales of savings bonds..... | * | 2.6 | .1 | 2.6 | .1 | 5.4 |
| Continuing sales of savings notes..... | - | 1.0 | - | 1.1 | - | 2.1 |
| Security sales to Federal agencies and trust funds..... | .9 | 1.1 | .9 | 1.1 | 1.0 | 5.1 |
| Limited sales to commercial banks on basis of savings deposits..... | .7 | .1 | .1 | .1 | .1 | 1.0 |
| Miscellaneous 2/..... | .2 | -.2 | - | - | - | - |
| War loans..... | 16.7 | - | 16.6 | - | 17.3 | 50.6 |
| Total gross borrowing..... | 18.6 | 4.7 | 17.6 | 5.0 | 18.4 | 64.3 |
| Financial outlays: | | | | | | |
| Deficit..... | 10.5 | 13.2 | 10.4 | 14.5 | 8.0 | 56.6 |
| Cash maturities of marketable issues.... | .2 | .6 | .1 | .6 | .2 | 1.6 |
| Redemptions of savings bonds..... | .4 | .7 | .5 | .8 | .6 | 2.9 |
| Redemptions of savings notes..... | .6 | 1.9 | 1.8 | 1.9 | 1.6 | 7.8 |
| Total financial outlays..... | 11.7 | 16.4 | 12.7 | 17.7 | 10.3 | 68.9 |
| Working balance, end of period..... | 18.4 | 6.7 | 11.6 | -1.2 | 7.0 | 7.0 |
| Working balance, November 15..... | | | | | -3.6 | |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to the nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

1/ Other than limited bank participation associated with savings deposits.

2/ Principally increase in trust fund cash during January - February which is assumed to be invested in Federal securities during March - May.

Daily Treasury Statement Basis

Table 2

Analysis of the Treasury Financial Situation, Calendar Year 1944
Assuming Direct Bank Financing Program of \$8 Billions ^{1/}
(In billions of dollars)

| Item | Jan.- Feb. | Mar.- May | June- July | Aug.- Oct. | Nov.- Dec. | Total calendar year |
|--|---------------|--------------|---------------|---------------|---------------|---------------------------|
| Working balance, beginning of period..... | 11.5 | 18.4 | 8.5 | 15.2 | 5.0 | 11.5 |
| Cross borrowing: | | | | | | |
| Continuing sales of savings bonds..... | * | 2.6 | .1 | 2.6 | .1 | 5.4 |
| Continuing sales of savings notes..... | - | 1.0 | - | 1.1 | - | 2.1 |
| Security sales to Federal agencies and trust funds..... | .9 | 1.1 | .9 | 1.1 | 1.0 | 5.1 |
| Limited sales to commercial banks on basis of savings deposits..... | .7 | .1 | .1 | .1 | .1 | 1.0 |
| Miscellaneous ^{2/} | .2 | -.2 | - | - | - | - |
| War loans..... | 16.7 | - | 16.6 | - | 17.3 | 50.6 |
| Direct bank financing program: ^{1/} | | | | | | |
| Treasury bills ^{3/} | - | .8 | 1.8 | 2.6 | 1.8 | 7.0 |
| Certificates of indebtedness ^{4/} | - | 1.0 | - | - | - | 1.0 |
| Total gross borrowing..... | 18.6 | 6.5 | 19.4 | 7.6 | 20.2 | 72.3 |
| Financial outlays: | | | | | | |
| Deficit..... | 10.5 | 13.2 | 10.4 | 14.5 | 8.0 | 56.6 |
| Cash maturities of marketable issues..... | .2 | .6 | .1 | .6 | .2 | 1.6 |
| Redemptions of savings bonds..... | .4 | .7 | .5 | .8 | .6 | 2.9 |
| Redemptions of savings notes..... | .6 | 1.9 | 1.8 | 1.9 | 1.6 | 7.8 |
| Total financial outlays..... | 11.7 | 16.4 | 12.7 | 17.7 | 10.3 | 68.9 |
| Working balance, end of period..... | 18.4 | 8.5 | 15.2 | 5.0 | 15.0 | 15.0 |
| Working balance, November 15..... | | | | | 3.0 | |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to the nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

^{1/} Other than limited bank participation associated with savings deposits.

^{2/} Principally increase in trust fund cash during January - February which is assumed to be invested in Federal securities during March - May.

^{3/} Increase of \$100 millions a week beginning April 6 and \$200 millions a week beginning June 1.

^{4/} Addition to certificate roll-over.

DRAFT OF MARCH 8, 1944An Exploratory Memorandum to Facilitate Discussion
of Problems in Money Market Management During 1944I. The Necessity for a Continued Increase in
the Credit Supply

As is indicated in an accompanying memorandum,* it will probably be necessary for the Treasury Department to borrow about \$22 billions from commercial and Federal Reserve Banks during the calendar year 1944. About \$3 billions of this would remain in the War Loan Account at the end of the year, and so would result in no increase in the money supply in the hands of the public. The remaining \$19 billions of bank borrowing, plus an estimated increase of \$1 billion in bank loans, would require a corresponding increase in the amount of bank deposits and currency in the hands of the public.

Based on present trends, we estimate that a \$20 billions increase in bank deposits and currency during 1944 would consist of about \$5 billions of currency, \$11 billions of demand deposits, and \$4 billions of time deposits in commercial banks. During the same period, there may be a

*Memorandum entitled "Developing a Borrowing Program for the Calendar Year 1944."

- 2 -

reduction of \$1 billion in monetary gold stock and an increase of half a billion dollars in foreign deposits in the Federal Reserve Banks. These projections for 1944 compare with estimated 1943 figures as follows:

| | 1943 | 1944 |
|--|-------|-------|
| (Billions of dollars) | | |
| Bank holdings of United States securities* | +24.2 | +22.0 |
| War Loan Account..... | +1.8 | +3.0 |
| Bank loans..... | +.2 | +1.0 |
| Money in circulation..... | +5.0 | +5.0 |
| (Adjusted) demand deposits of all banks.. | +13.0 | +11.0 |
| Time deposits of commercial banks..... | +2.8 | +4.0 |
| Monetary gold stock..... | -.8 | -1.0 |
| Foreign deposits in Federal Reserve Banks | +.6 | +.5 |

* Including Federal Reserve Banks

The changes in the various factors which it is estimated in the above table will take place in 1944 will require a very substantial increase in the amount of bank credit during the year. Unless this increase occurs readily and in such a manner as to instil public confidence in its continuance as

- 3 -

long as may be necessary, it will be difficult to effect the necessary borrowing at the present pattern of rates.

The importance of a smooth increase in the credit supply extends far beyond the \$22 billions which may have to be borrowed from banks this year. The rates paid on bank borrowing largely set those paid on nonbank borrowing; and the entire nonbank borrowing program is, in turn, predicated upon confidence in the stability of interest rates and, hence, in the stability of the prices of Government securities. If this confidence should be upset, the nonbank borrowing program would, therefore, be seriously impaired and the amount of bank borrowing would probably be increased rather than decreased.

II. Adequacy of Credit at the Reserve Bank Level

In order to assure the continuance of a stable market for Government securities, it is necessary that an adequate volume of credit be available (1) at the Reserve Bank level, and (2) at the member bank level.

Hitherto, it has been possible to concentrate attention entirely upon the availability of credit at the member bank level because the adequacy of credit at the Reserve Bank level presented no problem. This year for the first time the adequacy of credit at the Reserve Bank level will present a problem also.

The limit on Reserve Bank credit is set by the statutory requirement that the Reserve Banks must maintain a reserve in gold equal to 40 percent of their note liabilities, and a reserve in gold or lawful money equal to 35 percent of their deposit liabilities. While the two reserves thus required by statute are separate and may be somewhat differently composed, it has, for many years, been customary to combine them for statistical purposes in the computation of a single ratio called the Federal Reserve ratio, which is taken as the ratio of gold and lawful money to note and deposit liabilities combined for the twelve Federal Reserve Banks combined. This ratio has a legal minimum value of about 37 or 38 percent, depending on the relative

- 5 -

amount of the notes and deposits of the Federal Reserve Banks.*

Since the establishment of the Federal Reserve System, the Federal Reserve ratio has been as low as 42.2 percent on May 14, 1920, and as high as 91.3 percent on a number of occasions in 1941.

Its course -- yearly since the establishment of the System and monthly since the beginning of 1940 -- is shown on the attached chart, where it will be seen that the ratio has been falling fairly steadily since the spring of 1942. During the year 1943, it fell 13.7 points -- from 76.3 to 62.6 percent.

If the changes in underlying monetary factors such as bank deposits and money in circulation estimated earlier in this memorandum take place in 1944 and no new monetary moves (such as a reduction in member bank reserve requirements or

* The reserve ratios must, of course, be computed legally for each Federal Reserve Bank separately. This caused some difficulty in 1920 when the assets of the Reserve Banks consisted principally of commercial paper, and so could not be shifted readily from bank to bank. At the present time, however, when the earning assets of all the Reserve Banks consist almost entirely of United States securities, it is substantially accurate to treat the System as a whole for the purpose of considering the legal minimum of the ratio.

- 6 -

the issuance of Federal Reserve Bank notes) are made during the year, it will be necessary for the Federal Reserve Banks to increase their holdings of United States securities by \$8.5 billions during 1944, in order to maintain the level of member bank excess reserves existing at the end of 1943. This increase would be required for the following purposes:

(Billions of dollars)

| | |
|--|-----------|
| To offset the increase in money in circulation | 5.0 |
| To provide additional member bank required reserves..... | 2.0* |
| To offset the loss of gold..... | 1.0 |
| To offset the increase in foreign deposits at the Federal Reserve Banks..... | <u>.5</u> |
| Total | 8.5 |

*In computing this figure, account is taken of the fact that not all of the deposit increase will be at member banks.

If the Federal Reserve portfolio should increase by \$8.5 billions during 1944 and no other monetary moves were made, the ratio would fall 14.4 points during the year and would stand at 48.2 percent at the close of the year. Such a decline might occasion considerable skepticism in the market with respect to the ability of the Treasury and the Federal Reserve System to maintain the present level of money rates, unless the market were convinced that adequate measures could and would be taken to improve the ratio or check its decline before it reached the statutory minimum.

- 7 -

The most fundamental question which arises with respect to the planning of this year's financing is, therefore, "Should any steps be taken during the year to improve the Federal Reserve ratio?" The steps which could be so taken under existing statutes and their likely effects will be discussed in the next section of this memorandum.

4.

- 8 -

III. Steps Which Could Be Taken Under Existing Statutes To Improve the Federal Reserve Ratio

This section outlines five measures which might be taken under existing statutes to improve the Federal Reserve ratio. These five measures are as follows:

- (1) Reduce member bank reserve requirements,
- (2) Use gold in the Stabilization Fund,
- (3) Monetize additional silver,
- (4) Issue Federal Reserve Bank notes, and
- (5) Include Federal Reserve notes as "lawful" money in the 35 percent reserve required for the deposits of the Federal Reserve Banks.

These measures will be discussed briefly in the following paragraphs:

- (1) Reduce member bank reserve requirements. If member bank reserve requirements were reduced during the year to the statutory minima of 13, 10, and 7 percent of demand deposits in banks in central reserve cities, reserve cities, and other places, respectively, and 3 percent of time deposits in all member banks, the necessary increase in Federal Reserve holdings of United States securities during the year would be reduced from \$8.5 billions to \$2.4 billions, and

- 9 -

the reserve ratio at the end of the year would be increased from 48.2 to 57.0 percent.

- (2) Use gold in Stabilization Fund. If the \$1 billion estimated loss of monetary gold stock were restored to the System from the gold holdings of the Stabilization Fund, the necessary increase in the Federal Reserve portfolio would be reduced from \$8.5 billions to \$7.5 billions, and the reserve ratio at the end of the year would be increased from 48.2 to 50.8 percent.
- (3) Monetize additional silver. There are approximately 1.1 billion ounces of silver held in the Treasury at cost value. If this silver were monetized at \$1.29 an ounce and the resulting silver certificates placed in circulation (thereby obviating a portion of the necessary increase in Federal Reserve notes), the required purchase of Government securities by the Federal Reserve Banks would be reduced from \$8.5 billions to \$7.0 billions, and the reserve ratio at the end of the year would be increased from 48.2 to 50.1 percent.
- (4) Issue Federal Reserve Bank notes. The problem of the Federal Reserve ratio could be permanently solved

- 10 -

if Federal Reserve Bank notes (which require only a 5 percent gold reserve) were issued instead of Federal Reserve notes (which require a 40 percent gold reserve). There is legal authorization at the present time for the issuance of an unlimited amount of Federal Reserve Bank notes. A bill to prohibit their issuance has passed the Senate, however, and is now pending in the House Banking and Currency Committee. Based on last year's experience, the issuance of Federal Reserve Bank notes at this time would probably meet with widespread public criticism.

If the Federal Reserve Bank notes were issued in the same manner as a year ago -- i. e., with a simultaneous deposit of funds in the Treasury for their redemption -- their issuance would also obviate the necessity for the purchase of Government securities by the Federal Reserve Banks. This manner of issuance, however, would doubtless increase the opposition which the issuance of Federal Reserve Bank notes would arouse in any event. If the notes were issued in the ordinary manner -- i. e., as liabilities of the Federal Reserve Banks and without the deposit of funds in the Treasury for their redemption -- it would still be necessary

- 11 -

for the Federal Reserve Banks to purchase \$8.5 billions of Government securities during the year, although the effect of such purchases on the reserve ratio would no longer need to be a matter of concern.

- (5) Include Federal Reserve notes as "lawful" money in the 35 percent reserve required for the deposits of the Federal Reserve Banks. Federal Reserve notes are "lawful" money and could be counted as part of the reserve behind the deposits of the Federal Reserve Banks, but this has never been done in the actual operation of the Reserve Banks. If it were done and the reserve behind deposits came to consist exclusively of Federal Reserve notes, it would result in an "economy" of 60 percent in the gold now required as a reserve behind Federal Reserve deposits. If this device were used to the fullest extent possible, it would still be necessary for the Federal Reserve System to purchase \$8.5 billions of United States securities during 1944; but the reserve ratio would rise 1.1 points during the year -- from 62.6 to 63.7 percent -- and would decline much less in 1945 than would otherwise be the case. The use of this device, however, would probably result in considerable adverse criticism.

- 12 -

IV. Further Consideration of the Advisability of
Action to Improve the Federal Reserve Ratio

In the preceding section, five types of measures which might be taken singly or in combination under existing statutes to improve the Federal Reserve ratio were outlined.

Two of these measures -- the issuance of Federal Reserve Bank notes or the counting of Federal Reserve notes as part of the reserve behind deposits in the Federal Reserve Banks -- would probably cause such criticism if taken during the present year as to more than offset any beneficial effects which they might have on market psychology by improving the Federal Reserve ratio. Two other of the measures -- the use of gold in the Stabilization Fund and the monetization of additional silver -- would have only a limited efficacy in improving the ratio, and would probably also cause considerable criticism -- probably more than sufficient to offset their beneficial effects on the ratio.

The remaining measure -- a reduction in member bank reserve requirements -- would appear, therefore, to be the only feasible one for improving the reserve ratio during the present year without securing new legislation.

- 13 -

There are a number of reasons in the field of central banking policy for believing that a reduction in member bank reserve requirements would be undesirable, provided that the necessary additions to the supply of member bank credit throughout the entire war period can be otherwise supplied. We do not believe that these reasons are sufficiently important, however, for discarding this instrument if its use would make a genuine contribution to the problem of maintaining the confidence of the market in the stability of the present pattern of interest rates. The question then is whether the substitution of a reduction in member bank reserve requirements for a portion of the necessary \$8.5 billions increase in the Federal Reserve portfolio during 1944 would increase this confidence.

It is important to note in this connection that the adequacy of member bank credit during 1944 is not directly involved in this decision. The necessary addition to member bank credit during 1944 can be provided by the purchase of Government securities by the Federal Reserve Banks as well as by the reduction of reserve requirements. The question is whether confidence in the continued adequacy of the member bank credit base in future years would be promoted by an improvement in the Federal Reserve ratio secured at the expense of a reduction in member bank reserve requirements.

- 14 -

As a statistical background for the consideration of this question, the following table shows the amount of Government securities which it would be necessary for Federal Reserve Banks to purchase during 1944, and the Federal Reserve ratio at the end of the year under four different assumptions with respect to member bank reserve requirements. The first of these assumptions is the continuance of existing requirements, and the last is the reduction of requirements to the statutory minima.

| Member bank reserve requirements | Necessary Federal Reserve purchases of U. S. securities | Federal Reserve ratio at end of the year |
|----------------------------------|---|--|
| (Percent) | (Billions of dollars) | (Percent) |
| 20-20-14-6 | 8.5 | 48.2 |
| 18-16-12-5 | 6.4 | 50.9 |
| 15-13-10-4 | 4.4 | 53.8 |
| 13-10-7-3 | 2.4 | 57.0 |

As appears from the above table, if reserve requirements were reduced during the year to the statutory minima, the necessary purchases of United States securities by the Reserve Banks during the year would be only \$2.4 billions instead of \$8.5 billions; and the reserve ratio at the end of the year

- 15 -

would be 57.0 percent, instead of only 48.2 percent, as it would be if reserve requirements were not reduced. The volume of credit at the member bank level would be the same in either case.

It would appear at first sight, therefore, that a reduction in member bank reserve requirements would bolster the confidence of the market in the ability of the Treasury and the Federal Reserve System to maintain the existing stability of money rates. This appearance may be illusory, however, since the market regards the potentiality of reduction in member bank reserve requirements as part of the "ammunition" which the monetary authorities have on hand for controlling interest rates, and might view a ratio of 57.0 percent with this ammunition all spent as no better than a ratio of 48.2 percent with the ammunition still in reserve. It seems to us that the question of reducing member bank reserve requirements in 1944 must be decided primarily in the light of the market's probable reaction on this point.

If member bank reserve requirements are not reduced, the reserve ratio will fall to about 48.2 percent at the close of the year. Such a fall in the ratio will make it especially imperative that excess reserves at the member bank level should be fully maintained (the maintenance of such reserves

- 16 -

is provided for in the \$8.5 billions of necessary Federal Reserve purchases of United States securities), and that the Treasury and the Federal Reserve System should make it clear to the market, by the manner of handling questions asked at press conferences or otherwise, that adequate measures with respect to the maintenance of the Federal Reserve ratio will be taken when and if necessary.

Whether or not member bank reserve requirements are reduced this year, it will probably be necessary during the next 12 months to take some more permanent action with respect to the Federal Reserve ratio, such as the issuance of Federal Reserve Bank notes or the elimination (by legislation) of all reserve requirements applying to the central bank.

- 17 -

V. Selection of Securities for the 1944 Bank
Financing Program

As has been previously developed in this memorandum and in an accompanying memorandum,* it will probably be necessary for the Treasury to borrow \$22 billions from commercial and Federal Reserve Banks during the calendar year 1944. Unless member bank reserve requirements are reduced during the year, about \$8.5 billions of this amount will be borrowed by means of securities absorbed by the Federal Reserve Banks and the remaining \$13.5 billions by means of securities absorbed by commercial banks.

A reduction in member bank reserve requirements during the year would not change the total required borrowing of \$22 billions from commercial and Federal Reserve Banks combined, but would increase somewhat the commercial bank portion and decrease somewhat the Federal Reserve Bank portion of the total. The bank borrowing program developed during the remainder of this section is that which would be required in the event that member bank reserve requirements are not decreased and would have to be appropriately adjusted to allow for any decrease in member bank reserve requirements which may take place.

The bulk of the \$8.5 billions of securities to be acquired by the Federal Reserve Banks, if member bank reserve requirements

* Memorandum entitled "Developing a Borrowing Program for the Calendar Year 1944".

- 18 -

are not decreased, ought to consist of Treasury bills, as these highly-liquid low-yielding securities are ideally suited for a central bank portfolio. This is especially true in the present case as \$6.0 billions of the total of \$8.5 billions of estimated purchases by Federal Reserve Banks would be for the purpose of offsetting an increase of money in circulation and a decrease in monetary gold stock.

It would not be practical, however, to plan on the entire increase in the Federal Reserve portfolio consisting of bills. Ample leeway must be provided for the Federal Reserve Banks to acquire other securities for the purpose of clearing up temporary weaknesses (i.e., weaknesses caused by other factors than the need for additional reserves) in the yield curve, and to provide "ammunition" for possible future adjustments of the yield curve in the opposite direction.

Giving weight to these considerations, it would seem reasonable to estimate that the increase in the Federal Reserve portfolio during 1944, in the absence of a reduction in reserve requirements, would consist of \$6.0 billions of bills, \$1.5 billions of certificates, \$0.5 billions of notes, and \$0.5 billions of bonds. This estimated distribution of the increase in the Federal Reserve portfolio during 1944 is compared with the actual increase during 1943 in the following table:

- 19 -

| | <u>1943-Actual</u> | : <u>1944-Estimated</u> |
|-------------------|--------------------------|-------------------------|
| | (In billions of dollars) | |
| Bills..... | +5.8 | +6.0 |
| Certificates..... | +1.4 | +1.5 |
| Notes..... | -.7 | +5 |
| Bonds..... | <u>-1.2</u> | <u>+5</u> |
| Total | +5.4 | +8.5 |

Note: Figures do not necessarily add to totals due to rounding.

The next thing to consider is the appropriate distribution among classes of securities of a \$13.5 billions increase in commercial bank holdings of Government securities in 1944. The primary consideration in determining this distribution is the maintenance of the liquidity of the banking system at a level at least as high as that which existed at the end of 1943. The following table shows how such an increase in commercial bank holdings of Government securities in 1944 would have to be distributed (1) in order to maintain the same relationship between holdings of bills, certificates, notes, and bonds as existed at the end of 1943, and (2) in order to distribute the increase in total Government security holdings in 1944 among these classes of securities in the same manner as the increase in commercial bank portfolios

- 20 -

was distributed during the calendar years 1942 and 1943. The last column of the table shows the mean between these two distributions.

Hypothetical Distribution by Classes of Securities
of the Increase in Commercial Bank Holdings of
United States Securities During the Calendar Year 1944

| | Based on December 31, 1943 distribution | Based on 1942-43 increase | Mean |
|-----------------------|---|---------------------------------|-------|
| (Billions of dollars) | | | |
| Bills | +1.1 | +1.4 | +1.2 |
| Certificates | +3.1 | +4.8 | +4.0 |
| Notes | +2.1 | +1.2 | +1.6 |
| Bonds | +7.2 | +6.1 | +6.7 |
| Total | +13.5 | +13.5 | +13.5 |

Combining the mean column in the above table with the distribution of the increase in the Federal Reserve portfolio previously developed, a distribution of the entire \$22 billions of Government securities to be absorbed by commercial and Federal Reserve Banks during 1944 may be arrived at as shown in the following table. This distribution is, of course, based on the assumption of no decrease in member bank reserve

- 21 -

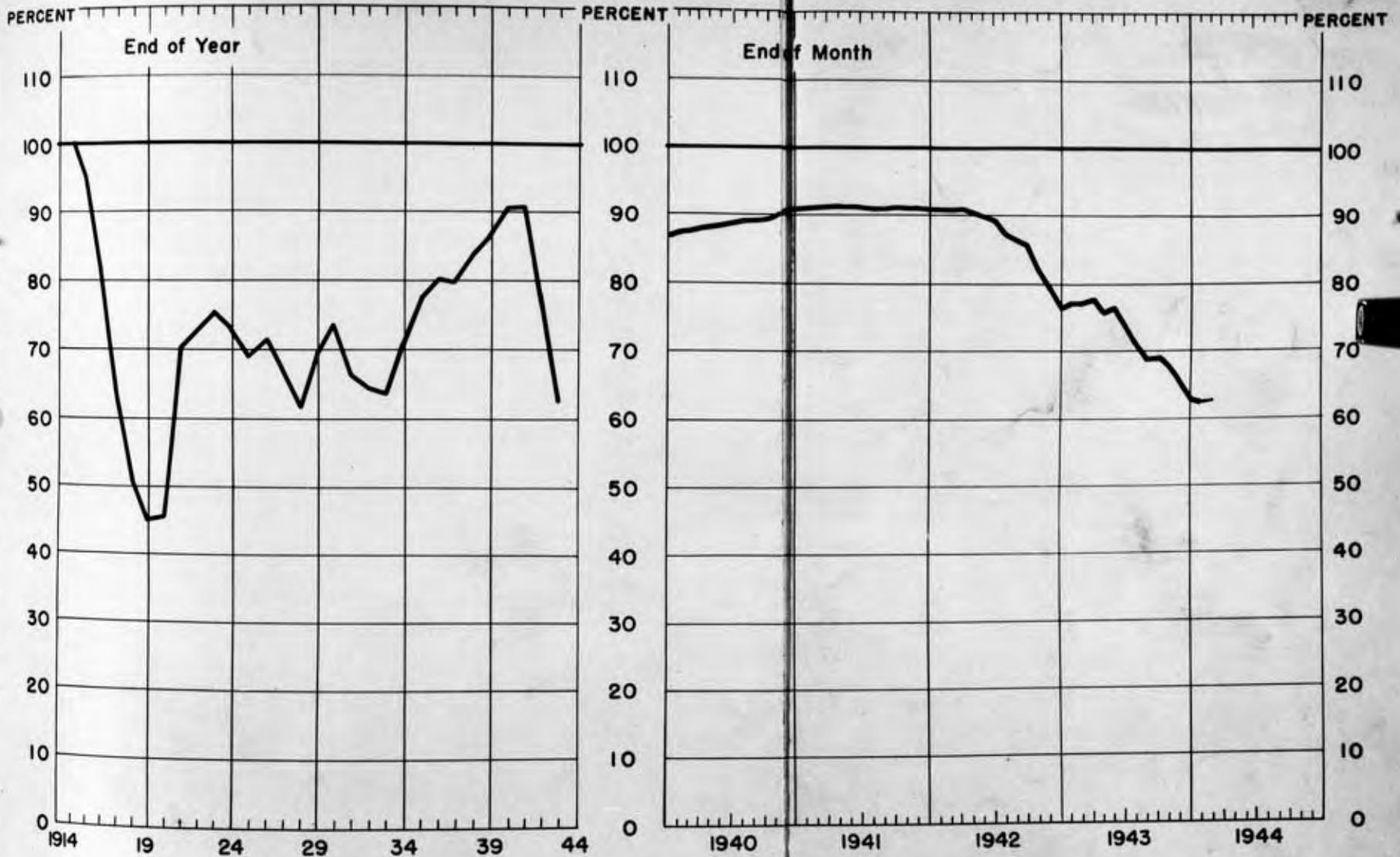
requirements during the year and would have to be adjusted appropriately should such a decrease be decided upon.

| | : Federal : Reserve : Banks : | : Commercial : banks : | : Total : |
|-----------------------|--|------------------------------|--------------|
| (Billions of dollars) | | | |
| Bills | 6.0 | 1.2 | 7.2 |
| Certificates | 1.5 | 4.0 | 5.5 |
| Notes | .5 | 1.6 | 2.1 |
| Bonds | <u>.5</u> | <u>6.7</u> | <u>7.2</u> |
| Total | 8.5 | 13.5 | 22.0 |

It is clear from the above table that, unless member bank reserve requirements are going to be radically reduced during the year, early action is required with respect to increasing the outstanding amount of Treasury bills. Moreover, even if such a reduction is contemplated, a substantial bill program would still be required. The \$7 billions bill program suggested in an accompanying memorandum calls for an increase of \$100 millions a week in the outstanding amount of bills commencing on April 6 and of \$200 millions a week commencing on June 1.

Attachment

RATIO OF RESERVE HELD TO COMBINED DEPOSIT AND NOTE LIABILITIES OF FEDERAL RESERVE BANKS



Draft of March 8, 1944.

Outlook for Sources of Funds for Federal Borrowing
during the Calendar Year 1944

A separate memorandum entitled "Developing a Borrowing Program for the Calendar Year 1944" develops estimates of receipts, expenditures, and the Federal deficit for the calendar year. In that memorandum the deficit for the calendar year is estimated at \$56.6 billions, derived as shown below. The figures include both budgetary items and net Treasury outlays to Government corporations.

| | | (In billions of dollars) |
|------------------------------|------------|-----------------------------|
| War expenditures..... | 91.8 | |
| Nonwar expenditures..... | <u>7.5</u> | |
| Total expenditures..... | | 99.2 |
| Net receipts <u>1</u> /..... | | <u>42.6</u> |
| Deficit..... | | <u>56.6</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

1/ Including Revenue Act of 1943.

In planning a net borrowing program of the magnitude of over \$56 billions, it is necessary to bring together all of the available information on the probable nonbank funds which will become available during the year for the purchase of Federal securities. This means that a searching

- 2 -

analysis must be made of the income producing activities of the country, in order to trace the flow of incomes to the broad groups of individuals and business receiving them. The disposition of these incomes as between (1) tax payments and amounts spent for goods and services, and (2) liquid savings and accumulations, is the final step before estimates of the net absorption of Federal securities by investor groups can be made.

This memorandum presents such an analysis of income for the calendar year 1944. The analysis is divided into two parts, as follows: (1) Value of production and gross income flow, and (2) Liquid savings placed in Federal securities by the various investor groups. It should be understood at the outset that some of the data needed for the present analysis are not complete. It has been necessary to fill in occasional details with estimates which are fairly indicative of the general magnitudes involved even though based on incomplete underlying information.

I. Value of Production and Gross Income Flow

The gross national product - or total output of goods and services - during the calendar year 1944 is tentatively estimated at \$197.7 billions. In Table 1, below, this total output is classified by purchasers, namely, the Federal Government, State and local governments, and private purchasers.

- 3 -

Table 1. Gross National Product, Classified
by Purchasers
Calendar Year 1944
(In billions of dollars)

| | | |
|---|-------------|--------------|
| 1. Purchases by Federal Government: | | |
| a. War..... | 88.4 | |
| b. Nonwar..... | <u>5.9</u> | |
| c. Total..... | | 94.4 |
| 2. Purchases by State and local governments | | |
| | | 6.9 |
| 3. Purchases by individuals and business: | | |
| a. Capital goods..... | 2.4 | |
| b. Consumers' goods and services..... | <u>94.0</u> | |
| c. Total..... | | <u>96.4</u> |
| 4. Gross national product..... | | <u>197.7</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

The table shows that Federal purchases of goods and services amounting to \$94.4 billions are expected to account for almost half of the total gross national product of \$197.7 billions for the year. A total of \$88.4 billions, or over 90 percent, of the Federal Government's purchases will go for war purposes.

It is estimated that consumers' goods and services will account for \$94.0 billions of the output which is not absorbed by the Federal Government. Private capital goods (including construction, equipment, and increases in the volume of business inventories) will account for another \$2.4 billions. The remaining \$6.9 billions represents estimated purchases

of goods and services by State and local governments.

It will be noted that the estimate of \$94.4 billions for Federal Government purchases of goods and services is \$4.8 billions less than the \$99.2 billions total of estimated Federal expenditures, cited in the table at the beginning of this memorandum. The \$94.4 billions represents only those payments which are made in return for domestic goods and services. In addition, Federal Government expenditures for the calendar year include: (1) \$3.1 billions paid out in the form of pensions, relief, and dependency allowances, which add to the current income stream but do not reflect the current production of goods and services, and (2) \$1.7 billions of miscellaneous items, the payments for which do not contribute to the current income stream. These latter items include payments made outside the country for goods and services produced abroad, purchases of existing assets here at home, and prepayments on war contracts.

The production of \$197.7 billions of goods and services during the calendar year will result in the distribution of a like amount of money incomes. Governmental payments for pensions, relief, and dependency allowances will add another \$3.7 billions to the consumer income stream. Of this amount, \$3.1 billions will come from the Federal Government, as noted in the preceding paragraph, and \$.5 billions will come from State and local governments. The resulting over-all income,

- 5 -

which may be called the gross income flow, will amount to an estimated \$201.4 billions for the calendar year, as shown in Table 2.

Table 2. Gross National Product and Other
Income Producing Factors
Calendar Year 1944

(In billions of dollars)

| | | |
|--|-----------|--------------|
| 1. Gross national product..... | | 197.7 |
| 2. Governmental payments for pensions, relief, and dependency allowances: | | |
| a. Federal Government..... | 3.1 | |
| b. State and local governments..... | <u>.5</u> | <u>3.7</u> |
| 3. Gross income flow..... | | <u>201.4</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

Part of the gross income flow is diverted by business for various purposes, and the remainder results in income payments to individuals. For the calendar year 1944, it is estimated that the gross income flow of \$201.4 billions will be divided between \$47.4 billions diverted by business, \$152.8 billions of income payments to individuals, and \$1.2 billions which cannot be allocated to either of these groups because of insufficient data.

These categories are further analyzed in Table 3. The income diverted by business consists of: (1) current allowances for depreciation, depletion, and other business reserves,

- 6 -

(2) liabilities for direct taxes on corporations and for indirect taxes, (3) employment taxes less social insurance benefits, and (4) corporate retained earnings. Net income from unincorporated business is included in income payments to individuals, in line with the Commerce Department practice for national income purposes. Similarly, throughout this memorandum, individuals are defined to include partnerships, personal trust accounts, and unincorporated business.

Table 3. Gross Income Flow
Classified by Major Recipients
Calendar Year 1944
(In billions of dollars)

| | | |
|----|--|--------------|
| 1. | Diverted by business: | |
| | a. Current allowances for business reserves.. | 10.6 |
| | b. Business tax liabilities: | |
| | (1) Direct taxes on corporations..... | 15.3 |
| | (2) All indirect taxes..... | 13.2 |
| | c. Employment taxes less benefits..... | 3.4 |
| | d. Corporate retained earnings..... | 4.8 |
| | e. Total..... | 47.4 |
| 2. | Income payments to individuals: | |
| | a. Wages and salaries..... | 108.0 |
| | b. Net income from unincorporated business: | |
| | (1) Farm..... | 13.5 |
| | (2) Other..... | 11.6 |
| | c. Dividends and interest..... | 10.8 |
| | d. Rents and royalties..... | 3.7 |
| | e. Other income, including pensions, relief, and dependency allowances..... | 5.2 |
| | f. Total..... | 152.8 |
| 3. | Unallocated..... | 1.2 |
| 4. | Gross income flow..... | <u>201.4</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

- 7 -

The lower part of Table 3 shows that wages and salaries, estimated at \$108.0 billions, account for over two-thirds of total income payments to individuals during the current calendar year. Net income from unincorporated business (both farm and non-farm), dividends and interest, rents and royalties, and other income (including pensions, relief, dependency allowances, and social insurance benefits), make up the remainder of the estimated \$152.8 billions of income payments to individuals during 1944.

The next step in the analysis of the sources of funds for Federal borrowing is an examination of the broad categories of income in Table 3 to discover how much is spent, how much is paid out in taxes, and how much is saved. Table 4 presents this analysis for the calendar year 1944.

- 8 -

Table 4. Uses Made of Gross Income Flow
Calendar Year 1944
(In billions of dollars)

| | : : Spendings : | : : Taxes : | : Liquid : savings : and : accumu- : lations | : Total : income : flow |
|--|-----------------------|-------------------|--|-------------------------------|
| 1. Income diverted by business: | | | | |
| a. Purchases of capital goods..... | 1.8 | - | - | |
| b. Business taxes paid: | | | | |
| (1) Direct taxes on corporations.... | - | 15.6 | - | |
| (2) All indirect taxes..... | - | 13.1 | - | |
| c. Employment taxes less benefits..... | - | 3.4 | - | |
| d. Liquid corporate accumulations..... | - | - | 13.5 | |
| e. Total..... | 1.8 | 32.1 | 13.5 | 47.4 |
| 2. Income payments to individuals: | | | | |
| a. Consumers' spendings | 94.6 | - | - | |
| b. Direct taxes paid by individuals..... | - | 20.8 | - | |
| c. Liquid savings of individuals..... | - | - | 37.4 | |
| d. Total..... | 94.6 | 20.8 | 37.4 | 152.8 |
| 3. Unallocated accumulations | - | - | 1.2 | 1.2 |
| 4. Gross income flow..... | 96.4 | 52.9 | 52.1 | 201.4 |

The table shows that \$96.4 billions of the gross income flow is used for the purchase of goods and services by business and individuals. A total of \$52.9 billions is paid out in

- 9 -

taxes, and private liquid savings and accumulations account for the remaining \$52.1 billions.

The total for taxes must in turn be analyzed to determine how much is spent and how much goes into liquid accumulations. Table 5 provides such an analysis of spendings and savings for three governmental categories, namely, State and local governments, the social insurance system (which is viewed as a separate group in the present analysis) and the Federal Government.

Table 5. Uses Made of Taxes Paid from the
Gross Income Flow
Calendar Year 1944
(In billions of dollars)

| | : Spendings : | : Liquid : : savings : : and : : accumu- : : lations : | : Total : : taxes : |
|---|---------------|--|------------------------|
| 1. State and local governments: | | | |
| a. Purchases of goods and services..... | 6.9 | - | |
| b. Pensions and relief..... | .5 | - | |
| c. Liquid surpluses..... | - | 2.4 | |
| d. Total..... | 7.5 | 2.4 | 9.9 |
| 2. Social insurance funds: | | | |
| a. Current accumulations..... | - | 3.2 | 3.2 |
| 3. Federal Government: | | | |
| a. Purchases of goods and services..... | 94.4 | - | |
| b. Pensions, relief, and dependency allowances..... | 3.1 | - | |
| c. Deficiency..... | - | -57.7 | |
| d. Total..... | 97.5 | -57.7 | 39.8 |
| 4. Total..... | 105.0 | -52.1 | 52.9 |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

- 10 -

The table shows that State and local governments will have liquid surpluses of \$2.4 billions and that social insurance funds will have current accumulations of \$3.2 billions. The Federal Government, on the other hand, will be paying out far more on expenditures contributing to the gross income flow than will be received in taxes from the gross income flow. The excess spending of \$57.7 billions for the Federal Government is labeled in the table as a "deficiency", a term selected for convenience to represent the Federal Government's lack of balance in connection with the gross income flow.

The Federal deficiency of \$57.7 billions shown in Table 5 is slightly higher than the Federal deficit of \$56.6 billions referred to at the beginning of this memorandum. The difference represents Federal operations not reflected in the gross income flow. Federal receipts not arising from the current income stream are estimated at \$2.8 billions, mostly resulting from contract renegotiation. Federal expenditures not contributing to the flow of income are estimated at \$1.7 billions. There is thus a net excess of \$1.1 billions of receipts in this category, which explains the fact that the Federal deficit is \$1.1 billions lower than the Federal deficiency.

The Federal deficiency of \$57.7 billions is exactly matched by the total of liquid savings and accumulations made

- 11 -

throughout the economy. Private liquid savings and accumulations shown in Table 4 aggregate \$52.1 billions, while Table 5 shows that current surpluses of State and local governments amount to \$2.4 billions and social insurance accumulations total \$3.2 billions. The sum of these items is \$57.7 billions. The figures thus bring out the fact that the Federal deficiency is matched by the liquid savings and accumulations made by everybody else. Table 6 summarizes this relationship, and itemizes the amounts of liquid savings and accumulations by investor classes. The uses made of these funds by the various classes of investors will be discussed in Part II of this memorandum.

Table 6

Relation of Federal Deficiency to Current Liquid
Savings and Accumulations,
Calendar Year 1944
(In billions of dollars)

| | | | | |
|---|-------------|--|--------------|--------------|
| A. Federal Government: | | B. Individuals, business, and State and local governments: | | |
| 1. Expenditures producing income..... | 97.5 | 1. Gross income flow..... | | 201.4 |
| 2. Less: Taxes received from gross income flow..... | <u>39.8</u> | 2. Less: | | |
| | | a. Federal taxes paid..... | | 39.8 |
| 3. Equals: Federal deficiency..... | <u>57.7</u> | b. Spendings: | | |
| | | (1) Individuals and business..... | 96.4 | |
| | | (2) State and local governments..... | <u>7.5</u> | |
| | | (3) Total..... | <u>103.8</u> | <u>143.7</u> |
| | | 3. Equals: Current liquid savings and accumu- lations..... | | <u>57.7</u> |
| C. Recapitulation of current liquid savings and accumulations: | | | | |
| | | Individuals..... | 37.4 | |
| | | Corporations..... | 13.5 | |
| | | State and local governments..... | 2.4 | |
| | | Social insurance funds..... | 3.2 | |
| | | Unallocated..... | 1.2 | |
| | | Total..... | <u>57.7</u> | |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

- 13 -

II. Liquid Savings Placed in Federal Securities, by Investor Groups

In this section, liquid savings of the various investor groups are further analyzed in relation to the amounts of Federal securities absorbed. Data are presented covering the experience in the calendar year 1943, and schedules are set out for the calendar year 1944 based on the borrowing program of \$72.3 billions discussed in the separate memorandum entitled "Developing a Borrowing Program for the Calendar Year 1944." It is assumed that the Fourth War Loan pattern is to be followed in the Fifth and Sixth Loans. If the sales organization should sell considerably more securities than in the recent past, the figures would of course need to be changed. It is to be hoped that this will occur but for planning purposes it is more prudent to assume assured performance.

The borrowing program is as follows:

| | | (In billions of dollars) |
|--|-------------|-----------------------------|
| Continuing program: | | |
| Savings bonds..... | 5.4 | |
| Savings notes..... | 2.1 | |
| Security sales to Federal agencies and trust funds..... | 5.1 | |
| Limited sales to commercial banks on basis of savings deposits... | <u>1.0</u> | |
| Total continuing program..... | | 13.7 |
| War loans: | | |
| Fourth War Loan..... | 16.7 | |
| Fifth War Loan (June-July)..... | 16.6 | |
| Sixth War Loan (November-December) | <u>17.3</u> | |
| Total war loans..... | | 50.6 |
| Direct bank financing program..... | | <u>8.0</u> |
| Total..... | | <u>72.3</u> |

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

- 14 -

The two calendar years under consideration divide themselves into five financing periods, each period ending with a war loan as follows:

| | |
|--|-----------------|
| January - April 1943 ^{1/} | Second War Loan |
| May through October 16, 1943..... | Third War Loan |
| October 17, 1943 through February 1944.. | Fourth War Loan |
| March - July 1944..... | Fifth War Loan |
| August - December 1944..... | Sixth War Loan |

The analysis which follows considers the financing situation in these five periods.

It is important to keep in mind the fact that the 1944 financing is planned with three war loans in view, as compared with only two in the preceding calendar year. Each war loan succeeds in mopping up part of a large volume of funds which has been accumulating since the preceding drive, so that the timing of the drives as well as their number has a significant effect on the figures for any given financing period. This effect is particularly marked in the comparisons made in this memorandum between the full calendar years 1943 and 1944, since drives are scheduled for the beginning, the middle, and the end of the current year, in sharp contrast with the timing of the two war loans in 1943. Most of the better showing made by the 1944 estimates of the net absorption of Federal securities by the various groups of nonbank investors must be attributed to the difference in timing in the war loan program for this year.

^{1/} Figures include the war loan carryover into May.

- 15 -

1. Individuals (including partnerships, personal trust accounts and unincorporated business).

Table 7 shows estimates of the amount of liquid savings made by individuals in each of the five financing periods under consideration and for the full calendar years 1943 and 1944. Savings invested in insurance, savings accounts, debt repayment, and non-Federal securities are listed. The total of these specified items is then subtracted and amounts received by individuals from conversions of non-liquid assets are added to arrive at "net savings available". This estimate represents the new savings which are either invested in Federal securities or placed in currency and checking accounts. The size of net savings available varies in the different financing periods, depending on the length of time involved as well as on the basic factors associated with the savings of individuals.

The net absorption of Federal securities is tentatively estimated at 50 percent of the net savings available in the most recent period, the four and one-half months running from October 17, 1943 through February 1944. The details are brought out in Part B of Table 7, in which an analysis is made of the net absorption of Federal securities by individuals. Securities other than bills are analyzed in terms of gross purchases from the Treasury and of maturities, redemptions, and market sales. Net changes in holdings of Treasury bills are shown separately, because it is convenient to treat bills on a net change basis rather than to analyze gross transactions.

Table 7

Individuals: Current Liquid Savings and Federal Securities Absorbed
By Financing Periods, 1943-1944
(In billions of dollars)

| | 1943 | | | 1944 | | | Total | |
|---|-----------------|------------------|------------------|----------------|----------------|-----------------------|-------|--|
| | Jan.- April: | May- Oct. 16: | Oct. 17- Feb. | Mar.- July: | Aug.- Dec.: | calendar year 1943 | 1944 | |
| A. Relation of current savings to Federal securities absorbed: | | | | | | | | |
| 1. Total liquid savings of individuals..... | 11.5 | 14.4 | 13.6 | 15.0 | 15.6 | 32.8 | 37.4 | |
| 2. Less: | | | | | | | | |
| a. Insurance: | | | | | | | | |
| (1) Private life insurance..... | 1.1 | 1.4 | 1.2 | 1.4 | 1.4 | 3.2 | 3.3 | |
| (2) Federal insurance 1/..... | .1 | .5 | .3 | .6 | .4 | .8 | 1.0 | |
| b. Savings accounts: | | | | | | | | |
| (1) Savings banks..... | .3 | .4 | .4 | .6 | .6 | 1.1 | 1.2 | |
| (2) Commercial banks (time deposits)..... | .8 | 1.2 | 1.1 | 1.7 | 1.8 | 2.9 | 3.8 | |
| (3) Postal savings..... | .1 | .2 | .2 | .2 | .2 | .4 | .4 | |
| c. Debt repayment..... | .9 | .4 | .1 | .3 | .2 | 1.3 | .7 | |
| d. Non-Federal securities 2/..... | .1 | -.1 | -.1 | -.1 | * | -.1 | -.1 | |
| e. Total..... | 3.5 | 4.0 | 3.1 | 4.7 | 4.5 | 9.5 | 10.4 | |
| 3. Plus: Conversions of non-liquid assets, etc. 3/..... | .6 | .9 | .2 | .3 | .3 | 1.7 | .6 | |
| 4. Equals: Net savings available..... | 8.7 | 11.3 | 10.7 | 10.6 | 11.3 | 25.0 | 27.6 | |
| 5. Percent invested in Federal securities..... | 65% | 60% | 50% | 52% | 55% | 53% | 58% | |
| 6. Net absorption of Federal securities..... | 5.6 | 6.8 | 5.3 | 5.5 | 6.0 | 13.2 | 16.0 | |
| B. Analysis of net absorption of Federal securities: | | | | | | | | |
| 1. Securities other than bills: | | | | | | | | |
| a. Purchases from Treasury: | | | | | | | | |
| (1) War loans..... | 3.2 | 5.4 | 5.3 | 5.1 | 5.8 | 8.5 | 16.2 | |
| (2) Continuing..... | 3.1 | 3.8 | 2.0 | 2.5 | 2.5 | 8.9 | 5.0 | |
| (3) Total..... | 6.3 | 9.1 | 7.3 | 7.6 | 8.3 | 17.4 | 21.2 | |
| b. Less: Redemptions and cash maturities.... | .6 | 1.4 | 1.4 | 1.4 | 1.6 | 3.0 | 3.4 | |
| c. Equals: Net acquisitions from Treasury... | 5.7 | 7.7 | 6.0 | 6.2 | 6.7 | 14.4 | 17.8 | |
| d. Market transactions..... | -.1 | -.9 | -.7 | -.7 | -.7 | -1.3 | -1.7 | |
| e. Net absorption other than bills..... | 5.6 | 6.8 | 5.3 | 5.5 | 6.0 | 13.2 | 16.0 | |
| 2. Bills (net change in holdings)..... | * | * | * | * | * | * | * | |
| 3. Net absorption of Federal securities..... | 5.6 | 6.8 | 5.3 | 5.5 | 6.0 | 13.2 | 16.0 | |
| Memorandum item: Funds placed in currency and checking accounts by individuals. | 3.1 | 4.6 | 5.4 | 5.1 | 5.3 | 11.8 | 11.6 | |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

1/ Principally military insurance.

2/ Including savings and loan association shares.

3/ Comprises principally sale of land and buildings to the Government or to corporations, and the run-off of inventories of unincorporated business; includes also a minor amount of unallocated items.

- 17 -

For the October 17 - February period, the table shows that gross purchases of securities other than bills consisted of \$5.3 billions during the Fourth War Loan and \$2.0 billions before the drive, making total gross purchases from the Treasury of \$7.3 billions. Redemptions and cash maturities of securities other than bills are estimated at \$1.4 billions and market sales at \$.7 billion, leaving \$5.3 billions as the estimated net absorption. Net changes in holdings of bills are negligible.

The estimated net absorption of 50 percent in the October 17 - February period reflects a continued decrease in this ratio. In the January - April period last year, the ratio was 65 percent. In the May - October 16, 1943 period, it fell to 60 percent. The further decline to 50 percent brings out the continued tendency of individuals to place a large volume of new savings in currency and checking accounts.

For the March - July financing period this year it is assumed that the ratio will be increased slightly to 52 percent with a further increase to 55 percent in the August - December period. This would call for sales to individuals of \$5.1 billions in the Fifth War Loan, and \$5.8 billions in the Sixth Loan.

It is to be hoped that these estimates may be improved. From the point of view of controlling inflationary forces, it is discouraging to contemplate the further large increases in

- 18 -

currency and checking accounts in the hands of individuals which will take place this year under the schedule worked out in Table 7. For the year as a whole, the increase is estimated at \$11.6 billions, almost exactly the same as the figure for the calendar year 1943.

2. Insurance companies

The volume of sales of securities to insurance companies is largely determined by the amount of new savings of individuals placed in life insurance. Table 8 shows estimates of individuals' net investment in private life insurance during the financing periods under consideration, in order to develop estimates of the amount of Federal securities which may be absorbed by insurance companies. In addition, Table 8 shows the net amounts placed in Federal securities by insurance companies through conversion of other assets, including the full amounts invested in Federal securities by property insurance companies.

Conversions of other assets to Federal securities by insurance companies seem to be declining. The figures for the calendar year summaries shown in the table obscure certain conversion operations which have taken place at the time of the war loan drives. As savings are placed in life insurance regularly and war loan drives are held only intermittently, insurance

Table 8

Insurance Companies: Current Liquid Savings
Received and Federal Securities Absorbed
By Financing Periods, 1943 - 1944
(In billions of dollars)

| | 1943 | | 1943-44 | | 1944 | | Total |
|---|---------------|----------------|-----------------|--------------|--------------|---------------|-------------|
| | Jan.-: April: | May-: Oct. 16: | Oct. 17-: Feb.: | Mar.-: July: | Aug.-: Dec.: | calendar year | |
| | 1943 | | 1944 | | 1944 | | 1943 : 1944 |
| A. Relation of current accumulations to Federal securities absorbed: | | | | | | | |
| 1. Liquid savings of individuals received..... | 1.1 | 1.4 | 1.2 | 1.4 | 1.4 | 3.2 | 3.3 |
| 2. Conversion of other assets into Federal securities <u>1/</u> | .7 | .2 | .4 | .3 | .2 | .5 | 1.4 |
| 3. Net absorption of Federal securities..... | 1.8 | 1.6 | 1.6 | 1.7 | 1.6 | 3.7 | 4.7 |
| B. Analysis of net absorption of Federal securities: | | | | | | | |
| 1. Securities other than bills: | | | | | | | |
| a. Purchases from Treasury: | | | | | | | |
| (1) War loans..... | 2.4 | 2.6 | 2.1 | 2.2 | 2.1 | 5.0 | 6.4 |
| (2) Continuing..... | .2 | .1 | * | * | * | .3 | * |
| (3) Total..... | 2.6 | 2.7 | 2.1 | 2.2 | 2.1 | 5.3 | 6.4 |
| b. Less: Redemptions and cash maturities.... | * | .1 | * | * | * | .1 | .1 |
| c. Equals: Net acquisitions from Treasury.... | 2.5 | 2.7 | 2.1 | 2.2 | 2.1 | 5.2 | 6.4 |
| d. Market transactions..... | -.7 | -1.1 | -.5 | -.5 | -.5 | -1.6 | -1.7 |
| e. Net absorption other than bills..... | 1.9 | 1.6 | 1.6 | 1.7 | 1.6 | 3.6 | 4.7 |
| 2. Bills (net change in holdings) | * | * | * | * | * | * | * |
| 3. Net absorption of Federal securities..... | 1.8 | 1.6 | 1.6 | 1.7 | 1.6 | 3.7 | 4.7 |

Office of the Secretary of the Treasury,
Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

1/ Including property insurance companies.

- 20 -

companies are obliged to invest these savings in other assets (principally cash) prior to drives, converting them into Federal securities during the drives. Therefore, calendar year 1944 conversions appear relatively large simply because there are three war loans scheduled, regardless of the declining trend.

In the lower part of Table 8, estimates of the gross operations of insurance companies in Federal securities and the net absorption of Federal issues by these companies are shown. It will be noted that the estimates reflect a substantial reduction in market sales of securities by insurance companies in the October 17 - February period as compared with the May - October 16 period of last year. It is assumed that market sales in the next two war loan periods will hold at approximately the level which prevailed in the period ending with the Fourth War Loan.

Estimated sales to insurance companies in the Fifth War Loan amount to \$2.2 billions, as compared with \$2.1 billions in the Fourth War Loan. The estimate for the Sixth War Loan is \$2.1 billions.

3. Savings banks

In Table 9, the analysis which was applied to insurance companies in Table 8 is carried through for savings banks.

- 21 -

Table 9

Savings Banks: Current Liquid Savings Received and Federal Securities Absorbed, by Financing Periods, 1943-1944

(In billions of dollars)

| | 1943 | 1943-44 | 1944 | Total | | |
|---|-----------------|----------|-----------------|---------------|-------|-----------|
| | Jan.-: May- | Oct. 17- | Mar.-: Aug.- | calendar year | | |
| | April: Oct. 16: | Feb.: | July: | Dec.: | 1943: | 1944 |
| A. Relation of current accumulations to Federal securities absorbed: | | | | | | |
| 1. Liquid savings of individuals..... | .3 | .4 | .4 | .6 | .5 | 1.1 1.2 |
| 2. Conversion of other assets into Federal securities..... | .4 | .3 | .2 | .2 | .2 | .5 .8 |
| 3. Net absorption of Federal securities..... | .7 | .7 | .7 | .8 | .7 | 1.5 2.0 |
| B. Analysis of net absorption of Federal securities: | | | | | | |
| 1. Securities other than bills: | | | | | | |
| a. Purchases from Treasury: | | | | | | |
| (1) War loans..... | 1.2 | 1.5 | 1.3 | 1.4 | 1.3 | 2.7 4.0 |
| (2) Continuing..... | .1 | .1 | * | * | * | .2 * |
| (3) Total..... | 1.3 | 1.6 | 1.3 | 1.4 | 1.3 | 2.9 4.0 |
| b. Less: Redemptions and cash maturities..... | * | * | * | * | * | * .1 |
| c. Equals: Net acquisitions from Treasury.... | 1.3 | 1.6 | 1.3 | 1.4 | 1.3 | 2.9 3.9 |
| d. Market transactions..... | -.6 | -.9 | -.6 | -.6 | -.6 | -1.4 -1.9 |
| e. Net absorption other than bills..... | .7 | .7 | .7 * | .7 | .7 | 1.5 2.0 |
| 2. Bills (net change in holdings)..... | * | * | * | * | * | * * |
| 3. Net absorption of Federal securities..... | .7 | .7 | .7 | .8 | .7 | 1.5 2.0 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

- 22 -

It seems likely that the rate at which individuals now appear to be adding to their savings accounts will continue during the remainder of the year. For 1944 as a whole, it is estimated that deposits will increase by \$1.2 billions, a figure which compares with an increase of \$1.1 billions in the calendar year 1943. Conversion of other assets to Federal securities is expected to be a minor factor during the remainder of this year, even though, as in the case of insurance companies, the calendar year figures alone obscure this trend because of heavy conversions during war loan periods.

The lower part of Table 9 shows that the net absorption of Federal securities by savings banks will continue at a high level. Gross purchases of Federal securities will be partially offset by a fairly high volume of market sales, although it is estimated that such sales will be considerably lower than the peak reached in the period ending with the Third War Loan. Estimated savings bank purchases in the Fifth War Loan amount to \$1.4 billions or about the same as in the Fourth War Loan. Purchases during the Sixth War Loan are estimated at \$1.3 billions.

4. Other corporations and associations

This class of investors is made up of the large non-financial corporate group, various associations such as building and loan associations, fraternal benefit societies and eleemosynary institutions.

- 23 -

Table 10

Other Corporations and Associations: Current Liquid Accumulations
and Federal Securities Absorbed
by Financing Periods, 1943-1944

(In billions of dollars)

| | 1943 | 1943-44 | 1944 | Total | | | |
|--|-----------------|------------------|--------------------|-----------------|-----------------|---------------|------|
| | Jan.- April: | May- Oct. 16: | Oct. 17- Feb. : | Mar.- July : | Aug.- Dec. : | calendar year | |
| | 1943 | 1943 | 1944 | 1943 | 1944 | 1943 | 1944 |
| A. Relation of current accumulations to Federal securities absorbed: | | | | | | | |
| 1. Total liquid accumulations of corporations ¹ / _{...} | 6.4 | 6.9 | 7.7 | 4.4 | 5.3 | 17.2 | 13.5 |
| 2. Percent represented by net absorption of Federal securities..... | 70% | 61% | 44% | 47% | 50% | 48% | 64% |
| 3. Net absorption of Federal securities..... | 4.5 | 4.2 | 3.4 | 2.1 | 2.6 | 8.2 | 8.6 |
| B. Analysis of net absorption of Federal securities: | | | | | | | |
| 1. Securities other than bills: | | | | | | | |
| a. Purchases from Treasury: | | | | | | | |
| (1) War loans..... | 5.0 | 7.0 | 6.7 | 6.6 | 7.1 | 12.0 | 20.4 |
| (2) Continuing..... | 1.8 | 1.9 | 1.1 | 1.3 | 1.3 | 4.8 | 2.5 |
| (3) Total..... | 6.8 | 8.9 | 7.8 | 7.9 | 8.4 | 16.8 | 23.0 |
| b. Less: Redemptions and cash maturities..... | 1.6 | 2.9 | 2.3 | 3.9 | 3.9 | 6.3 | 8.4 |
| c. Equals: Net acquisitions from Treasury..... | 5.1 | 6.0 | 5.5 | 4.0 | 4.5 | 10.5 | 14.6 |
| d. Market transactions..... | -.6 | -1.9 | -2.0 | -2.0 | -2.0 | -2.5 | -6.0 |
| e. Net absorption other than bills..... | 4.5 | 4.1 | 3.5 | 2.0 | 2.5 | 8.0 | 8.6 |
| 2. Bills (net change in holdings)..... | * | .1 | -.1 | .1 | .1 | .3 | * |
| 3. Net absorption of Federal securities..... | 4.5 | 4.2 | 3.4 | 2.1 | 2.6 | 8.2 | 8.6 |
| Memorandum item: Liquid accumulations of corporations not represented by net absorption of Federal securities..... | 1.9 | 2.7 | 4.3 | 2.3 | 2.6 | 8.9 | 4.9 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

¹/ No data are available on the current liquid accumulations of associations, but they are negligible in comparison with the accumulations of corporations.

- 24 -

Table 10 presents data on new liquid accumulations of corporations and on the absorption of Federal securities by the broader group of corporations and associations just described. Liquid accumulations of corporations are continuing at a high level although a slight downward trend is expected as tax payments catch up with tax liabilities and as inventory liquidations become less significant. For the calendar year 1944, corporate accumulations are estimated at \$13.5 billions, as compared with \$17.2 billions for the calendar year 1943. No separate figures are available on the accumulations of associations, but the amounts involved are negligible in comparison with the figures for corporations.

Table 10 shows that net absorption of Federal securities by corporations and associations is estimated at approximately 44 percent of the net accumulations of corporations alone in the financing period ending with the Fourth War Loan. This percentage is sharply reduced from the 61 percent shown in the May - October 16 period last year, and compares even less favorably with the 70 percent figure for January - April 1943. The declining trend is presumably due in large part to the fact that the early war loans were able to draw on certain nonrecurring old accumulations.

For the March - July period this year, it is assumed that corporations will invest 47 percent of their new funds

- 25 -

in Federal securities. This is increased to 50 percent in the August - December period. Sales to corporations and associations in the Fifth War Loan are estimated at \$6.6 billions, and in the Sixth War Loan at \$7.1 billions. These figures compare with \$6.7 billions of sales in the Fourth War Loan.

Although statistics are not available on the other ways in which corporations have used their liquid accumulations, it is known that significant amounts have been applied to the reduction of corporate debt and to the improvement of the working capital position. The totals for such items as a group are shown in the memorandum item at the bottom of Table 10.

5. Dealers and brokers

It is convenient to classify dealers and brokers separately in this analysis, although most of their purchases of securities represent temporary acquisitions which are designed for ultimate sale to other investors. Purchases of securities in the Fourth War Loan by dealers and brokers amounted to \$.4 billions as compared with about \$.9 billions each in the Second and Third War Loans. This reduction reflected a conscious effort on the part of the Treasury to reduce speculation and indirect bank participation in the

- 26 -

Table 11

Dealers and Brokers: Federal Securities Absorbed
By Financing Periods, 1943-1944
(In billions of dollars)

| | 1943 | | 1944 | | Total | | |
|--|------------------|------------------|----------------|----------------|----------------|-----------------------|------|
| | Jan.- April: | May- Oct. 16: | Jan.- Feb.: | Mar.- July: | Aug.- Dec.: | calendar year 1943 | 1944 |
| 1. Securities other than bills: | | | | | | | |
| a. Purchases from Treasury: | | | | | | | |
| (1) War loans..... | .9 ^{1/} | .9 | .4 | .5 | .5 | 1.8 | 1.4 |
| (2) Continuing..... | .4 | .1 | * | * | * | .5 | * |
| (3) Total..... | 1.3 | 1.0 | .4 | .5 | .5 | 2.3 | 1.4 |
| b. Less: Redemptions and cash maturities..... | * | * | * | * | * | * | * |
| c. Equals: Net acquisitions from Treasury..... | 1.3 | 1.0 | .4 | .5 | .5 | 2.3 | 1.4 |
| d. Market transactions..... | -.7 | -.7 | -.8 | -.5 | -.5 | -2.1 | -1.2 |
| e. Net absorption other than bills..... | .6 | .2 | -.4 | * | * | .2 | .2 |
| 2. Bills (net change in holdings)..... | * | * | * | * | * | * | * |
| 3. Net absorption of Federal securities..... | .6 | .2 | -.4 | * | * | .2 | .2 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

^{1/} The published figure was \$.5 billions, which excluded \$.4 billions distributed or earmarked by dealers and brokers for distribution to nonbank investors.

- 27 -

Fourth War Loan. For the present analysis, it is assumed that dealers and brokers will purchase about \$.5 billions in each of the next two war loans, as is indicated in Table 11.

Market sales by dealers and brokers have sometimes been less than acquisitions from the Treasury so that net increases in holdings were shown, while at other times market sales more than balanced new purchases. For the remainder of this year it is assumed that market sales will exactly equal new purchases from the Treasury. As shown in the table, only negligible changes in bill holdings by dealers and brokers have occurred during full financing periods, although underlying data indicate that weekly fluctuations have been rather severe.

6. State and local governments

It was pointed out earlier in this memorandum that State and local governments are accumulating substantial surpluses as their revenues continue to exceed expenditures during the wartime period. Table 12 shows the amounts of these surpluses in the five financing periods under consideration and compares them with the net absorption of Federal securities by these investors. A significant proportion of the new surpluses is, of course, used to reduce State and local debts, as evidenced by the fact that State and local securities outstanding are

- 25 -

Table 12

State and Local Governments: Current Surpluses and Federal
Securities Absorbed
By Financing Periods, 1943-1944
(In billions of dollars)

| | 1943 | | 1943-44 | | 1944 | | Total | |
|---|--------|----------|----------|-------|-------|---------------|-------|--|
| | Jan.- | May- | Oct. 17- | Mar.- | Aug.- | calendar year | | |
| | April: | Oct. 16: | Feb.: | July: | Dec.: | 1943: | 1944: | |
| A. Relation of current accumulations to Federal securities absorbed: | | | | | | | | |
| 1. Liquid surpluses..... | 1.2 | 1.0 | 1.0 | 1.1 | .6 | 2.4 | 2.4 | |
| 2. Social insurance accumulations..... | * | * | * | * | * | * | * | |
| 3. Total current accumulations..... | 1.2 | 1.0 | 1.0 | 1.1 | .6 | 2.5 | 2.5 | |
| 4. Less: Surpluses used to retire outstanding debt or increase cash balances..... | .7 | .3 | .3 | .4 | .2 | 1.3 | .6 | |
| 5. Net absorption of Federal securities..... | .5 | .7 | .7 | .7 | .4 | 1.2 | 1.8 | |
| B. Analysis of net absorption of Federal securities: | | | | | | | | |
| 1. Securities other than bills: | | | | | | | | |
| a. Purchases from Treasury: | | | | | | | | |
| (1) War loans..... | .5 | .8 | .8 | .8 | .5 | 1.3 | 2.1 | |
| (2) Continuing..... | * | * | * | * | * | * | * | |
| (3) Total..... | .5 | .8 | .8 | .8 | .5 | 1.3 | 2.1 | |
| b. Less: Redemptions and cash maturities..... | * | * | * | * | * | * | * | |
| c. Equals: Net acquisitions from Treasury..... | .5 | .8 | .8 | .8 | .5 | 1.3 | 2.1 | |
| d. Market transactions..... | * | -.1 | -.1 | -.1 | -.1 | -.1 | -.2 | |
| e. Net absorption other than bills..... | .5 | .7 | .7 | .7 | .4 | 1.2 | 1.8 | |
| | * | * | * | * | * | * | * | |
| 2. Bills (net change in holdings)..... | .5 | .7 | .7 | .7 | .4 | 1.2 | 1.8 | |
| 3. Net absorption of Federal securities..... | .5 | .7 | .7 | .7 | .4 | 1.2 | 1.8 | |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

- 29 -

estimated to have decreased by approximately \$1 billion in the last fiscal year.

Gross purchases of Federal securities in the Fourth War Loan by State and local governments amounted to \$.8 billion and are forecast at \$.8 billion for the Fifth War Loan and \$.5 billion for the Sixth War Loan.

7. Federal agencies and trust funds

Purchases of Federal securities by Federal agencies and trust funds are not included in estimated sales in the Fifth and Sixth War Loans. It is desirable, however, to take account of the activities of this group of investors in order to round out the entire financing picture.

Funds available for the purchase of Federal securities are received by Federal agencies and trust funds from a variety of sources, as is indicated in Table 13. First of all, there are liquid savings of individuals invested in Federal insurance. These comprise mainly military life insurance but include interest on certain Federal trust funds accumulated for the benefit of individuals. Individuals' savings are also invested in postal savings deposits. Further, there are net social insurance accumulations

Table 13
Federal Agencies and Trust Funds: Liquid Accumulations
Received and Federal Securities Absorbed
By Financing Periods, 1943-1944

(In billions of dollars)

| | 1943 | 1943-44 | 1944 | Total | | | |
|---|-----------------|----------|--------------|---------------|------------|-----|-----|
| | Jan.-: May- | Oct. 17- | Mar.-: Aug.- | calendar year | | | |
| | April: Oct. 16: | Feb.: | July: | Dec.: | 1943: 1944 | | |
| A. Relation of current accumulations to Federal securities absorbed: | | | | | | | |
| 1. Liquid savings received from individuals: | | | | | | | |
| a. Federal insurance..... | .1 | .5 | .3 | .6 | .4 | .8 | 1.0 |
| b. Postal savings..... | .1 | .2 | .2 | .2 | .2 | .4 | .4 |
| 2. Social insurance accumulations..... | .8 | 1.5 | 1.4 | 1.0 | 1.4 | 2.9 | 3.2 |
| 3. Conversions of other assets of Federal agencies and trust funds..... | .1 | .4 | .1 | .1 | .1 | .6 | .2 |
| 4. Net absorption of Federal securities..... | 1.1 | 2.6 | 1.9 | 1.9 | 2.0 | 4.7 | 4.8 |
| B. Analysis of net absorption of Federal securities: | | | | | | | |
| 1. Securities other than bills: | | | | | | | |
| a. Purchases from Treasury: | | | | | | | |
| (1) War loans ^{1/} | .4 | .7 | * | - | - | 1.1 | * |
| (2) Continuing..... | 1.1 | 2.4 | 2.0 | 2.0 | 2.1 | 4.5 | 5.1 |
| (3) Total..... | 1.5 | 3.2 | 2.0 | 2.0 | 2.1 | 5.6 | 5.1 |
| b. Less: Redemptions and cash maturities.... | .2 | .2 | * | * | * | .4 | * |
| c. Equals: Net acquisitions from Treasury.. | 1.2 | 3.0 | 2.0 | 2.0 | 2.1 | 5.2 | 5.1 |
| d. Market transactions..... | -.1 | -.4 | -.1 | -.1 | -.1 | -.5 | -.3 |
| e. Net absorption other than bills..... | 1.1 | 2.6 | 1.9 | 1.9 | 2.0 | 4.7 | 4.8 |
| 2. Bills (net change in holdings)..... | * | * | * | * | * | * | * |
| 3. Net absorption of Federal securities..... | 1.1 | 2.6 | 1.9 | 1.9 | 2.0 | 4.7 | 4.8 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

^{1/} Includes sales to Federal agencies whose investments are handled outside of the Treasury; these sales have been included with sales to "other corporations and associations" in published reports on the war loans.

- 31 -

as discussed in the first part of this memorandum, practically all of which accumulate in Federal, rather than in State and local, trust funds.

The various activities of certain Federal agencies also result in further liquid accumulations. Under present conditions, some Federal lending agencies are receiving substantial sums through the net repayment of loans made to individuals and business. The conversion of other assets is also adding to the available funds of these agencies.

For the calendar year 1944, it is estimated that total funds available for the purchase of Federal securities by Federal agencies and trust funds will amount to \$4.8 billions, almost the same as the total available in 1943. Practically all of these funds will be invested in Federal securities almost as they accrue. They may take the form of purchases of special issues or of purchases of marketable securities, but in one way or another virtually a 100 percent investment may be expected.

8. Bank sources

Bank sources include commercial banks, which have not been included in a war loan drive since the Second War Loan in April 1943, and Federal Reserve Banks, which of course do not buy securities directly from the Treasury.

- 32 -

participation by bank sources in the Treasury's financing program therefore has been occurring recently largely through purchases in the market from other investors.

For the last two periods of this year, the financing program discussed in the separate memorandum entitled "Developing a Borrowing Program for the Calendar Year 1944" envisages a direct bank financing program of \$8 billions. A program of this magnitude appears to be necessary because of the fact that net absorption of Federal securities by non-bank investors will fall far short of our borrowing requirements. For the calendar year, it is estimated that net absorption by nonbank investors will aggregate \$38.1 billions, as shown in the following table. Figures for 1943 are shown for comparison.

| | 1944 | 1943 |
|---|--------------------------|-------------|
| | (In Billions of dollars) | |
| Nonbank sources: | | |
| Individuals..... | 16.0 | 13.2 |
| Insurance companies..... | 4.7 | 3.7 |
| Savings banks..... | 2.0 | 1.5 |
| Other corporations and associations..... | 8.6 | 8.2 |
| Dealers and brokers..... | .2 | .2 |
| State and local governments.. | 1.8 | 1.2 |
| Federal agencies and trust funds..... | 4.8 | 4.7 |
| Total nonbank sources..... | <u>38.1</u> | <u>32.7</u> |
| Bank sources..... | 21.9 | 24.4 |
| Total borrowing..... | <u>60.0</u> | <u>57.1</u> |

Bank sources would thus absorb \$21.9 billions of Federal securities this year. It is estimated that about \$13 billions

- 33 -

Table 14

Bank Sources: 1/ Federal Securities Absorbed,
by Financing Periods, 1943-1944
(In billions of dollars)

| | 1943 | 1943-44 | 1944 | Total | | |
|--|-------------------|----------|--------------|---------------|-------|------|
| | Jan.-: May- | Oct. 17- | Mar.-: Aug.- | calendar year | | |
| | April: Oct. 16: | Feb.: | July: | Dec.: | 1943: | 1944 |
| 1. Securities other than bills: | | | | | | |
| a. Purchases from Treasury: | | | | | | |
| (1) War loans..... | 4.3 ^{2/} | - | - | - | 4.3 | - |
| (2) Continuing..... | 1.3 | 5.9 | 1.0 | 1.2 | .2 | 7.6 |
| (3) Total..... | 5.6 | 5.9 | 1.0 | 1.2 | .2 | 11.8 |
| b. Less: Redemptions and cash maturities..... | 1.6 | 1.1 | .3 | .1 | .1 | 2.9 |
| c. Equals: Net acquisitions from Treasury..... | 4.0 | 4.8 | .6 | 1.0 | .1 | 8.9 |
| d. Market transactions..... | 2.8 | 5.9 | 4.9 | 4.5 | 4.4 | 9.4 |
| e. Net absorption other than bills..... | 6.8 | 10.8 | 5.5 | 5.5 | 4.6 | 18.3 |
| 2. Bills (net change in holdings)..... | 3.4 | 2.9 | .1 | 2.4 | 4.2 | 6.1 |
| 3. Net absorption of Federal securities..... | 10.3 | 13.7 | 5.6 | 8.0 | 8.8 | 24.4 |
| | | | | | | 21.9 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.
1/ Commercial banks and Federal Reserve Banks.
2/ Excluding bills.

- 34 -

will come from market purchases and approximately \$1 billion from limited purchases by commercial banks associated with their savings deposits, leaving about \$8 billions to be raised from a direct bank financing program. Table 14 presents estimates on the net new absorption of Federal securities by bank sources as a group. The distribution of bank absorption for 1944 between commercial banks and Federal Reserve Banks is discussed in a separate memorandum entitled "An Exploratory Memorandum to Facilitate Discussion of Problems in Money Market Management During 1944".

9. Recapitulation

Table 15 brings together the information on transactions in Federal securities by the various investor classes for the calendar years 1943 and 1944, and shows the estimated net absorption of the public debt by investor classes during these years.

Table 15
Recapitulation of Transactions in Federal Securities, by Investor Classes
Calendar Years 1943-1944
(In billions of dollars)

| | Securities other than bills | | | | | Bills (net change in holdings) | Net absorption of Federal securities |
|--|-------------------------------|--|---|---|--|---|--|
| | Purchases from Treasury | Less: redemptions and cash maturities | Re- acquisitions from Treasury | Equals Net Market trans- actions | Net absorption other than bills | | |
| <u>Calendar year 1943:</u> | | | | | | | |
| A. Nonbank sources: | | | | | | | |
| 1. Individuals..... | 17.4 | 3.0 | 14.4 | -1.3 | 13.2 | * | 13.2 |
| 2. Insurance companies.... | 5.3 | .1 | 5.2 | -1.6 | 3.6 | * | 3.7 |
| 3. Savings banks..... | 2.9 | * | 2.9 | -1.4 | 1.5 | * | 1.5 |
| 4. Other corporations and associations..... | 16.8 | 6.3 | 10.5 | -2.5 | 8.0 | .3 | 8.2 |
| 5. Dealers and brokers.... | 2.3 | * | 2.3 | -2.1 | .2 | * | .2 |
| 6. State and local governments..... | 1.3 | * | 1.3 | -.1 | 1.2 | * | 1.2 |
| 7. Federal agencies and trust funds..... | 5.6 | .4 | 5.2 | -.5 | 4.7 | * | 4.7 |
| 8. Total nonbank sources.. | 51.5 | 9.8 | 41.8 | -9.4 | 32.4 | .4 | 32.7 |
| B. Bank sources..... | 11.8 | 2.9 | 8.9 | 9.4 | 18.3 | 6.1 | 24.4 |
| C. Total..... | 63.4 | 12.7 | 50.7 | - | 50.7 | 6.4 | 57.1 |
| <u>Calendar year 1944:</u> | | | | | | | |
| A. Nonbank sources: | | | | | | | |
| 1. Individuals..... | 21.2 | 3.4 | 17.8 | -1.7 | 16.0 | * | 16.0 |
| 2. Insurance companies.... | 6.4 | .1 | 6.4 | -1.7 | 4.7 | * | 4.7 |
| 3. Savings banks..... | 4.0 | .1 | 3.9 | -1.9 | 2.0 | * | 2.0 |
| 4. Other corporations and associations..... | 23.0 | 8.4 | 14.6 | -6.0 | 8.6 | * | 8.6 |
| 5. Dealers and brokers.... | 1.4 | * | 1.4 | -1.2 | .2 | * | .2 |
| 6. State and local governments..... | 2.1 | * | 2.1 | -.2 | 1.8 | * | 1.8 |
| 7. Federal agencies and trust funds..... | 5.1 | * | 5.1 | -.3 | 4.8 | * | 4.8 |
| 8. Total nonbank sources.. | 63.2 | 12.0 | 51.2 | -13.1 | 38.1 | * | 38.1 |
| B. Bank sources..... | 2.0 | .3 | 1.7 | 13.1 | 14.9 | 7.0 | 21.9 |
| C. Total..... | 65.3 | 12.3 | 53.0 | - | 53.0 | 7.0 | 60.0 |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Note: Figures are rounded to nearest tenth of a billion and will not necessarily add to totals.

* Less than \$50 millions.

March 10, 1944
10:45 a.m.

HMJr: Hello, Ted.

Ted
Gamble: I wanted to ask you if the 22nd would be as agreeable to you as the 20th because of the availability of several of our Chairmen.

HMJr: Well, it's all right with me but I just told Bell you were having it on the 21st, so I wish you'd call him because he wants the Bankers in.

G: Yes.

HMJr: So, when you hang up from me, will you call him, please?

G: I'll call him, and that's the 22nd, Mr. Secretary. That's Wednesday instead of Monday.

HMJr: That's all right.

G: All right, sir. Now, the second thing I wanted to ask you if you have a moment....

HMJr: Yeah.

G:is if you want to give us the green light on this Illinois?

HMJr: Oh, you'll have to see me about that.

G: All right, sir.

HMJr: Yeah.

G: All right.

HMJr: You'll have to see me about that.

G: Fine.

HMJr: All right.

G: All right.

Mr. Pehle read 3/10/44 in Miss Chauncey's office, per the Secretary's instructions.

March 10, 1944 193
10:46 a.m.

HMJr: Hello.

Sam
Rosenman: Hello.

HMJr: Sam?

R: How are you?

HMJr: I'm fine. There'll be a War Department -- new
War Department picture here tonight at nine
o'clock.

R: Fine. Can I come?

HMJr: You may.

R: Can I bring Bobby?

HMJr: Sure.

R: Good. Thanks very much.

HMJr: I thought that was a wonderful statement you wrote
for the President to give Dr. Wise and Dr. Silver.

R: (Laughs) I -- I think I primed him. I don't know --
do you think it's all right?

HMJr: (Laughs) Well, where does it leave Senator Wagner?

R: Well, I don't know. 2

HMJr: What?

R: I don't know why Wagner should have introduced the
thing, do you?

HMJr: Well, I....

R: Without talking to somebody first.

HMJr: I don't know, but I'm delighted to see him give the
statement, but it's -- just didn't seem to "gee"
with what's been going on on the Hill.

R: No. Well, he -- he could have gone much further....

HMJr: Which way?

R: And turned down the Commonwealth entirely.

HMJr: Turned down the Commonwealth?

R: Yes. I mean mention the Commonwealth unfavorably, which he didn't do.

HMJr: Were you there at the con....

R: No. No, but I....

HMJr: He's a great guy. (Laughs) I'd like to see him once every hour.

R: (Laughs) Well, he -- I wasn't there and I didn't write any statement any more than I did the tax veto, but I talked to him at great length and I said I think your first -- your prime job is to sell Silver the idea that your heart's still in the right place.

HMJr: Yeah.

R: From what I've heard from people who have talked with Silver after the conference, which I didn't do myself,...

HMJr: Yes.

R: I -- uh -- think he did a very good job.

HMJr: Good.

R: With Silver.

HMJr: Good.

R: Now, Henry, I don't know what the status of our statement is.

HMJr: Yes.

R: I gave the President the original of the copy that you have and I haven't heard a word. He hasn't issued it so far as I know.

HMJr: I see. Well, doesn't he have press today?

R: He has press today.

HMJr: Yeah.

R: And he might issue it today. I don't know. The last I saw it was yesterday morning in his bed room.

HMJr: Well,....

R: I told him -- I told him that Pehle doesn't agree with this and that Pehle thinks it ought to be devoted exclusively to Jews.

HMJr: Yeah.

R: But, I -- I don't think he agrees with that.

HMJr: Well....

R: If he doesn't, the question arises in my mind as to what the -- why it should be issued just now, and whether it shouldn't be tied up with some event.

HMJr: No.

R: I would like very much to see him -- I read -- you know that notebook you sent over -- that loose-leaf book?

HMJr: You mean on clippings?

R: On -- well, in addition to clippings -- over -- what I'm thinking about is not in the book. I read that, but your memo, or Pehle's memo....

HMJr: Yes.

R:showing what had been done....

HMJr: Yeah.

R:about the -- for example, the Bulgarians and so forth.

HMJr: Yes.

R: Is it -- would it be a bad idea for the President to say something like that at the press conference?

HMJr: Well, that I don't know. I don't know how much secrecy has to be attached to it. You know why they want the President to issue this statement or why we'd like to see him issue it, is that just as soon as he issues it O.W.I. is going to go to work and merchandise it.

R: That's right.

HMJr: And that's why the thing should be done as soon as possible.

R: Well, then I thought I ought to tell him what Pehle said to me, that he thinks it ought to be done exclusively for Jews.

HMJr: Yeah.

R: Now -- oh, I can see why he's not -- why he's not releasing it -- he wants to clear it with the British.

HMJr: Oh, yeah, that's what you said.

R: That's right.

HMJr: That's right.

R: Now, I don't -- Steve hasn't told me that it's been sent to him to clear as it would be normally.

HMJr: Yeah.

R: I don't know what to do -- whether I should jack him up on it....

HMJr: Oh, I would jack up the President on it.

R: Well, okay.

HMJr: Yeah.

R: All right.

HMJr: Righto.

R: Okay, see you tonight.

HMJr: Right.

R: Fine.

LC - 417

PLAIN
 London
 Dated March 10, 1944
 Rec'd 11:50 a.m., 11th

Secretary of State,
 Washington.

1971, Tenth

Today's TIMES published item from TIMES correspondent Washington March ninth as follows "the question of Jewish emigration to Palestine was discussed at the White House today when President Roosevelt received Rabbi Stephen Wise of New York and Dr. Abba Silver of Cleveland co-chairman of the American Zionist Emergency Council. After a long conference Rabbi Wise and Silver said that the President had authorized them to say that 'the American Government was never given its approval to the White Paper of 1939' that Mr. Roosevelt 'is happy that the doors of Palestine are today open to Jewish refugees' and that 'when future decision are reached full justice will be done to those who seek a Jewish National Home.'

Simultaneously there was a meeting in Washington of the American Palestine Committee to urge the passage through Congress of resolutions seeking the withdrawal of the British White Paper. This meeting was addressed by the Assistant Attorney General Mr. Litterly who appealed to Americans for a 'candid and realistic recognition' of the fact that the Jews face persecution in the United States. He urged his hearers to fight Jewish persecution at home in the way the Americans fight everything - by a headon attack. 'We have got to stop this thing in its tracks' he said.

Mr. Wendell Willkie telegraphed to the meeting supporting the purpose for which it has been called and describing the Balfour declarations a covenant of hope for the Jewish people of Europe."

DAILY WORKER publishes item without date-line under title "FIR disavows Palestine Policy" as follows "a promise of 'full justice eye' to those who seek a Jewish National Home and a disavowal of the British Government 1939 White Paper on Palestine have been made by President Roosevelt.

Rabbi Stephen S. Wise and Abba Silver of the Zionist Palestine Movement announced in Washington yesterday that they had been authorized to make public these views of the President".

Not carried by other morning papers.

BE

WINANT

March 10, 1944 198
10:51 a.m.

Grace
Tully: Hello.

HMJr: Grace.

T: Good morning, Mr. Secretary.

HMJr: Good morning. Who is the third butler and who is the cook?

T: (Laughs) That was just one of them things. If you can fathom it, you're all right, sir.

HMJr: I always thought that -- I always admired Dorothy Brady very much but I never knew she was a good cook.

T: (Laughs) You didn't know I was a good third butler either, did you?

HMJr: (Laughs) No. I've always done the waiting on you.

T: (Laughs) Well, anyway, that -- I guess that was approval. I don't know.

HMJr: Yes.

T: You have to figure that one out. Did you get it back?

HMJr: Yeah, and the "O.K., F.D.R." looks like a phony.

T: Looks like a phony?

HMJr: Is it all right?

T: Yes. Uh huh.

HMJr: Is that he?

T: Huh?

HMJr: It's so beautifully written.

T: Oh. Well, he writes beautifully when he takes his time. (Laughs)

HMJr: I see. Well, this -- we're going to go. I just called up to kid a little bit.

T: Uh huh. How are you feeling?

HMJr: Wonderful.

T: I'm sorry to hear Mrs. Morgenthau has a cold. That's a shame.

HMJr: Well, she's better today, but she's got a really bad head cold.

T: I think it's the change of climate, probably, from that nice warm climate, up here and then it got so cold.

HMJr: That's what she thinks.

T: Yes.

HMJr: But I certainly gave the President all the arguments against this thing, didn't I?

T: Yes. Uh huh.

HMJr: So, I mean, he knows about it.

T: Yes.

HMJr: Righto.

T: Fine, Mr. Secretary.

HMJr: Goodbye -- what are you, the cook or the waiter or ~~the~~ butler?

T: I'm the butler.

HMJr: You're the butler?

T: Yeah. Mrs. Brady is the cook.

HMJr: Okay.

T: (Laughs)

HMJr: I'm the engineer.

T: (Laughs) Well, that's a good combination.

HMJr: Okay.

T: Goodbye, Mr. Secretary. Goodbye.

March 10, 1944
12:45 p.m.

TAX SIMPLIFICATION

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

H.M.JR: Well, John, what luck did you have?

MR. SULLIVAN: The Senator liked the letter. Congressman Doughton is somewhere in his native State on official business. He is supposed to be at his son's house. I called him there and they didn't even know he was coming down. So I don't know where we can find him. He will be back Monday morning.

The Senator was satisfied with the letter. He suggested that we draft a statement to be used by Mr. Doughton and himself in which we would commend Secretary Morgenthau's suggestion. He expressed complete approval of the plan, and also expressed appreciation for the Treasury's cooperation on this most important thing - that we all work together for a speedy solution of this particular problem.

MR. PAUL: It is drafted.

H.M.JR: Have you got it drafted?

MR. SULLIVAN: No.

MR. GASTON: He wants us to draft it?

MR. SULLIVAN: That is right.

- 2 -

MR. PAUL: Hope he doesn't give it out to the press that we drafted it.

H.M.JR: But you don't know where to reach Doughton. We can't do anything.

MR. SULLIVAN: This statement couldn't be used until Monday, anyway.

MR. PAUL: Monday is the day we go up.

H.M.JR: This has to be done today, rightaway. You saw what the President said, didn't you?

MR. SULLIVAN: Yes.

MR. PAUL: That is emphasized by another fact, that Monday is the day we present the plan to the Committee. They have rushed us ahead.

H.M.JR: But this, after the President said that - the President isn't going to wait. This has to be done today.

MR. SULLIVAN: Well, I think there are different ways of handling it. I think there are three ways you can handle it.

You can say that you have written Senator George and Congressman Doughton, and that you had learned that the Congressman is out of town on official business.

H.M.JR: He won't like that worth a damn.

MR. SULLIVAN: He will if you say official business. He only complains when you fail to mention that it is official business.

H.M.JR: Looking over a new white-faced Hereford bull for his son.

- 3 -

MR. SULLIVAN: I don't know that that is true.

H.M.JR: I don't either, but go ahead.

MR. SULLIVAN: ...and that you don't feel free to comment on these letters until they have been received.

The other thing you can do, you can decide right now whether you are going to forego any additional revenue. I don't think you are in position to do that.

The third option is to say the Committee is about to start on simplification and you would prefer not to discuss the other matter until the simplification is out of the way.

H.M.JR: What I would like to do, and it has to be done today, is simply say that I have been in consultation with these people and the President, and we all agree that this bill on simplification has got the green light and we would like to get it out of the way as soon as possible, and any plans for additional revenue will have to wait, pending the passage of this bill on simplification.

MR. GASTON: Well, I think that is one sentence too much.

H.M.JR: Why?

MR. SMITH: I think you have to say something.

H.M.JR: You have got to.

MR. PAUL: I think what he said sounds pretty good.

MR. GASTON: I think you are just adding an unnecessary sentence, that is all.

H.M.JR: If I see the President he will say, "All right, Mr. Morgenthau; and when the thing happens, then what?" The President threw the ball to me. I have to answer it.

- 4 -

MR. GASTON: The answer is that right now you are considering simplification. That is what you have been talking to the Members of Congress about, and that you think all our attention and energy for the present ought to be focused on the question of simplification.

H.M.JR: You are the fellow who has been carrying the ball that I shouldn't recede from my position on revenue. You have been carrying that.

MR. GASTON: Yes.

MR. PAUL: He says he is still carrying it. That is what he means.

H.M.JR: I don't see how. What did I say, Fred?

MR. SMITH: You said that you had talked to the President and to the Congressional leaders, and that it was the consensus of everyone that the simplification bill has the green light, and you have got to get that out of the way before you can do anything else, and that any considerations of increased revenue will have to wait until that is done.

MR. GASTON: Yes, I would just drop the last sentence. I don't think you need to bring the revenue into it at all.

MR. SMITH: I don't think you are selling revenue short. You have got to answer it.

MR. GASTON: I just think it is a little more than you need to say. I don't know why you should say you have been talking to the President. That seems to tie his hands a little bit, too. It seems to me all you need to say is--

MR. SMITH: I think one thing you could do with this statement is convey the impression that the Secretary has talked to Congress. He is on pretty good terms with Congress, apparently; he is on pretty good terms with the

- 5 -

President, apparently; what is all this trouble and all this talk about his not working with anybody? Here he has got the thing all ironed out, and they have decided on a very simple course, a course that everybody will agree on and love. I think here is a good chance to indirectly put in a wonderful plug for him.

People may begin to wonder what is happening across the street. If they do, that is none of our business.

H.M.JR: I can't get Herbert. Why shouldn't I say the thing will have to wait? Why shouldn't I mention revenue?

MR. GASTON: I just think it isn't necessary.

H.M.JR: But why?

MR. GASTON: You have already said it when you say it. There isn't a great deal of difference between the two things. I was just not for volunteering any more about revenue waiting. You have been talking to the people on the Hill, and you have been talking about simplification, and that is what you are concentrating your energies on right now.

MR. SMITH: You wouldn't want to pad it by saying we still believe - we still need additional revenue? It has all got to wait--

MR. GASTON: If you want to go into the revenue subject, that is what I would say, Fred.

MRS. KLOTZ: There is something to what he says.

H.M.JR: I think the thing is, instead of one of these typewritten statements, I think I should see the press - I should see them after Cabinet. I don't think I should have any prepared statement.

MR. GASTON: I like that much better - if they make a demand and ask to see you - did you see them yesterday?

- 6 -

H.M.JR: I haven't seen them this week.

MR. GASTON: Let's have Shaeffer rig up a demand that they see you.

MR. SMITH: Very logical. He gets them over here. If they don't come, they are asleep.

(The Secretary talks to Mr. Shaeffer over the inter-phone and asks him to come down to Mr. Smith's office)

MR. GASTON: I think the play is, the boys want a press conference and you grant it to them.

MR. SMITH: I think we ought to do that; I agree with it. I think you can get across, just in the tone of voice, that everything is just lovely. I mean, everybody is very happy and I think that is one great advantage of having a press conference.

MR. SULLIVAN: Doughton and George, of course, didn't want it known that they were down here.

H.M.JR: I don't have to say they were here.

MR. GASTON: No.

MR. SULLIVAN: I was just pointing that out.

H.M.JR: The only thing that will happen is this - the only thing I have on the record is my letter to them - and you will try desperately to clear this answer which they are to give, so that--

MR. SMITH: It would be very helpful if they could give it out still this afternoon.

H.M.JR: I think it is bad ball to let the sun set without my answering the President, don't you?

MR. SMITH: Very much so.

- 7 -

H.M. JR: Herbert, have you any doubts on that?

MR. SULLIVAN: I still think that this statement Monday - I mean, this is one story; let their statement be another one.

MR. PAUL: If it comes out Monday, John, it will be merged and confused in the report of the first meeting where this plan is submitted.

MR. GASTON: We have to write that statement yet, haven't we?

H.M. JR: It should be still this afternoon so the Republican National Committee, or somebody interested - who is this lobbyist?

MR. GASTON: Alvord.

H.M. JR: So that Alvord can't go to work and upset this applear. The thing should be just one, two--

MR. SMITH: I don't think you need to mention these letters. You could say just exactly what you said. Say nothing about the letters. Save the letters for the other statement, see? And let them come back out with the statement. Now, I don't think they will object. It might look a little as though you were trying to steal the play if the President hadn't thrown the ball to you this way. You have a good alibi.

But if you don't talk about the letters, and do just say that everybody agrees that the simplification ought to have the green light, and we ought to go ahead on it, then you are only saying what they want you to say, anyhow.

H.M. JR: Well, I say this: If you can get the statement, and you can get it O.K.'d and get George to O.K. it, and my letter goes up, and that statement of theirs could be given out for tomorrow morning's papers, it would be perfect.

- 8 -

MR. SULLIVAN: Yes, but I am wondering how Doughton will feel about giving out a joint statement when he isn't here, that is all.

H.M.JR: He won't mind. I think this, that I don't want to pop my letter until the statement is ready.

MR. SMITH: That is right.

MR. SULLIVAN: I don't think so.

H.M.JR: I think you fellows should try to locate Doughton. Get George to read it first, then him, and say, "Will you agree with this, and let this office give it out for Monday morning's papers?"

MR. PAUL: Monday morning is the latest, because the Monday afternoon papers will have the report.

H.M.JR: Tomorrow morning will be much better, but I think it best not to tip my hand. I don't want somebody to drive a wagon between us and ruin it.

And I think, if you don't mind, John, I think we should tell George, and Doughton if you can get him, that in view of what the President said, I have to answer it, and I am going to see the boys this afternoon.

MR. SULLIVAN: That is right. And tell them you will say that any question of further revenue will have to wait until after this is over.

H.M.JR: Do you have any doubts, now?

MR. SULLIVAN: No, I am to get a statement, and after I have George's approval, try to get approval from Doughton, and permission for Senator George to release it for them both tomorrow morning.

H.M.JR: That is right.

- 9 -

MR. GASTON: My only doubts are of shoving this revenue thing into the foreground as John is doing right here when he tells what he is going to talk to Doughton about, emphasizing the idea that we are in some kind of an agreement not to present any demands for new revenue.

MR. SULLIVAN: At this time.

MR. GASTON: That isn't the thing we want to emphasize. We want to emphasize we are talking about simplification, now.

H.M.JR: I agree with you.

MR. SULLIVAN: But this puts it--

MR. GASTON: But you are putting it right in the light of an agreement by which we are not going to make any demands for new revenue.

MR. SULLIVAN: Excuse me. The President did that, Herb.

MR. GASTON: Oh, no. I don't think so.

MR. SULLIVAN: Then I didn't hear it correctly.

H.M.JR: I agree with Herbert that in my press I will stress the simplification, and simply say that if they press me about the additional revenue - "Well, this has to have the right-of-way over everything else."

MR. GASTON: Yes.

H.M.JR: They most likely will say something about it.

MR. PAUL: That is a good way to put it - right-of-way, that is a good phrase.

- 10 -

H.M.JR: When can I see you men again? In order to have a little extra time, shall we schedule the press for four-thirty?

MR. SMITH: Yes.

MR. GASTON: We ought to have a draft of the statement for George and Doughton.

MR. SULLIVAN: Suppose we get together at two o'clock. I will call George in the meantime and make sure he will be where I can reach him this afternoon.

H.M.JR: We will hold my letter. It can be up on the Hill.

MR. SULLIVAN: Those will have to be rewritten. They are dated March 8. (Hands letters to the Secretary)

MRS. KLOTZ: Well, you can't erase them. They will have to be rewritten. Chauncey is back. I will go out. (Mrs. Klotz leaves office with letters)

MR. SULLIVAN: I think we can let those letters go without reading them to Doughton. We will explain we tried to reach him and couldn't.

H.M.JR: It will do no harm to read it to him.

MR. SULLIVAN: If we don't get him on the phone, let the letters go, anyway.

H.M.JR: Oh, yes. The President is playing ball with me. He has said for the first time that I know of, that Secretary Morgenthau consulted - I mean, I am doing the consulting. It isn't Vinson and Byrnes.

What Paul asked me to do when I went up on the Hill last Friday was try to make things easier for him. I have certainly accomplished that, haven't I?

- 11 -

MR. PAUL: Certainly have.

H.M.JR: He said to make the thing easier, and you asked that I do this and that. I think everything you have asked me I have been able to accomplish. Is that right?

MR. PAUL: Sure.

H.M.JR: That is something. I am very happy that I can get it over.

MR. SMITH: If you could think of something nice to say about George and Doughton - you know, when it gets out into the sticks - to make it look as though there is absolutely no hard feelings.

H.M.JR: All right, I will say that we have been working very well together.

MR. SULLIVAN: Well, the two staffs are working together beautifully.

H.M.JR: That isn't the point.

MR. SULLIVAN: But if you are looking for a way to get it in, and you are sure that this is evidence that Senator George and Mr. Doughton have impressed on everybody the necessity of getting along--

H.M.JR: I will try to do it the best I can.

O.K. gentlemen.

March 10, 1944,
4:08 p.m.

211

HMJr: Hello.

Operator: Go ahead.

Senator George: Yes, this is Senator George.

HMJr: Henry talking.

G: Yes, Henry.

HMJr: Good afternoon.

G: How are you?

HMJr: Fine.

G: John is over here.

HMJr: Yes, sir.

G: And this statement that he has is okay in all respects.

HMJr: Fine.

G: And if you wish to, you could say to the Press this afternoon....

HMJr: Yes.

G:that, on behalf of -- that the Chairman of the Ways and Means and Finance will have a statement which is available to them now.

HMJr: Well, that's wonderful.

G: And they can't get it from Mr. Doughton because he's not in town.

HMJr: Yes.

G: But I -- I'm going to issue it right here.

HMJr: I will tell them that when I see them at 4:30.

G: All right.

HMJr: Now, will you release the letters I wrote to you, also?

- G: If you wish me to.
- HMJr: I think that would be fine.
- G: We refer to the letter in this statement.
- HMJr: Well, the letter is to you and I always think it's much nicer if the recipient releases the letter.
- G: Well, I'll be glad to and I'll say a similar letter was addressed to Mr. Doughton.
- HMJr: And I was coached -- to not be too serious a minute -- to say that Mr. Doughton was away on official business.
- G: Yes. (Laughs) All right, I'll say that an identical letter was addressed to Mr. Doughton and this statement is a joint statement from Mr. Doughton as Chairman of the Ways and Means and from me as of the Finance.
- HMJr: The reason I'm very happy about it is I've tried for years -- I mean to, you know, to be a little helpful and we're in a war and I think your attitude and Doughton's has been fine and it is a pleasure for me to be able to work with you.
- G: Well, that's fine. You can tell the boys that we -- I'll be glad to furnish it to them this afternoon.
- HMJr: Thank you so much.
- G: All right.

213

3/10/44

Returned from the White House today
with President's approval indicated.



THE SECRETARY OF THE TREASURY
WASHINGTON

214

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



March 10, 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,

(Signed) Henry Morgenthau, Jr.

Honorable Robert L. Doughton,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D. C.

March 10, 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,

(Signed) Henry Morgenthau, Jr.

Honorable Walter F. George,
Chairman, Senate Finance Committee,
United States Senate,
Washington, D. C.

March 10, 1944
4:30 p.m.

Re: PRESS CONFERENCE

Present: Mr. White
Mr. Shaeffer
Mrs. Klotz
Miss Chauncey
Mr. Smith
Mr. Sullivan

H.M.JR: We got the breaks, you know.

MR. SHAEFFER: Yes, I know. You have the breaks outside. You have every outstanding tax writer in town here.

H.M.JR: My God, do you think I better have John in here in case they fire something at me?

MR. SMITH: It wouldn't hurt. I think it would be a good idea.

(The Secretary sends for Mr. John Sullivan)

MR. SMITH: I think we ought to decide, too - John said that George said you could tell them to go right over and get that statement. I wonder whether it is so wise to do that, because you will get a good story out of this tonight and they will have a good story tomorrow morning.

H.M.JR: George is sitting there waiting. I am ninety percent sure. He made it very clear and he repeated the thing - "Now you understand" - he said it twice - "that if the boys come up here, I will give them the letters."

I said, "You will give out my letters?" He said, "Yes." Let's be satisfied. Now don't get greedy and ambitious.

- 2 -

MR. SMITH: I am not getting greedy - much. I am not getting suspicious. I just want two stories, that is all.

H.M.JR: Ambitious.

Now, what I am going to say if they ask about the President's income tax--

(Mr. Sullivan entered the conference)

H.M.JR: John, you better sit down there and be a good boy. If they ask me some questions--

MR. SULLIVAN: I haven't those figures.

H.M.JR: I have enough. We will do the thing sort of catch-as-catch-can.

One thing, if they say to me, "Now, Mr. Morgenthau, what about your own income tax?" - what am I to say? That I am working on it? "Well, did you get any help?"

MR. SULLIVAN: No, you have finished it.

MR. SMITH: You can't be working on it because we have been telling people to get them in two months ago.

H.M.JR: All right, I have finished it and mailed my check. "Did you get any help?"

MR. SULLIVAN: "Yes, the man who takes care of my accounts - the same man. I don't have time to take care of my records, running this job. Taking care of the record of the U.S. Treasury is enough for one fellow."

H.M.JR: Would you say, "I certainly needed help with this Form 1040"?

MR. SULLIVAN: No.

H.M.JR: Simply say we have a family bookkeeper and have had one for years; that I haven't time to keep my own books?

MR. SULLIVAN: No. That is the fact of the matter.

H.M.JR: If they say that the President does his, I will say, "You ought to see him do it, too!"

MR. SULLIVAN: I will bet that he doesn't say he doesn't have help.

H.M.JR: He did this morning.

MR. SHAEFFER: In the paper.

H.M.JR: That is the trouble. As a matter of fact, he does do them himself and usually gets them wrong.

MR. SMITH: Don't forget if they ask you about the complications, we tested the short form on a thousand different housewives and people, and we have had no complaints on that. Time kept us from doing it to the big ones.

MR. SULLIVAN: On the other one we have had many letters saying that it isn't half as difficult--

H.M.JR: But the short is for three thousand or less.

March 10, 1944 220
4:49 p.m.

HMJr: Hello.

Operator: Senator George.

HMJr: Thank you. Hello.

Senator George: Hello, Henry.

HMJr: Walter.

G: Yes, sir.

HMJr: My press conference went off very satisfactorily.

G: Well, that's good.

HMJr: And I told them to go up to see you.

G: They are here now, some of them.

HMJr: Well, I just wanted to make one point clear. They said to me, "Now, what about additional revenue?" So, I said, "Now, the agreement between the Congress and the Executive end is that simplification gets the right-of-way." And I said, "When this is passed, I don't know what we are going to do."

G: Well, that's another question. That's about what I'll have to tell them.

HMJr: And I simply said, "As far as additional revenue is concerned," I said, "the Treasury has not changed its position."

G: Yeah.

HMJr: Now, that's all I said.

G: Well, all right, Henry.

HMJr: I just wanted to let you know.

G: Yes, thank you very much.

HMJr: Thank you.

G: All right.

see meeting
3/12/44
11:25 am.

Withholding Tax Receipt Instead Of Return Urged

Revenue Office Will Stay Open Longer For Next Three Days

While the local Internal Revenue Office announced longer hours during the next three days to help harassed taxpayers meet the Wednesday midnight income tax deadline, a Treasury Department official disclosed yesterday that plans to simplify next year's tax contemplate adjusting the individual's withholding tax receipt so that it can be used as a simple tax return.

The disclosure was made in a letter from Randolph E. Paul, general counsel for the Treasury, to Representative Brooks, Democrat of Louisiana. Mr. Paul discussed use of the withholding tax receipt as "an extremely simple return," and said:

"Taxpayers whose tax is very largely discharged by withholding would be permitted to file this simple statement with the collectors in lieu of any other return. The collectors would then compute the tax and either assess additional tax or issue a refund, as the case might be."

Two Other Proposals

Another plan would broaden the privilege of using the short form return (1040A), while a third would

eliminate entirely the filing of returns by some taxpayers, Mr. Paul disclosed.

Results of a joint study in income tax simplification, made by the Treasury, the Internal Revenue Bureau and the Joint Committee on Taxation, will be submitted to Congress shortly, Mr. Paul's letter said. Meanwhile, the House Ways and Means Committee will meet tomorrow to work on simplification of the income tax law.

Prospects appeared bright last night that some real relief for tax headaches—in the form of easier-to-prepare tax returns by March, 1945—may result from the current discussions.

While Congress and the Treasury have been at swords' points over the recent tax bill which Congress passed over a presidential veto, spokesmen from both camps have indicated they already are drawing closer to agreement on plans for simplification.

One Plan Calls for New Form

It was said in reliable quarters one proposal would call for a new W-3 withholding tax form, which the employer would make out and send to the Collector of Internal Revenue, showing the amount of wages due from the employe and the amount taken out by withholding. This plan would leave wage or salary earners with incomes of less than \$5,000 free from making any kind of tax return.

Should any such simple system be adopted, persons entitled to large deductions and those with complicated business or professional affairs would, of course, be given the opportunity of filing a regular return, simplified from its present form.

Although there are still champions of the Victory tax, it has been in-

timated that this may be abandoned as a special levy and consolidated with the income tax.

300 Aid on Returns

Some Federal tax experts are known to be working on master tables from which the average taxpayer, at a glance, could gain some indication of how much he would owe.

Meanwhile, nearly 300 persons are on duty in the local income tax office to help taxpayers who are struggling with the complicated returns due Wednesday.

Tomorrow and Tuesday, the doors in Room 1002 of the Internal Revenue Building, Twelfth street and Constitution avenue N.W., will be open from 8:15 a.m. to 6 p.m. On Wednesday, the hours will be from 8:15 a.m. to midnight—the deadline.

A. Parks Rasin, head of the office, predicted tremendous crowds tomorrow. He pointed out that the Monday prior to the income tax filing date "always brings in a flood of taxpayers who have done some figuring the day before."

1944 Declarations Due Soon

To add to their woes, taxpayers will face the necessity soon of making out a declaration estimating how much their 1944 incomes and taxes on them will be. Forms for this declaration have been prepared, will be sent to taxpayers shortly after Wednesday, and must be filed on or before April 15.

Because of changes in the law, nearly all taxpayers will have to pay out additional cash to the Government when they file this declaration.

Although the withholding tax was adopted to put payments on a "pay-as-you-go" basis, elimination of the earned income credit of 10 per cent and of credit for taxes paid on telephone and telegraph, automobile use, transportation and certain excise taxes, will make the amount withheld insufficient to cover the tax on the 1944 income in many cases, experts said.

~~AM~~
March 10, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Attached is a one-page summary report on the "tax incentive" meeting held yesterday. The materials considered at this meeting are also attached.

A more detailed report is being prepared for our record and a copy will be transmitted as soon as it is completed.

Copies of this material are being sent to Messrs. Bell, Gaston, Sullivan and Paul.

RB

Attachment

Third inter-departmental meeting on
incentive effects of taxation

The third in a series of inter-departmental meetings on incentive effects of taxation was held on March 9, 1944, to discuss business and corporation taxes. The first half of the meeting was devoted to a further consideration of the effects of an excess-profits tax in the period of reconversion.

With one or two exceptions the representatives of other agencies argued that the excess-profits tax should be retained during the period of transition in order to achieve the most equitable distribution of the wartime tax burden. There was general agreement that the tax should remain in effect at least as long as other wartime controls. On the other hand, it was agreed that, once normal conditions had been reestablished, an excess-profits tax might seriously inhibit new investment, particularly in new firms and growing firms.

Discussion was next directed to the case for a differential tax on business income or corporation income per se. Some strongly urged the need for a business tax on the so-called public corporations of large size. These corporations, by virtue of their enormous credit resources and going-concern value, enjoy special economic advantages which can be appropriately reduced by the tax system. Other proponents of a business tax stressed its usefulness as a means of controlling the timing of investment during the course of the business cycle. Special tax credits could be allowed for investment undertaken in a period of depression, and could be reduced or eliminated in periods of high business activity.

Attention was next given to changes which might be made in the corporation tax if this form of business tax were to be retained. It was pointed out that the present discrimination in favor of debt financing could be reduced or eliminated by not allowing the interest deduction. Although most of those present were inclined to favor such a change, fears were expressed that too rapid a movement in this direction would seriously embarrass, if not bankrupt, some corporations.

Discussion of corporation taxes will be continued at the next meeting. The agenda for these meetings, together with a list of questions for discussion of the business tax, are attached.

Proposals to improve incentive effects of taxation

1. Excess-profits tax

- a. Eliminate the excess-profits tax, to stimulate risk-taking and to reward efficiency
- b. Retain the excess-profits tax, to capture monopoly profits
- c. Retain the excess-profits tax, to encourage monopolies to adopt a more competitive-price policy

2. Corporation-income taxes

- a. Narrow the corporation-tax base by allowing the deduction of dividends, allocated earnings (including dividends), or all earnings (i.e., no taxation of corporation income), to reduce discrimination against risky ventures and to reduce discrimination in favor of debt financing
- b. Broaden the corporation-tax base to include interest expense, to reduce discrimination in favor of debt financing
- c. Reduce taxes on small enterprises or enterprises without access to the capital market, to secure a more satisfactory competitive structure
- d. Reduce taxes on certain industries, to encourage the flow of capital into them, by:
 - (1) Percentage depletion of minerals
 - (2) Special treatment of financial institutions
 - (3) Other kinds of special treatment
- e. Reduce taxes on new enterprises, to encourage a higher level of investment and a better competitive structure
- f. Impose taxes on certain tax-exempt business enterprises, to equalize competitive conditions and to encourage a better distribution of capital among industries
- g. Tax all dividend income (at the corporate level), and eliminate the consolidated-return privilege, to penalize interlocking corporations

- 2 -

h. Change the methods of computing taxable income:

- (1) Allow the use of inventory reserves or some other method of inventory valuation, to eliminate the 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

3. Individual-income taxes

a. Reduce taxes on dividend and business income of all, or certain taxpayers:

- (1) To eliminate "double taxation" of corporation income
- (2) To encourage additional equity investment in enterprise
- (3) To encourage launching of new enterprises

b. Revise the definition of taxable income:

- (1) Extend the averaging of income, to reduce the discrimination against fluctuating income
- (2) Allow the deduction of construction outlays of individuals, to encourage a higher level of construction activity
- (3) Give special allowances to workers or working wives, to encourage their entry into the labor force and to encourage additional effort
- (4) Increase the dependency credit, to reduce the financial impediments to a higher birth rate
- (5) Eliminate the deduction of interest and real-property taxes, to eliminate the discrimination against renters

c. Revise surtax rates:

- (1) Reduce surtaxes, to increase the volume of savings
- (2) Increase surtaxes, to decrease the volume of savings

d. Replace the income tax by a tax on savings and a tax on spendings, to control savings more effectively in a depression and consumption expenditures in a boom

c. Adjust income-tax rates cyclically, to achieve a more stable level of employment

f. Revise the taxation of capital gains and losses:

- (1) Eliminate all taxes on capital gains and losses, to encourage investment in equity securities and a more stable level of stock prices
- (2) Include all capital gains and losses in income, to reduce savings

g. Eliminate the tax-exempt security privilege, to foster investment in industrial securities

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

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. Use excise taxes, to influence positively the allocation of resources to certain industries
- c. Levy a permanent general sales tax, to reduce consumers' outlays and encourage savings

6. Estate and gift taxes

- a. Revise estate and gift taxes:
 - (1) Increase estate and gift taxes, to break up the economic power of large fortunes
 - (2) Reduce estate and gift taxes, to stimulate risk-bearing and investment
- b. Shift from estate to inheritance taxes, to more carefully proportion the tax to the financial ability of the recipient
- c. Include all inheritance in taxable income, discriminating by types of property inherited and by relationship to the deceased, to reduce the economic power of large fortunes and to encourage the accumulation of certain forms of savings

- 4 -

7. Sundry taxes

- a. Impose a tax on hoarding, both at the corporate and individual level, to increase the turnover of funds and thus encourage a higher level of consumption and employment
- b. Impose a tax on machinery, to discharge 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
- e. Shift taxes at the State and local level to less restrictive taxes, to increase the level of output

Treasury Department, Division of Tax Research

March 9, 1944

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?

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

INTER OFFICE COMMUNICATION

Hand
230

DATE

March 10, 1944

TO Secretary Morgenthau

FROM Randolph Paul

You may be interested in reading the attached column by Robert Vanderpoel. The comments are welcome in the face of all the criticism that we have received lately.



11— MAR 5 1944

War Record of Treasury Is Praised

Secretary Morgenthau,
Randolph Paul
Deserve Thanks

BY ROBERT F. VANDERPOEL,
Financial Editor.

Because President Roosevelt's veto of the tax bill widened the rift between the Chief Executive and Congress there were those who recommended a "clean out" of the Treasury Department.

Secretary Morgenthau and Randolph Paul, general counsel, were signaled out for particular abuse.

Before throwing public servants to the wolves it might be well to inquire carefully as to whether or not they have done a good job.

Secretary Morgenthau is one of the most conscientious men we have encountered. He has given his efforts without stint during these last ten years.

Borrowing Cost Low

The Treasury Department, under his leadership, has financed the most expensive war in history at the lowest percentage of borrowing cost in history.

Throughout the period the cash position of the federal government has been strong. The chiefs of staff never have had to worry as to whether the money would be available for the most expensive plans they might draw up.

The bond campaigns have been disappointing in spots, but overall have been a great success.

The loyal Americans who have bought government securities have not found their value depreciating as it did during the other war.

Taxes Inadequate

The amount of money raised by taxes has been inadequate, but certainly this has not been, in the main, the fault of the Treasury Department. Consistently higher tax levies have been asked and they have been paid by a Congress which apparently has kept one eye on the ballot boxes and voted for a soft war on the home front.

The Treasury has opposed one or two tax proposals which might have been passed and increased the revenues, such as the sales tax, but while we personally have disagreed with the Treasury conclusions in this respect, the arguments supporting its position have been strong and, in any case, the ultimate responsibility rested with Congress.

Banker Criticism

We know there has been some criticism of Secretary Morgenthau recently from bankers who have felt that he has not accepted banking advice as fully as they believe he should and has driven too close a bargain in some of the Treasury financing intended for bank absorption.

It is difficult for an outsider to judge fairly the merits of such charges. Morgenthau is probably a bit afraid of the big bankers. He has never thought that the Treasury should be subservient to Wall Street as it was in certain times gone by. Bank earnings, particularly those of the larger banks, generally speaking, have been adequate.

An overly cautious, at times possibly even suspicious man might be better for the country as secretary of the treasury at a period such as this than a high-powered experienced banker intent upon doing a good job but trained in private banking rather than public finance.

Paul a Tax Expert

As for Randolph Paul, he was one of the leading private tax experts in the United States before being induced to accept a position with the Treasury Department at a considerable personal financial sacrifice on the basis of public service in a time of emergency.

He has been an indefatigable worker. He presented the Treasury tax proposals to the Home ways and means committee and to the Senate finance committee—covering the last two tax bills. He has won the respect and enjoyed the confidence of these congressional experts in tax matters.

Stumped the Country

Disregarding personal comfort he has virtually stumped the country, responding to requests that he talk to this organization and that, explaining the need for taxes if the nation's finances are to be kept sound, discussing the desirability and difficulty in the way of simplification, presenting the good and the bad features of various tax proposals.

It would be unfortunate if the United States lost or was unappreciative of the services of this genial, self-sacrificing Randolph Paul.

Today's Thought

"No matter what one says in discussing high taxes, the emotions he is certain to touch."

TREASURY DEPARTMENT
WAR FINANCE COMMITTEE
NEW YORK



1270 Sixth Avenue
New York 20, New York
March 10, 1944

RM

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

Dear Henry:

On the morning after carrying through our arrangement, I want you to know that the announcement appeared to be well received by our War Finance Committee yesterday afternoon. Their reactions that have come in so far are very cordial to the appointment of Nevil Ford.

You were asking the other day about the performance of Upstate New York, and just by way of a preliminary indication, I am enclosing a table which shows that the Upstate record in this loan was extremely good, and was ahead of the record made Downstate. In sales to individuals, the Upstate regions were 16% ahead of their performance in the Third War Loan, whereas New York City was behind. This is, perhaps, not surprising because first, the curtailment of speculative sales hits New York City hardest and second, the Upstate industries are more heavily in war work. The results show, however, that the Upstate people did a great job, and all the facts as they come in bear this out.

Again, let me say how much I have enjoyed this work and the personal relationship with you.

Sincerely yours,

W. Randolph Burgess

Enclosure

DEPARTMENT OF RESEARCH & STATISTICS
NEW YORK, March 9, 1944

FOURTH LOAN INTRA-STATE RESULTS

| | <u>INDIVIDUALS</u> | | | | <u>ALL INVESTORS</u> | | |
|------------------|--------------------|-------------------|----------------------------------|---|----------------------|-------------------|----------------------------------|
| | <u>SALES</u> | <u>% OF QUOTA</u> | <u>% OF THIRD LOAN SALES</u> | : | <u>SALES</u> | <u>% OF QUOTA</u> | <u>% OF THIRD LOAN SALES</u> |
| UP-STATE | \$155,151,001 | 102% | 116% | : | \$ 492,305,172 | 123% | 93% |
| DOWN-STATE | 686,042,493 | 90% | 96% | : | 4,172,866,457 | 110% | 82% |
| GREATER NEW YORK | 621,697,365 | 90% | 97% | : | 4,023,306,529 | 109% | 82% |
| MANHATTAN | 491,131,826 | 85% | 91% | : | 3,612,712,858 | 108% | 81% |
| STATE TOTALS | \$41,200,000 | 92.3% | 99% | : | 4,665,200,000 | 111.1% | 84% |

.....

Of the State's 62 counties, 60 counties attained their all-investors' quotas, and 44 their individuals' quotas.

Of the State's 10 districts, 7 attained their individuals' quotas, and all districts made their all-investors' quotas. The leading District quota-wise re all-investors was #2 (Rochester) and re individuals was #7 (Westchester). Westchester's sales were 7% over Third Loan.

REDEMPTIONS

E, F, AND G were \$178 million in February, versus \$180 in January and \$200 in December.

MEMORANDUM FOR THE SECRETARY

March 10, 1944

Mail Report

"Income-Tax Insanity", the editorial published in an early March issue of Collier's, kindled quite a flame in the tax mail which had been smoldering low. By Friday morning, 152 copies of the article had come in from all parts of the country and the quantity in each mail is increasing rather than diminishing. Two-thirds of the clippings were sent anonomously, but often carried threats or criticism on the margins. The other third carried the names of the senders and several were accompanied by letters warmly supporting the editorial. The article by George Sokolsky, in the New York Sun of March 6, was also frequently called to the attention of the Secretary.

In the regular mail were many other demands for simplicity of tax forms. These outnumbered letters in praise of the new form by 7 to 1. A few correspondents bitterly protested the necessity for submitting an estimate of 1944 income as early as April 15. Several writers asked for a general postponement of the date for filing income tax returns, while others requested individual extensions. As in previous weeks, there were a few urgent appeals for immediate refunds.

Bond mail increased, although not so greatly as the tax mail. Publicity concerning the speech criticizing the effect of the Bataan atrocity stories on the Fourth Drive brought a few comments, but not as many as might have been expected, and not very strongly pro or con.

The number of bonds submitted for redemption to the Secretary jumped from last week's total of 64 to 80 this week. Complaints about delays were fewer than for many months. The total count was 21, with 14 of these from personnel of the War Department.

The response to the radio program of March 2, summarizing the results of the Fourth Drive, was extremely light, although largely favorable.

Gabrielle E. Forbuck

General Comments

Lucenda Mooman, Whittier, California. Enclosed check for \$30.00 to apply on my obligation for Defense for the duration. This pays up till Sept. 1, 1944. I wish to congratulate you and our Administration on the miraculous way we are carrying on this war. Who could do better in such a short time? God bless all of you and keep you in the hollow of His hand.

Favorable Comments on Bonds

Laud Payne, Editor, The Piggott Banner, Piggott, Arkansas. I am enclosing a clipping from the St. Louis Post Dispatch. I sincerely regret seeing it in the paper, because I am positive that the statement made by Mr. Gamble is not correct. I have talked with boys back from the Southwest Pacific, and in more than one instance they have told me accounts equally as horrible as the Bataan stories. * * * It is my opinion that the letters received from the various persons over the U. S. protesting the Bataan disclosure of Jap brutalities, came from these various types: Religious fanatics, Axis sympathizers, and a very, very few, who do not believe the stories are true. Here in my county, which is strictly farming, when the stories came out, bond sales immediately soared. * * * To those who blast your worthy department with criticism, charging you let the story out to aid the bond drive, may I say that it is my opinion that they were seeking some excuse not to buy bonds, and used this one. * * * Congratulations to you on your good work.

L. L. Campbell, Elmhurst, Illinois. Last week in a program about final results of the bond drive there was a description of the Rocky Mts. Could you send it to me or tell me where I could get it? I have lived on the road to Estes Park forty years. This is the best description I have ever seen. It is beautiful. I have been ill many years -- had to have my leg amputated and my eyes are nearly gone -- cannot read ordinary print. I would like to commit this to memory. Thank you if you bother to read this.

Unfavorable Comments on Bonds

Mrs. Mary L. Strong, Sanford, Florida. Last August, 1943, I was in an automobile wreck, and at that time my War Savings Bonds were lost. Ever since I got out of the hospital my daughter has been writing to try and procure duplicates of these Bonds. We have filled out all applications several times and all information has been added by local Post Office authorities. We finally had a letter saying the applications had been sent to Washington and the duplicates would be sent to me. We have been writing for these Bonds for over six months, now. My daughter is leaving soon to rejoin her husband and I am at last recovered enough from the accident to go with her. I would like very much to get this all settled before I change my address. Can't something be done to speed up this matter? I am a working woman and those Bonds were bought with hard earned money. I have not been able to work now for seven months and it may be seven months more, if ever, before I can earn my living again.

Walter L. Lowry, New York 13, N. Y. On last Thursday night, March 2nd, there was a half-hour program, the purpose of which so far as we could tell was to advertise to the Nation how successful you were in putting the Fourth War Loan over the top. Inasmuch as the loan had already been more than fully subscribed, I do not know for what other purpose this broadcast was intended. Will you kindly advise me at whose expense this broadcast was made?

N. D. Whittington, Whittington Drug Store, Fort Worth, Texas. In the past two years I have purchased some War Bonds for a good cause and because I felt I was doing the right thing and still feel that I was doing the right thing, because I am still buying them. However,

I had five bonds stolen from my store safe some two or three months ago and so far I have found no one who could advise me just what to do to get them back. I have written to the Federal Reserve Bank in Dallas, Texas, and they are not interested enough to answer my letter. They are just small Bonds, but they happened to be the only kind I could buy. * * * Of course, everyone says I will get them back, but if no one is doing anything in regard to getting them back, I can't see how I am going to do so. Please advise me as to what I can do, if there is anything that can be done. I am sure there is if I can find one who wants to help me.

Favorable Comments on Taxation

H. C. Hill, Florence, Arizona. The refund for my wife and I on our tax returns for 1943 was \$127.58. Am applying this on my 1942 declaration and am enclosing check for said amount as a gift to the war effort. Our only boy is in Europe fighting so the least I can do is a little more paying. This war should be paid for as we go. Therefore, I think our income taxes should be higher. More power to the President in his veto of the 1944 tax bill.

W. G. Sims, Columbus, Miss. I filled out income tax Form 1040 last night and presented it to one of the income tax men today and asked him to tell me what was wrong with it. He, courteously and obligingly looked the form over, up and down, crosswise, back and forth, and said: "There is not anything wrong with it, just leave it with me and I will forward it to headquarters for you". Frankly, irrespective of all the adverse criticism of the form, I do not see that the thing is so gosh awful. Of course, I did not get much schooling and could not be expected to find as much fault with it as, say, a Congressman, Columnist, etc. There is a place on it for everything and, if your heart's right, with a little mental concentration, you can make headway. God bless our government, it's a darn sight nicer to me than I am to it.

S. B. Coleman, Lambert, Miss. There has been a lot of unjust criticism passed on income tax Forms 1040A and 1040. Considering the problems that had to be dealt with, I consider that Forms 1040A and 1040 for making reports on 1943 are plain and simple enough. Most of the criticism has been passed by newspapers and by people that have never made any study of work preparing income tax returns. It would be impossible

for your staff or any other group of men to study out forms, so that each and every person could make out their income returns. This was impossible, when times were normal. One of the worst things that we have to contend with today is that we have quite a number of street corner income tax experts. I consider that your staff deserves lots of credit for studying out Forms 1040A and 1040 for use in making out the 1943 income tax returns. * * * It would be impossible to get income tax forms simple enough for each and every person to make out their returns. In fact, it would be just as impossible as it would be for each and every person to treat themselves in case of sickness. As for the tentative reports that had to be submitted in September and December of 1943, I do not consider that part will work well, especially in the agricultural sections of the country. I consider that the pay as you go plan is one of the best systems that was ever studied out. It enables the U. S. Treasury Department to collect taxes that they might lose. Lots of people working on jobs will spend their money just as fast as they earn it. If it were not for the withholding plan, lots of people would never have money to pay their income taxes, when the time came to file income tax reports. I consider that co-operation on the part of one and all instead of criticism through the columns of newspapers, we can make much better progress with our tax problems.

Burt Housel, Rochester, N. Y. (Sends copy of letter to Senator Barkley). Your petulant outburst has precipitated a situation making us ridiculous in the eyes of the liberal thinking people throughout the world and seemingly indicates a complete lack of understanding of the major problems of international relationships. * * * Your childish outburst points to a petty personal conceit rather than deep economic concern and is entirely

out of place in an intelligent public official. All of that applause -- applesauce -- that you received on the floors of Congress -- that hysterical back slapping and handshaking and those black headlines in the controlled press came from elements with whom a socially inclined, liberal minded lawmaker should be ashamed to be found dead. * * * There isn't the slightest doubt about the President's veto message being completely justified and his statements 100% correct. The President's veto message made specific statements concerning the deficiencies of the tax bill and nowhere have I heard any representative of the Ways and Means Committee, or Congress, deny, refute or disprove the truth of those statements. * * * When the President said the bill favored the greedy at the expense of the needy he made a bull's-eye. Just one item -- the elimination of the 'earned income credit' demonstrates the truth of that. Further, under the Treasury Department's recommendation to eliminate the Victory tax, retain the earned income credit and raise the first surtax rate from 13% to 16% -- an average New York State worker, (according to an analysis by Mrs. Jean McKelvey, economist of Sarah Lawrence College), whose weekly earnings are \$43.40 and whose 1943 taxes were \$73.85, would pay \$28.85. Under the bill passed by Congress, according to the same economist, he will pay \$116.60. You are part of the same Congress that passed the appropriation bills to spend the money -- which placed 42 billions of dollars in 'reserve profits' in the treasuries of big business -- plus 8½ billions in 1943 profits -- and now you squawk to high heaven when the piper presents his bill -- to the right people. If there were any substance to the reports that the grossly exaggerated publicity given strikes, gave 'aid and comfort' to the enemy, then this violent outburst of yours should be labelled treason. Already the British and Russian press are headlining the silly episode as a major break in American morale and unity. * * *

(Acknowledged in the Secretary's Correspondence Division)

Unfavorable Comments on Taxation

Dwight W. Weist, Scranton, Pa. How you have the people confused! They think because the \$2,300,000,000 tax measure was not \$10,000,000,000, therefore somebody is trying to cheat the Government. How lovely it has been that you have "pussy-footed" the fact that we are already paying \$42,000,000,000 in taxes. You will have, when this \$2,300,000,000 goes into effect, about \$45,000,000,000 in taxes. The only difference, as I see it, between the President's proposal and what Congress finally gave is the difference between \$45,000,000,000 taxes, which you will now get, and \$52,000,000,000 taxes which you wanted. Why not clarify this in the minds of the American people? These are the "greedy" people who will now pay \$45,000,000,000 annually.

Samuel A. Margulies, Brooklyn, N. Y. I am employed by the City of New York in the Department of Welfare. As yet, I have not received any information from the Comptroller's Office as to my earnings and the taxes that were withheld therefrom according to law. I contacted the Branch Office of the Internal Revenue Division at Brooklyn, New York, and spoke to a Mr. Campbell. I asked him whether I was not entitled to an extension of time to file my return since the Treasury Department had seen fit to grant the Comptroller an extension of one month to issue the necessary notices to the employees of the City of New York. His answer was that there was no one in his office authorized to grant an extension and that the problem had been considered today and they were granting no such extensions of time. I feel that since the matter of receiving notice of income and taxes paid is beyond my control and since the Comptroller was granted an extension of time by the Treasury Department, that I am entitled to the same consideration and that I desire an extension of one month to file my income tax return. Please reply before March 10th, as I am not desirous of being delinquent in making my return.

Benjamin P. McNally, Brooklyn, N. Y. I paid my taxes (\$75) about three weeks ago requesting a receipt for same. As usual request was ignored. Now when a person pays so promptly they sure are entitled to a little courtesy. I don't care what their methods are I want a receipt. If I do not receive it in a weeks time from now, I will telegraph FDR.

S. C. Kelton, Secretary, Rohm & Haas Company, Philadelphia 5, Pa. Our company and its associated and affiliated companies have sold to date approximately \$1,560,000 (face value) War Savings Bonds to their six or seven thousand employees scattered throughout the United States. Our current sales are running between \$85,000 and \$90,000 (face value) per month. Our employees frequently request advice as to the best form in which to have their bonds issued, from the point of view of United States Federal and State taxes which may arise upon death. I have telephoned to both the War Bond Department of the Federal Reserve Bank of Philadelphia and the Inheritance Tax Division of the Treasury Department in Philadelphia to see whether there is any simple booklet upon this subject, and I was advised that none is available. I suggest that the Treasury Department issue a very simple, small circular, in words of one syllable, clarifying this situation. One instance of the necessity for having such a circular is evidenced by the following confusing situation: A Treasury Department official in Philadelphia who has had a great deal to do with the sale of War Bonds told me recently that -- under a special ruling from the Treasury Department -- War Bonds issued in the name of husband and wife jointly are not part of the husband's estate upon his death, even though the bonds were paid for by him; on the same day the Inheritance Tax Division of the Revenue Department in Philadelphia told me the exact opposite, and I assume that the Inheritance Tax Division is probably correct. * * * It is our belief

that such a circular should not be as complicated as the Department's Circular No. 530 of June 1, 1942, but should be brief and clear and confined to the sole question of under what circumstances War Bonds must be included as a portion of a decedent's estate. Possibly a separate edition could be issued for each state, with very brief reference to both Federal and State inheritance taxes or estate tax exemptions.

H. Lemmons, Tyler, Texas. This article (Income-Tax Insanity from Collier's) is 100% right. I haven't the slightest idea how much I really owe, and don't believe the government agents know either. I have taken my books to the Post Office for one of your men to figure out for me. This he did, but not before we had a row. It seems to me that you could at least hire polite men to help, we, the ignorant masses. According to your agents' figures, I have \$190 refund due me. This is OK with me, and I'm not griping about getting a refund, but I'd rather have paid the \$190 extra than go through such a mess.

TREASURY DEPARTMENT DEFERMENTS

Cabinet ✓
245
3/1/44

157 pre-Pearl Harbor father deferments were requested.

107 cases were disapproved.

Our requests for 157 deferments covered only about two percent of the 7,000 pre-Pearl Harbor fathers in the Treasury.

Our requests covered trade positions such as pressmen, engravers, bookbinders, and plate printers. Replacements in these trades do not exist.

The professional and administrative ranks included accountants, lawyers, fiscal and tax economists, Internal Revenue agents, and planning and personnel officers.

We are supplying the Allied Military currency and stamps for the occupied military areas as they are taken over.

We are financing the war through the collection of taxes and the sale of bonds and are servicing other War agencies in many ways.

We cannot afford the risk of a breakdown in this responsibility through the loss of our irreplaceable men in essential positions.

Our accountants are highly skilled in governmental accounting procedures. Our lawyers are legal specialists in fiscal and tax matters, and in fact all of the men concerned are qualified and able to fill the essential positions occupied by them only because of experience and growth in the service. It is impossible to replace them principally because those understudying them already are in the armed forces, and without their services Treasury war operations would be seriously crippled.

TREASURY DEPARTMENT DEFERMENTS

Cabinet ✓
245
3/1/45

157 pre-Pearl Harbor father deferments were requested.

107 cases were disapproved.

Our requests for 157 deferments covered only about two percent of the 7,000 pre-Pearl Harbor fathers in the Treasury.

Our requests covered trade positions such as pressmen, engravers, bookbinders, and plate printers. Replacements in these trades do not exist.

The professional and administrative ranks included accountants, lawyers, fiscal and tax economists, Internal Revenue agents, and planning and personnel officers.

We are supplying the Allied Military currency and stamps for the occupied military areas as they are taken over.

We are financing the war through the collection of taxes and the sale of bonds and are servicing other War agencies in many ways.

We cannot afford the risk of a breakdown in this responsibility through the loss of our irreplaceable men in essential positions.

Our accountants are highly skilled in governmental accounting procedures. Our lawyers are legal specialists in fiscal and tax matters, and in fact all of the men concerned are qualified and able to fill the essential positions occupied by them only because of experience and growth in the service. It is impossible to replace them principally because those understudying them already are in the armed forces, and without their services Treasury war operations would be seriously crippled.

FEDERAL RESERVE BANK
OF NEW YORK

March 10, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended March 1, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosures

COPY

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

March 11, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 1, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

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

Week Ended March 1, 1944

Strictly
Confidential

| PERIOD | BANK OF ENGLAND (BRITISH GOVERNMENT) | | | | | | | | BANK OF FRANCE | | | | |
|--------------------------------------|--------------------------------------|-----------------------------------|---|-----------------|------------------|---------------------------------|---------------------------------|--|--|------------------------|-------------------------|---|-------------------------|
| | DEBITS | | | | CREDITS | | | | Net Incr. (+) or Decr. (-) in Funds (d) | Total Debits (e) | Total Credits (e) | Net. Incr. (+) or Decr. (-) in Funds (d) | |
| | Total Debits | Gov't Expendi- tures (a) | Transfers to Official Canadian Account | Other Debits | Total Credits | Proceeds of Sales of Gold | Securities (Official) (b) | Transfers from Official Australian Account | | | | | Other Credits (c) |
| First year of war (g) | 1,793.2 | 605.6 | 20.9 | 1,166.7 | 1,828.2 | 1,356.1 | 52.0 | 3.9 | 416.2 | + 35.0 | 866.3(f) | 1,095.3(f) | + 299.0 |
| War period through December, 1940 | 2,782.3 | 1,425.6 | 20.9 | 1,335.8 | 2,793.1 | 2,109.5 | 108.0 | 14.5 | 561.1 | + 10.8 | 878.3 | 1,098.4 | + 220.1 |
| Second year of war (h) | 2,203.0 | 1,792.2 | 3.4 | 407.4 | 2,189.8 | 1,193.7 | 274.0 | 16.7 | 705.4 | - 13.2 | 38.9 | 8.8 | - 30.1 |
| Third year of war (i) | 1,235.6 | 904.8 | 7.7 | 223.1 | 1,361.5 | 21.8 | 5.5 | 57.4 | 1,276.8 | + 125.9 | 18.5 | 4.4 | - 14.1 |
| Fourth year of war (j) | 764.0 | 312.7 | 170.4 | 280.9 | 1,072.3 | - | 0.5 | 155.1 | 916.7 | + 308.3 | 10.3 | 1.0 | - 9.3 |
| <u>1943</u> | | | | | | | | | | | | | |
| September | 49.4 | 16.8 | 10.6 | 22.0 | 86.2 | - | - | 15.0 | 71.2 | + 36.8 | - | - | - |
| October | 38.2 | 16.0 | - | 22.2 | 115.4 | - | - | 40.5 | 74.9 | + 77.2 | - | - | - |
| November | 65.9 | 42.4 | 5.9 | 17.6 | 89.0 | - | - | 3.5 | 85.5 | + 23.1 | - | - | - |
| December | 98.1 | 16.3 | - | 81.8 | 134.5 | - | - | 36.5 | 98.0 | + 36.4 | - | - | - |
| <u>1944</u> | | | | | | | | | | | | | |
| January | 44.8 | 22.2 | 10.6 | 12.0 | 127.5 | - | - | 1.0 | 126.5 | + 82.7 | - | - | - |
| February | 143.8 | 14.3 | 2.1 | 127.4 | 144.5 | - | - | 29.0 | 115.5 | + 0.7 | - | - | - |
| March | | | | | | | | | | | | | |
| April | | | | | | | | | | | | | |
| May | | | | | | | | | | | | | |
| June | | | | | | | | | | | | | |
| July | | | | | | | | | | | | | |
| August | | | | | | | | | | | | | |
| <u>Week Ended</u> | | | | | | | | | | | | | |
| February 9, 1944 | 61.4 | 7.1 | - | 54.3 | 32.8 | - | - | 15.0 | 17.8 | - 28.6 | - | - | - |
| February 16, 1944 | 7.7 | 4.8 | - | 2.9 | 25.8 | - | - | - | 25.8 | + 18.1 | - | - | - |
| February 23, 1944 | 64.0 | 0.6 | - | 63.4 | 57.2 | - | - | - | 57.2 | + 6.8 | - | - | - |
| March 1, 1944 | 9.9 | 1.4 | 2.1 | 5.7 | 19.2(k) | - | - | 9.0 | 10.2(k) | + 10.0 | - | - | - |

Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$20.6 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
 - (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
 - (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
 - (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
 - (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
 - (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
 - (g) For monthly breakdown see tabulations prior to April 23, 1941.
 - (h) For monthly breakdown see tabulations prior to October 8, 1941.
 - (i) For monthly breakdown see tabulations prior to October 14, 1942.
 - (j) For monthly breakdown see tabulations prior to September 29, 1943.
- Includes \$ 6.7 million apparently representing current and accumulated dollar proceeds of sterling area services and including exports.

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

Week Ended March 1, 1944

Strictly Confidential

| PERIOD | BANK OF CANADA (and Canadian Government) | | | | | | | | COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) | | | | | | | |
|-----------------------------------|--|-----------------------------------|---------------|---------------|------------------------|-------------------------------------|-------|---------------|--|--------------|-----------------------------------|--------------|---------------|------------------------|---------------|--|
| | DEBITS | | | CREDITS | | | | | DEBITS | | | CREDITS | | | | |
| | Total Debits | Transfers to Official British A/C | Others Debits | Total Credits | Proceeds of Gold Sales | Transfers from Official British A/C | | Other Credits | Net Incr. (+) or Decr. (-) in \$ Funds | Total Debits | Transfers to Official British A/C | Other Debits | Total Credits | Proceeds of Gold Sales | Other Credits | Net Incr. (+) or Decr. (-) in \$ Funds |
| First year of war (a) | 323.0 | 16.6 | 306.4 | 504.7 | 412.7 | 20.9 | 38.7 | 32.4 | + 181.7 | 31.2 | 3.9 | 27.3 | 36.1 | 30.0 | 6.1 | + 4.9 |
| War period through December, 1940 | 477.2 | 16.6 | 460.6 | 707.4 | 534.8 | 20.9 | 110.7 | 41.0 | + 230.2 | 57.9 | 14.5 | 43.4 | 62.4 | 50.1 | 12.3 | + 4.5 |
| Second year of war (b) | 460.4 | - | 460.4 | 462.0 | 246.2 | 3.4 | 123.9 | 88.5 | + 1.6 | 72.2 | 16.7 | 55.5 | 81.2 | 62.9 | 18.3 | + 9.0 |
| Third year of war (c) | 525.8 | 0.3 | 525.5 | 566.3 | 198.6 | 7.7 | - | 360.0 | + 40.5 | 107.2 | 57.4 | 49.8 | 112.2 | 17.2 | 95.0 | - 5.0 |
| Fourth year of war (d) | 723.6 | - | 723.6 | 958.8 | 47.1 | 170.4 | - | 741.3 | + 235.2 | 197.0 | 155.1 | 41.9 | 200.4 | - | 200.4 | + 3.4 |
| 1943 | | | | | | | | | | | | | | | | |
| September | 47.2 | - | 47.2 | 70.1 | - | 10.6 | - | 59.5 | + 22.9 | 16.8 | 15.0 | 1.8 | 20.0 | - | 20.0 | + 3.2 |
| October | 32.1 | - | 32.1 | 71.3 | - | - | - | 71.3 | + 39.2 | 42.8 | 40.5 | 2.3 | 26.5 | - | 26.5 | - 16.3 |
| November | 15.4 | 0.1 | 15.3 | 95.1 | - | 5.9 | - | 89.2 | + 79.7 | 6.6 | 3.5 | 3.1 | 18.2 | - | 18.2 | + 11.6 |
| December | 146.8 | 0.3 | 146.5 | 55.1 | - | - | - | 55.1 | - 91.7 | 39.7 | 36.5 | 3.2 | 27.0 | - | 27.0 | - 12.7 |
| 1944 | | | | | | | | | | | | | | | | |
| January | 32.3 | - | 32.3 | 78.5 | - | 10.6 | - | 67.9 | + 46.2 | 6.0 | 1.0 | 5.0 | 11.3 | - | 11.3 | + 5.3 |
| February | 25.4 | - | 25.4 | 118.5 | 23.1 | 2.1 | - | 93.3 | + 43.1 | 31.3 | 29.0 | 2.3 | 28.6 | - | 28.6 | - 2.7 |
| March | | | | | | | | | | | | | | | | |
| April | | | | | | | | | | | | | | | | |
| May | | | | | | | | | | | | | | | | |
| June | | | | | | | | | | | | | | | | |
| July | | | | | | | | | | | | | | | | |
| August | | | | | | | | | | | | | | | | |
| Week Ended | | | | | | | | | | | | | | | | |
| February 29, 1944 | 2.7 | - | 2.7 | 44.4 | 23.1 | - | - | 21.3 | + 41.7 | 16.1 | 15.0 | 1.1 | 1.0 | - | 1.0 | - 15.1 |
| February 15, 1944 | 1.5 | - | 1.5 | 21.0 | - | - | - | 21.0 | + 13.5 | - | - | - | 1.1 | - | 1.1 | + 1.1 |
| February 16, 1944 | 1.4 | - | 1.4 | 32.6 | - | - | - | 32.6 | + 25.2 | - | - | - | 7.5 | - | 7.5 | + 7.5 |
| February 23, 1944 | 7.4 | - | 7.4 | 32.6 | - | - | - | 16.3(g) | + 11.8 | 9.9 | 9.0 | 0.9 | 4.0 | - | 4.0 | - 5.9 |
| March 1, 1944 | 6.6(f) | - | 6.6 | 18.4(f) | - | 2.1 | - | | | | | | | | | |

Average Weekly expenditures for

Fourth year of war 6.2 million.
Fifth year of war (through March 1, 1944) 8.9 million.
10.1 million.
13.9 million.
11.4 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
- (b) For monthly breakdown see tabulations prior to October 8, 1941.
- (c) For monthly breakdown see tabulations prior to October 14, 1942.
- (d) For monthly breakdown see tabulations prior to September 29, 1943.
- (e) Reflects changes in deposits and other items due to maturing in one year.
- (f) Does not reflect transactions in the New York branch.
- (g) Includes \$ 8.6 million deposited by the State of New York and \$ 7.5 million received from New York and other sources.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

251
W

DATE

MAR 10 1944

TO Secretary Morgenthau

FROM Mr. Paul

Yesterday Senator Thomas introduced S. J. Res. 120, which would establish a Foreign Economic Commission. Representative Coffee introduced H. J. Res. 247, a companion bill.

The Foreign Economic Commission is to provide the President and Congress with information and recommendations respecting the opportunities for, and means of, foreign economic collaboration and is to make a study and investigation of the opportunities for such collaboration in relation to the maximum use of economic resources of the United States through expanded foreign trade, stabilization of monetary systems, removal of trade barriers, interchange of economic and technical data, and joint development and use of facilities and resources.

The proposed Foreign Economic Commission is to be composed of: (1) a chairman designated by the President; (2) the President and Speaker, the majority leader, the minority leader, the chairman and minority member of the Committee on Foreign Relations of the Senate and House of Representatives; (3) the Secretary of State, Secretary of the Treasury, Attorney General, Secretary of Interior, Secretary of Agriculture, Secretary of Commerce, Secretary of Labor, Chairman of the United States Tariff Commission, Chairman of the Federal Trade Commission, and the Administrator of the Foreign Economic Administration; and (4) 12 public members to be appointed by the President, representing agriculture, labor, industry, and the consuming public.

W

Treasury Department
Division of Monetary Research

252

Date March 9, 1944 19

To: Secretary Morgenthau

From: Mr. White

WVW

1. We have heard from Currie that Foreign Economic Administration is in favor of granting the Government of India's request for the immediate lend-leasing of 10 million ounces of silver.
2. I am attaching suggested letter from you to Mr. Mahindra, which you will want to sign if you approve of the Government of India's proposal.

H.D.W.

MAR 10 1944

Dear Mr. Mahindra:

It is my understanding that the 10 million ounces of silver, referred to in your letter of March 5, 1944 to Mr. White, is part of the 100 million ounces of silver which we have had under discussion during the past several months.

The Treasury would have no objection to the immediate lend-leasing of this 10 million ounces, since, as you know, the Treasury has already recommended to the Foreign Economic Administration that the need of India for this 100 million ounces of silver should be met from the stocks of the United States Treasury.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. K. S. Mahindra,
India Supply Mission,
635 F Street, N. W.,
Washington 4, D. C.

ISF/MS/cfs 3/9/44

GOVERNMENT OF INDIA



INDIA SUPPLY MISSION

635 F STREET, N. W.
WASHINGTON 4, D. C.

IN REPLY PLEASE QUOTE

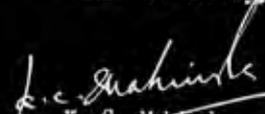
TELEPHONE: EXECUTIVE 5484

March 3, 1944

Dear Dr. White,

Confirming my interview with you yesterday, I should like to suggest for your consideration that an emergent supply of ten million ounces of silver be made to the Government of India under the procedures which were adopted at the time of the transfer of twenty million ounces in September last year. I understand that the State Department has agreed to such a transfer without prejudice as to the nature of the agreement and that this sanction is accorded because of the pressing needs of the Government of India for silver for coinage purposes. You will recollect that the twenty million ounces were likewise for coinage use. Please let me know if this suggestion meets with your approval.

Yours sincerely,


K. C. MahindraDr. H. D. White
Assistant to the Secretary
U. S. Treasury
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1944

TO Secretary Morgenthau

FROM Mr. White *HOW* ~~XXX~~

Subject: Swedish Exports of Iron Ore to Germany

- (1) Sweden exported 8.6 million metric tons of iron ore to Germany in 1942, and 10.2 million tons in 1943. Sweden had agreed with us not to exceed the figure of 9,900,000 tons but actually did exceed the ceiling by almost 5%. The total for 1943 was the highest since 1939.
- (2) The German-Swedish Trade Agreement for 1944 provides for a reduction in iron ore exports from 10 million tons to 7 million tons and for a reduction of more than 50 percent in exports of ball bearings (from \$10.7 million to \$5 million). Conversely, German exports of coal and coke to Sweden will be reduced by approximately 20 percent.
- (3) The real reason for the reduction in Swedish exports to Germany appears to be the difficulties of receiving payment through the clearing and of receiving stipulated imports of coal, rather than Allied pressure or a desire to make a gesture of pro-Allied sympathy.
- (4) Swedish exports of ball bearings to the Nazis were to be held to normal exports, i.e., those in 1938. This figure was in the neighborhood of 4,000 metric tons. Actual shipments in 1942 were 7,600 tons. For 1943, Sweden agreed to keep the value of ball bearing exports the same as those in 1942. Actual shipments in 1943 showed a 10,000,000 kroner increase. The largest increase in ball bearing shipments took place after the first Schweinfurt raids, or specifically, the last 4 months of 1943.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER OFFICE COMMUNICATION

DATE 3/10/44

TO Mr. Fehle
FROM Mr. McCormack

Appreciating that during the seven weeks the Board has been enjoying life, much history has been written figuratively and literally. Nevertheless, as resource material worthy of reading for a picture of activity in the field of refugee relief, I submit for circulation and staff consumption this paper: Refugees 1930-1942, a report prepared by George Warren currently associated with State and Executive Director of the International Migration Service Office in New York.

I would call your attention to the bibliography and particularly Sir John Hope Simpson's "The Refugee Problem" (London 1939) and "Refugees, A Review of the Situation since September 1938" (London 1939) both excellent surveys outlining successes and failures in coping with the relief, repatriation and resettlement of refugees.

cc: Miss Chauncey (Sec'y), Aksin, Abrahamson, Bernstein, Cohn, DuBois, Friedman, Garton, Kodel, McCormack, Paul, Pollak, Raines, Mann, Laughlin, Lesser, Lufford, Standish, Stewart, H. D. White, Files.

REFUGEES
1930 - 1942

The death of Fridtjof Hansen in May 1930 was a distinct loss to the refugees whose problems had absorbed his attention during the last ten years of his life. After a year of study and uncertainty the League of Nations established in 1931 the Hansen International Office for Refugees to carry on the work which Dr. Hansen had initiated.

The League of Nations while accepting responsibility for the legal protection of refugees, had always considered its interest in refugee problems to be of a temporary nature and had particularly avoided assuming responsibility for the relief of refugees. Consequently the new Hansen Office was established as an autonomous body under the authority of the League of Nations with mandates to coordinate its affairs by 1938 and to restrict its humanitarian activities to the coordination of the efforts of private organizations engaged in administering relief to refugees.

In order that the legal protection of refugees might be assured after the closing of the Hansen Office, the League of Nations provided, through the medium of the Convention of October 28, 1933, for the issuance of Hansen identity certificates by the Governments signing the Convention and for rights of residence and employment, and other benefits for Russians, Armenians, and assimilated refugees then under the protection of the Hansen Office.

After the Plebiscite in the Saar in 1935 approximately 7,000 former residents of the Saar left that territory, most of them to settle in France. This new group of refugees was added by League action to those already under the protection of the Hansen Office and a recommendation was made to the Governments that Hansen identity certificates be issued to them.

In 1936 Judge M. Michael Hansson of Norway was appointed president of the Hansen Office and carried the work forward with energy and distinction until its close in 1938. He greatly simplified the work and finances of the Office, reorganized its nine representative offices in different European countries, and achieved a realistic accounting of the refugees remaining unsettled. At the close of his work in 1938, Judge Hansson reported that 600,000 refugees, Russians, Armenians, Assyrians, Assyrian Chaldeans, Turks and Saarlanders remained under the care of the Office. The depression years from 1931 - 1938 had not eased the task of settling refugees and it was significant that twenty years after the end of World War I this substantial number of people remained in an unsettled state. They were destined later to join the stream of refugees from Central Europe and the war refugees of the western European countries who fled southward into France in advance of the German armies in the spring of 1940.

2

The war in China beginning in 1937 precipitated the largest internal migration in recent history. It is estimated that approximately 30,000,000 Chinese fled before the Japanese armies in two substantial movements from the coast areas to the agricultural hinterland, one from central China and the southeast to the southwest and the other from the northeast to the northwest. Skilled laborers, industrialists, small merchants, government employees, students, and intellectuals participated in government efforts to move industry and cultural activities westward. Unskilled laborers and peasants more closely tied to the land moved shorter distances along railways and highways from areas of military action and were more prone to return after the Japanese occupation or the recapture of the areas by the Chinese forces.

Whether this westward movement will prove permanent or temporary has not yet become clear. Before the Japanese invasion the recession in the export trade from the coastal cities in the depression years of the early thirties caused a movement from urban to rural areas similar to that which took place in other countries, such as the United States. Official policy in China has been to encourage decentralization and may prove more effective after the war. Concentrating the 75% of the Chinese population concentrated in the east on 15% of the total land area of the country.

When the Nazi Party assumed control of the German Government in 1933 thousands of new refugees were dispersed over central and west and Europe in the beginning of a movement which gained momentum during the first years of World War II and finally developed into an unprecedented pattern of dislocated groups and populations in 1941 and 1942. Those in Germany who opposed the Nazi political philosophy, non Aryans according to the Nuremberg laws, scientists, intellectuals, authors, artists, the members of other liberal professions, and labor leaders, were first removed from government posts and later from private positions in the universities, publishing houses, and business; were arrested and confined in concentration camps; deprived of their property and citizenship, and finally driven from Germany to find new places of livelihood as best they could in other countries.

Neighboring countries, Austria, Hungary, Poland, Czechoslovakia, Switzerland, Belgium, the Netherlands and France accepted the refugees, often in flight over their borders at night, in the expectation of extending hospitality to them for a temporary period until they could emigrate to places of permanent residence overseas. Approximately half of the Jewish refugees who left Germany in the early days of the persecution migrated to Palestine.

In October 1933 the League of Nations appointed James G. MacDonald as High Commissioner for Refugees (Jewish and Other) Coming from Germany, but separated the office from the League to avoid the

appearance of criticism of internal measures taken within Germany, then a member of the Council of the League of Nations. This separation militated against effective treatment of the problem which grew in proportion as Germany intensified her persecutions of the Jews, expanded her philosophy of the racial state, and drove increasing numbers from her borders. To emphasize the need of League action in stopping the flow of refugees at its source and of organizing assistance to refugees under the authority of the League itself, Mr. Sikes resigned in December 1933, reporting at the time that approximately 40,000 refugees had left Germany of whom 15,000 remained unassisted.

The Council of the League of Nations on January 1934 established the Office under its authority and Sir Vellie Dalrymple was appointed High Commissioner for Refugees Center from Germany. League action on behalf of refugees was restricted to those who had already left their country of origin and to negotiations with the governments with respect to their legal status and to employment and settlement. Responsibility for the relief of refugees was again left to the private agencies.

Through the Convention of February 1938 identity certificates were made available to refugees from Germany similar to those provided for the Hansen refugees by the Convention of 1933. In May 1938 refugees from Austria were included within the competence of the High Commissioner and within the provisions of the Convention of 1933.

The German Anschluss with Austria in March 1938 added now thousands to the streams of central European refugees who were already taxing the capacities of the countries of temporary refuge of western Europe. In an effort to substitute planned migration for the chaotic dispersion of refugees which was proving disturbing to the peace and comfort of other countries President Franklin D. Roosevelt summoned thirty-two Governments to the Evian Conference of July 1938.

Reports received at Evian indicated that some 125,000 refugees had already left Germany and Austria and that 700,000 additional persons were under the necessity of departing because of their racial origins or their religious and political beliefs. Neighboring countries reported that they could not absorb more refugees unless they were relieved of those already accepted. Offers to receive refugees for permanent settlement were not forthcoming at Evian. Countries of immigration with large numbers of unemployed in their large cities were fearful that the refugees from central Europe would add to their urban populations and bring with them the political conflicts of which they were the victims. The Dominican Republic, in contrast to the action of other Governments, offered to accept 100,000 for settlement in agriculture.

-4-

The Governments at Evian adjourned to a second meeting in London in August 1938 and there organized the Intergovernmental Committee with Lord Winterton, the representative of the British Government as Chairman. The first action of the Intergovernmental Committee was to explore with Germany the possibilities of orderly emigration of the refugees with sufficient capital in their possession to contribute to the costs of resettlement. The negotiations came to naught as the German proposals proved unacceptable to the government members of the Intergovernmental Committee and to the refugees themselves.

Thereafter commissions of experts were sent to explore the feasibility of the settlement of refugees in northern and southern Rhodesia, British Guiana, the Dominican Republic, and Mindanao in the Philippines. Costs of settlement in Africa proved high but the settlement of experimental groups of 500 families was recommended in the other areas. The outbreak of the war in September 1939 resulted in the cancellation of plans to settle refugees in British Guiana and the Philippines but the Dominican project proceeded under the auspices of the Dominican Republic Settlement Association, a private corporation organized in New York, which entered into a contract with the Dominican Government. Over 500 refugees were received in the Sorua settlement in the Dominican Republic before difficulties of transportation prevented the transfer of additional numbers.

In November 1938 widespread riots against the Jews broke out in many cities and towns in Germany and Austria. Synagogues were despoiled and burned, shop windows were broken, private homes were looted and Jews were rounded up in the streets, loaded into trucks and driven off to concentration camps. The pattern of the disorders was identical in timing and other features in so many different cities and towns in Germany and Austria as to give rise to strong suspicion that they were organized with the full knowledge of the government authorities. They followed the imposition of very heavy fines on the Jewish communities of Germany as punishment for the shooting in Paris of a German consular official by a Polish refugee whose relatives had suffered from persecutions in Germany.

During 1939 the countries of temporary refuge in western Europe were obliged to seal their borders against the further influx of refugees. Palestine, the United States, and South America had absorbed approximately 270,000 refugees in about equal proportions. About 20,000 reached Shanghai and Havana. Cuba served as an open port of distribution in the Western Hemisphere.

During that year the forced process of dispersion was overseas. Boats were loaded at German ports for undesignated points in South America. Refugees were charged for roundtrip passages. The Captain

-5-

proceeded from port to port until he had disposed of his cargo of human misery. This practice came to an end in May 1939 when the S. S. SF LOUIS with over 900 passengers aboard was refused permission to disembark its passengers at Havana and returned to Europe to distribute them in England, the Netherlands, Belgium, France and North Africa. Other boatloads of refugees left Mediterranean ports to wander aimlessly for weeks in the eastern Mediterranean seeking a haven of hospitality. There was substantial illegal immigration into Palestine. Dispersion in the Near East ended in February 1942 with the tragedy of the sinking of the S. S. STEUBA, which was refused permission to land at Istanbul, in which over 700 refugees lost their lives by drowning.

The transfer of Sudetenland to Germany following the Munich settlement of September 1938 and the occupation of the rest of Czechoslovakia in March 1939 added 180,000 residents of Czechoslovakia subject to the Nuremberg laws to the 5,000 refugees who had escaped from Germany and Austria to the cities of Bohemia and Moravia. These latter exemplified the usual pattern of refugee experience in that they were forced to flee again almost immediately after their initial escape from Germany. Many in fact had reached Brno and Prague by way of Vienna, and, uprooted a second time fled westward to Switzerland, Belgium, and the Netherlands, and France; some to escape from Europe eventually through Lisbon, others to be trapped in western Europe again and deported back eastward.

In the brief period of months between the transfer of the Sudetenland to Germany and the occupation of Czechoslovakia the British and French Governments attempted to assist the Czechoslovak Government to organize the emigration of refugees. The British Government made an original loan of 10,000,000 Pounds for the purpose and later the British and French Governments made 15,000,000 Pounds available, half as a loan and half as a gift. Out of the 8,000,000 Pounds loaned, 6,000,000 Pounds were earmarked for repayment of the original loan of 10,000,000 Pounds and the balance of 4,000,000 Pounds of this loan was made available as a gift. This latter fund remained in London available for the expenses of the emigration of refugees after the occupation of Czechoslovakia. About 2,500 Jewish refugees were assisted to emigrate to Palestine, some 7,000 political refugees reached England and other unknown numbers managed to escape to Poland, the Scandinavian countries, Western Europe, the United States, and South America.

In accordance with decisions taken in earlier years by the League of Nations, the Nansen International Office for Refugees (Russians, Armenians, Assyrians, Assyrian-Chaldeans, Turks, and Saarlanders) and the High Commissioner for Refugees Coming from Germany (Germans and Austrians) concluded their activities in December 1938. Logically, there was no reason for distinguishing

-6-

between the different groups of refugees. It was also obvious that the League could not cease its activities on behalf of refugees at a time when their number was increasing rapidly. Consequently the Assembly of the League in 1938 constituted a new High Commissioner of the League of Nations to deal with refugees hitherto coming under the Nansen International Office for Refugees and the Office of the High Commissioner for Refugees Coming from Germany. Sir Herbert Emerson was appointed High Commissioner and established his office in London.

His duties were rigidly set forth in the resolutions establishing his office, to provide for the political and legal protection of refugees, to superintend the entry into force and the application of the legal status of refugees as defined in the Conventions of October 28, 1933 and February 10, 1938, to facilitate coordination of humanitarian assistance, and to assist Government and private organizations in their efforts to promote emigration and permanent settlement. In February 1939, Sir Herbert Emerson was elected Director of the Intergovernmental Committee and thus was able to combine the work of both organizations in one office.

The Assyrians in Iraq and Syria technically under the control of the Nansen Office, some 30,000 in number, provided a specific example in their experience of the many political, racial, and economic difficulties inherent in the effort to settle refugees. Originally participants in World War I on the side of the Allies in the Near East, they had taken refuge after the war in Iraq. When the United Kingdom in 1933 relinquished its mandate over that country they became refugees a second time and their efforts to emigrate into Syria resulted in clashes at the Iraqi Syrian border. The League organized contributions toward the expenses of settlement from the interested Governments. These funds were administered by an autonomous body set up by the League, known as the Trustee Board. After efforts on the part of the Nansen Office to find areas of settlement in Brazil and British Guiana had failed plans were made in 1936 to settle the Assyrians on the plain of the Ghab in Syria. In 1937 this plan had to be abandoned as the French Government notified the League of its intention to relinquish its mandate over Syria. In the end the Trustee Board spent the available funds in establishing 9,000 Assyrians who had entered Syria in the Valley of Khabur where they had encamped in 1933, an area considered at the time unsatisfactory because of its proximity to the Turkish border. 20,000 Assyrians were assisted in establishing homes in northern Iraq as a minority group because other plans for emigration and settlement had failed to materialize. Those who migrated to Syria eventually acquired Syrian citizenship and thus lost their refugee status. The Trustee Board ceased its activities in January 1942, twenty four years after the Assyrians entered the refugee state, immediately after World War I. The original homeland of the Assyrians in Kurdistan and Persian Azerbaijan had been lost to them in the peace settlement and they belonged to no country which could give them protection.

7.

On the collapse of the Loyalist Army in Spain in February 1939 some 340,000 refugees burst over the border into France. The exodus was disorderly. Soldiers, civilians, old men, women and children trekked along the roads undernourished, without equipment, many ill and dying on the way. While at first there was indecision in France with respect to admitting the refugees the final decision was to intern them in refugee camps at Arjeles-sur-Mer and Cyprien. Although families were separated, men sent to some camps and women to others, there were comparatively few casualties. Generally the women and children were moved inland from the coast. Conditions in the refugee camps were frightful in the early months because of the lack of equipment, heat and sanitary provisions. Food was scarce and inadequate. Gradually these conditions improved.

As many of the refugees were fleeing primarily from military action repatriation to Spain started immediately and proceeded in the early days of the movement at the rate of 400 daily. In March 1939, the refugee group was reported to consist of approximately 230,000 soldiers, 40,000 male civilians, 10,000 wounded men in hospitals, 170,000 women and children. Repatriation was organized for all who were willing to return to Spain. However, some 40,000 were political refugees who could not return to Spain with safety and eventually were placed in labor camps and absorbed in French industry during the war. Many joined the French Foreign Legion. Others migrated to Mexico, the Dominican Republic, Latin and South American countries, and substantial numbers proceeded to North Africa. An unknown number of the total group was absorbed in French communities.

The German invasion of Poland in September 1939 precipitated an eastward movement of refugees far larger in volume and more rapid and violent in action than the westward movement which had been in process since 1933. Poland's population of 3,000,000 Jews constituted the majority of those affected by the advance of the German armies eastward, but as the war was fought more bitterly distinctions between the treatment of Jews and Poles at the hands of the Germans became less marked. Less than 100,000 refugees from Poland escaped into the Baltic countries and southward into Rumania, Hungary and Bulgaria. Over 1,175,000 Jews became subject to German control in the area of former Poland that was incorporated into the German Reich and in Government General Poland.

Unknown numbers of Polish and Jewish refugees who resided in or fled into the area of former Poland which was occupied by the forces of Soviet Russia were moved eastward to Siberia and southeastern Asiatic Russia.

-8-

The conquest of Poland also created numerous cross currents of population movements. The policy of the German Reich was to repatriate German minorities in eastern and southeastern Europe to the Altreich. A treaty concluded with Italy in the fall of 1939 providing for the return of some 270,000 Germans from the South Tyrol was the first effort to implement this policy. Later similar treaties were signed with Latvia and Estonia for the return of approximately 75,000 Baltic Germans. Some 300,000 Germans were also repatriated from Bukovina, Bessarabia and Roumania.

As the members of these German minorities in other countries returned to Germany they crossed the paths of the 300,000 to 400,000 Jewish refugees from Germany, Austria and Czechoslovakia who were constantly being deported eastward to the ghettos established in Warsaw, Lublin, and Lwow. These constituted the remainder of the refugees who had been unable to escape from central Europe before the outbreak of the war. The last to escape had gone by boat to Shanghai or through Poland and across Siberia to Harbin and Vladivostok and thence on to the Philippines or to the Western Hemisphere through Kobe and Yokohama.

As western Poland was incorporated into the Reich both Poles and Jews were driven eastward into Government General Poland. It was estimated by Polish sources that over 1,200,000 Poles had been moved into Government General Poland by Germany by the end of 1939. Germans in Government General Poland were returned to Germany. Germans were also moved from southern and eastern Poland occupied by Soviet Russia to Germany. From this area Poles and Jews were evacuated far eastward into Russia to be replaced by a Russian infiltration westward. No accurate figures concerning any of these movements will become available until after the war when the effort to repatriate uprooted population groups will disclose their magnitude. There is little evidence that any of the planned movements were completely affected. The task of accomplishing social homogeneity in given areas has proven difficult even to totalitarian authority. Germany pressed by constantly increasing demands for labor to meet the production requirements of an expanding war could ill afford to send sufficient Germans to the former western Poland to colonize the area and to develop German racial predominance over Poles on her new eastern border. Needless to say however the movements in eastern Europe were substantial and on a scale much larger than their counterparts in World War I. German reports in 1941 indicated that approximately 500,000 Germans had been repatriated from eastern and southeastern Europe.

As Soviet control was extended to Latvia, Estonia and Lithuania the refugees from central Europe who had escaped into the Baltic area were moved eastward into Russia. Those who were fortunate enough to have secured visas for Palestine or for countries in the Western Hemisphere were permitted to proceed to their destinations. Soviet infiltration into the Baltic countries coincided with the return of Swedes, Danes, and Norwegians to their countries of origin.

Finnish from the Karelian Isthmus ceded to Russia by the peace treaty between Russia and Finland were resettled in the diminished area of that hard pressed country. Over 400,000 people had to be placed on the land or in industry at a time when the resources of the Finnish Government were exhausted by the war. Some assistance was provided by private funds raised in the United States.

Norway faced a similar problem of internal resettlement after the German invasion. Approximately 400,000 people were moved from the coast defense areas into the interior of the country including many who had resisted the invasion in the short lived defense of their country.

The advance of the German armies into the Low Countries of western Europe in the spring of 1940 uprooted civilian populations on a scale comparable to that precipitated but a few months earlier by the invasion of Poland. This movement of about 3,000,000 Dutch, Belgian and French people in flight to southern France in advance of the German armies was described dramatically in the press which reported simultaneously the collapse of the allied armies in western Europe. Old men, women and children desperately clinging to their family possessions clogged the highways impeding the movements of the armies attempting to defend them. Included with the resident civilians were some 140,000 refugees from central Europe who had found temporary respite in Holland, Belgium and France while they sought places of final immigration overseas.

The great majority who had fled to safety from military actions returned to their homes after the signing of the armistice between France and Germany illustrating the generally temporary character of such war refugee movements. Political and racial refugees and those who had resisted the German advance as government officials or members of the armed forces, however, attempted to escape with the British Army from Dunkerque or proceeded through southern France to Spain and Portugal whose Atlantic ports were the only exits from war torn Europe.

England after the flight of her defeated army from Dunkerque found herself harboring some 70,000 central European refugees in addition to the members of the military forces of her allies who had escaped with her own forces. The threat of an impending German invasion from the continent and the fear of "fifth columnists" among the refugees induced by the recent experiences of Norway, the Netherlands, Belgium and France understandably resulted in the internment of all of the refugees. A previous attempt to classify them according to the degree of danger which each presented individually had failed to establish confidence in the results of the procedure.

- 10 -

During the period when all were interned some were transferred with German prisoners of war to Canada and Australia. Later when the defenses against invasion were strengthened the great majority of the refugees were released after a second more careful classification had determined that they could be counted on to participate loyally in the war effort against the common foe. Many were returned from Canada and Australia for release in England.

As a result of the air bombing of England extensive plans were developed for the evacuation of children from the cities to rural districts. In Canada, the United States and Australia arrangements were made to evacuate British children overseas. Approximately 3,000 children were removed to Canada, about 3,500 to the United States and smaller numbers to Australia. These plans had to be abandoned because of the lack of warships to protect the transports at sea.

In the late summer and fall of 1940 Germany in her efforts to bind allies in the Balkan countries more closely to the Axis cause did not hesitate to utilize minority groups as pawns in her strategy. In Vienna in August 1940, Hungary was awarded part of the coveted area of Transylvania and approximately two and a half million people. The fact that many Roumanians were included in the transfer demonstrated again the difficulties involved in legislating boundaries to achieve racial homogeneity in the confused pattern of racial strains in southeastern Europe.

South Dobrudja was allotted to Bulgaria which agreed to repatriate 65,000 Bulgarians from the North Dobrudja. The transfer to Roumania of Roumanians in South Dobrudja was also planned. Slovakia undertook to repatriate Slovaks from the Protectorate of Bohemia and Moravia.

In the west Luxemburg and Lorraine were incorporated as provinces into the German Reich. Again non-Aryan refugees, members of the Government of Luxemburg, and political refugees were forced to flee. Some 20,000 of the French population of Lorraine were expelled without warning into France and only vigorous protest by the Vichy Government prevented the expulsion of larger numbers from their homes. In November 1940, 10,000 Jewish refugees were driven from Baden and the Palatinate into southern France to crowd the camps already overpopulated with other central European refugees who had been interned after the armistice in southern France.

As the war spread to the Balkans and Greece exit for refugees from Europe became increasingly difficult, Spain refused to permit men of military age to pass through her territory and Portugal, fearing that she might be forced to maintain increasing numbers of refugees permanently on her territory, refused admission to all who lacked visas to overseas countries. Shipping from Portuguese and Spanish ports was greatly reduced by the cancellation of the sailings of French and American boats. The route through Algiers and Casablanca became the only egress for those denied transit through Spain.

- 11 -

In July 1941, the United States concentrated the examination of visa applications at the State Department in Washington and most countries in Latin and South America restricted entrants to those individually approved by high administrative authorities.

Germany in November and December 1941 also refused exit westward to the refugees still within the areas occupied by her armies. Deportations eastward to ghettos in Poland were renewed. Old people previously considered secure for the remainder of their lives were included among the deportees. Reports of mass executions in Poland by shootings, hangings and burnings in synagogues were increasingly persistent from the occupied areas. Individual cities were frequently reported in the German press as "Judenrein". It was estimated that at the close of 1941 approximately 200,000 Jews remained in Germany, 70,000 to 80,000 in Czechoslovakia, 1,250,000 in Hungary and Roumania, and 1,000,000 to 2,000,000 in former Poland.

The advance of the German armies into Russia drove before them the greatest migration of a decade in which the history of uprooted populations had exceeded in stark tragedy all previous records of modern history. No authentic figures have become available but conservative estimates place the numbers driven eastward as between ten and twenty million.

In addition to political, racial and religious refugees, those who fled before advancing armies to return later to their homes and population groups exchanged or moved about as pawns in the development of political and military strategy other dislocated groups consisted in prisoners of war and those enlisted voluntarily or forcibly for labor in German's war industries. Hopefully these migrations may prove also to be temporary in nature. Apart from one and a half million prisoners of war, principally French employed on farms and in industry, and excluding Poles not classified as war prisoners, the Reichsarbeitsblatt of July 15, 1941, reported the following totals of foreign workers employed in Germany as of April 1, 1941:

| | |
|--|---------|
| Poland | 875,000 |
| Protectorate of Bohemia and Moravia | 150,000 |
| Italy | 132,000 |
| Netherlands | 90,000 |
| Belgium | 87,000 |
| Slovakia | 69,000 |
| Yugoslavia | 48,000 |
| Denmark | 51,000 |
| France | 25,000 |
| Hungary | 21,000 |
| Switzerland | 17,000 |
| Union of Soviet Socialist Republics | 10,000 |
| Bulgaria | 8,000 |

- 12 -

| | |
|----------|-------|
| Roumania | 4,000 |
| Norway | 1,400 |
| Sweden | 1,200 |
| Spain | 1,100 |
| Greece | 500 |
| Finland | 200 |
| Portugal | 100 |

Later German statements in January 1942 gave the number of foreign workers as 2,100,000 exclusive of prisoners of war. Since then the labor shortage in Germany has become increasingly acute as larger numbers of German industrial and farm workers have been drawn into the army to replace losses on the Russian front.

No statistics exist in any country of still another type of movement resulting from internal evacuation to avoid anticipated military action such as that from the Channel Coast in France or from the east coast of England. Somewhat of this character was the evacuation in early 1942 of 110,000 persons of Japanese origin from the Pacific Coast areas in the United States to internment camps in the interior states. Nor are there any satisfactory estimates of dislocations caused by the removal of industrial centers for military reasons or the inevitable shifting of war production from one area to another. Such movements may prove to be of a permanent character dependent upon the vicissitudes of the war and the economic adjustments consequent upon the peace settlements. They have been substantial in the United States and even greater in Europe because of the German effort under the New Order to integrate the industry and agriculture of Europe into a Germanized whole.

In July 1942 news of mass arrests of Jews in Paris shocked the civilized world. Men and women of all ages, children, and even patients in hospitals were arrested at night and sent to concentration camps. Trainloads of refugees left occupied France immediately for unknown destinations in eastern Europe. Women with children under two years of age were spared. Many suicides were reported and mothers turned their children over to people standing on the streets as they were taken from their houses.

Refugees who evaded arrest fled in fright over the Swiss border and across the demarkation line into unoccupied France. Arrests and deportations followed a few weeks later in southern France. All exit permits for departure from France were cancelled and none were available thereafter to Jews of other than French nationality. Following the deportations from southern France some 5,000 refugees managed to escape across the border into Spain where many were interned. Public protests arose in France, particularly from church authorities, but proved ineffective to stop the deportations.

- 13 -

It was estimated that between 50,000 and 60,000 Jewish refugees who had failed previously to emigrate from southern France were caught by the suddenness of these measures. Lesser numbers were trapped in occupied France. Similar arrests and deportations were later reported from Belgium, the Netherlands and Norway.

On December 17, 1942, the Department of State of the United States in concert with the governments of Belgium, Czechoslovakia, Greece, Luxembourg, the Netherlands, Norway, Poland, Soviet Russia, the United Kingdom and Yugoslavia and with the French National Committee issued a statement condemning the deportations, mass executions and extermination of the Jews in Europe. The statement included the following:

"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."

The issuance of this statement was the only joint action of Governments on behalf of refugees since the beginning of World War II. Action by the League of Nations High Commissioner for Refugees and by the Intergovernmental Committee was restricted by the spread of the war primarily to the coordination and encouragement of the efforts of private agencies to assist the refugees to escape from Europe or to provide relief in areas where they were permitted to function. Interventions were made by the offices particularly with the British Government on behalf of individual refugees and occasionally with other Governments in the interest of special groups of refugees. An instance of the latter was the successful intervention with the Netherlands Government in November 1941, which resulted in the acceptance at Curacao, Netherlands West Indies, of eighty-three refugee passengers aboard the S.S. CABO de HORNO, who had been denied admission to the Argentine and faced the threat of returning to Spain and reinternment.

Most the group had left Marseilles in January 1941 aboard the S.S. ALSINA. They were confined to the ship for four months in the harbor of Dakar, French West Africa, were later transferred to a concentration camp at Casablanca, and were finally permitted to embark for South America ten months after their

- 14 -

departure from Marseilles. Arrived at Curacao they were accepted solely on a temporary basis and thereafter required the services of private agencies for relief and assistance in organizing their departure to places of final immigration.

The occupation of southern France by Germany in November 1942 virtually closed the exits of Europe to the refugees. The small numbers who had managed to escape into Spain and Portugal still entertained prospects of departure to the Western Hemisphere. In December the Portuguese Government generously regularized the status of all refugees then within her borders whether they had arrived legally or not. They were confined in residence as transit travellers in the coastal village of Ericeira.

In contrast the occupation of North Africa by American and British forces in November 1942 raised new hopes for some 20,000 central European refugees and a like number of Spanish refugees confined in labor and concentration camps in Algiers and Morocco. There was every prospect that their release would soon be effected.

The further treatment of the refugee problems of Europe thus became a matter of post war reconstruction. The League of Nations High Commissioner for Refugees, the Intergovernmental Committee, and the International Labor Office were engaged at the close of 1942 in pursuing studies of the problem with a view to planning treatment as an essential part of the organization of the peace settlement. Such plans naturally awaited the determination of boundaries and of the possibilities of repatriation for dislocated population groups and of the recapture of nationality particularly by the German and Austrian refugees most of whom had been denationalized by decrees of the German Reich in November 1941 and earlier.

BIBLIOGRAPHY - Sir John Hope Simpson, The Refugee Problem: (London 1939) and Refugees. A Review of the Situation since September 1938 (London 1939), issued under the auspices of The Royal Institute of International Affairs; "Refugees" The Annals of The American Academy of Political and Social Science (May 1939); Louise W. Halburn, "The Legal Status of Political Refugees, 1920-1938" American Journal of International Law Vol. XXXII 1938, pp. 680-703; Russian, Armenian, Assyrian, Assyrian-Chaldean and Turkish Refugees. Report by the Secretary-General on the Future Organisation of Refugee Work. (A. 28.1930.XIII) (Ref. G.A.C. 15.1930) (Ser. L. o. N. P. 1930 XIII.2) Convention Relating to the International Status of Refugees, Geneva, October 28, 1933 (G. 650. N. 311. 1933) (Ser. L. o. N. P. Official Journal, page 109); Letter of Resignation of James G. McDonald High Commissioner for

- 15 -

Refugees (Jewish and Other) Coming from Germany addressed to The Secretary General of the League of Nations, London, December 27, 1935, (G.13 M.12.1936 XII, Annex) (Ser.L.o.N.P. 1936. XII B.2)
League International Office for Refugees Report on the Liquidation of the Office. Geneva, June 14, 1937 (A.11.1937.XII) (G.226.1937.XII.); Convention Concerning the Status of Refugees Coming From Germany, Geneva, February 10, 1938 (G.75.M.30.1938.XII) (Ser.L.o.N.P.XII.B. International Bureau 1938.XII.B.1.)

January 5, 1943.

cc: Miss Charnsey (teloc'y) Messrs. Abrahamson, Alkin, Bernstein, Mrs. Cohn, Messrs. DuBois, Friedman, Gaston, Miss Hedel, Miss Laughlin, Messrs. Lesser, Luxford, Mann, McSwack, Paul, Pallak, Rains, Smith, Standish, Stewart, H.D.White

MAR 10 1944

MEMORANDUM FOR MR. STETTINIUS

Pursuant to your suggestion, there follows a brief summary of those problems relating to the work of the War Refugee Board, in connection with which I feel that you can, while you are in London, help our cause a great deal.

As you will note these problems are of major importance and are directly related to the question as to the extent to which the British Government is prepared to give us its wholehearted cooperation in this task. For this reason, may I suggest that a frank discussion of the whole matter by you with Mr. Eden might well result in a tremendous contribution to our efforts.

(1) Convincing the British that we really mean business.

There is good reason to believe that the British are not yet convinced that there has been a real change in this Government's attitude toward this matter - rather that they feel that the creation of the War Refugee Board was primarily a political move in an election year.

It is most important that we convince the British Government, as well as other governments, of our sincerity. In this connection, a citation of some of the significant steps which we have actually taken may be most helpful. I am attaching a resume of the highlights of our action to date, and we are keeping our Embassy in London informed of developments.

(2) Cooperation with the British.

Our position on this was best expressed in our cable to Winant of February 29 (1503). As we pointed

out, it is our policy to encourage and participate in effective cooperative efforts with other governments in taking all possible measures for the speedy rescue and relief of the Jews of Europe and other victims of Hitler's persecution. We hope that our actions will not be unilateral and that the British Government will actively cooperate in concrete measures designed to carry out this policy.

Whether there will be wholehearted cooperation between this Government and the British Government is not dependent as much upon the expressions of policy made by each Government as it is upon the actual steps which are taken by each Government to put these policies into effect.

In brief, are the British prepared to take the same kind of measures we have taken?

(2) Relations with the Intergovernmental Committee.

As in the case of our relations with the British, I think that it is most important to convince the Intergovernmental Committee that we really mean business. Once they realize that our purpose is not to outshine them, or to cast aspersions on what they are doing, but to get the job done and get it done quickly, there will be a better basis for cooperation.

In connection with your discussions on the relationship between the War Refugee Board and the Intergovernmental Committee, I would like to make the following points:

(a) The War Refugee Board is an American organization set up to carry out the policy of the American Government. The Intergovernmental Committee is an international organization, representative of over thirty nations, and therefore obviously in no position to carry out effectively and promptly the policy of any one individual nation.

- 3 -

(b) The War Refugee Board is prepared to lend every assistance to any and all projects which the Intergovernmental Committee has undertaken or undertakes in the future, designed to bring about the speedy rescue of victims of enemy oppression. In so far as financing such projects is concerned, the Board has already paid out \$200,000 towards operating expenses of the Committee.

(c) The War Refugee Board is determined to carry out the policy of this Government as announced by the President. In doing this the Board is not anxious to take on any job which can be done just as quickly and effectively by any other organization, whether such organization be domestic, foreign or international. If the Intergovernmental Committee is in a better position than the Board to carry out with speed any particular project designed to save the lives of refugees, the Board will gladly look to and support the Committee in the execution of such project.

(d) On the other hand, the Board has no intention of referring to or clearing with the Intergovernmental Committee any project which is necessary to carry out this Government's policy, unless such action would facilitate the speedy effectuation of such project. In the less than two months it has been in existence, the Board has already taken many steps designed to save people from death. A mere examination of these steps, in the light of the record of the Intergovernmental Committee to date, will reveal that most of these steps would not have been taken in this short time had they been referred to that Committee.

(4) Palestine issue.

The War Refugee Board has not taken and has no intention of taking a position supporting the establishment of a Jewish national state in Palestine.

The Board's sole interest in Palestine lies simply in the question as to what extent Jewish refugees can be brought into Palestine, even if only on a temporary basis.

arranging to finance the establishment and maintenance of a Jewish state in Palestine, with which we are concerned. The fact of saving the Jews in Europe from death, bringing them into Palestine and placing them in camps, to be returned to their homelands at the end of the war, is just as effective as admitting them to Palestine on a permanent basis. Government's would be made to take care as to the amount of the transfer of refugees from Europe to camps awaiting for them. (S) Cyrenaica and Tripolitania.

We have no intention of turning down any proposal 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. We are particularly from areas mentioned by you, and 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.

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, at the time the President and Prime Minister Churchill agreed to the establishment of a refugee camp in North Africa, the President expressed a definite interest in the possibility of establishing refugee havens in Cyrenaica and Tripolitania. As recently as January of this year, Mr. Long informally presented the matter to Sir Ronald Campbell. Despite this long standing interest in the matter, no agreement has been reached between the two Governments.

In my letter to you of March 2 it was recommended that a definite proposal be made at once to the British Government. We pointed out that once an agreement has been concluded with the British the matter can then be cleared with the Combined Chiefs of Staff.

In discussing this urgent matter with the British they might be advised that this Government is prepared to share with the British Government the responsibility for

Assistant
3/10/44

- 5 -

arranging to finance the establishment and maintenance of refugee camps in Tripolitania and Cyrenaica, including the cost of transferring refugees to such camps; and that this Government is also prepared to handle the transportation problem on a cooperative basis with the British. Thus, a division of obligations and responsibilities between the two Governments could be made in this case as in the case of the transfer of refugees from Spain to Camp Iyautey in French North Africa.

The importance of establishing refugee camps in Tripolitania and Cyrenaica can not be overestimated. The War Refugee Board is convinced that there is a real opportunity for actually bringing many people out of German controlled territory, particularly from areas adjacent to Turkey and the Black Sea. The Board is determined to do what it can to bring these people out in as large numbers as possible. Once these people are evacuated to Turkey, it is essential that areas be found to which they can be removed without delay. Camps in Tripolitania and Cyrenaica could be used for this purpose.

(Signed) J.W. Pehle

Attachment.

JEDuBois:ecr
2/10/44

March 10, 1944

Memorandum for the File:

While we all realize that the War Refugee Board in its five weeks of operation has barely scratched the surface of the problem, the following are a few of its more outstanding accomplishments:

1. The Bulgarian bottleneck has been broken by our arrangements for the rail transportation of 150 children every 10 days from Bulgaria to Palestine via Turkey. This small step may have important implications in the whole Balkan refugee situation.
 2. To open the way for a flow of refugees from occupied areas into Turkey and Spain, we have asked our ambassadors to request the Turkish and Spanish Governments to relax their border and other controls and publicly to announce their willingness to accept refugees. We have indicated that we will arrange for the maintenance of refugees in Turkey and Spain and for their transportation to other temporary havens.
 3. To induce the Spanish Government to accept more refugees, we are taking steps to expedite the removal on a compulsory basis, if necessary, of refugees now in Spain to Camp Marechal Lyautey near Casablanca which is ready to receive them, but still empty.
 4. We received word that it might be possible to evacuate 1,000 refugees from Constanza, Rumania, across the Black Sea to Turkey, if a guarantee could be made to the Turkish Government to replace an available boat, in case of its loss. Within 24 hours the War Refugee Board obtained commitments from War Shipping and Lend-Lease and our representative in Turkey was authorized to give the necessary assurances to the Turkish Government.
- Admiral Land has ordered Myron Black, Field Director of War Shipping, from Cairo to Ankara to assist Ira Hirschmann, our representative in Turkey, on the Black Sea shipping problem.
5. Several actual evacuation operations within occupied Europe are now under way as the result of our facilitating the speedy transfer of funds, the use of free exchange in enemy territory and the necessary communications with enemy territory. Specifically, projects under the auspices of private organizations have been commenced to bring refugees from Poland and Slovakia, where they face imminent death, into Hungary, a place of relative safety, and to transfer persecuted people from France and Rumania into Switzerland.

- 2 -

6. O.W.I., at our request, has started a program to bring home to the people in Germany and the satellite countries our determination to forestall further exterminations of the Jews and other persecuted minorities and to facilitate their escape.

7. For the first time, this Government now has 25 professional employees working full time on this problem.

8. At our request the State Department is making appropriate representations through neutral channels to the Bulgarian, Hungarian, and Rumanian Governments to desist from deporting Jews to Poland and to assist in their escape. Similar representations are being made through the Vatican to the President of Slovakia.

COPY

279

TELEGRAM SENT

LEG

PLAIN

March 10, 1944

AMEMBASSY

LONDON
1812, tenth

Following our cable no. 1503 of February 29 you may wish to make clear to the British Government that the steps which the War Refugee Board is taking and is prepared to take are in accordance with the following general patterns:

(1) The Board realizes that its chances of saving most of the Jews and other victims of enemy oppression from death lies in the possibility of changing the actions and attitude of the enemy, particularly his satellites, subordinates and functionaries. The Board is convinced that it is of utmost importance to undertake at once an organized and concentrated effort to make clear, by all appropriate means, to all Axis satellites that the Allied Governments view in a most serious light their assistance in any form to Hitler's program to exterminate the Jews, and other similar groups, regarding all such action as criminal participation in organized murder. The Board also believes it necessary to make clear to the satellites by all possible means, its intention to do everything in its power to rescue such unfortunates who are in danger of death, in order not only to give the satellites a clear view of the attitude of this country in the matter, but also of the opportunities which exist for assisting in the execution of our policy. The Board feels very strongly that a campaign of this kind must be made through all possible channels and be constantly repeated at every available opportunity. The Board believes that parallel action on the part of other Allied Governments would do a great deal to assure the success of this endeavor. At the moment it is important that pressure be brought to bear particularly on Rumania and Bulgaria, because in those areas there are many refugees in imminent danger of death who can be evacuated to Turkey and other places if those Governments permit it.

In addition to making formal representations to the governments of the satellite countries, the Board feels that there should be employed in this campaign all available means

for effecting the widest dissemination of our attitude not only to the governments themselves but to the largest number possible of the people of satellite countries. In this connection the Office of War Information is cooperating with the War Refugee Board in bringing home to the people in Germany and the satellite countries the fact that we consider this matter to be of paramount importance and intend vigorously to pursue all possible means of accomplishing our objective.

(2) In addition to this program designed to bring out a change in the actions and attitude of our enemies, the Board is convinced that there is a real opportunity for actually bringing many of these peoples out of German controlled territory. The Board is determined to do what it can to bring these people out, in as large numbers as possible. The Board is certain that this Government and its Allies can find for these persons temporary havens of refuge. The Board feels very strongly that some solution of any problems which may arise in finding a temporary refuge for these people once they have escaped from Hitler can and must be found by the British and American Governments and that in any event such problems must be subordinated to the program of rescue.

The following examples of measures which have already been taken by the Board will illustrate the extent to which this Government is prepared to go in actually bringing people out of Hitler's control.

(a) This Government has requested the cooperation of the neutral European countries in this endeavor. Thus, in order to increase the flow of refugees from occupied areas the neutral Governments are being requested to relax border and other controls, etc. The Board is offering to arrange for financing the setting up of reception camps which would receive refugees entering those countries and would make it possible to take them on to other places as rapidly as possible.

(b) This Government is actively engaged in trying to solve the problem of getting ships to transport refugees. Thus, one of the greatest opportunities for actually rescuing such people 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. It also appears that arrangements can be made with the Turkish Government to receive refugees from

-3- #1812, tenth, to London

these areas. There are strong indications that the Rumanian Government at least will permit a substantial number of these refugees to leave Rumania. It is indispensable that means of transportation be found at once.

The Board, in this connection, is endeavoring to arrange for a small Turkish vessel to proceed to the Rumanian port of Constanza and evacuate to Turkey approximately one thousand children. That the charter of the S. S. VATAN, a small Turkish vessel, might be obtained, has been reported by the Board's representative in Turkey providing a guarantee to replace the ship in the event of loss would be made to the Turkish Government. Such a guaranty was promptly offered by this Government. The possibility of obtaining some Swedish ships for this purpose is also being taken up with the Swedish Government. The Board is also exploring other possibilities.

(c) Licenses to six private organizations in the United States have already been issued by this Government giving permission to their representatives in Switzerland, in order to carry on relief and evacuation operations in enemy territory, to engage in the required communication and financing transactions. Our 242 of January 18, 1944 and also our A-139 of January 31, 1944, describe, in this connection, licenses which now have been amended to permit the acquisitions, if necessary, of local funds against payment in free exchange or free currency notes, from persons in enemy or enemy-occupied territory. Your additional private agencies have received identical licenses. This Government concluded in issuing these licenses that any danger involved in permitting the enemy to acquire such relatively insubstantial quantities of foreign exchange was far outweighed by the saving of lives.

More complete details will be sent to you shortly concerning these measures as well as others which the Board has taken or is planning to initiate.

WRB:GLW:NG
3/3/44

BC SE NEA EH

HULL
(GLW)

AIRGRAM

American Embassy
Quito, Ecuador
Date: March 10, 12:15 p.m., 1944.
Despatched:
Rec'd.: 11:15 p.m.

SECRETARY OF STATE
WASHINGTON

No A-138, March 10, 12:15 p.m., 1944

Department's circular airgram February 29, 7:30 p.m. regarding program of the President's War Refugee Board.

Embassy has again discussed this subject with the Foreign Office and has emphasized both the great importance of the work undertaken and the value that would be derived from Ecuador's collaboration. The Foreign Office again indicated that it would welcome being furnished with a concrete proposal as to the further aid that Ecuador might render (my despatch No. 1041 of February 7, 1944) but it agreed to make at this time a public statement of Ecuadoran support of our program. This morning the two principal Quito papers, El Comercio and El Dia published a Foreign Office press release of which the following is a translation:

"The Ambassador of the United States, in the name of his Government, has approached the Foreign Office in order to inform it of the determination of the United States to rescue and aid the victims of Nazi oppression in Europe and in order to consult on whether Ecuador would be disposed to cooperate in that policy.

"The Ministry of Foreign Affairs has replied that Ecuador shares the humanitarian sentiments which inspire the Government of the United States and that it is prepared to lend the cooperation requested, in accordance with the possibilities of the country, for which purpose the two Governments will have to consult and define the nature and means of the Ecuadoran assistance."

SCOTTEN

840.1
JWG/ec

EMBASSY OF THE
UNITED STATES OF AMERICA

283

Lima, March 10, 1944.

No. 9203

Subject: Oral expression of view by a Foreign Office official concerning admissibility into Peru of war refugees.

STRICTLY CONFIDENTIAL

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

Sir:

I have the honor to acknowledge the receipt of the Department's circular airgram of February 29, 1944, 7:30 p.m., wherein, with reference to the Department's circular airgram of January 26, 1944, 7:00 p.m., the President's War Refugee Board through the Department requested the Embassy to make clear to the Peruvian Government the position of the United States Government in regard to war refugees and to explain the desire for cooperative action.

Since no reply has as yet been received from the Foreign Office to this Embassy's note no. 1662 of February 1, last, sent in compliance with the Department's above-mentioned circular airgram of January 26, I took occasion to invite the attention of the Secretary General of the Foreign Office, on calling on him on March 9, to the continuingly deep interest of the United States Government in alleviating the situation of sufferers from enemy persecution and to the hope of my Government that cooperative action might be forthcoming from the Peruvian and other governments.

Dr. Correa recalled the Embassy's note and stated that the Peruvian Government was and had long been deeply sympathetic with the tragic situation of victims of persecution as well as of the incidence of war on innocent populations.

However, the situation confronting the Peruvian Government in respect of its obligations to the Peruvian people had not appreciably changed since 1938 when the Government had informed the Refugee Committee at London of the ability of Peru to absorb solely refugee agriculturalists. It was unfortunate that so few of the refugees appeared to fall within that category.

Moreover, now that a war was on, all immigrants to Peru would have to be especially carefully scrutinized to avoid the admission to the territory of the Republic of dubious persons who might prove to be Axis agents.

AIR MAIL

284

-2-

While the foregoing statement would not seem to constitute a definitive reply to the Embassy's above-mentioned note, it does tend to confirm to a certain extent the opinion expressed in the Embassy's despatch no. 9017 of February 11, 1944, to the effect that any reply to be received from the Ministry would be delayed and that it might prove noncommittal or negative.

Respectfully yours,

Jefferson Patterson
Charge d' Affaires a.i.

711
JP bw

The Ghetto of Warsaw

Two hundred Dutch Jews deported from Holland by the Germans to work at clearing up debris in the ruined ghetto of Warsaw, are now the only inhabitants of what once was Europe's greatest concentration of Jews, according to an eyewitness report from Geneva printed in the London JEWISH STANDARD. "The ruins of the ghetto are still strewn with the corpses of Jews who lost their lives in the last heroic resistance against the Germans," the report said. "The Dutch Jews engaged in clearing up the debris are sheltered in specially-improvised barracks and the exploding of time bombs they turn up is the only sound that breaks the silence."

(Source: Netherlands News, 15 March 1944)

cc: Miss Chauncey (Sec'y), Cohn, Hodel, Laughlin, Pehle, Abrahamson, Aksin, Bernstein, DuBois, Friedman, Gaston, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H. N. White, Files.

March 10, 1944

10:30 a.m.

TO: Mr. Warren

FROM: J. W. Pehle

It will be appreciated if you will have the attached cable dispatched at once to Dr. Joseph Schwartz, Central Council for Jewish Refugees, Upper Woburn Place, London.

Attachment.

FH:hd 3/9/44

CABLE TO DR. JOSEPH SCHWARTZ, LONDON

Thank you for your cable of March 2 from Lisbon. Programs outlined therein being carefully studied by the War Refugee Board.

Would appreciate any information you can send me concerning refugee problems in northern European area. J. W. Pehle, Acting Executive Director.

CABLE TO DR. JOSEPH SCHWARTZ, LONDON

Thank you for your cable of March 2 from Lisbon. Programs outlined therein being carefully studied by the War Refugee Board.

Would appreciate any information you can send me concerning refugee problems in northern European area. J. W. Pehle, Acting Executive Director.

Unitarian Service CommitteeC
O
P
Y

Lisbon, March 10th 1944

FOR THE EXECUTIVE COMMITTEE

Letter No. 287

Urgent - Memo on conversation with representative
of the British Embassy -

I was told to-day that word has just been received from London that the British Embassy here is to assume responsibility in respect to refugees of all nationalities. The speaker believes that a fair number - some now here illegally in hiding, some from Spain, and others who will arrive from France and elsewhere, - will be in need of this protection. He has already started conversations with the Chief of the International Police about establishing another residence force, if possible nearer Lisbon than Caldas and Ericeira, so that Consuls or relief workers can easily go back and forth.

The question was put up to me: Was the Unitarian Service Committee prepared to accept financial responsibility and general supervision of such a residence force? The expenses per person, he assumed, would be about the same as at Caldas or Ericeira and no blanket guarantee would be needed, only the care for each refugee as he came along. He said that he would very much rather have us take the responsibility for the whole thing than have it divided among the different relief agencies, as he has come to the conclusion that we have less red tape and more energy than the others.

I said that it would be necessary to get a re-allocation of funds from home if any large number of new refugees were to be provided for, but I believed this could be done and I would write immediately. He asked how many we were prepared to take care of immediately. I shut my eyes, took a deep breath and said 40. Actually we could not do this indefinitely without additional money, but we could do it out of existing funds for a limited period and I don't doubt that additional funds will be forthcoming if the need is manifest.

This is to an extent an unhatched chicken and I don't like to count on it too much, but the egg is at least a substantial one. I feel it quite a compliment to have the British Embassy ask our aid in this way, and I know that we could count on active and effective cooperation from them as well as from our own people. I would suggest that the ground be softened up, so to say, to see about sending additional funds in our direction. Meanwhile, as soon as I have anything more definite I will let you know, either by letter or by cable. I need hardly say that if this materialises it would keep one person busy. However, we will take a chance on that and trust that Mr. Grieve

Unitarian Service Committee

C
O
P
Y

Lisbon, March 10th 1944

FOR THE EXECUTIVE COMMITTEE

Letter No. 287

- 2 -

will be here before very long. This possibility fits in with what I have already heard and reported to you from Dr. Kullman and other sources, about more refugees coming here.

I asked specifically whether any Spaniards would be included in this plan. The answer was a tentative yes. I should doubt very much that it could really be thrown open to Spaniards, but the idea is at any rate not to exclude them automatically. It is probable also that the Jewish agencies would come in on this, but it would be preferred if we agree to take the responsibility for the whole thing and then see what arrangements could be made with them later. I don't think there would be any difficulty at this end.

(sgd.) Elisabeth Dexter

Expenses - We allow 200\$ (\$8) a week per person, with clothing and medical care extra. Say \$40 a month or a little more, for an average. But we will need something additional of course for administration.

Mar 10 1944

12:10 p.m.

TO: Mr. Warren

FROM: J. W. Pehle

It will be appreciated if you will have the attached cable to Bern dispatched at once.

(Initialed) J.W.P.

Attachment.

FH:hd 3/7/44

CABLE TO BERN

Reference our No. 659 of February 26.

Please advise Department immediately whether McClelland has accepted the appointment as Special Representative of the War Refugee Board and as Special Attache to the Legation on war refugee matters.

Also please advise Department whether all consular officials in Switzerland have been notified by you of the contents of our cable No. 251 of January 25.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
 TO: Secretary of State, Washington
 DATED: March 10, 1944
 NUMBER: 409

CONFIDENTIAL

HIRSHY MANN SENDS THE FOLLOWING FOR THE ATTENTION OF
 FIELD, WAR REFUGEE BOARD.

As regards the individual mentioned in the Department's cable of March 6, 1944, no. 168, I urge you to take no action in the matter unless there is a compelling reason for employing and sending him to Turkey at this time. With respect to the statement made by the applicant that he is familiar with refugee and shipping problems in this area since a portion of his business consisted in carrying refugees from Rumania and elsewhere to Palestine, I would be interested in learning his name so that I may ascertain and report to the Board the nature and scope of his former activities.

It is recommended by me that pending my return to Washington no action be taken on this application since I count on returning early in April with a detailed report and recommendations concerning the situation here, including the number and type of individuals needed to carry on the Program of the Board in Turkey.

STEINWART

cc: Miss Chauncey (Sec'y) Messrs. Abrahamson,
 Akkin, Bernstein, Mrs. Sohn, DuBois, Friedman,
 Guston, Miss Hodel, Miss Laughlin, Lesser, Luxford,
 Mann, McCormack, Paul, Paliak, Raines, Smith, Standish,
 Stewart, H.D. White, Fehle.

Mar 10, 1944

12:10 p.m.

TO: Mr. George L. Warren

FROM: J. W. Pehle

I should appreciate it if the attached cable to Ambassador Steinhardt for our representative, Mr. Hirschmann, were transmitted at once.

(Signed) J.W.Pehle

J.H. Murphy:dh 3/9/44

TO STEINHARDT FOR HIRSCHMANN FROM WAR REFUGEE BOARD

This is WRB Cable to Ankara No. 5. Please refer to your No. 80 of March 3, 1944.

We very much appreciate the excellent and active cooperation which Ambassador Steinhardt has found it possible to give you. We are likewise most appreciative of the steps which he and you are taking as well as your full reports and suggestions for action. We are actively following up the points made by you and will keep you promptly and currently advised of our progress.

1. As previously indicated, we are continuing our negotiations with representatives of the Swedish Government in an effort to secure its agreement to supply ships for this work. Up to now, however, our immediate prospects are not encouraging. We will advise you of any further developments in this picture.

We still feel it most desirable to take all steps possible to secure Turkish ships. At the present we have under tentative (repeat tentative) consideration a plan by which this government would make a ship available to the Turkish Government at once, provided in your opinion the Turkish Government would be willing immediately to make available an equal amount of tonnage for the evacuation of refugees in accordance with the Board's program. Please advise us whether you feel that such an offer on the part of this Government would result in quickly making available a Turkish ship for refugee work. If we receive a strong indication from you that such an arrangement would be a substantial help, we will immediately take the matter up with the appropriate authorities of this Government. We have not (repeat not) yet taken the matter up with the War Shipping Administration or other appropriate agencies of the Government and will await your reply before doing so. Please advise urgently.

2. If arrangements satisfactory to you and Ambassador Steinhardt can be made for the purchase of the "S.S. NECAT", at a cost of approximately \$400,000, the vessel to be donated to the Turkish Red Crescent to become its property, the necessary funds will be forthcoming. The American Jewish Joint Distribution Committee has manifested an interest in furnishing the purchase price of this ship on condition that it appear reasonably clear that the boat will be able to complete the transportation of the 5000 Jewish refugee children from Rumania to Palestine as indicated in your cable under reference. The J.D.C., however, wishes to know whether it will have to pay the necessary additional expenses, such as those for wages, fuel, et cetera, which may be involved in transporting these children. We all agree with your view that it would be most desirable to press the Turkish Red Crescent to continue the vessel in operation to carry additional refugees after the agreement to transport the 5000 children has been carried out.

It is suggested that you contact Mr. Resnich, J.D.C. representative in Turkey, with respect to this matter.

JHMurphy:dh 3/9/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET
U.S. SECRETOPTEL No. 80

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

1. NAVAL

One of U.S. Destroyers escorting an eastbound convoy torpedoed southwest of ICELAND (C) yesterday. Aircraft from one of H.M. Escort-Carriers escorting homeward convoy from RUSSIA sank a U-boat in Northern waters on 6th.

2. MILITARY

ITALY. Heavy rain 8th Army Sector where grouping and reliefs have been taking place.

BURMA. ARAKAN. 7th Indian Division continue to press their attack on Japanese north of BUTHIDAUNG.

KALADAN. Our troops have withdrawn to positions northwest of KYAUKTAU to meet Japanese encircling threat from the EAST HUKAWNG VALLEY. Chinese troops continue mopping up operations south of MAINGWAN inflicting heavy casualties.

3. AIR OPERATIONS

WESTERN FRONT. 9th. Out of 526 U.S. heavy bombers despatched 331 dropped 692 tons on BERLIN through cloud, 160 dropped 269 tons on HANOVER and 30 dropped 72 tons on NAUM. One enemy aircraft destroyed, 6 bombers missing and two in the sea and two fighters missing.

9th/10th Aircraft despatched: MARIGNANE aircraft factory near MARSEILLE 44, DUSSELDORF 8, Intruders 2. All returned safely.

ITALY. 8th. 75 medium bombers attacked SAN STEFANO Harbour and railway centres at ROME and ORTE. 1 bomber missing. 444 fighters attacked objectives near ROME and in the battle areas. Two fighters missing.