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March 11, 1944
11:20 a.m.

Re: CABINET MEETING

Present: Mr. Bell
         Mr. White
         Mrs. Klotz

H.M.JR: This is what took place in Cabinet. At Cabinet I said to the President, "I would like to bring up this memorandum from Churchill which I don't think any of you have seen. It is a memorandum from Churchill to the President, Churchill protesting about the billion-dollar balances."

So I said - I hesitated doing this thing because it sort of puts Stettinius in a bad light, and after all, there was too much at stake - so I said, "Mr. President, I feel that Churchill has got a good case, because the agreement was arrived at in Mr. Hull's office with Mr. Crowley and myself present, and Lord Halifax. It is quite different from the cable that you sent out, and Churchill, in pointing out the differences, is correct." I said, "Unfortunately, the cable that was sent on the billion-dollar balances was not shown to the Treasury the way it should have been before it went out."

So Hull says, "I don't know what you are talking about. I haven't seen this cable."

I said, "It came in just before lunch."

Hull said, "When did this cable go to Churchill from the President?"

I said, "About a couple of weeks ago."
So Crowley spoke up and more or less confirmed what I said.

Then the President said something which is not clear in my mind now. I then repeated, "This isn't keeping faith with the British because we made it very clear that we would gradually try to eliminate those items of Lend-Lease which were not politically feasible, and we have made progress, and we would approach it from that angle rather than from a fixed amount on the balances."

Well, the President said, "You and Hull better get together on it."

I wrote Hull a little note saying that I would like to have him call a meeting whenever he was free.

Now, one thing - I want you both to read this over the week end. It is a very well-prepared memorandum.

When Halifax left that meeting he said he wrote Churchill what had happened, and we just haven't kept our promises, that is all. In this thing it says that Stettinius, when he is in London, Churchill hopes he will take it up.

I am going to say to Hull - I mean, I am a little bit different, now - I am going to say, "Look, Mr. Hull, that question of dollar balances is the Treasury's responsibility and I don't want Stettinius taking it up in London."

I say that is my responsibility. I have carried it all this time and I expect to carry it from now on.

You see, here is the thing - this is what I meant - Stettinius sent that off, most likely, with never speaking to Acheson. I can't remember whether Stettinius was present at that meeting or not.
MR. WHITE: Yes, Stettinius spoke to me. I went to see Stettinius in regard to coordination, the other day. After he was through talking about it, he said, "I want to tell you what happened; I want you to know what happened."

If you are interested, I will repeat what he told me.

H.M.JR.: Yes, because you haven't told me about this meeting.

MR. WHITE: No, it was just yesterday.

He said that Mr. Crowley mentioned the fact that negotiations weren't going very well with the British - were not making as much progress as he had hoped for, and he said--

MR. BELL: That is about the way he said it at Cabinet.

Mr. White: He (Stettinius) said, "The President turned to me and said, 'Ed, I want you to prepare a letter for my signature saying that for political reasons, I want you to consider ways of bringing down the British dollar balances to a billion dollars.'"

Mr. Stettinius said, "I took that as an order, not as anything that I could discuss, or anything that I needed to discuss; so I drafted a cable and brought it over to him, and he signed it."

He said, "Now it is my error, and I certainly should have shown it to the Treasury. But I didn't look at it that way. I regarded it as merely carrying out an order that the President gave to me."

H.M.JR.: Well, that doesn't check at all with Bell's story.

MR. WHITE: Bell's story of what Stettinius said?
MR. BELL: No, of what the President said. But then, I can appreciate how people can get different ideas at Cabinet. The President isn't always very clear. But there were three of us in the discussion. Crowley brought it up. I made the remark that this was something that probably ought to be handled because I thought that sooner or later the Truman Committee was going to get into it.

I don't remember what Stettinius said. Anyway, the President said - I thought he said - "You fellows draft for me a memorandum or a letter which I can send to Churchill on the subject."

He said, "Give me an extra copy and I will send it to Eden."

H.M.JR: The point is this, if that is Stettinius' attitude, then he is a very poor public servant, because when he went over there he should have said to the President, "Here is a memorandum of what took place at a meeting with Mr. Hull," because we have a copy of it, do you remember? Acheson furnished us with one, as I remember.

MR. WHITE: I have some further information.

H.M.JR: Anyway, this is what happened, this is the agreement: "Now, Mr. President, you can't send a flat cable like that." That is what he should have told them. It is a breach of faith on the part of the Secretary of State and the Secretary of the Treasury with an understanding that they had with Lord Halifax. "You can't do this." But the trouble is that nobody ever talks like that to the President. Now he is in Dutch.

MR. WHITE: It is my understanding that Dean Acheson expostulated with him - tried to get him to change the President's mind - and that Dean did draft that cable, Mr. Secretary - either that or he had seen it.
MR. BELL: Dean did see the cable?

MR. WHITE: Dean or Rostow in his office.

(The Secretary speaks to Colonel Mathewson over White House phone, as follows:)

Hello. This is the Secretary of the Treasury speaking.

Good morning.

I am in receipt of your letter of March 10 enclosing copy of Cable No. 613 from the Prime Minister.

In that, in the very first sentence, it refers to a memorandum from Harry, mentioning Mr. Hopkins.

Have you got a pencil?

I have not got that memorandum. I would like to be furnished with that memorandum, and also other memoranda referred to in this cable or other cables, so that I can act intelligently on this thing.

But inasmuch as Mr. Churchill questions my good faith in this matter, I want to go to the bottom of it.

If I could have that by Monday morning, that will be time enough.

But I want particularly the one - evidently a memorandum that Mr. Churchill gave to Mr. Hopkins.

I thank you.

(End of conversation)

MR. WHITE: Mr. Secretary, I think there is another aspect of this.

H.M.JK: I imagine this is--
MR. WHITE: I think there is an aspect of this which I think makes Stettinius a little less guilty, and I think, Dean Acheson much more. Dean Acheson knew this. Dean Acheson knew - I needn't tell you the history - Dean Acheson knew very well he should have consulted us. Dean Acheson did not consult us. Mr. Secretary, that cable is very shrewdly and carefully drawn with the motive of saying, "Well, now, we will get the Treasury and anybody else on the spot."

If you will read that cable over very carefully, it is very adroitly worded, and I think Acheson deliberately did not want to consult us because he said, "This will fix the Treasury once and for all."

And when Dean Acheson called me up several days later to tell me about this memo, he says, "I hear that the Treasury is much upset over not having seen the cable."

I said, "Well, that couldn't be so; we didn't even know you sent a cable."

That is the part of that story--

H.M.JR: We knew he sent a cable.

MR. WHITE: We didn't know until he called me up and told me.

MR. BELL: You mean you didn't know until you were talking to Dean. That was several days ago.

MR. WHITE: Several days after the cable had gone. That is the first we heard of the cable.

H.M.JR: Yes, but I have a copy of the cable.

MR. BELL: Yes, because Harry told me the cable had gone.
H.M.JR: When they knew I was upset was last Sunday when Acheson was at tea with me. I told him we were upset.

MR. WHITE: I think this occurred before you got back.

H.M.JR: Oh, no, no, no.

I told Stettinius at tea last Sunday - I said, "I want to go over the thing."

I said, "This is one of the things I think shouldn't have happened."

Stettinius' answer was, "I think that is terrible. The thing never should have gone out and we are wrong."

MR. WHITE: This happened before then.

MR. BELL: This happened before you got back.

H.M.JR: We are talking about the same thing.

MR. WHITE: No, Dean Acheson told me--

H.M.JR: But I am telling you what I told him Sunday.

MR. WHITE: Which was after Dean Acheson called me and said we were upset.

There is another aspect of this I would like you to reconsider, because it is important. You say that you don't want Stettinius to handle this, and that you are going to handle it.

H.M.JR: In London.
MR. WHITE: I am a little bit troubled that this thing is, in the first place, not only a hot potato, but is going to be troublesome. Maybe it is all right to let Stettinius handle it - not take complete responsibility.

H.M.JR: All right, look, when I get all the memoranda, you may be right. But the point is, where I think you are wrong is, I gave my agreement. Now he is challenging me as to what I told Lord Halifax. And I am going to set that thing right. That has nothing to do - coming from you, it gives me the laugh that the Treasury should recede from handling the thing on the dollar balances.

MR. WHITE: I don't think we should recede, but the time has come where you may be glad for other people to muddy the waters. If he wants to take the responsibility at this point--

H.M.JR: No, I have just one target. I don't want - that is where you fellows disagreed with me on the Argentine - it is difficult enough to keep saying the British are our Allies - are all right. I want to keep the British in as happy a frame of mind as I can, and I think I can do it as well as anybody in this town, and I am not going to let Mr. Stettinius do it for me.

I mean, then I am going to tell Mr. Hull, "O.K., you take all financial matters, everything, the whole business." He can have it all or nothing. Just because it is difficult, why should I duck away from it, Harry? Are you going to give up the Canadian thing, going to let Berle handle that?

MR. WHITE: Oh, no, we have finished that.

H.M.JR: But it is the whole question.

MR. WHITE: You see, I think, Mr. Secretary, that the position has shifted. Only a short time back when you felt it was desirable and necessary to get them down to a billion dollars, and that the only difference from
that was in your presentation when you agreed that you would not make that appear to be the objective, but you would say that it is necessary to do these things, and that you are not committing yourself to any future; but as at present it seems to you that is all that will be necessary, but that your objective was to get them down to a billion dollars. And you are now, it seems to me, reversing the position and saying that is not your objective in part. I don't know what the letter says about a misunderstanding.

H.M.JR: Look, Harry, you and I aren't together this morning. The man says, "Mr. Morgenthau told Lord Halifax such and such a thing," which I did. Why do you fellows keep always talking about reversing myself? I know what I told Lord Halifax.

MR. WHITE: I don't know what that says. Sure, you want to straighten out whatever you told them. That is a separate matter.

H.M.JR: I don't want to get a thousand details which my brain can't absorb, but I can absorb and know what I told Lord Halifax. And I want the help of you and Bell to see that we are put back on the right track.

MR. WHITE: I know specifically what you told Lord Halifax, and if he says something different, we have it in the record, too.

MR. BELL: He doesn't say here just what you told him, but he says there was no intention to reduce their dollar balances by any other means. "Our agreement to include politically different items from Lend-Lease was based on this assurance to Lord Halifax."

That certainly was different.

H.M.JR: What I would like you to do - after you have read this, be prepared Monday - I will set a time now - I would like a memorandum of just what I did say to Lord Halifax. I wish you would dig that out.
MR. WHITE: We have it in the minutes. It is not verbatim.

H.M.JR: Who wrote the minutes up?

MR. WHITE: I probably did.

H.M.JR: I think you did, too. Would this be rushing you people too much if I said eleven o'clock Monday?

MR. WHITE: No. It won't take long to put down what we think we said.

H.M.JR: What I would like to see is what I did say, and in what way was the President's cable to Churchill contrary to what I did say.

And I would like to get the thing back to the position which we were all satisfied with as to what I said.

Now, let me just tell you people this, and keep this in your mind - I have reason to believe, and I can't prove it, that Crowley says things on his own without telling anybody else, which are not always helpful to the President and his program.

Now, you particularly look at that reference to Crowley. I don't know what has been happening on the Hill. Maybe you could find out from Oscar Cox, or somebody. But again, in the room here, I have fairly good source of information - and you mustn't repeat this, please - that Crowley has been spreading stories to make a breach between the President and Churchill. I am not saying this thing lightly.

MR. BELL: Really?

H.M.JR: That the stories which have come out of the breach between the President and Churchill originated with Crowley. Now, let me go back a minute. Do you remember in two instances - and you people have to help me refresh my memory - one was that Crowley opened
that meeting - were you at that meeting?

MR. BELL: No.

H.M.JR: Harry was. ...and said, "Mr. Ambassador, I just want you to know that this story that I'm anti-British isn't so." Do you remember that incident?

MR. WHITE: Very definitely.

H.M.JR: And then, who told me this? Was it he or Oscar Cox told me that Crowley said - let me get this right. I think Oscar Cox told me that Crowley had said to Stettinius that morning, "I am not anti-British," or something.

No, Stettinius, I think, said to Crowley, "Well, I guess the reason you are so anti-British" - in some way tying me up into this thing.

MR. BELL: You repeated that.

MR. WHITE: I think it was Crowley who said that in defense of his statement that there were stories going around that he was anti-British, and he used that as an illustration.

H.M.JR: But Cox told me how he pulled me in, and put Stettinius in.

MR. WHITE: I think he said that you and Crowley were. I think that came from Crowley. Crowley said he heard from Stettinius.

H.M.JR: Anyway, what I am getting at is, and the reason I am a little impatient is - I don't want to lose sight of the principal thing, and that is this: It is true that the President and Mr. Churchill are having trouble, and that is terrible. I don't want to aggravate it. I don't want to have any part of it.
I can't give you my source of information, but I have very good reason to believe that Mr. Crowley has been aggravating it, and has told it to newspapermen. I have got pretty good sources of information.

And with that in mind, and with this cable coming in, I even said at Cabinet, "If you want to put it this way, you can say that I was out of town and that is why the cable went, or you can say because Mr. Hull and I were out of town and the cable went." And Mr. Hull and I knew, and of course the President didn't have the sources of information, but with Mr. Hull and myself back, we have brought the President up to date and we go back to the position which we were in when we told Mr. Halifax - but we must help the President keep close to Churchill.

Now, Harry, if I am a little impatient, don't pay any attention to it. That is why I don't care about this God damned petty politics, or insidious politics which are going on. It is insidious in the State Department because they just take it for granted.

MR. WHITE: It wasn't a question of insidious politics; it is a question bearing on the major issue which has existed on this matter in the last two years, the difference of opinion between Dean Acheson and ourselves, that the balances do not matter, and in my opinion, it is aside from this problem of Roosevelt versus Churchill, entirely.

But in my opinion, Dean Acheson seized upon this opportunity, and in a very clever way, instead of objecting, as he could have, to sending the cable, by bringing the Treasury and FEA in, he said, "Let's not do it, and this will fix it once for all," and it has. And it has accomplished exactly what he wanted. And that, I think, should be clear.

H.M.JR: Well, we will have a conference.

MR. WHITE: Did you speak to the Cabinet after you had seen this?
H.M.JR: Yes, I had that as a springboard. And it disturbs me very much.

Mr. WHITE: I think you can be easily straightened out, because what you said is clear, what he reported you said is clear, and you were not here when the cable was sent.

H.M.JR: And nobody in the Treasury saw it.

Mr. WHITE: Because had we seen it, there is no question that we would not have let that cable go that way. Of that there is no doubt. Or had FEA seen it they would not have let that cable go. That is why I am doubly convinced that Dean Acheson didn't show it to us.

H.M.JR: Well, anyway, do we understand each other?

MR. WHITE: Yes.
To: Secretary Morgenthau
From: Mr. White
Subject: Fund Conferences

There remains only one important difference between ourselves and the British on the International Stabilization Fund and they have promised to give us their answer within the next two weeks.

The discussions with the Russians are proceeding favorably and though it is too early to know definitely it looks hopeful that we may be able to come to an agreement so far as the technical people are concerned within the next couple of weeks. Some time soon I would like to discuss with you what we ought to do next.
March 11, 1944.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Pete Street tells me that a very interesting collection of work by Coast Guard artists, consisting mostly of paintings but with a few photographs included, is now on exhibition in the Chart Room of the Coordinator of Inter-American Affairs in the Commerce Building. There would probably be no difficulty in getting it over here if you should like to see it. Pete thought we might be able to arrange some plan for sending it around the country for exhibition before or during the Fifth War Loan drive. If you would like to have me arrange to have the exhibit brought over here, I shall be glad to do so.
JEWISH EVACUATION

Present: Mr. White  
Mr. Pehle  
Mrs. Klotz

H.M.JR: This is on Palestine. I didn’t know whether you (White) wanted to hear about it.

Now, this is what happened at Cabinet. It takes hours to get all this down. The President more or less opened Cabinet yesterday by saying, "Doctor Silver and Doctor Wise came in to see me."

And he said, "I told Silver where to get off. I said to Silver, 'Do you want to be responsible for the death of a hundred thousand men through this?'"

MR. PEHLE: It is the terrorist group.

H.M.JR: He said, "If you people continue pushing this recommendation on the hill, you are going to be responsible for the killing of a hundred thousand people."

(The Secretary talking to Col. L. Mathewson on White House phone:)

Hello.....
Speaking.....
Go ahead.....
Yes.....
Yes.....
Yes.....
Yea ••• ••

Well, supposing, in order to save me time, will you?.....

We are in the midst of a meeting here. You tell
Miss Grace Tully that I have made the request of you,
and ask if she could do it for me.....

Will you do it in order to save me? I am right in
the midst of a meeting.....

I thank you so much.....

H.M.JR: Then he said, "I turned to Doctor Silver
and said, 'You know, you are doing a very reprehensible
thing when you spread rumors around Washington that I,
the President, am responsible for the War Department's
position before Senator Wagner and that Committee. That
wasn't true, and you had no business spreading such
rumors.'"

Then the President turned to Stimson and said,
"Harry, I hope you don't mind my hiding behind your
skirts."

And then--and this is the thing I want to get over--
Mr. Stimson said, "Well, Mr. President, I just want to
make it perfectly clear that I feel that the position
that the War Department took at this time for military
reasons is correct, but that doesn't mean that I feel
that that is the position to be taken ultimately."

Then the President said--somebody spoke up; I don't
know who, "Well, the story in the New York Times, Mr.
President, would give the impression that you were in
favor of permitting Jewish refugees to go into Palestine."

So the President said, "I know, they gave that twice,
but my position is that as far as the White Paper goes,
and everything else, there are still thirty-odd thousand
Jews who can go into Palestine." "I turned to Doctor Silver
and said, 'How many can you get out?'

"Oh," he said, "a great many."

He said, "Well, I don't believe that you can get a great many until you have gotten the thirty-odd, or thirty-two thousand which are still allowed in. I don't want to raise the issue."

Then Ickes spoke up and said, "Well, Mr. President, I think you would like to know that Doctor Silver and Doctor Wise were very much pleased at your interview."

Now, the reason I am dictating this is, as best I can remember it, about half a dozen statements were made, every one "head on" to every other statement. I don't want it talked about, but it took place, and there it is. I was sitting on the edge of my seat ready to get into the thing at any minute that the President made some statement which I thought would be injurious to this refugee movement, but he didn't say anything. Wallace was watching me like a hawk, and sort of gestured to me. But there was nothing for me to say, because I don't know what the President told Silver. I mean, the remarks he made about it then, his remarks to Stimson, "I hope you don't mind my hiding behind your skirts," and then going on to say that we should fill up the quota first. There is nothing there, because I have personally told him I think the quota should first be filled. But, for whatever it is worth, anyway--

MR. PEHLE: See, Mr. Secretary, there is probably going to be a new resolution introduced in Congress which will be put on the basis, solely, of admitting Jews in order to save their lives, and which will put the issue on a different plane. There will be a great deal of pressure behind it, which is probably what should have been done in the first place.

H.M.JR: I will try to keep you people posted.

MR. PEHLE: That is very helpful.
H.M. JR: But it is very difficult to follow.

MR. PEHLE: It just adds to what Stimson told me the other day when he said he believed in the position they were taking for military reasons, and it jibes exactly with that, but that the State Department was using the War Department and were not willing to come out in the open themselves.

MRS. KLOTZ: Everybody knows that, and now they are not blaming the State Department any more, because they blame it on the President.

MR. PEHLE: The responsibility must lie there.

H.M. JR: And the President turns around and tells Silver, "You must not spread rumors like that about me."

MRS. KLOTZ: That is so childish.

MR. WHITE: Like all men, he has feet of clay, but he has less clay than a lot of others.

H.M. JR: I am not making any comment. I am just reporting.

MR. WHITE: Well, there are so many reports of bad things, and my boys tell me that the recent move of getting these children out is the first real tangible saving of lives that can be allocated exclusively to the work which you have done, which the boys have done here. If nothing else is done but that, it will have been worth while, and that is only the beginning. But that is the first thing that you can really cleanly put on the net side of the balance. I think the boys and you are to be congratulated on your success.

H.M. JR: Well, it is a little satisfaction for the heartaches you take.

MRS. KLOTZ: That is right.
H. M. JR: There are two things—I don't know whether I told you—I would like to send. I think a cable could be drafted for me—or if you want to wait for the Board—but I think it ought to go out to Hirschmann and to Steinhardt, saying how pleased you and I are.

MR. PEHLE: I think we have already done that.

H. M. JR: Well, check on it.

Now, here is another tricky piece of business. Did I send you the memorandum from the President to me inclosing the letter from Myron Taylor?

MR. PEHLE: No, sir. At least I haven't gotten it yet. I know you told me it was coming.

H. M. JR: You see that he gets it, Mrs. Klotz, and also let him read my conversation with Stettinius on that subject, because there is another memorandum.

Now, the President said in this memorandum that Stettinius and I should see Myron Taylor. Stettinius in this conversation with me refuses to do it, and doesn't want to do it. He wants the Board to do it. And on thinking the matter over—you sleep on it over the week end, that Stettinius doesn't want to see Myron Taylor. O.K.? I think it would be very bad to bring it up to the Board. I think I ought to see Myron Taylor alone and thrash it out.

If it comes to the Board, chances are Hull will say, "I think that the Refugee Committee and the Intergovernmental Committee should be merged," or something like that.

MR. PEHLE: You can't tell what will happen.

H. M. JR: I think it is wrong. It is another headache for me, but I want to take it, and my hunch after sleeping on it—and you advise me on it Monday—is I should see Myron Taylor and have it out with him.
MR. PEHLE: I think you are right. I also think you can bring Myron Taylor around.

H.M. JR: The President said Stettinius and I should do it. You remember, I warned you right from the beginning about Myron Taylor versus Stettinius.

MR. PEHLE: Yes, you did.

H.M. JR: U.S. Steel Corporation comes first.

MR. PEHLE: He has a personal business relationship.

MR. WHITE: I don't see how it is a "versus."

H.M. JR: Stettinius would have to tell Myron Taylor to pipe down. "Now, you didn't do anything for two years. To hell with you." But club members don't talk like that.

MRS. KLOTZ: Mr. Morgenthau told that to Mr. Pehle, and he was shocked, because Stettinius has been so helpful. But in his mind it would have nothing to do with it.

MR. WHITE: Stettinius is one of the men I don't understand. I don't believe that zebras change their stripes, and I see before me, certainly, a chameleon, a man who is changing his stripes.

H.M. JR: I don't want to discourage this fellow, so I won't say anything.

MR. WHITE: Stettinius is behaving in a most pleasantly surprising fashion.

MR. PEHLE: He will fail us on certain things, Harry; when the going gets tough he may very well flunk out. Until then, he is being very helpful.

MRS. KLOTZ: That is the attitude to take.

MR. PEHLE: That is the way I am going to play.

H.M. JR: The going is tough now versus Myron Taylor, and I will pick it up. I am not trying to be heroic about it, but I will pick it up.
MR. PEHLE: Sometime when you have the time--Stettinius, you know, did a study, or had his people do a study which has some very strong ideas, but he didn't put it through.
1. DECLARATION ON NAZI ATROCITIES TO THE JEWS.

The proposed declaration is still pending.

2. APPROACH TO THE SATELLITES.

Our Missions at Bern, Stockholm, Lisbon, Ankara and Cairo have been instructed to convey to the satellites through all channels available, diplomatic or otherwise, the declared policy of this Government to take all measures to end persecution and our intention to rescue its victims and to indicate the attitude of this Government toward those countries which continue to collaborate with Hitler's program to exterminate the Jews and other minority groups. We intend as a follow-up to these cables to ask these Missions for reports on the action taken to carry out these instructions.

3. COOPERATION WITH OTHER GOVERNMENTS.

(a) British.

The British Embassy at the request of the Ministry of Economic Warfare has raised certain objections to the financial aspects of the relief and rescue operations which this Government has licensed. The British have taken the position that the financial side of such operations requires joint consideration by the two governments. As a result of this approach by the British, we received a letter from State requesting that further programs of the Board be worked out with State, FEA and the British. We are preparing a reply to State to the effect that what we have done in this field has been in accordance with this Government's policy which has been established for some time; that, although we intend to keep the British advised of what we are doing and to consider any objections they may have, we do not contemplate clearing our programs with them, as that has not been the procedure in this field in the past. We propose to obtain FEA's concurrence in this position. We have informally advised the British Embassy here of the action we have taken.

In view of Mr. Stettinius's impending trip to London, a memorandum has been sent to him giving a brief summary of problems relating to the work of the War Refugee Board for possible use in discussions designed to help our cause while in London.

(b) Russia.

Our proposed cable to Harriman is still pending at State.
(c) **Eire.**

We have prepared a cable to Dublin, which has been sent to State, asking our Minister there to inform the Irish officials concerned of our acceptance of their humanitarian offer to provide a haven for 500 Jewish refugee children and advising them further that we are endeavoring to obtain shipping facilities to transport the children to Eire. The Minister is also being asked to raise informally with the Irish Government the question of whether they are willing to take up with the Vichy Government the matter of evacuating refugee children from France. The Eire Government is also to be asked whether it is at present willing to guarantee to Switzerland that it will accept from that country after the war 500 Jewish refugee children evacuated from France.

(d) **Latin American Countries.**

A report has been received from our Mission in Havana in response to the circular airgram of January 26. The report states that immigration into Cuba has practically ceased since the early part of 1942 as a result of a decree forbidding the granting of visas to nationals or natives of the Axis countries. The attitude of the Cuban authorities toward the refugee problem was described as "indifferent, if not slightly hostile, with little more than lip service being accorded to its humanitarian aspects."

(e) **Neutrals.**

(1) **Turkey.**

A cable was received from Steinhardt stating that the Turkish authorities are reluctant to increase rail transit facilities from the Balkans to Palestine through Turkey until the facilities thus far offered have been availed of. The Turkish authorities have authorized transit visas for 5,000 Jewish refugees en route to Palestine, but only a fraction of these have been utilized thus far due to obstacles to their departure from Axis-occupied territory. As to evacuation of Jewish refugees from the Balkans by sea, Steinhardt reported that negotiations had begun 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 after evacuating 5,000 Jewish refugee children from Rumania to Palestine. He estimated that the purchase price of this vessel would be approximately the same as transporting 5,000 children by a vessel under charter.
2 5
• 3-
[Image 0x0 to 463x719]

and that by donating the vessel to the Turkish Red Crescent the latter might be persuaded to evacuate additional refugees after the 5,000 children had been evacuated. This proposal has been discussed with representatives of the American Jewish Joint Distribution Committee and Hirschmann has been advised that, if the "S.S. Necat" can be purchased for $400,000 on terms satisfactory to him and Steinhardt, the necessary funds will be forthcoming.

Advice was also received from Hirschmann that the first group of Jewish children evacuated from Bulgaria had arrived in Istanbul en route to Palestine. He felt this was the beginning of a continuous movement of children; that the Turkish authorities had issued instructions for 140 children with 10 adults to pass from Rumania through Turkey every ten days. Hirschmann further reported that 90 other refugees had recently reached Turkey from Bulgaria en route to Palestine and that 74 had arrived from Greece. The charter of the "S.S. Vatan" for a single voyage from Constanza has been approved by the Turkish Foreign Office and must now be approved by the Council of Ministers. Hirschmann estimated the "Vatan" will be able to carry from 600 to 800 refugees on each trip. The International Red Cross is attempting to obtain safe conduct for the vessel from the German and Russian Governments.

We have prepared a cable to Hirschmann which is pending at State pointing out to him that, while we are continuing negotiations with the Swedish Government to obtain ships for evacuation work, the outlook is unfavorable and that he should take all steps possible to obtain Turkish ships. We are also asking Hirschmann to indicate whether, if we can obtain a ship from this Government for the Turkish Government, the latter would immediately make an equivalent amount of tonnage available for evacuation work.

(ii) Spain.

A cable has been received from Hayes in which he states that the fact that few refugees are now entering Spain is not due to Spanish border controls, but rather to the difficulties in the way of refugees escaping to the Spanish frontier from occupied Europe. Hayes is opposed to asking the Spanish Government to relax its border controls, as that might facilitate the entry of German agents into Spain. He also expressed his disapproval of our proposal that the Spaniards be asked to publicize the fact that they are prepared to grant asylum to
refugees. Such an announcement he maintains is unnecessary and, in addition, would have political implications above its primary humanitarian purpose and make the escape of refugees from German-occupied territory more difficult. Hayes has suggested that the Spanish Government can best expedite the release of refugees from Axis-controlled areas by directly approaching the German Government with an offer to grant transit for temporary residence visas to refugees. He emphasized that some assurances must be given to Spain as to the ultimate destination of such refugees before Spain could be asked to make such an approach.

We also received a cable from Hayes with respect to the appointment of Blickenstaff as our special representative in Spain. Hayes has inquired whether Blickenstaff, in the event of his designation as special representative of the Board, would be expected to give up his work as representative in Spain of various American relief organizations. Hayes wishes him to continue with the latter work and to serve concurrently as the Board's representative if possible. It is our view that the work in Spain of the War Refugee Board representative will be a full time job requiring the undivided attention and energies of at least one man. Accordingly, we have prepared a cable to Hayes advising him that we do not consider it feasible that Blickenstaff undertake the duties of War Refugee Board representative under the circumstances mentioned by Hayes and we have proposed to Hayes the designation of James Saxon, Treasury Representative in North Africa, as our special representative in Madrid.

Hayes has also asked us what we meant by a statement to the effect that refugees now in Spain should be evacuated by involuntary measures, if necessary. According to Hayes the proposed plan to evacuate stateless and unprotected refugees from Spain to North Africa will not succeed in evacuating all these refugees from Spain since many of them will not want to go to the camp there and others will not be considered acceptable by the French and Allied authorities. Under instructions from State, he has attempted to means of persuasion beyond acquainting these refugees with the nature and conditions of the proposed project.

4. ESTABLISHMENT OF HAVENS OF REFUGE.

(a) Tripolitania and Cyrenaica.

The use of Tripolitania and Cyrenaica as havens for refugees has been under consideration ever since the Bermuda Conference
but no action on the proposal has been obtained. We have
drafted a cable to Winant which is pending at State, asking
him to make a formal proposal to the British Government to
consent to the establishment of refugee camps in Tripolitania
and Cyrenaica subject to the approval of the Combined Chiefs
of Staff. We are also asking Winant to advise the British
that this Government is prepared to share with it the responsi-
bility for financing and establishing and maintaining these
camps, including the cost of transferring refugees thereto.

(b) Temporary Camps in the United States.

We are still working on a plan to establish temporary
havens in the United States for refugees. The matter has been
discussed with Secretary Morgenthau, Mr. Stettinius and
Secretary Stimson.

5. VATICAN PROTEST ON THE DEPORTATION OF THE JEWS FROM SLOVAKIA.

The Apostolic Delegate has advised the World Jewish Congress
that the Holy See has taken up with Monseignor Tise the plight
of Jews remaining in Slovakia and that Tise has promised that
the Jews will not be condemned to severe punishment but will
only be interned and will be given opportunity and facilities
to go to other countries. The Holy See, he said, would continue
to interest itself in this matter.

6. SPECIAL PROJECTS.

(a) Evacuation of Children from occupied territory into Spain.

A report was received from Dr. Joseph Schwartz, European
representative of the American Jewish Joint Distribution Com-
mittee, that a number of children could be brought into Spain
through the services of professional guides who bring them
across the mountains for a fee of $250 to $300 per child.
Dr. Schwartz advised that, if private agencies in Spain could
be supplied with funds, several hundred children could be
saved in this way. He also suggested that the Spanish authori-
ties might look upon such activities more favorably if they
received assurances that the children would be taken out of Spain
and that the evacuation program had the support of responsible
government agencies. The proposal was discussed with the Ameri-
can Jewish Joint Distribution Committee who are willing to put
up $100,000 for such a program. Upon the recommendation of the
War Refugee Board, appropriate licenses have been issued to the
American Jewish Joint Distribution Committee permitting its
representatives in Spain and Portugal to carry on the necessary communications with persons in enemy territory as well as the requisite financial operations. At our request, the State Department is sending a cable to Madrid assuring the Spanish Government that the United States is willing to take refugee children who are evacuated to Spain.

(b) **International Red Cross Feeding Programs.**

(i) A cable was received from Bern informing us that the International Red Cross has received the $100,000 made available by the American Jewish Joint Distribution Committee and that it proposed to use this money for food parcels, pharmaceutical products and clothes to be distributed to Jewish refugees in Transnistria, Theresienstadt, Cracow, Holland and Upper Silesia. The products will be purchased in Rumania, Hungary, Slovakia and Switzerland. The International Red Cross strongly urged against the exploitation of this relief program for propaganda purposes, stating that publicity might result in the withdrawing of channels for relief which are now open.

(ii) **Feeding program for Transnistria, Yugoslavia and Theresienstadt.** A report was received this week that 10,000 food parcels, costing $70,000, had finally left Turkey this week. Eighty per cent of the parcels will be distributed by the International Red Cross in Transnistria, the balance in Yugoslavia and Theresienstadt.

(c) **Internes in enemy-occupied Europe holding Latin American Passports.**

A cable has been prepared and sent to State instructing our Missions in Honduras, Costa Rica, Ecuador, Nicaragua, Haiti, Venezuela and San Salvador to approach the governments to which they are accredited in an endeavor to secure their agreement, on humanitarian grounds, to take no action until after the war to revoke or cancel the passports held by internes in Europe. This action is designed to forestall deportations to Poland and is a follow-up to the action we have already taken concerning Paraguayan passports.

7. **Cooperation with Other Government Departments.**

(a) **State.**

In view of the failure of the State Department to act
promptly on the Board's programs, especially in the prompt transmission of cables, a strong memorandum was sent to Mr. Stettinius citing specific cases in which long delays have occurred and pointing out that the efforts of the War Refugee Board are being effectively nullified by the State Department's failure to act on our cases.

(b) **Army and Navy.**

Our proposal to Secretary Stimson that the Theater Commanders receive instructions on the new War Refugee program of this Government has been approved by the Joint Chiefs of Staff and the instructions have been sent out to the Theater Commanders.

We have also been advised that the Navy has taken the necessary steps to inform the United States Navy Commanders concerned.

8. **PERSONNEL.**

James H. Mann has returned from Argentina to undertake a special assignment for the Board. Myles Standish, Paul J. McCormack and Benjamin Akzin have also joined our staff. We now have about 25 professional people working full time on War Refugee Board problems.
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Representative, Algiers
DATED: March 11, 1944
NUMBER: 757

CONFIDENTIAL
FROM WAR REFUGEE BOARD FOR ATTENTION OF ACKERMANN.

We repeat herewith for your information the following telegram which was transmitted to Madrid, under date of February 18, 1944, as no. 463.

(Paraphrase of the aforementioned telegram was distributed to you on February 23, 1944).

In reply to the foregoing message Ambassador Hayes stated that he did not find it possible to approach the British Government at this time, but is awaiting a favorable opportunity to do so. We will keep you advised regarding this matter.

HULL
(GLW)

DCE:NAS:EA
3-15-44
No. 14890

EMBASSY OF THE
UNIVERSAL STATES OF AMERICA
Rio de Janeiro, March 11, 1944

SPECIAL ADVISER ON
Supply and Resources
MAR 22 1944
Department of State

SUBJECT: Refugees in Brasil

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

Sir:

I have the honor to refer to the Department's circular airgram of February 29, 1944 (7:30 p.m.) in which, referring to previous correspondence concerning the President's executive order establishing the War Refugee Board and declaring the policy of the United States Government on this question, the Embassy was directed to discuss this matter with the Brazilian Foreign Office and to make it clear that the establishment of the War Refugee Board represents the United States Government's determination effectively to carry out without delay a policy of taking all possible measures for the speedy rescue and relief of the refugees of Europe.

As was indicated in the Embassy's despatch 14561 of February 12th on this subject, this matter has been taken up with the Secretary General of the Foreign Office and the question has been brought urgently to his attention on several occasions since that time, and has been further discussed in detail with Minister Oswaldo Correia, Chief of the Passport Division of the Foreign Office. The Embassy has been assured by these two officials that this whole question, in the form presented
by the Embassy, is now under active discussion both by
the Minister of Justice and by the National Immigration
Council, and that an effort is being made to come to
certain definite conclusions as to the fundamental policy
which Brazil should adopt in regard to this important
question. There are undoubtedly many and conflicting
currents and cross-currents of public opinion in regard
to the general admission of European refugees into Bra-
sil, and the policy in the past has been in general a
liberal one towards this question. It is particularly
true in Brazil that racial animosities and anti-Semitism
have never played an active role in determining questions
of general policy of immigration and this fact should have
a definite bearing on the present studies of the Brazilian
Government, although it must be remembered that a certain
amount of commercial rivalry has appeared recently by
merchants in the larger Brazilian cities in connection
with developing competition on the part of refugee
merchants who have established themselves in this
country.

The only definite action which the Brazilian
Government has taken since the sending of the Embas-
sy's despatch under reference, has been that of the
National Immigration Council which, in its most re-
cent meeting, held last week, passed a resolution
concerning the admission into Brazil of 500 Jewish
refugee children now in France and threatened with
deposition by the German occupational forces. The
resolution in question provides that the Brazilian
Government:

"a) Consents to receive, in principle, a group
of these children who will remain under gov-
ernmental protection until the world situ-
atation shall have become normal. There is
placed in the hands of the respective gov-
ernment organisations the framing of the
necessary orders to permit the sending of
these children to Brazil;

"b) Limits to 500 the number of children bene-
fitting by these conditions;

"c) Requests that the choice shall be made among
minors, from 10 to 14 years of age, for edu-
cational reasons."

Regraded Unclassified
At the Embassy's request, the Foreign Office has undertaken to endeavor to obtain definite action on the part of the Brazilian Government at as early a date as feasible in regard to this question. This will naturally include its submission for approval to President Vargas, in its final form.

Respectfully yours,

For the Ambassador:

/s/ John F. Simmons

John F. Simmons
Counselor of Embassy

File No. 800
JPS:mp.
AIRGRAM
Ottawa
Dated March 11, 1944
Rec'd 10 a.m., 14th

Secretary of State,
Washington.

A-9, March 11, 3:00 p.m.

Reference Department's Circular Airgram dated
February 29, 1944, 7:30 p.m.

Embassy is advised informally by Department of
External Affairs that a statement will be made in the
House of Commons on the entire refugee question, probably
within the next six weeks. It has not yet been decided whether
the statement will be made by the Prime Minister or by the
Minister of Mines and Resources.

CLARK

JEH:mm dj
Subject: War Refugee Problem in Relation to Chile.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's circular airgram of January 26, 1944, 7:00 p.m. concerning the establishment and purposes of the War Refugee Board and containing a request for a statement as to what is being done in this country to rescue the Jews and other persecuted minorities from Hitler.

During the year 1939, many refugees, among them a large proportion of Jews, entered Chile from Europe. It appears that the normal Chilean immigration practice was liberalized or waived in many cases by unauthorized administrative action and it has been charged that pecuniary rewards were reaped by some of the officials concerned with this matter. At any rate, with the appointment of a new Minister of Foreign Affairs toward the end of that year, a policy of strict enforcement of the visa requirements was adopted which continues in force up to the present time, although there are signs that it has been progressively but slowly relaxed.

Under this policy it was necessary for the Chilean consular authorities authorized to issue visas to refer applications to the Ministry of Foreign Affairs for prior approval, except in routine cases, which might be decided upon the consular officer's personal responsibility. Some of them were reluctant to exercise this discretion and thus referred to the Foreign Office all cases presented to them. There were, in the period from 1940 to 1942, some indications that in the exercise of this discretion adverse discrimination was being exercised against Jews. When the Ambassador inquired about this, the Minister of Foreign Affairs readily admitted that since late in 1939 rigid rules had been in force regarding immigration but he denied that there was any discrimination against Jews. This was reported in the Embassy's telegram No. 772 of May 20, 1942, 5:00 p.m.

cc: Chauncey, Abrahamson, Aksin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Standish, Stewart, H. D. White, Pehle, Files
Numerous non-Nazi Germans, some Austrians, Czechs, Poles and Yugoslavs have migrated to Chile to escape the Hitler holocaust. This was not the result of any positive effort on the part of the Chilean Government to extend humanitarian relief but unofficial organizations rendered assistance by providing advice and sometimes financial aid and guarantees. There is some latent anti-Semitism in Chile which is understandable in view of the large proportion of the population of German nationality or descent which is found in the southern part of the country, among whom the Nazi Party has worked intensively over a period of years. Germans of Nazi sympathies are found in positions of influence throughout the commerce and industry of the country and some Chileans have been swayed by their views. While this has had some effect in requiring the maintenance of a strict immigration policy, the primary reason is believed to be the economic situation of the country.

During the year 1943 there was agitation in Santiago to require the departure of recent immigrants from the capital and from Valparaiso on the ground that they were overcrowding the small business field and were responsible for the scarcity and soaring cost of housing in the cities. It was announced that some immigrants had failed to fulfill their undertaking upon arrival in Chile to establish themselves in provincial and rural areas rather than in the principal centers of population. Agitation over this subject however was short-lived and seems now to have disappeared completely.

The President of the Zionist Federation of Chile informed the Embassy today that his organization is not now encountering unusual difficulties in making arrangements to assist prospective immigrants. He states that sometime ago it became necessary to protest against the obvious discrimination against Jews which was being exercised in the authorization of visas by the consular department of the Foreign Office. The head of that office was replaced and the situation seems to have improved.

The present legal provisions concerning immigration into Chile seem to consist primarily of a delegation of responsibility and general authority to the consular department of the Ministry of Foreign Affairs, subject of course to the general authority of the Minister of Foreign Affairs. In this situation much depends upon the attitude adopted by the chief of the consular department and there seems to be at this time no complaint on that score.
One of the principal obstacles which a large scale European, and especially Jewish, immigration into Chile may be expected to encounter is the fear that such immigrants would tend to become concentrated in the urban centers, and to overincrease the number of small mercantile establishments, whereas the underpopulated rural and agricultural areas would receive little benefit. This is a factor which should be borne in mind in judging the possibilities for absorption of European immigration in Chile in the coming years.

Respectfully yours,

Claude G. Bowers

800/811.1
AFT:msw
SIXTH, eleventh.

Fifth meeting NGO Executive Committee is called for March 17. For Agenda see despatch 14266, March 4th.

No important policy decisions are foreseen for this meeting and Embassy believes existing instructions suffice unless Department desires to send new instructions. Regarding proposed plenary meeting Embassy has noted permissive paragraph Department's 1503, February 29th and believes the only decision regarding this subject necessary by March 17th meeting probably about June dependent upon completion of preparations therefore. Regarding rules of procedure the action called for at March 17th meeting is expected to be simply to refer subject to subcommittee. Regarding relations with refugees in Switzerland (see memorandum enclosed with despatch 14369 March 10) the status conforms to Department's previous instructions. Regarding relations with refugees in Sweden no new action imminent. Other items on agenda will apparently require no important decisions.

WINANT

EB:

Mr. Abrahamson, Mr. Aksin, Mr. Bernstein, Mrs. Cohn, Mr. DuBois, Mr. Friedman, Mr. Gaston, Miss Hodel, Miss Laughlin, Mr. Lesser, Mr. Inzfeld, Mr. Harn, Mr. McCormack, Mr. Paul, Mr. Pollak, Mr. Rains, Mr. Smith, Mr. Standish, Mr. Stewart, Mr. H. D. White, Mr. Pehle.
March 11, 1944
9:00 a.m.

TO: Mr. Warren

FROM: J. W. Pehle

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

(Initialed) J.W.P.

Attachment.

FH:hd 3/10/44
CABLE TO WINANT, LONDON, FOR CASSODAY FROM J. W. PEHLE,
ACTING EXECUTIVE DIRECTOR, WAR REFUGEE BOARD

Please mail me copies of excerpts relating to War Refugee
Board from recent debate in Parliament on funds for Intergovern-
mental Committee. Would also appreciate receiving British
newspaper comments on War Refugee Board and its programs.
TO: Mr. Warren
FROM: J. W. Pehle

It will be appreciated if you will have the attached cable to Bern despatched at once.

Attachment.

FE: lab 3/10/44
CABLE TO BERN

Reference your 1334 of March 4, 1944.

War Refugee Board requests that following message be delivered to International Red Cross, Geneva:

"Reference your letter February 29 to the United States Legation, Bern, re Swiss franc equivalent of $100,000 received from American Jewish Joint Distribution Committee. Joint has advised War Refugee Board that International Red Cross has full discretion with respect to the use of the funds mentioned above, but joint hopes Intercross will consult with Saly Mayer and will coordinate programs outlined in letter of February 29 with the work being done by Saly Mayer and with the feeding program now going on from Turkey. Joint assures Intercross it will not exploit this relief action for propaganda purposes."
March 11, 1944
10:50 a.m.

TO: Mr. Warren

FROM: J. W. Pehle

It will be appreciated if you will have the attached cable dispatched at once to Joseph Schwartz, % Central Council for Jewish Refugees, Upper Woburn Place, London from the American Jewish Joint Distribution Committee, and bill the American Jewish Joint Distribution Committee, Inc., 270 Madison Avenue, New York, N. Y., for the cost of the message and any answer thereto.

Attachment.

FH:hd 3/9/44
CABLE TO LONDON

From Pahle to Winant for Cassaday

Please deliver the following message to Joseph Schwartz, Central Council for Jewish Refugees, Upper Woburn Place, London, from the American Jewish Joint Distribution Committee.

Message begins. No knowledge here of remittance of two hundred thousand dollars to International Red Cross for food, medical supplies Stop We remitted one hundred thousand dollars for purchases food other supplies in Switzerland, Hungary, Rumania to be distributed by Red Cross in Czechoslovakia, Yugoslavia, Rumania and Hungary Stop Perhaps confusion created by our first remittance one hundred thousand dollars to Turkey Stop Can Salo Mayer ascertain from International Red Cross who remitted two hundred thousand dollars. Stop Strongly urge you do not plan trip to Sweden and risk danger being held there indefinitely Stop Important you return Lisbon soon initiate rescue measures through Spain Stop We ready authorize initial grant one hundred thousand dollars for costs bringing children into Spain Stop So far as we know visas under United States committee guarantee available if abandoned children in France brought either Spain or Portugal Stop We requesting Washington confirm this to Legations Spain and Portugal so that requisite assurances can be given both countries Stop Remitting to you under special license No. W-2154 ten thousand dollars for Portugal and under special license No. W-2155 will remit to Segurra on your return Lisbon twenty-five thousand dollars as first installment for bringing children from France. Please await receipt special license for Portugal from American Legation Lisbon and license for Spain from American Embassy Madrid Stop Important you ascertain London policy and particularly procedures regarding issuance Palestine certificates after March thirty first Stop Hope procedures can be simplified order expedite issuance certificates with least delay in view pending immigration from Balkans. Stop Keep us or Pahle advised Leavitt End of Message.
March 11, 1944
10:50 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, from M. A. Leavitt, Secretary, American Jewish Joint Distribution Committee, and bill the American Jewish Joint Distribution Committee, 270 Madison Avenue, New York, N. Y., for the cost of the message and any answer thereto.

Attachment.

FH:hd 3/10/44
CABLE TO LONDON

From Pehle to Winant for Cassaday

Please deliver the following message to Joseph Schwartz,  
% Central Council for Jewish Refugees, Upper Woburn Place, London, from the American Jewish Joint Distribution Committee.

Message begins. Understand Schwarzbart others London received recent reports of condition Jews in Poland and requesting assistance Stop Assume you will take advantage Greenstein's return this country to bring us your views and other information regarding above and all our programs Stop Suggest you visit Delfosse Belgium Minister Justice or his assistant Dekindere, 116 Eaton Square, London and inform Greenstein accordingly Leavitt End of Message.
PROPOSED CABLE TO MISSIONS AT HONDURAS, COSTA RICA, ECUADOR, NICARAGUA, HAITI, VENEZUELA AND SALVADOR:

Information has been received that there are in enemy-occupied Europe a number of persons holding passports issued in the names of various Latin American countries including the country to which you are accredited. Our information is that such persons are interned under conditions which are immeasurably better than the treatment they would receive if they did not have such passports. It is reported that without such passports, such persons would be transported to Poland and death. Reports have reached this country from Switzerland that the impression has been created that the Latin American countries, including the country to which you are accredited, in whose names such passports have been issued, are refusing to recognize the validity of such passports and that the German government intends on that basis to refuse to recognize the validity of such passports. This Government is of the view that nothing should be done which would harm the lives and welfare of persons holding such passports and firmly believes that all appropriate action should be taken to prevent a worsening of their condition. Appropriate officials of the government to which you are accredited should be approached and urged, on humanitarian grounds, to take no action, at least until after the war, which would indicate that such passports are or may be revoked or are or may be considered ineffective or invalid. They should also be urged to take all appropriate action to advise the protecting power that the validity of such passports is not in question at the present time and that there is no intention at the present time of cancelling or revoking them. You may wish to advise appropriate authorities of the Government to which you are accredited that the government of Paraguay has advised this Government and the Intergovernmental Committee that it has not and is not considering the cancellation of passports issued in its name and held by persons situated as above. In approaching the appropriate officials of the government to which you accredited, you should make it clear that although this Government does not condone the unlawful issuance of passports, it holds to the view, that where, as here, human lives lie in the balance because of war conditions and enemy persecutions, all such matters can and should be reserved on humanitarian grounds until after the war.

(Signed) J. W. Pehle

Lesserials 3/10/44
The Honorable
The Secretary of State,
Washington.

Sir:

Upon receipt of the Department's airgram A-88, 7:20 p.m., January 19, 1944, the Embassy immediately discussed with the appropriate British officials the matter of immigration into Palestine and expressed the hope of the United States Government that the British authorities might reconsider their position and authorize numbers to be allocated permitting children to enter Palestine within the total allowable under the White Paper.

The view expressed by the Foreign Office was that, although there is no intention on the part of the British Government to close immigration into Palestine after March 31, 1944, (the time limit originally expressed in the 1939 White Paper for the immigration quota established therein) it is nevertheless undesirable to freeze any substantial number of certificates for cases that may never arise. By way of confirming the views expressed in that discussion the Foreign Office addressed to us a letter dated February 18, 1944. A copy is enclosed.

It will be observed that the Foreign Office assumes that the aspect of the matter which gives concern to the Department is the effect upon Switzerland of British refusal to issue to refugee children to whom Switzerland may be considering giving temporary asylum quota numbers assured to be valid for immigration into Palestine after the war. To that presumed basis of the Department's inquiry the Foreign Office addresses its answer, pointing out that, so far as it is aware, the Swiss Government has made no representations either to the Intergovernmental Committee nor to the British Government regarding conditions on which Switzerland would be willing to receive refugee children. It should particularly be noted that the Foreign Office holds open appropriate consideration of the matter if and when the Swiss Government approaches the Intergovernmental Committee for concrete assurances. The position stated is that the British Government does not wish, on a hypothetical basis, to complicate its administering of the immigration quota into Palestine.

The Embassy has taken the occasion, by way of obtaining expressions of view of possible use to the Department in weighing the tenability of the British reply as above, to consult representatives here of several concerned organizations with regard to present practice in issuing quota numbers for immigration into Palestine. There is general agreement among them that, for reasons of political equilibrium in Palestine and the Arab area while the war continues, the British Government is seeking to keep the total of immigration into Palestine well within the number previously announced, in spite of lengthening the period of time to which it is to apply. On the other hand there is also general agreement that difficulties of travel and exit from enemy-occupied territory are the actual determining limitations under present conditions rather than lack of availability of numbers.

The 1939
The 1939 White Paper (Cmd. 6013, May 1939, entitled PALESTINE, Statement of Policy; enclosed with despatch 2679, May 13, 1939) laid down certain conditions (page 10 and 11), including Palestine's economic absorptive capacity, to govern the admission of some 75,000 Jewish immigrants into Palestine in the five year period from April 1, 1939 to March 31, 1944. In the House of Commons on November 10, 1943 (Parliamentary Debates, vol. 393, No.120, column 1152; enclosed with despatch 12278, November 17, 1943) the Secretary of State for the Colonies reported that up to the end of September 1943 the number of Jews who entered Palestine against the total of 75,000 to be admitted under the existing quota system was 47,922, leaving a balance of 31,078 concerning which he made the following carefully-worded statement:

".....There are thus 31,078 who, it may be fairly assumed, would have reached it before 31st March, 1944, but for the exigencies of the war. His Majesty's Government have been considering this position, and have reached the conclusion that it would be inequitable to close the doors of Palestine to these persons on account of the time factor. No effort will be lacking on the part of His Majesty's Government to facilitate their arrival, subject to the criterion of economic absorptive capacity."

The unused balance of 31,078 as of the end of September 1943 has been reduced at the present to approximately 26,000 according to statements informally made to us at the Foreign Office.

Respectfully yours,
For the Ambassador:

W. J. Gallman
Counselor of Embassy

Enclosure:

CC/LZ/PB
AIRGRAM

FROM

ASUNCION

DATE - March 11, 1944

REC'D Mar. 16-2 p.

Secretary of State

Washington

A-85, March 11, 9 a.m.

The Foreign Minister has again expressed the view that the relief of the refugees of Europe, treated in the Department's circular airgram of February 29, 1944, 7:30 p.m., should be studied in connection with plans for immigration and colonization in Paraguay, and has requested me to consult with the Minister of Agriculture. The latter has been entrusted by President Morinigo with the task of promoting the transfer to Paraguay of new populations mentioned in the first sentence of the second paragraph of my airgram A-45 of February 12, 8:15 a.m., 1944.

I have today held a formal interview with the Minister of Agriculture. He stated that he in turn had entrusted the problem to the American experts of the Coordinator's Food Project here, the Servicio Técnico Interamericano de Cooperación Agrícola (STICA). He is conferring with them again to urge the immediate formulation of proposals and policies which will enable a prompt response to the Department's desires. In the meanwhile I have myself conferred with the Economist of the STICA, Mr. Lyall PETERSON, who is just now Acting Director; and he has promised within a very few days to prepare outline recommendations for submission to and approval by the Minister of Agriculture, to serve as a basis for a reply and declaration by Paraguay on the refugee problem.

FROST

848.

WF/ajlwar
January 11, 1944

AMERICAN EMBASSY,

LONDON.
1843, eleventh
FOR JOSEPH SCHWARTZ FROM WAR REFUGEE BOARD

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.

HULL
(GLW)
HULL

WEB: GLW: KG
3/10/44
PARAPHRASE OF TELEGRAM RECEIVED

FROM:
The American Minister, Lisbon
The Secretary of State, Washington

TO:

DATE: March 11, 1944

NUMBER: 779

SECRET

Through appropriate channels the substance of the message contained in Department's number 713 dated March 7 has been launched and within a comparatively short time may be expected to reach both the Bulgarian and Hungarian Governments. Although it may still take a few more days to expedite it from here steps are also being taken to see that it is conveyed to the Government of Rumania.

Although we have reason to believe already that we may expect an answer in due course from the Government of Hungary, no such intimation has been conveyed as yet concerning the intentions of the Government of Bulgaria or of course of the Government of Rumania, with the channel of approach to which we have not yet made contact.

These answers will be sent to you as quickly as possible when and if we receive them.

NORWEB

DCRI: MPL
3/14/44
PROPOSED CABLE TO MINISTER NORWEB, LISBON

Reference your 779 of March 11, 1944.

The Swedish press reports intensified Nazi pressure on Hungary to strengthen anti-Jewish policies and to deport Polish and other Jews who have escaped to Hungary. It is also reported by the same sources that part of the Hungarian cabinet is strongly against submission to these Nazi demands and that a cabinet crisis may be imminent.

In view of reported German military operations in Hungary, you should approach again the channels to the Hungarian government that are available to you and reiterating the position of this government make it clearly understood that notwithstanding the current Nazi pressure, any action on the part of the Hungarian government to inflict new or further persecutions or to continue existing persecutions with respect to native or foreign Jews or to deport native or foreign Jews to Germany or any area occupied by Germany will be looked upon by this government with the greatest disfavor and will be taken into account in the future. You should also approach again the channels to the Romanian government that are available to you, and informing them of the foregoing message to the Hungarian government and the circumstances that prompted it, make it clear that the same applies to the Romanian government notwithstanding any pressures from the Nazis to intensify the deportation or other persecution of native or foreign Jews resulting from Nazi military defeats or otherwise.

LSLesserials 3/21/44
To: Mr. George L. Warren
From: J. W. Pehle

I should appreciate it very much if the attached telegram were despatched promptly to Ambassador Hayes in Madrid.

(Initialized) J. W. P.

J. H. Murphy; dh 3/7/44
FROM DEPARTMENT TO AMBASSADOR HAYES, MADRID

REPEAT TO WILSON, ALGIERS, FOR SAXON

Please refer to your 378 of March 3. The War Refugee Board very much appreciates the expression of your views with respect to the designation of David Blickenstaff as the Board's representative in Spain.

It is felt that the work in Spain of the War Refugee Board representative will be a full time job requiring the undivided attention and energies of at least one man. In the light of your views, while we feel that Blickenstaff would be eminently qualified for this post, we do not consider it feasible that he undertake these duties under the circumstances. Furthermore, while the Friends have been most cooperative with respect to Blickenstaff's designation, they have indicated a reluctance to separate him from his present duties.

In lieu of the appointment of Blickenstaff, we are presently considering the designation of James J. Saxon, United States Treasury Representative in French North Africa, as acting representative in Spain of the War Refugee Board. Saxon has been United States Treasury Representative in French Africa for about 13 months, the first seven months consisting of duty in Dakar, French West Africa. He has since been stationed in Algiers. Prior to that time he was United States Treasury Representative in Hawaii and the Philippines, where he served under High Commissioner Sayre. We feel that Saxon is well qualified for any duties which may be assigned to him in connection with the War Refugee Board and will be of real assistance to you in this most important work. This assignment has been discussed with the Treasury which is willing to permit Saxon to be assigned to this task.

Please advise the Department promptly of your views with respect to the designation of Saxon.

JHM:JEF:JWpehle:1hh 3/10/44

Regraded Unclassified
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERLIN

TO: SECRETARY OF STATE, WASHINGTON

DATED: MARCH 11, 1944

NUMBER: 1489

CONFIDENTIAL

We refer herewith to our previous cable of March 8, 1944, no. 1408 and the Department's wire dated March 6, 1944, no. 740.

It is stated in a letter from Intercross that Service Sociale d'Aide aux Emigrants is completely independent of Intercross and is the European section of International Migration Service of New York. Intercross would rather not act as an intermediary for transmitting funds to an organization the activities of which it cannot control. It is suggested by Intercross that monthly payments be sent directly to the service by the donor.

HARRISON

cc: Miss Chamberley, Abrahamsen, Bernstein, Cohn, DaBois, Friedman, Gaston, Heidel, McCormack, Pollak, Raine, Ahrin, Langhin, Lester, Luxford, Mann, Standish, Stewart, N.D. White, Files
My dear Ambassador

As Chairman of the Executive Committee, I am enclosing three Memoranda by the Director arising out of Dr. Kullmann's visit to Switzerland. Two of them are dated the 1st March, 1944, and the third is dated the 10th March, 1944. Your Excellency will see that they contain material of great importance, and that the proposals contained in the third Memorandum raise issues which closely concern the Governments of the United Kingdom and the United States of America. It would clearly be premature to bring them before the Executive Committee until they have been considered by the two governments. While, therefore, I am sending a copy to the Foreign Office asking for consideration of the proposals by the British Government, I have instructed the Director not to circulate them at this stage to the Executive Committee. Before I instructed the Director to make specific proposals, I thought it desirable to take some action as British representative, and I should much appreciate an opportunity of an early talk with your Excellency in order to explain how the matter stands.

Sincerely yours,

Winterton

His Excellency the Honorable John Gilbert Winant,
Embassy of the United States of America,
Grosvenor Square, W.I.
CONFIDENTIAL

No. 14413

Subject: Memoranda on Refugees Arising From Kullmann's Visit to Switzerland.

The Honorable
The Secretary of State,
Washington.

Sir:      

I have the honor to inform the Department that Lord Winterton, as Chairman of the Executive Committee of the Intergovernmental Committee on refugees has requested an opportunity to talk with Ambassador Winant on subjects growing out of the recent visit to Switzerland of Dr. Kullman, Honorary Deputy Director of the Intergovernmental Committee on refugees, and to enclose herewith copies of the memoranda which accompanied Lord Winterton's request.

It is expected that the subject matter contained in these memoranda will be referred to in later communications growing out of Lord Winterton's call after it takes place.

The Director and Chairman have particularly requested that the secrecy of these papers be carefully respected.

Respectfully yours,
For the Ambassador:

(Sgd.) W. J. Gallman

W. J. Gallman
Counselor of Embassy

Enclosures:
1/ Two copies of the following:
1. Lord Winterton to the Ambassador, March 10, 1944 (256/113).
4. Translation of reports received in London, February 10, 1944 from the Jewish National Committee, residing in Warsaw.

BY Osalid.

CC/PB

Regraded Unclassified
The Chairman has asked me, in pursuance of my two Memoranda of the 1st March, 1944, to submit definite proposals for the consideration of the Governments of the United Kingdom and United States of America.

My proposals are as follows:

I.

(a) Assistance to be utilised inside Switzerland on behalf of persons who are given temporary asylum there.

Help to the Swiss Government by allowing additional imports of food and clothing into Switzerland in accordance with the number of persons to whom asylum is given.

(b) Assistance to private organisations who have guaranteed the maintenance of groups of refugees inside Switzerland.

The organisations concerned are provided with the necessary financial resources largely by funds raised in Switzerland among the Swiss public, but partly by assistance from American organisations and, in particular, the Joint Distribution Committee. The assistance here required is the grant of licences to the American organisations concerned for the remittance of the necessary funds. Hitherto, the licences have been obtainable, and it is proposed that they should continue to be made available. If they can be made available at the official rate, (as apparently has been done in one or two recent cases), this will be of considerable value to the organisations concerned in helping them to conserve their funds for other purposes. For the present, at any rate, the Swiss organisations, with the help of the American organisations, are well able to cover the liabilities they have incurred, and there is no necessity for the American and British Governments, for the time being, to give direct financial assistance for this purpose.

II

Operations outside Switzerland with Switzerland as a base.

These operations have been hitherto partly on a cash basis and partly on a credit basis, the former representing something like 30% of the total.

(a) Cash Operations.

So far as cash operations are concerned, the outside voluntary organisations have the necessary funds to continue the operations
on the present cash scale, and further to extend them to some extent, if the necessary facilities are given. The forms of assistance proposed are:

(i) The grant of the necessary licenses enabling them to obtain in Switzerland, or some other neutral country, the necessary foreign exchange for operations in other countries, e.g., Romanian lei for operations in Romania, the licences being subject to the necessary safeguards to ensure that the dollars or Swiss francs, as the case may be, do not pass for the benefit of the enemy.

(ii) Here again, if the licenses can be granted so that remittances can be converted at the official rate, the voluntary organisations would be benefited accordingly.

It is not proposed, for the present at any rate, that the American and British Governments should make any grant for cash operations.

(b) Credit Operations.

(i) The scale of these, at present, is not exactly known. Since the beginning of the war to the end of 1942, they involved roughly eight million dollars. They are probably now on a scale of about three million dollars a year. My information is that these might be increased to a maximum of twenty million dollars, but this would obviously take a considerable time. I would propose that the American and British Governments make a provision jointly, to the Intergovernmental Committee, of four million dollars in the first place, in order to extend these credit operations, thus raising them to a possible annual limit of seven million dollars, the position being reviewed later.

(ii) If this proposal were accepted, the actual sum of four million dollars could be either given at once to the Intergovernmental Committee, to be held by it in suspense account, to meet its liabilities after the war, or the funds could be provided after the war in accordance with the liabilities actually incurred up to a maximum of four million dollars.

(iii) The Intergovernmental Committee would be in a position to make the necessary arrangements with the organisations and individuals carrying on the operations in Switzerland to extend them up to the prescribed limit.

(iv) The operations could be defined on the following lines:- The persons to whom assistance should be extended would be those who had had to leave, or might have to leave
their countries of residence on account of race, religion, or political beliefs, and who were in danger of life or liberty. The majority would be Jews, but there would be others. The object of the operations would be the escape of persons to neutral countries or other countries of comparative safety: rescue from internment camps, concealment inside occupied or satellite countries, including the provision of false documents, etc., and the preservation, where necessary, of such persons in concealment.

(v) Hitherto credit has been raised on a purely verbal basis. This has tended to restrict it. It would be of assistance if a scheme would be devised of further covering the lender by a form of receipt, which, however, should not be capable of use as a means of currency, and so place foreign exchange at the disposal of the enemy. The form of repayment hitherto agreed upon has been the payment of a fixed number of dollars after the war. The difficulty about receipts might be overcome either, (a) by a form which made it non-negotiable, or (b) by an arrangement under which receipts were issued in regard to each transaction, but were placed in safe deposit in Switzerland itself, and were not handed over to the lender until after the war.

III

Relations between cash and credit transactions.

The facilities for credit transactions, and therefore, the necessity of cash transactions vary from country to country. For instance, it is easy to raise credit in Hungary because there has been little persecution of Jews and practically no confiscation of Jewish property. There is a big Jewish population. It is very difficult to raise credit in Yugoslavia because there are very few Jews left, and those there are have very few assets. A uniform practice cannot, therefore, be applied to all countries. But in a country where credit can be raised, it is undesirable, unless all operations can be put on a cash basis, to carry on cash operations to an extent which will undermine credit. This is a matter which will need watching in the issue of licenses, but the organisations concerned are alive to this matter and are in the best position to advise.

IV

Similar operations from bases other than Switzerland.

I understand that some of the Allied Governments and, in particular, Poland, are, with the agreement of the American and British Governments, financing operations of the same or similar character, partly from their own resources and partly from resources made available by voluntary organisations. It would seem that the only action required here is that the facilities to such Governments should be extended so far as possible.

H.W. EMERSON, Director.
March 11, 1944
9:00 a.m.

TO: Mr. Warren

FROM: J. W. Pehle

It will be appreciated if you will have the attached cable to Ankara despatched at once.

(Initialed) J. W. P.

WStewart: pdk 3/10/44
CABLE TO ANKARA

Please transmit the following message to Ambassador Steinhardt from J. W. Fehle, Acting Executive Director, War Refugee Board.

QUOTE. Re your 393. Schoff of Bloomingdale cabled Hirschmann March 8 by RCA extending his leave of absence six weeks. Assume you have received message by now. UNQUOTE.
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Ankara
DATED: March 11, 1944
NUMBER: 189

CONFIDENTIAL

ATTENTION OF HIRSCHMANN FROM FEHLE, WAR REFUGEE BOARD.

Reference is made to our cable of March 2, no. 159.

We are ready to send you whatever funds for effective operation you may require. You should not hesitate to keep us advised of your needs at all times. We will transmit at once to you up to $50,000 if this would assist in any way. Kindly advise us in regard to this matter.

The foregoing message is Ankara cable no. 4, War Refugee Board.

STETTINIUS
(Acting)

DOR: MAS: EA
3-14-44

Regraded Unclassified
March 11, 1944

My dear Mr. President:

I thought you would be interested in this very encouraging cable from Mr. Ira Hirschmann in Ankara to Mr. Pehle. Things at last are beginning to move.

Unfortunately, we have to continue to keep this matter confidential.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
INTER-OFFICE COMMUNICATION

DATE MAR 10 1944

TO Secretary Morgenthau
FROM J. W. Pehle

Good news!
CONFIDENTIAL

FOLLOWING FOR FEHLE FROM HIRSCHMANN.

There arrived today in Istanbul the first group of Jewish children from Bulgaria and on Monday they leave for Aleppo by train for Jerusalem.

Bulgarian and Gestapo officials and bureaucratic delays held up certificates of release for these children for 3 months. It is our belief that this constitutes the beginning of a fairly continuous movement of children provided new obstacles do not interfere. We were assured today by Turkish authorities that they have issued instructions for 140 children with 10 adults to pass from Romania through Turkey in two groups of 75 each every 10 days until further notice.

In the last 10 days ninety refugees came from Bulgaria via Istanbul to Palestine in addition to the above. Furthermore, seventy-four refugees came to Izmir from Greece. The stoppage in refugee movement through Turkey which had existed since the first of January has been overcome. We are now directing our efforts towards increasing the movement. We are hopeful of obtaining steadily increasing results with the War Refugee Board's continuing uncompromising support of our daily efforts. Moreover, a solution in Turkey of a more difficult and complex situation than can possibly be understood in Washington could serve as a formula for other parts of the world where similar humanitarian efforts are being made by the Board.

This morning Ambassador Steinhardt was notified by the Foreign Office that the immediate charter of the SS VATAN for a single voyage from Constantza was approved in principle by the Foreign Office and that at the earliest possible moment the matter would be submitted with a favorable
recommendation to the Council of Ministers (the equivalent of our cabinet) without the approval of which no vessel may be chartered.

The Ambassador was further informed by the Foreign Office that they had taken this action as a personal courtesy to him subject to the understanding that if the vessel is desired for additional trips it will be necessary for the Ambassador to discuss with the Foreign Office reimbursement for the financial loss resulting from the Turkish Government's continued sacrifice of one of the very few ships which it has available for carrying its products.

It is estimated by us that on each trip the SS VATAN should be able to carry a maximum of eight-hundred and a minimum of six-hundred refugees. As yet we have received no information concerning changes which may have to be made in the vessel to accommodate passengers since it is a freighter. A substantial agreement has been reached with the owner as regards the charter price. However, there will be the matter of obtaining from the Russian and German Governments save conduct for the vessel and attempts to obtain this through Geneva are being made by the International Red Cross representative here. Information regarding the progress of this matter will be sent to you.

STEINHARDT.
Location of the United States of America

Cape Town, Union of South Africa
March 11, 1944

Re: 463.

Subject: Debate on Emigration in the South African Parliament.

To: Secretary of State,

Washington, D.C.

Dear Sir:

I have the honor to refer to the Department’s circular circular of January 26, 6:00 P.M., the substance of which was promptly conveyed to the Union Government. In reply to the Department’s note on this subject, as yet not received, but understood to be forthcoming, the Department will be informed by telegram.

In the intervals the Department may be interested to learn that shortly after the receipt of the aforementioned circular, the question of post-war immigration into the Union was raised in the House of Assembly by the introduction of a motion (for the full text thereof please see enclosure No. 1) by a Dominion Party member (Mr. F. H. NUTT) calling for large scale European immigration in collaboration with Great Britain, the Dominions and other British possessions in Africa.

The member who seconded the NUTT motion submitted statistical data to show that at the present rate of population increase there would be in the Union by 1960, 3,500,000 Europeans; 13,000,000 natives; 580,000 Asiatics and 1,255,000 colored persons.
An amendment to the original motion was moved by a United Party member (Mr. J. R. F. STRATFORD). This provides that in formulating its immigration schemes and policies, the Government must pay due attention to the prior claims of returned soldiers and war workers. In concluding his remarks this Member sounded the following note of warning:

"Before we talk of an immense European immigration scheme, it will be well to remember that we have within our own shores a considerable population not fully employed, living below the bread-line and to whom we owe a substantial duty - the native population.

"The first report of the Social and Economic Planning Council has stated that about 250,000 people, including many non-Europeans, will have to be re-used after the war, therefore it is only just that their claims should be considered first. If the approach to immigration is to be made, it must be viewed with the re-employment problem."

Despite the above statement, Mr. Stratford said he looked forward to the time when the Union, with its vast latent resources and potential possibilities, would support a population of 10,000,000 Europeans.

How a country so poor agriculturally and as subject to long droughts and other extremes of weather as South Africa is, will be able to support such a large European population in addition to the greatly increased number of native and colored inhabitants is not clear to any unbiased observer.

In further discussing his motion, the proposer said he would welcome immigrants from Holland and the Scandinavian countries, the governments of which should be invited to encourage emigration from their countries to the Union. He then reminded the House that at the time he had been leader of the Opposition, Prime Minister Smuts suggested that the then Government should set aside one million pounds annually, to assist immigrants.
Previous governments, he said, had not adopted an immigration policy because they failed to realize the extreme urgency of increasing the European population and for political reasons. The African section of the population, said he, had the preponderance of voting power in its hands and feared that through increased immigration it would either be lessened or lost.

Mr. Acutt also referred to the recent statement made to the press by the Union Government's High Commissioner in London (Colonel MacLaren) viz., that this Government does not intend to assist immigrants to come to this country. This statement he felt was an unfortunate one as, in his opinion, it does not represent the real position of the Union Government.

To prove what he termed the "utter inadequacy of the immigration policy", Mr. Acutt stated that during the 10-year period 1929-1939, only 26,000 (or an annual average of 2,600) men, women and children came to settle in the Union. He felt that if adequate progress was ever to be made in enabling the European population to keep pace with the increase in the number of natives, the Government goal should be 100,000 immigrants per annum. In Mr. Acutt's opinion "unless the European races of the world are prepared to stand together and defend their rights, they will sooner or later be overrun by other races".

Eventually, in the course of the debate, the Opposition member, Mr. Eric Acott, inquired why Mr. Acutt had not concerned himself with the poor whites or with the thousands of other unemployed. Upon the Opposition spokesman's reply, Mr. Acutt consented his solicitude to the soldiers and war workers: he said he wished to inquire what justification there could be for the Acutt motion when plans for social security were not being discussed in a House committee; when the Volunteers re-employment bill was on the legislation list and when the Minister of Finance had warned the people of the country's uncertain future and the possibility of further unemployment? Thereupon Mr. Louis moved an amendment (for the full text of which please see enclosure No. 2) which embodied the following provisions:
1. Repatriation as soon as possible of all war refugees, evacuees, armed forces and prisoners of war.

2. Amendment of the Aliens Act to include persons born in Britain.

3. Assistance under the immigration laws (being limited to Europe) provided that such persons

(a) were regarded as desirable additions to the main elements existing in the population.

(b) had adequate capital and would not compete with Union nationals

(c) were not Jews.

4. Stricter control over permits for temporary residence.

5. All persons who have illegally entered the Union or who illegally remain in the country should be repatriated to the countries whence they came.

6. Legislation requiring a Government permit for any alien to establish a business or set himself up in one of the professions.

The Louw amendment also specifically opposed participation by the Union Government in international and British Imperial schemes for the encouragement of post-war emigration to the Union.

Mr. Louw said that the attitude of the Opposition was that the Jewish population of South Africa was already too large and he wished to remind the House that this feeling was also shared by members of the United Party. In his opinion the fact had to be faced that "there is a Jewish problem in South Africa which has been largely created by the Jews themselves and by their preponderance in the professional, commercial and industrial activities of the country."
After Mr. Louw finished reading his amendment, the labor party member, Mr. D. C. BURNSIDE, moved another amendment to the original motion. This embodies the following items: (For text of amendment see enclosure 3.)

1. That the Union will greatly benefit by large scale immigration.

2. That the Government’s first duty is to returning soldiers.

3. That any large scale immigration policy should not be embarked upon for at least six years after the war ends.

4. That a policy for the immigration of orphans from countries from which the people of the Union have sprung should be established and put into operation.

In Mr. Burnsides’s opinion, South Africa does not need large scale immigration of artisans. He said that whatever policy is eventually adopted it should not be detrimental to the European population already here. In other countries to which there had been large scale immigration in the past, the majority of the new-comers had been placed on the land, but in his opinion there is not sufficient good land in the Union to take care of returning soldiers who may wish to become farmers. Furthermore, the Government having decided that all men going to the land must be trained as farmers, it would not be possible to care for outsiders as available facilities would be insufficient for returning volunteers.

In the laborite member’s opinion no practical difficulties will arise if orphans rescued from the ruins of Europe are brought to South Africa as children under ten. Such children, he felt, would not be a competitive factor for six or seven years after their arrival here. Mr. Burnsides said that in the adoption of a large scale plan to bring out child immigrants, under a strict system of adoption, the labor party believed the Union would help itself in the solution of its population problem and at the same time render practical aid in the rehabilitation of Europe.
Another Laborite, the Reverend MILES-CADMAN said that because the countries from which it had been suggested emigration should be encouraged, would need all available man power, for many years after hostilities ceased, the Union Government should consider inviting 200,000 orphans. In his opinion Great Britain alone could supply that number. He further suggested that once the disproportion between Europeans and natives was eliminated by immigration, the present fear of the natives would disappear and a real effort might then be made to help them.

In discussing this debate the Minister of Interior (Senator CLARKSON) stated that while all parties are agreed that the right type of immigrant would be needed, and while the Government would encourage such immigration, no specific plans in regard thereto could be formulated until after the war. The Minister stressed that he considered the first and foremost duty of the Government, was the making of proper provision for returned volunteers, for people engaged in the war generally and also for other Union citizens. Senator Clarkson said that provision would have to be made so that every one in South Africa was fully employed before a large scale immigration program could be embarked upon. He assured the House however, that in no circumstances could the Government implement such a scheme until after the war. Senator Clarkson stated that the Union Government proposes to encourage the return to South Africa after the war of foreigners such as W.P. personnel and others who have resided in the Union.

With respect to the suggestions made regarding the proposal to bring war-orphans to the Union, the Minister expressed his hearty approval and said that any efforts in that direction would receive his full support.

Senator Clarkson said the immigration question deserved the consideration of all sections of the House and that the Opposition should help in finding suitable immigrants instead of adopting a hostile attitude. He expressed regret that, through Mr. Louw, the Opposition should have chosen this occasion to raise the Jewish question and concluded his remarks by saying:
"With a European population of say 5,000,000, instead of 2,000,000, many of this country's problems will be solved and farmers will have all the markets they need. I am one of those super-optimists who look upon the future of South Africa as being very bright indeed."

It is interesting to observe that while painting such a glowing picture of this country’s future, the minister was careful to qualify his optimism by saying "...we are not going in for a huge measure of immigration tomorrow. It will take time".

At the time of writing complete press reaction to this motion is not available. That which has thus far appeared will be found in editorial comment summarized or quoted in enclosure No. 4.

In discussing the motion and debate with several highly placed and well informed persons I have learned that there is one point on which the majority of both parties agree, viz., that section of the four amendments which relates specifically to the Jews.

A Government official told me that if the war issue had not been paramount at the time of the last election and if the Opposition had gone to the polls on the Jewish question, the majority of the votes of the English-speaking South Africans would have been added to those of the Afrikaner section of the population and swept the Nationalists into power. My informant stated that the majority of both parties who favor the Opposition's attitude toward the Jews does not approve of the excessive measures which characterized the German handling of the problem. Nevertheless the consensus of opinion here is that strong steps should be taken without delay to prevent the Jews from acquiring greater commercial and economic power than is now in their hands and that in no circumstances should further Jewish immigration be permitted. Another official said that no South African government which let down the bare in this regard could withstand the wave of protest which would result from such action. He further said that the present government is constantly receiving complaints that Jewish immigrants who arrived even after the outbreak of the present war were already prospering to an amazing degree at the expense of South African nationals and that this was directly responsible for the increasing anti-Semitic feeling evident here.
That that portion of the Louw amendment which refers to the "Jewish question" met with widespread approval is, in one of my informant's opinion, evidenced by the hundreds of letters, approaching "fan mail" proportions, which Mr. Louw has received congratulating him on his courage in coming into the open on this very delicate subject. The majority of these letters are reported to be from the English-speaking section of the population, which, because it is more closely identified with the commercial phases of the country's activities, is said to have suffered more directly from Jewish competitive practices than has the Afrikans element.

That Mr. Louw appears to possess a sense of humor seems to be illustrated by the fact that in acknowledging the receipt of the aforementioned letters he informed the writers that while gratified by their kind words, he feels that the simplest way of expressing their appreciation would be for them to vote for the Nationalists at the next elections.

That this unfortunate anti-Semitic feeling appears to be widespread is evident from conversations one has with persons who come from various parts of the country.

The introduction of this immigration question and the current debate on the subject has once again brought to the fore a question which is brought with great possibilities as well as great danger in so far as the country's future welfare is concerned. It remains to be seen whether, in its present mood, the country as a whole will rise to the opportunities which this vexatious problem presents.

Respectfully yours,

/s/ Edward M. Groth
Charge d'Affaires ad interim

Enclosures:
1. Text of Acutt Motion, on Immigration.
2. Text of Louw Amendment to Acutt Motion.
3. Text of Burnside Amendment to Acutt Motion.
4. Summaries of press comment on Acutt Motion and Amendments.
Enclosure No. 1 to Despatch No., dated March 11, 1944, from Legation, Cape Town, entitled "Debate on Immigration in the South African Parliament"

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TEXT OF

ACUUT MATION ON IMMIGRATION

INTO THE UNION OF SOUTH AFRICA

Introduced into the House of Assembly on February 29, 1944

"That this House is of the opinion that the Government should take into consideration the advisability of adopting a policy of European immigration to Africa on a large scale, and with this object in view the Government is urged to collaborate with Great Britain, the Rhodesias and other African States under British administration."
Enclosure No. 2 to Despatch No., dated March 11, 1944, from Legation, Cape Town, entitled "Debate on Immigration in the South African Parliament".

TEXT OF

LOAN AMENDMENT ON IMMIGRATION

Introduced into the House of Assembly, on February 29, 1944.

"That in view of the increasing measure of unemployment in the Union, and the probability that it will increase considerably as a result of demobilisation, and a possible postwar depression, this House asks the Government:

"(1) To repatriate as soon as possible to their respective countries of origin all war refugees, evacuees, persons in military service and prisoners of war.

"(2) To amend the Aliens Act of 1937 so that it will also apply to born British subjects.

"(3) To limit the issuing of permits for permanent residence and also for admission to the Union under the ordinary immigration laws to Europeans.

(a) who are regarded as suitable and desirable additions to the two main elements of the existing population;

(b) who are in possession of sufficient capital, and/or who would not compete with Union nationals in professions, industries or in other fields of labour for which there are already sufficient Union nationals;

(c) who are not members of the Jewish race."
"(4) To exercise a stricter control over the issuing of permits for temporary residence, and to agree to the renewal of such permits only for sound reasons.

"(5) To take the necessary steps to trace and repatriate all persons who entered the country illegally as well as aliens whose permits for temporary residence have expired and have not been renewed.

"(6) To introduce legislation which will provide that no alien may occupy any profitable position or practise an industry or profession unless he is in possession of a permit issued by the Government department concerned.

"Further, the House expresses itself against any participation by the Union Government in international or British Imperial schemes for the encouragement of postwar emigration,"
Enclosure No. 3 to Despatch No._____, dated March 11, 1944, from Legation, Cape Town, entitled "Debate on Immigration in the South African Parliament".

TEXT OF
BURNSIDE AMENDMENT ON IMMIGRATION

Introduced into the House of Assembly on February 29, 1944.

"That this House is of the opinion that South Africa would benefit very substantially by an organized, large scale policy of immigration. This House considers, however, that South Africa's first duty is to her returning soldiers, such a policy should not be embarked upon until at least six years after the cessation of hostilities. This House requests that a policy of immigration of orphans from those countries from which the people of the union have sprung should be put into operation, such orphans to be of suitable age and to be brought to the union under a system of adoption."

Regarded Unclassified
The plain facts remain that South Africa needs and deserves a great influx of population and that all who have the country's interest at heart should encourage, not damp, the enthusiasm of those who are bending their minds to this problem. It goes without saying that the newcomers who are so badly needed should be of the right sort. Resident holiday-makers, gamblers, gentlemen-farmers or parasites of any species are not to be welcomed.

"There will, however, be room enough for hard-workers who have a ready pair of hands and a right good will and - unless things go wrong - there will be plenty of first class opportunities for skilled artisans for almost every sphere of modern industry. The only governing conditions seem to be that State planners must devise practical programs for the expansion of South Africa's industrial life and that they must make a bargain with the powers-that-be in the outside world which will enable such industrial expansion to live and flourish. It is scarcely too much to say that South Africa can only survive - as far as a European population is concerned - on sufferance. The artificial procedure connected with the price of gold and diamonds has merely to be quoted in order to call attention to that fact. Given world support, added to wise planning and enterprise in our own midst there can be no reason why this country of ours could not support a population three times its present figure and all efforts to that end should be stimulated but not discouraged."

"South Africa's white population has only one alternative, namely to improve the situation by healthy immigration from the countries from whence our fathers came."
"The isolationists in the Helen party, by south of the Jew latter, advocate Eric Louw, immediately abused this opportunity to airing his race theory of riding South Africa of more white people and retarding immigration as much as possible. This policy can only bring about the ultimate ruin of the white civilization in South Africa.

"The fear that South Africa will be overwhelmed by immigrants after the war is unfounded. It is far more likely that in the first five years after the war very few people will emigrate to our country with the possible exception of wealthy immigrants who intend to establish industries, etc., here. These people are to be welcomed with open arms.

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Commenting on the immigration debate, this paper considers the discussion and proceeds to say:

"If the economy of the country is made healthy and vigorous, desirable immigrants by tens of thousands will clamor to be admitted, and their admission far from taking a job away from any one will add to the prosperity of the country."

DIE BURGER

This paper discusses the immigration action at length. Among other observations it quotes a statement made in 1939 by the present Minister of welfare and De-

Oedification (H. G. Lawrence) who then declared, "We know that there are a large number of strangers in this country who are not lawfully here and they ought to be put out of the country". Die Burger points out that nothing has been done in this respect and now five years later Minister Clarkson unblushingly declares that it is the Government's policy to put such people out of the country. This paper asks Clarkson to tell the country how many were put out of the country in the past five years and continues to say that they must get out of the country and so must the great majority of the so-called refugees with whom this country is flooded. Die Burger feels that greater care must now be exercised than in the past with a view to permitting only desired immigrants to remain in the Union.
"Yesterday, in the Assembly, the United Party endorsed beyond all expectation the immigration policy advocated by the Nationalist Party. Today the South and Labor Parties, in conjunction with the Nationalist Party, are attempting to check the Dominion Party in its wild assertion that we need hundreds of thousands of new immigrants every year.

"When advocate Eric Louw introduced the fully motivated Nationalist amendment, Senator Clarkson, Minister of Interior, had no better reply but that the government is already entering upon suggestions advanced by the Nationalists in regard to this matter."

"In the Assembly Senator Clarkson declared that the primary duty of the country is to provide proper work for the returned soldiers before the immigration question could be entered upon on a large scale.

"We welcome the Minister's proposition that there must be work for 'everybody' in our country prior to importing labor from abroad. We may add that the population of the Union does not consist of 2-1/2 million as popularly believed, but of 10 million souls. This fact holds great possibilities for those who think of post-war production provided that the capacity of labor is fully exploited.

"The debate on immigration, in Parliament last week, revealed in dramatic fashion the basic issues that lie before South Africa in the future. Mr. ADUTT stated the case of those who realize that it is strategically and economically disastrous for our country to attempt to cut itself off from the modern world; that if we are to make ourselves secure in Southern Africa, we require additional European population."
We must revitalise our society by drawing from the rest of the world large numbers of skilled additional producers in a variety of occupations and enterprises. In order to achieve the economies of large-scale production, the union needs the best men and women that can be attracted to its shores, irrespective of nationality.

"As usual, it fell to Mr. Eric Lewis to place before the House the bankrupt case for national isolation and stagnation. He portrayed a country objecting on principle to all new-comers, poisoned by racial pride and prejudice, and clinging to poverty.

"Mr. Clarkson, in his reply, showed that the Government was clearly aware of the need for immigration. His speech went much further than the statements of many of his predecessors, but failed in the last resort simply because it did not go far enough.

"The Government while not impervious to new ideas is too greatly wedded to old, restrictive practices. The problem of immigration must be handled with imagination. It requires courage. Nations, like individuals, must at times be prepared to cast their bread upon the waters."
TELEGRAM SENT

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

March 11, 1944
7 p.m.

ALEMBASSY,
MOSCOW.

554

FOR THE AMBASSADOR 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 Soviet 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 Soviet 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 Soviet 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 Soviet 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 co-operate in some of the programs which we have under consideration.

There are many ways in which the Soviet 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 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 Soviet 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 Soviet Government:

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 unfortunate 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 bringing pressure to bear through various channels on 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
March 11, 7 p.m. to Chungking

-3-

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.

This cable has been repeated to Ambassador Steinhardt at Ankara.

HULL

To the Code Room:

Please repeat the foregoing to the American Embassy at Ankara with the following closing sentence, "The above is the Department's ___ of March ___ to Moscow. Please transmit the substance of the foregoing to Hirschmann."

3/11/44

Regarded Unclassified
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMBASSADOR, Moscow
DATED: March 11, 1944, 7 p.m.
NUMBER: 554

CONFIDENTIAL

The War Refugee Board sends the following for the Ambassador's attention.

The functions of the War Refugee Board, composed of the Secretaries of War, State, and Treasury, were described in our circular Airgram dated February 26. The President has established this Board to take action for immediate rescue and relief of the Jewish people of Europe and other victims of persecution by the enemy. The Board is actively engaged in carrying out this Government's policy as announced by the President and in this tremendous task it is seeking the cooperation of all members of the United Nations.

The Board is fully aware of the great work done to date by the Soviet Government in saving the lives of untold numbers of refugees, including Jews, from Hitler, who were rescued from the jaws of the German army in the midst of battle. The Board is convinced at the same time that if it could secure the Soviet Government's cooperation in some of the projects on which this Government is working, it would greatly increase the chances of saving many people from death. We are not suggesting that pressure be put on the Soviets to do more than they are now doing. In view of the Soviet Government's outstanding record in this whole matter. However, it is felt by us that the Soviet Government may be prepared to cooperate in some of the programs which we have under consideration if it 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.

In connection with these programs, the Soviet Government might be of assistance in many ways. At the suggestion of Ambassador Steinhardt, Ira Hirschmann, the representative of the War Refugee Board in Turkey, has already discussed with Soviet Ambassador Vinogradov in Turkey....
Turkey two specific problems. The Soviet Ambassador was
advised of our intention to exert pressure on Bulgaria
and other satellite countries and was requested to take
parallel action. Furthermore, he was informed of our
attempts to get the Government of Turkey to give per-
mission for the use of a vessel for evacuating refugees,
and was asked to support our request. Vinogradov pointed
out that on both of these matters he could not act formali-
ly except through Moscow, although he agreed to speak to
the Bulgarian Minister informally. He suggested that
you should request his Government’s assistance on these
two problems and he agreed to do likewise.

It is felt by us that it is very important that you
immediately discuss this whole matter with the Soviet
Government. The policy of this Government should be made
clear and the problems with which we are faced should be
frankly discussed by you.

We are furnishing for your information and use in
connection with your discussions with the Soviet Govern-
ment the following information regarding some of the
things we are working on and some of the obstacles en-
countered by us:

The War Refugee Board is convinced that it is ex-
tremely important immediately to undertake an organized
and concentrated effort to make clear, by all appropriate
means, to all Axis satellites, that their assistance in
any form to Hitler’s program to exterminate the Jews and
other similar groups is viewed by the Allied Governments
in a most serious light and all such action is regarded by
the Allied Governments as criminal participation in organ-
ized murder. In order not only to give the satellites
a clear view of this country’s attitude in the matter but
also of the opportunities which exist for aiding in the
execution of our policy, the Board 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. It is very
strongly felt by the Board that a campaign of this kind
must be made through all possible channels and must be
constantly repeated at every available opportunity. It
is felt by the Board that parallel action on the part of
other Allied Governments would do a great deal to assure
the success of this work. At the present time it is im-
portant that pressure be brought to bear, especially on
Hungary, Romania, and Bulgaria, because there are many
refugees
refugees in those areas in imminent danger of death who can be evacuated to Turkey and other place if those governments give permission.

The Board feels that, in addition to bringing pressure to bear through various channels on the governments of the satellite countries, all available means for effecting the widest dissemination of our attitude, not only to the governments themselves, but to the largest possible number of people of the satellite countries, should be used in this campaign. The Office of War Information is cooperating with the War Refugee Board in this connection in bringing home to the people of Germany and the satellite countries the fact that this matter is considered by us to be of paramount importance and that it is our intention vigorously to follow all possible means of accomplishing our objective.

The foregoing message had been repeated to Ankara as the Department's no. 554 for Ambassador Steinhardt's attention, with the request that it be transmitted to Hirschmann.

HULL
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMBASSADOR, Moscow
DATED: March 11, 1944, 7 p.m.
NUMBER: 555

CONFIDENTIAL

War Refugee Board sends the following for the Ambassador's attention.

The following message immediately follows the Department's previous cable on the subject dated March 11.

In addition to the proposed plan designed to effect a change in the attitude as well as the actions of our enemies, the Board is convinced that there is an opportunity for actually moving many of these refugees out of enemy controlled areas. The Board believes that in the localities close to Turkey and the Black Sea there exists one of the most promising opportunities for actually accomplishing the rescue of such people. It is known that there are considerable numbers of refugees in Rumania, Bulgaria and Transnistria. It seems possible that arrangements can be made with the Turkish Government to receive refugees from these localities. Furthermore it appears possible that the Rumanian Government will grant to a substantial number of these persons permission to leave Rumania. The need for immediate means of transportation is imperative.

The Board is trying to arrange for a small Turkish vessel to proceed to Constanza in order to evacuate about 1,000 children from Constanza to Turkey. The Board's representative in Turkey has reported that if we would offer a guaranty to the Turkish Government that the ship would be replaced if it were lost there might be a possibility of chartering the S.S. Yatan, a small Turkish ship. Our Government promptly offered such a guaranty. It is hoped the Rumanian Government may be of some assistance in our negotiations with the Government of Turkey. Also the possibility of using Swedish ships for this purpose is the subject of negotiations between this Government and the Government of Sweden. During the discussions with the Soviet Government you are requested to keep in mind that this problem of transportation seems to be the key to evacuation in the Black Sea area.
One of the functions of the Board is the finding of places of temporary havens of refuge to which persons now in enemy dominated European countries may be moved. The cooperation of the Governments of Spain and Turkey depends upon our ability to move refugees coming into those countries to other places as quickly as possible. Preparations have been made to move refugees now in Spain to a camp which has been established in North Africa in order to facilitate the entry of additional refugees into Spain.

Refugees are entering Palestine by the way of Turkey. The Government of Turkey has been requested to relax its border and other controls and in other ways increase the flow of refugees from occupied territories through Turkey. The Board is offering to finance the establishment of reception camps to accommodate refugees entering Turkey and the Board would arrange for their transportation to other places as quickly as possible.

It seems to the Board that it would be necessary to find at least temporary places of refuge in a number of places if the evacuation of a substantial number of refugees can be effected as is planned. It appears from negotiations with the Swiss Government that Switzerland will now accept refugee children if a guarantee can be given that they will be removed after the war. We are making every effort to provide Switzerland with assurances which will meet her requirements.

It would greatly increase the possibility of evacuating large numbers of refugees if the Soviet Government were prepared immediately to take refugees, Jews and non-Jews, who manage to reach neutral countries from enemy controlled territories and who could be given at least a temporary refuge in the Soviet Union after being transported across the Black Sea from the Balkan countries. If the Soviet Government would give assurances that she would take refugees from those countries after the end of the war, Switzerland and other countries might possibly give more favorable consideration to taking refugees now. You should make every attempt in your negotiations with the Soviets to obtain their complete cooperation if it seems that they would be willing to accept such refugees even on a temporary basis.
From the foregoing, particularly taking into consideration the time and physical factor to be contended with, you can understand that a number of the obstacles which we are encountering could be solved with the Soviet Government's aid. If you will give personal and prompt attention to this matter it will be greatly appreciated.

The foregoing message has been repeated to Ankara for Ambassador Steinhardt.

HULL
March 11, 1944
10 p.m.

DEPARTMENT OF STATE
MAR 14 1944
DIVISION OF COMMUNICATIONS

AMBASSADOR
CHUNGKING.
330

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. Please inform Kung that Treasury on March 15 will issue amendments to General Licenses Nos. 53 and 75. In discussion with Kung refer to request contained in Kung's cable of November 25, 1943 to Secretary Morgenthau QUOTE that, if agreeable to the U.S. Government, the Treasury's General Licenses such as No. 75, be amended appropriately UNQUOTE. It should be made clear to Dr. Kung that Chinese wishes were taken into consideration in making decision to amend licenses but there should be no implication that, as a general matter, it is necessary for Treasury to get Chinese approval to amend licenses.

2. General License 53 will be amended in the following respects: (1) by deleting the words QUOTE Stabilization Board of China UNQUOTE in paragraphs (1)(b)(1), (1)(c)(1), (1)(c)(2), and (2)(a) thereof and substituting therefor the words
-2- 330, March 11, 10 p.m. to Chungking

QUOTE Commission for the control of Foreign Exchange Assets, Chungking, China, UNQUOTE; and (2) by deleting the word QUOTE Board UNQUOTE in paragraph (2)(a) thereof and substituting therefor the word QUOTE Commission UNQUOTE.

3. General License 75 will be amended in the following respects: (1) by deleting the words QUOTE Stabilisation Board of China UNQUOTE in paragraph (4) thereof and substituting therefor the words QUOTE Commission for the Control of Foreign Exchange Assets, Chungking, China, UNQUOTE; and (2) by deleting the word QUOTE Board UNQUOTE in paragraph (4) thereof and substituting therefor the word QUOTE Commission UNQUOTE.

HULL
(EGC)

FWM:EGC:ja
3/11/44
March 11, 1944
11:00 p.m.

AMBASSADOR,

CHUNGKING

331

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. The Treasury has been informed that Ambassador Gauss in cable dated March 8, 1944 has reported that the cumulative impact of our present and projected military activities may threaten China's economy with collapse and that such economic collapse may have the disastrous result of making it physically impossible to carry out our military projects and plans.

2. Treasury is, of course, deeply concerned with the economic situation in China and with the matters raised in the Ambassador's cable. Therefore, please cable Treasury immediately your own evaluation of the economic situation in China from an economic point of view, with particular reference to the effects of our present and projected military activities. We would be especially interested in your judgment on the relative importance of our military expenditures in bringing about the rapid rise in prices as compared with the other causes of inflation and on the imminence of an economic collapse. Be as specific as possible and as comprehensive as time permits.

HULL

(EGC)

MIA: EGC: 1ja
3/11/44

Regraded Unclassified
Information received up to 10 A.M. 11th March, 1944.

1. NAVAL

A convoy from NORTH RUSSIA has arrived in home waters. A U.S. Destroyer which was torpedoed Southwest of ICELAND (c) on 9th, has now sunk. On 9th/10th 6 motor torpedo boats attacked a German Convoy off TERSCHELLING; and A/A ship was hit on fire, a small tanker damaged and 9 survivors taken from a tug. One motor torpedo boat slightly damaged, no casualties. Same night, 6 Mosquitoes attacked & enemy destroyers escorting large U-Boat in Southern part BAY OF BISCAY; the U-Boat was hit by cannon fire and 3 JU.88’s shot down at ANZIO 9th. Nearly 5,500 tons discharged. Shelling of port increased.

One of H.M. Destroyers sunk a U-Boat early this morning Southwest of CAPE CLEAR. A Sunderland sunk a U-Boat yesterday afternoon West North West of CAPE CLEAR. H.M. Destroyers with air cooperation sunk a U-Boat yesterday morning in TYRSHIONIAN Sea; 2 officers and 47 ratings taken prisoner.

2. MILITARY

Italy To noon 10th. 8th Army. Continuous heavy rain. 5th Army patrol activity and reliefs.

Russia Fighting continues in TARNOPOL. Russians have captured KRISILOV, NOVO KONSTANTINOV and have reached a point 28 miles Northwest VYNITSA. East of this town, they have broken through the German defences and advanced 35 miles, capturing UMANN and KRISSINOVKA, together with large quantities of war material. North North East of NIKOLAIV, they have also advanced further.

3. AIR OPERATIONS

Western Front 9th/10th. 164 tons dropped on MARIGNANE in good visibility. 10th/11th. 102 Lancasters sent to airfields and factories in FRANCE. CLEMONT FERRAND 33 (1 missing), CHATEURGOU 30, OSSUN 23, Factory ST. ETIENNE 16; 29 Mosquitoes DUISBURG, Lefes 5.

Italy 9th. Mitchells dropped 68 tons on SAN STEFANO HARBOR.

Burma During 8th and 9th, 44 Japanese aircraft were destroyed on 4 airfields in the MANDALAY area and 2 bridges were destroyed near MYITKYINA and MOKOUMING respectively.

TREASURY DEPARTMENT
Information received up to 10 a.m. 12th March 1944.

1. **NAVAL**

At Anzio, 10th. 7,500 tons discharged in fine weather. 44 mines destroyed off Salerno 8th and 9th. On 29th February one of H.M. Submarines torpedoed a 3,000 ton ship off Toulon. On 7th/8th one of our motor launches captured a Caique off Khios. On 8th/9th H.M. Destroyers shelled Korcula Island and coastal forces damaged a schooner in same locality. On 10th three Catalinas sank a U-Boat South of Cape Town.

2. **MILITARY**

Italy: To noon 11th. 8th Army. Patrolling activity in better weather. 5th Army. Our Artillery turned back strong German patrols near Cisterna.

Russia. Russians report further progress towards Prokuro and more street fighting in Tarnopol. They have advanced further South of Uman and West of Krivoi Rog and have captured Berislav on Lower Dnieper.

Burma, Arakan. Our troops have advanced to points about 5 miles South of Maungdaw. Kaladan. Our troops have withdrawn a further 5 miles up the river valley and are now about 10 miles southwest of Kaladan, Chin Hills. After inflicting casualties on Japanese who had made some penetration our troops made a slight withdrawal to points about 7 miles southsouthwest of Tiddim.

3. **AIR OPERATIONS.**

Western Front. 11th. Blind bombing attacks by fortresses on Amster dropping 207 tons and escorted Liberators on military constructions Northern France dropping 113 tons, 1 Fortress, 5 fighters missing.

11th/12th. Aircraft despatches: Sea-mining 43 (1 missing) Various objectives Germany 47 Mosquitoes, leaflets 21. Two enemy aircraft crossed Sussex coast one bomb at Hastings caused damage and five fatal casualties.

Italy. 10th. 151 medium bombers dropped 163 tons on railway communications Rome and also attacked San Stefano Padua with success dropping 208 tons.

France. Escorted Liberators dropped 258 tons at Toulon where a destroyer, two merchantmen and other ships were hit; enemy casualties above operations 11th 32,5,3. Ours seven bombers, three fighters missing.
Hello.

Mr. Doughton. Go ahead.

Hello.

All right.

Henry talking.

All right, Henry.

Bob, I've been talking here with my associates about my conversation with you yesterday.

Yeah.

And the way we sort of feel is that we send people up on the Hill as Ambassadors and if they get so that they are not persona grata or welcome, well, that's your privilege. Now, we've got some very important work down here that Mr. Paul can do and this matter is a matter of simplification -- it isn't a general revenue bill, and Mr. Paul is very anxious that the spirit of cooperation go on. This letter was just a sort of an accident. It was sort of a routine letter that went out which....

Well, who sent it out? Routine letter? Who sent it out?

Well, I'll show you the letter and I'll show you the initials on it. I'll have Sullivan bring it up to you. I'll show you just how the letter happened. Hello?

Well, to tell you the truth, Paul's not been doing anything down here, so Stam tells me and he's not been even meeting with them. Surrey and Blough's been a meeting but Paul's not been even meeting with the Joint Committee.

Yeah. Well, then there's all the more reason that he stay down at this end of the Avenue.

Well, you knew that, didn't you?
HMJr: What's that?

D: He's been a staying there as far as we knew. He hasn't been at this end.

HMJr: I see.

D: You know that, don't you?

HMJr: Well, I know that he's been up there very little, yes.

D: Yes. So, I don't -- we hadn't made any complaint about it. Well, it seems the whole thing's unfortunate, Henry. I -- so many things being given out about it in advance.

HMJr: Yes.

D: Press Conferences and one thing and another. It looks like we're just in trouble all the time.

HMJr: Well....

D: I do my best -- I've done by best. And if you all had a conference now and think that, after you told me yesterday that you were terribly upset about them sending that out -- if you think now it's all right to send it out, why, then I don't know where we are.

HMJr: No, I didn't say that, Bob.

D: Well, what did you say?

HMJr: I said that the letter went out -- that there was -- nobody had any intention of doing -- how shall I say? -- we didn't -- in the first place, we did not give it to the Press.

D: Well, didn't you tell me last night at supper that you were disturbed about it going out?

HMJr: I'm very much disturbed and....

D: Well, that's what I thought.

HMJr: Well, I....
You were -- if you were disturbed, you needn't announce to the Press that -- express surprise that we didn't like it.

No. Look, I haven't changed my position. I -- told you I was upset and that I spent most of yesterday on this thing.

Yeah.

And what I'm trying to say is this, that I'm trying to -- I want to work it out so that there'll be no explosion in the Press. And....

Well, we haven't -- we haven't exploded in the Press.

No, I'm agreeing and I hope that you won't. And....

Well, they just keep tramping on our toes. What will we do?

Well, I'm saying that I'm going to -- Mr. Paul and I have agreed that there's plenty of work for him to do at this end, here in the Treasury, and if you remember, you said to me yesterday that what I do with Mr. Paul in the Treasury is my business.

Why, of course, I've always said it.

Well, all right. Well, we'll keep him occupied at this end of the Avenue.

Well, you haven't kept him occupied -- that would indicate he'd been up here -- that there was a change in your policy. He's not been up here.

Well, he was up there while you had the Bill before you.

Oh, yes, but not since we've been on simplification.

No, but he was all set to come up there this morning when you opened at 10:30. He was coming.

Yes?

Well, now he's not coming.
Well, that's his business and yours. I haven't got a word to say about that.

Well, he -- the normal thing would have been, he would have been up there at 10:30.

Well, why should he come this morning if he hadn't been sitting in? What -- he's not been helping any.

Well....

Now, if he was going to come up to dictate to us or what he wanted to come for, I don't know.

Well....

If he can't have his own way, to obstruct -- I don't know. He isn't helping. He insists the Committee work but -- a job that we thought -- we'd extend every courtesy to the Treasury just like we did to Joint-of-Staff and get all the help we could and we were working along fine.

Yes. Well....

Just a working along fine, I thought.

Well, that....

But he goes and puts his lip into it when he hadn't been even a working at it.

Well, the point is -- the plans were -- you couldn't have known it -- the plans were, he was going to be there at 10:30. Now, he isn't.

Well, of course we don't have -- who is? Anybody from the Treasury?

Pardon me?

I say is there?

I didn't hear you.

I say, anybody be here from the Treasury?
Yes, there will be people from the Bureau and from the Treasury.

The Bureau has been very helpful.

Well, there'll be -- the same people that have been there right along will be there this morning.

Well, of course, as to what Mr. Paul does, I have made no suggestion about that and I've got none to make now, Henry.

Yeah, but I've got some to ask from you.

How's that?

I've got -- I want to ask a favor of you.

All right.

Now, what I want to ask of you is this, that with the great influence that you have in the Committee I want to ask you to overlook this letter of yesterday and just go on as though it never happened.

Well, suppose somebody else brings it up.....

...which they will very likely do, I guess. I don't know.

Well, with the influence that you have, you can simply say that -- calm them down -- and that we are going to go ahead and that I'm going to ask Mr. Sullivan to bring the letter up and show you the initials on it -- I mean the letter that I got and the letter -- and the answer.

Who prepared that letter?

Well, it was prepared by about six people. I'll send it up. Sullivan will come up and show it to you.

When will he be here?

He can get there in fifteen minutes.
D: Uh huh.
HMJr: Hello?
D: Hello.
HMJr: Hello?
D: All right.
HMJr: I say he can be up there in fifteen minutes.
D: Well, just with him about that. I'm right here in my office.
HMJr: Well, he'll -- he'll -- as soon as I hang up, I'll get hold of Sullivan and send him up there.
D: If we could quit Press Conferences about it and let's just go on with our work.
HMJr: Yeah.
D: And -- like we ought to -- and there's been no decision reached yet definitely on anything.
HMJr: That's right.
D: And we're trying to work some of it out and get through, you know, and it just upsets us when these Press Conferences and letters and all that kind of thing -- I don't give them out and the Press comes out and runs after me -- when will it come out from the Committee Room -- I tell them we haven't done anything yet.
HMJr: Yeah.
D: We're all working -- all going over it together and I have taken special pains....
HMJr: Yeah.
D: ....to say that the Treasury was cooperating.
HMJr: Yeah. Well, they were. Now, as I told you yesterday, this was a most unfortunate thing. You and George and I worked together and the President gave it his blessing and he was delighted, as I told you.
Yes.

HMJr: And he thought that you'd shown a fine spirit, and he...

D: Well, of course, George gave out a Press Conference report that's saying more than we'd done -- like we were just -- got our work completed and just about already done. I don't know anything he's done to tell you the truth.

HMJr: Well,....

D: Our Committee and the Staff has been doing the work.

HMJr: Yes.

D: And I -- we've -- we don't know when we can get through. We're doing our very best, you know, but looks like they want us to do the work and somebody else will want to take all the credit. It's getting awfully exasperating.

HMJr: Well, I don't blame you a bit for being exasperated. I would be, too.

D: Yes.

HMJr: But we're in the middle of a war and you've shown great patriotism.

D: Well, it's been....

HMJr: And I've tried my damndest to smooth this thing out, as you know. Now....

D: I have no complaint on earth to make about you about anything past, present, and have no idea I will in the future.

HMJr: Well, I've tried my damndest. Now, with the great influence that you wield up there, when you see this thing, if you can just kind of smooth the thing over and let us go on as where we were when I last saw you, I'd appreciate it tremendously, and I think it would be helping the whole morale of the country.
D: Well, I'll try to not let anything explode through the press anyhow.

HMJr: Well, that would be a great help.

D: Yes.

HMJr: Now, I'll...

D: I can't keep them from talking to the Committee, but I have the...

HMJr: Yes.

D: ...myself, the responsibility of giving out what's done unless somebody just breaks over and violates the understanding, why, I'll try to keep anything -- explosion out of the Press. I've tried to -- if I can't help, God knows, I don't want to hinder it.

HMJr: No, well, you've always been helpful.

D: Well, I thank you.

HMJr: Now, I'll send John right up there with the letter I received and the answer, and you can see it just the way it went out.

D: What do you mean by the answer?

HMJr: Well, I mean who -- how it was written in the Treasury.

D: Well, all right.

HMJr: He'll be right up.

D: I thank you.

HMJr: All right. Thank you.

D: Good bye.
March 13, 1944

After five o'clock Saturday I called up Harry White and told him about the meeting with Hull for Monday morning. He didn't seem to know about it and I told him please to be ready and to have the material with him Sunday in case I wanted to see it. I then asked him whether he knew if Crowley had seen any of it and he said, "No". I said that I thought we ought to contact Crowley so that he would be on our side when we went over to see the State Department. I got Crowley about five-thirty and that was the first he had heard about objection on the part of Churchill when I brought it up in Cabinet. And I said, "Well, I'd like for you to see the material we have on hand, particularly Churchill's message." And he said he'd like very much to see it and I suggested he contact White at once, which he said he would. Then he said he would like to come and see me Monday morning and before we went to see Hull. He said he would come over at ten o'clock. He sounded very friendly and, of course, he has every reason to be because he is out on the end of a limb, not knowing what's going on and I'm supplying him with the information. I can't understand why the State Department always treats Crowley in such a shabby fashion.
BRITISH DOLLAR BALANCES

Present: Mr. Bell
     Mr. White
     Mr. Crowley

MR. WHITE: That is the question that was put to Churchill.

H.M.JR: This is the second paragraph?

MR. WHITE: The second. The first paragraph refers to the discussions which are going on between the British Treasury officials and Mr. Crowley's group, and to the fact that they are making satisfactory progress.

H.M.JR: This was a memorandum that went?

MR. WHITE: From President Roosevelt to Churchill.

MR. BELL: That is the result of the Cabinet discussion on February 18, I think it was. Leo brought the question up.

MR. WHITE: And Churchill's reply--

H.M.JR: Give it to me once more, will you, Harry?

MR. WHITE: Following the Cabinet meeting instructions of the President to draft a cable or a letter, Dean Acheson drafted a cable, the original of which we have not yet seen, but a paraphrase which I have--I can read the whole of it, or the significant part, the second half. That is, "Independent of these discussions concerning lend-lease," which he had just been discussing and which he said were being conducted satisfactorily—that is the President—"have been thinking of the feasibility of your arranging your fiscal matters in such a manner as
to result in a reduction of the British gold and dollar holdings in the U. S. to a figure in the vicinity of one billion dollars. What are your views as to what should be done, and what do you think can be undertaken?" That is the specific question.

H.M.JR: You never saw that until Saturday night?

MR. CROWLEY: That is right. Dan, could I just bring up for the Secretary's benefit--as I recall the dollar balance thing at the Cabinet meeting, we were talking about lend-lease and about the legislation; and if I remember correctly, the billion dollars was something that was originated by the President himself. Right?

MR. BELL: No, I don't believe so. I think you said, "Mr. President, we are negotiating with the British, and their dollar balances are pretty high, and we are trying to bring them down. We are not having a great deal of success in getting them to agree to reduce them."

Then I think Stettinius joined in the discussion and said that they didn't want to write them down to the figure which was agreed to previously.

I think I said that this whole matter sooner or later was going to be in the Truman Committee. They have gotten on the edge of it already.

The President said--I don't think he mentioned the figure--"Well, will you all prepare for me a letter which I can send to Churchill on the matter?"

MR. CROWLEY: He very definitely said a billion dollars.

MR. BELL: And he said, "Give me a copy which I will send along to Eden."

MR. CROWLEY: But he mentioned the figure of a billion dollars. And you recall Friday afternoon he again said, "If you ask for a billion, you might settle somewhere along the line." Do you recall that? I guess it was after you left. He said, "You might ask for a billion, or you might have to settle for a billion three or five," at Cabinet.
H.M.JR: Yes, that is right. I had forgotten that. "You asked for a billion—you might settle for a billion three or five."

MR. CROWLEY: He used two figures.

H.M.JR: But I always told him that as a matter of good faith I thought Churchill was right, that we would have to go back to that position.

MR. CROWLEY: Could I ask you a question, Harry? My thinking on this is a little bit hazy, but I thought that we agreed with the English that we wouldn't raise this dollar balance, that we would try to negotiate on these items. But I thought that I said to Halifax that we did always reserve the right of raising that question. Wasn't that understood?

MR. WHITE: No statement, to my recollection, was ever made that you would not raise the question, and no statement was made that you might not raise other items. They specifically wanted to know that. You remember that Halifax in the first statement said that London would want to know what the whole program was, and would want to be sure that what you are submitting now is the whole program before they can make a decision.

And Waley also indicated that they didn't want to get it in bits. They didn't want to get this program now, and then later get another program. Waley particularly said that he wanted to know whether the objective of this was to get the balances down to a billion dollars. And he added, "If that is so, it isn't going to taste very well with the British Parliament or the British public."

Nobody answered the first part of his question, and the Secretary gave what I thought was a very excellent answer to that whole statement when he said it would not be very tasty. The Secretary said, "That is why we are presenting it. That is why Mr. Crowley is presenting it in the way he has."

H.M.JR: Do you have the memorandum that was written after that meeting?
MR. WHITE: Yes. There are two memoranda, one by Acheson, and one by me. And I think also—I haven't seen it, but I understand Lauch has one that he wrote. It is very long.

H.M.JR: There was a statement made by one of the Englishmen present. I can't remember it exactly, but they said, "We will go along this way." I jumped at it and said, "That is all right with us." One of these Englishmen made a statement there.

(Mr. White hands the Secretary his memorandum and memorandum by Mr. Acheson covering subject Cabinet meeting.)

H.M.JR: Can't you look at that and let me look at this of Acheson's? There is something about the balances.

MR. WHITE: It wouldn't be in that one, Mr. Secretary. I didn't write it down. (Refers to memorandum signed by himself.)

H.M.JR: One of these fellows gave me the opportunity—I think it was Waley—Waley said something.

MR. WHITE: You see, you said very little during that meeting. It was only at the end when Waley said, "This is not going to taste very good to the Parliament," that you said, "That is exactly why Mr. Crowley is approaching it in that way, and that is why we are taking it up on a political basis."

MR. CROWLEY: Another thing, Churchill, in his cable, raised the question about Munn asking about the dollar balances. That was the last question that Munn asked before the Committee adjourned. We have been able to get Munn to leave it off the record. He wanted us to show the increase all the way along from the beginning of the dollar balance position. I think we can keep it out of the record—maybe out of the discussion—but I am sure that it is going to come up when it gets over to the Senate.

H.M.JR: You didn't get that. It was a very important thing that Waley said there.
MR. WHITE: What I thought was important, I think I wrote down.

H.M.JR: See what Acheson said.

MR. WHITE: That is what Acheson has down: "The Secretary of the Treasury replied that he and his associates had given a great deal of consideration to the matter, that he was anxious to eliminate the source of friction between the two governments, and that there his approach to the present matter was not from the point of view of dollar balances, but from the point of view of eliminating the items referred to because of the considerations referred to by Mr. Crowley."

H.M.JR: Is that all?

MR. WHITE: That is all on that point.

H.M.JR: Well, I made the statement at the end there which they accepted. Wasn't that written up?

MR. WHITE: Well, the statement that was accepted was—it is explicit in both accounts—that they wouldn't proceed with the discussion of these items which had been submitted. Somebody they were leaving behind, Mr. Smith, or someone, was going to take them up with Mr. Crowley's men. That was the way the statement ended. No one definitely answered, either Lord Halifax or Crowley, and I think they deliberately avoided answering them, because you remember in the meeting prior to that when you were discussing the matter with Hull and Acheson you made the statement when Acheson tried to press you to make clear to the British that you were not doing this for the dollar balances, but only because of these political items, and that you would not ask them for any more. You very strongly said, "I will not do that. I will not tie my hands." I remember distinctly the phrase, "I will not tie my hands, because I don't know what circumstances may arise in the future which may lead us to curtail the balances."

Waley wasn't there.
MR. BELL: You say you avoided Eden by the implication that the reason to put in these items was to reduce the balance to a billion.

H.M.JR: Let me see if I can state it. Was this the way it was left: In cooperation and consultation with the British we would attempt to eliminate a number of items which were considered politically unwise and that we had a list which was presented—we ought to have that piece of paper—and that we reserve the right to reopen the question of the dollar balance thing at any subsequent time?

MR. CROWLEY: Right.

H.M.JR: And as I remember, Waley said—well, of course, Munn said, "Well, that is your privilege, but we would explore the other thing, the question of eliminating item by item."

MR. CROWLEY: And we said we would have the right to add additional items.

MR. WHITE: I think what you are quoting, Mr. Secretary, is the position you took before the British. I mean, didn't you say that, as I recollect, in the presence of the British? You stated that very strongly.

MR. CROWLEY: That was certainly what I thought you meant.

H.M.JR: I think I said it, and I remember the thing that pleased me so much was that Waley concurred.

MR. CROWLEY: Isn't there any place in that memorandum where we said definitely that we always reserved the right to take up the question of the dollar balance position if we wanted to?

MR. WHITE: No, I don't remember that. In fact, I thought everybody was studiously avoiding that problem.

MR. CROWLEY: But, Harry, in your own memorandum in your own statement?
MR. WHITE: Oh, yes, that is the position we felt.

MR. CROWLEY: Certainly, by all the implications of your own statement and the Secretary's and mine, we didn't give up the right any time we wanted to, do discuss dollar balances.

MR. WHITE: There is no question about that. The point I am making is that as I remember the discussion you did not make that statement per se before the British, but you were both careful to make no statement which would close that door.

H.M.JR: No, the thing that isn't there--and I would stake a good bet on the thing that I said there, and of course, that doesn't keep us at any time on conditions that you can't foresee of bringing this thing up.

Waley said, "Of course, Mr. Secretary, that is your privilege."

MR. WHITE: Bringing this thing up--oh, that is possible.

H.M.JR: No, the dollar balances.

MR. CROWLEY: That was my understanding.

H.M.JR: Waley answered, and I was amazed and pleased. Now, of course--is there nothing in there of Acheson's statement to that effect?

MR. WHITE: Not to that effect; in fact, I think to the contrary. That is certainly what we all felt and what we all decided before the British came in. There is no question about that.

H.M.JR: I would like to state provisionally the position I would like to take before Mr. Hull, and I would like to say this: "Now, look, in this office here we agreed that we would explore the various items which were politically unwise and try to eliminate them. We have been doing that, and I don't even know what the dollar balances are as of today."

MR. WHITE: They are a billion eight, but I don't know what success they have been having in the discussions.
MR. CROWLEY: Some, but it is slow, Harry.

MR. WHITE: I would gather that it is not a great deal.

H.M.JR: Some success?

MR. CROWLEY: Oh, yes.

H.M.JR: Let me say this: I think that a message should go, particularly mentioning my name, that this is the position that I have taken, and I haven't changed from that position; and when I do change from that position I will ask for a conference with Lord Halifax and tell him so, that I am dissatisfied with the progress that is being made; but I have no reason to say that I am dissatisfied with the progress that has been made to such an extent that I want to re-examine the whole thing.

The State Department will have to say that unfortunately "Mr. Hull and Mr. Morgenthau were away, and we didn't have an opportunity to consult with them before this thing went out."

MR. CROWLEY: I think this. As far as that dollar balance thing is concerned, if there is any doubt in Hull's mind or in Halifax's mind as to whether we have the right to open this up for negotiations later, if we so elect, as far as I am concerned I want him to understand that I would expect to come to the Treasury to discuss it. Because you can't go before this Senate with these dollar balances - a billion, eight hundred million dollars - and not say to them honestly that we are trying to eliminate certain items, and that if the dollar balance position gets to a place that we are always in a position to negotiate with them through the Treasury to get it reduced --

H.M.JR: I completely agree with you, and where we are not in agreement here is --

MR. WHITE: Nothing that was ever said, Mr. Secretary, gives them the justification or cause for saying that you never would re-open the subject.
H.M. JR: All right; we are together there. But the point where we are in disagreement is, I don't want Stettinius to do this negotiating in London. Harry thinks I should let him do it. I think, just as you said, when you want something done about dollar balances you should come and see me.

MR. CROWLEY: That is right.

H.M. JR: It is a dirty job, but all of these jobs are dirty.

MR. CROWLEY: But it is financial, and in my mind, if we have anything to offer here in the way of what we think ought to be done in dollar balances, we ought to come here with it and sit down and work with you to bring about what you want.

MR. WHITE: The reason I have said that is because I don't think Stettinius will accomplish anything.

H.M. JR: But I don't want him to muddy the water. I don't want Mr. Churchill to say I agree to something with Lord Halifax and Sir David Waley, and then go back on my word. I don't want it.

Look, Harry, this is what I want to say. I think we are in complete agreement. I want the State Department to say - keep the good faith of that meeting and that thing. Now, if Leo Crowley comes to me and says, "Morgenthau, I want you to re-open this thing," I am in such a position I can do it. Then I send for Lord Halifax and say, "Look here, Lord Halifax, for such and such reason we have been unable to accomplish anything. Mr. Crowley advises me that the situation is acute, and I am now telling you that the arrangements we made on such and such a date are over, and we have got to do something new." But not do it this other way.

MR. WHITE: I'll tell you what is particularly bad about doing it this way, because the first paragraph starts off by saying that the negotiations are very satisfactory.

H.M. JR: The whole thing is crazy.
MR. CROWLEY: There isn't any question about that. It never should have gone out. But it is out, and I think this, that we want to be careful now that we don't weaken our trading position with the British in anything we send them the next time.

MR. WHITE: May I read the last two sentences? This is the first paragraph: "It is expected that final agreement on the entire list of items will be reached shortly. This subject is far from simple, and the negotiations appear to have made satisfactory progress."

(The Secretary held a telephone conversation with Mr. Brown in Mr. Hull's office, as follows:)
Operator: .... Mr. Hull's office.

HMJr: Hello.

J. E. Brown: Good morning, Mr. Secretary.

HMJr: Mr. Brown, good morning. We'll be over there at ten thirty.

B: At ten thirty?

HMJr: Yes. Is Mr. Stettinius going to be present?

B: I was -- I don't know whether he's in today. Will you hold the line just a moment, Mr. Secretary?

HMJr: Well, I -- hello?

B: Yes.

HMJr: If he's in town, I think he ought to be there.

B: Yes. I'll pass that word along, sir.

HMJr: Thank you.

B: Not at all, sir.
H.M. JR: I don't ever like to criticize a man behind his back. I hope Stettinius is there.

MR. WHITE: It says the negotiations have proceeded satisfactorily. Those negotiations were initiated at this meeting. Then it goes on to say, "Independent of these discussions"—nothing could have been worse than this way of phrasing it even if you wanted to obtain that objective. This was deliberately phrased to cause trouble. Nobody is stupid enough to draft a cable like that who has been present at negotiations, as those men have. I believe this was deliberately drafted to make trouble. You couldn't have picked it any other way.

MR. BELL: They certainly separated them, didn't they?

(Secretary on White House phone:)

Hello.....

Yes.....

Wonderful.....

I have a conference going here. I will call you back later.....

But I have the date.....

That is the main thing.....

Thank you.....

MR. WHITE: In other words, what should have followed that first paragraph--

H.M. JR: Look, I have the point, Harry. I think you are completely right, and I am glad you brought it to my attention, and that is, that this thing—first the thing is going beautifully, and then if it was going beautifully, there is no excuse for that.
MR. WHITE: Exactly. They could have said in the second paragraph, "Despite negotiations, the prospects do not look sufficiently encouraging."
Meeting in Secretary Hull’s Office
March 13, 1944
10:30 A.M.

Present: Secretary Hull
Secretary Morgenthau
Mr. Bell
Mr. Stettinius
Mr. Crowley
Mr. Cox
Mr. Currie
Mr. White

The meeting was called at the Secretary’s request to discuss the message from Churchill to the President (Cable 613). Secretary Morgenthau had telephoned Secretary Hull’s office and suggested that if Mr. Stettinius were in town he ought to be present at the meeting. At the beginning of the meeting Secretary Hull informed Mr. Morgenthau that Mr. Stettinius was out of town but that Mr. Acheson who had been following the matter would be present. The Secretary said he had brought Mr. Bell along this time because Mr. Bell had been present at the Cabinet meeting at which the question of sending a message to Churchill was initiated.

Secretary Morgenthau asked Bell to begin the meeting by describing how the subject came up at Cabinet.

Mr. Bell said that at Cabinet Mr. Crowley had reported that the negotiations with the British on the dollar balances—At this point Mr. Currie interrupted with the query whether it was on the dollar balances that Mr. Crowley spoke. Mr. Bell replied that he didn’t know the background prior to the meeting and he assumed that it was dollar balances though it might have been the negotiations on specific items of Lend-Lease—were not going too well but that some progress was being made but that it was slow and that probably something ought to be done to jog the British along. Mr. Bell added that Mr. Stettinius said he agreed with Mr. Crowley. Mr. Bell said that he himself had added that the whole matter had been on the fringes of Truman Committee discussions before and that the whole matter might be brought up to be examined before the Truman Committee.

The President then said something like the following: “You all /State, Treasury, F.E.A/ prepare a message for my signature to the Prime Minister telling him that for political reasons they ought to do what they can to bring the dollar and gold balances down to about $1 billion.” Mr. Crowley added that his understanding was that the
President had said to prepare a message and a memorandum so that he would be able to send the message to the Prime Minister with the memorandum. Mr. Bell said the President would also send a copy of the message to Eden and see if that wouldn't have some effect. Bell said that when he returned to the office he dictated a note to White asking him to draft a message jointly with State, Treasury and F.E.A. to go to the Prime Minister requesting the British to reduce their balances to $1 billion. Mr. Bell said that the next thing we heard about it was several days later when we were informed by Mr. Acheson that a message had been signed by the President and sent (several days prior to the day we were informed).

The Secretary stated that before coming to the meeting he had checked with his own people and Mr. Crowley and they were in agreement that during the meeting held in Mr. Hull's office on January 8 that the position taken by the Treasury, State and F.E.A. and explained to the British was as follows: The list of items to be submitted to the British were items which we regarded as desirable to eliminate under present conditions because of political reasons. He said that toward the end of the meeting Mr. Waley asked him whether the items submitted were to be the total program or whether the question was going to be raised in the future about additional curtailments. He (Secretary Morgenthau) had replied to that comment that presentation of this list did not preclude reopening the question at some future time if the circumstances should seem to warrant it, and that Mr. Waley had replied, "Of course, we understand that." The Secretary said that the message which was drafted in the State Department and sent by the President to Churchill did give Churchill just grounds for complaining that the understanding arrived at in Mr. Hull's office was being violated. He went on to say that in the message from the President to the Prime Minister the first paragraph was quite inconsistent with the second. He pointed out in the first paragraph the statement was made that the negotiations between the British and Mr. Crowley's organization were proceeding satisfactorily. The Secretary commented that that description of the way the negotiations were going wasn't accurate. Mr. Crowley had pointed out that they were not proceeding satisfactorily. Secretary Morgenthau went on to say that if it were true, as stated in the first paragraph, that negotiations were going on satisfactorily then why request that further reductions in the balances be made at this time? He said that was a most unfortunate cable. He added that since his own (Secretary Morgenthau's) name was mentioned in the message with implications that he had broken faith, he felt that the reply to Churchill should make clear that he (Secretary Morgenthau) had not broken faith. He said that in all his contacts with the foreign governments he had never broken his word, and that on the basis of the message which Churchill received from the President Churchill was warranted in
thinking that Morgenthau had broken his word. He said he would like very much to have that part straightened out.

Mr. Hull said he had discussed the matter and was familiar with the circumstances under which the message went forth and that it was unfortunate that Treasury was not shown the draft before it did go.

Dean Acheson said that the first he knew of the matter was when Mr. Stettinius, who was then Acting Secretary, sent him a brief memorandum asking him to prepare a message from the President to the Prime Minister asking the British to arrange their fiscal matters in such manner as to reduce the British gold and dollar balances to around $1 billion. He said that he had told Mr. Stettinius that he thought it was a mistake to send such a telegram but that Mr. Stettinius had said that the matter had been discussed at the Cabinet meeting with the Treasury and F.E.A. participating and the President had concluded that this should be done and that he (Stettinius) regarded it as an order. Mr. Stettinius had said that he would like to have the cable by 10:30 that day. Mr. Acheson said he then prepared the cable and submitted it to Mr. Stettinius with a memorandum recommending that the cable should not be sent. He said that Mr. Stettinius took the cable with the memorandum to the President and discussed it with him and the President had decided that the message should go forward. (If a memorandum was prepared to accompany the message, no one in the Treasury or F.E.A. saw it.)

Secretary Morgenthau said that he thought some reply to Churchill’s cable ought to be made, possibly explaining that Secretary Hull and Secretary Morgenthau were not in town when the message was sent. Secretary Hull said that that would hardly be satisfactory since the representatives of the departments were present. In any case he thought that the difficulty would arise from the fact that the President did have the message sent and it might not be easy to get the President to permit another message to go forward retreating from the position the President took in the cable. Secretary Morgenthau said that for his part he would be glad to join Secretary Hull in seeing the President and in pressing for an appropriate explanatory cable. Secretary Hull said that he agreed that “We’ve got to stand by the position that we took at the meeting with Lord Halifax in this office in the early part of January.” Mr. Crowley said that he wanted to make it clear that he didn’t wish to take any position which would exclude the possibility of reexamining the question if present negotiations did not yield satisfactory results or if for other reasons the dollar balances continue to grow. Secretary Morgenthau said that there is no disagreement among us on that point, and Mr. Hull assented.
The Secretary then turned to another point. He said that the cable suggested that the British discuss the matter with Mr. Stettinius on his imminent trip to London. The Secretary said that hitherto the question of British dollar balances had been the responsibility of the Treasury Department and that if Mr. Hull wanted the State Department to have the responsibility that he (Morgenthau) "would not argue about it", but that in no case did he feel that there should be divided responsibility on the matter. The responsibility should be with either one department or the other. Secretary Hull asked: "Well, how is that responsibility divided as between you and Mr. Crowley?"; Secretary Morgenthau said that "Mr. Crowley looks to the Treasury on the matter of dollar balances", and Mr. Crowley nodded assent. Secretary Hull then said that he thought that the responsibility ought to be the Treasury's and asked Dean Acheson what he thought. Dean Acheson said that he thought it should be the Treasury's. Dean Acheson appeared slightly embarrassed and seemed hesitant in making the response, and Secretary Morgenthau urged Mr. Acheson to speak frankly and say just how he felt on the point but Dean Acheson replied, "I think that is all right. I think it should be the Treasury's responsibility."

The Secretary then said that "If it is my responsibility I would prefer that Mr. Stettinius not discuss the matter with the British on his trip to London but that discussions on the matter should be, as hitherto, in Mr. Hull's office or in Treasury office in Washington. The State, Treasury and F.E.A. could participate; if the meeting were in his (Secretary Morgenthau's) office, then Dean Acheson could represent the State Department."

Secretary Hull replied that he had not known about Mr. Stettinius' going to London until he had returned here and he did not know what Stettinius' program was going to be in London, but that he (Hull) was going to have a talk with Stettinius and find out specifically what he was proposing to discuss and what he specifically proposed to say. He added, however, that he would indicate to Mr. Stettinius that he should not discuss the dollar balances and he asked Dean Acheson to remind him to tell that to Mr. Stettinius.

Secretary Morgenthau said he thought it might be desirable to inform the British of that in the cable that they were going to draft in response to Churchill's cable.

Secretary Hull thought that the best way to proceed would be for State, Treasury and F.E.A. to draft a message in response to Churchill's cable. He said that Dean Acheson would represent the State Department. The Secretary said that White would represent Treasury and Mr. Crowley named Cox and Currie.
Secretary Morgenthau then stated that there was another cable (614) which was included in Churchill's message which related to the question of arranging the bookkeeping in such a manner as to make the British balances not appear so large. Secretary Morgenthau thought that the answer to that part of the cable should be postponed; that it was a separate question and that the issues should not be confused. Mr. Hull agreed that he thought it was a separate matter and should be taken up separately and should be so left.

The meeting adjourned at 11:30.

H. D. White
March 13, 1944
11:25 a.m.

TAX SIMPLIFICATION

Present: Mr. Bell
         Mr. Gaston
         Mr. Paul
         Mr. Sullivan
         Mrs. McHugh

MR. PAUL: We discovered that one of those letters was't initialed by Surrey. There are two official copies; one is in your files, and one is in somebody else's. We discovered that by accident Surrey had not initialed one of them; I think it is the one in your files.

MR. SULLIVAN: Well, he doesn't know whose initials those are, anyway.

H.M.JR: Surrey doesn't?

MR. PAUL: No, Bob--

H.M.JR: Let me hear what has happened.

MR. SULLIVAN: When I arrived Jere Cooper was in there, and Jere had to leave. He just started right off.

H.M.JR: Who?

MR. SULLIVAN: Doughton. He was even angrier than he was when he had that telephone conversation with you. I let him talk for about twenty minutes. It seemed apparent that he just had to get this off his chest sometime, and I would rather have him do it with me than out in the Committee Room.

I showed him the letter, and right off the bat he said, "He is trying to put the blame on Secretary Morgenthau."
MR. SULLIVAN: Randolph.
I said, "What do you mean?"
He said, "Well, this letter starts right off, 'By
direction of the Secretary.'"

So I had to explain that the only way we could handle
the volume of mail was having it go to the people who handled
the particular problem being discussed in the letter, and
as a mark of courtesy to a Member of Congress, it always
said, "By direction of the Secretary," and that you had not
seen the letter.

He said that he understood that, but he didn't think
anybody should say it was by your direction unless you knew
what was in the reply. We discussed that along for a while,
and he read about half way through the letter and said,
"Well, that is just exactly what I thought." I couldn't
get him to read the rest of the letter.

Then we discussed how every effort had been made to
keep this going along in a smooth track, and it really was
a shame that this had happened; and if he wasn't able to
sit on the lid and keep his Committee in hand on this thing,
why they might waste two or three days just arguing about
a thing like this.

He said, "Well, I am going to do it. I will try to
keep it out of the press. I will try to keep it down if
there is any discussion of it in the Committee."

Then he asked if I had read this report. I said, "No."
MR. PAUL: What report? Oh, the simplification report.

MR. SULLIVAN: He asked me if I would be willing to
read it and tell him what I thought of it. He said, "I
might want you to come up here and talk with me about it.

I said, "I will be very glad to read it."
Then he was upset about your saying you were not sending Mr. Paul up, because, he said, "Mr. Paul hasn't been up at all," and he wasn't keeping him back.

I said, "Well, I think, Mr. Doughton, that it is true that Mr. Paul hasn't attended all the meetings, but I think he has attended quite a few."

He said, "No, I don't believe so. Just a minute."

MR. PAUL: I haven't been attending the meetings; I have been attending our meetings here, but not technical discussions with Stam. That is right.

MR. SULLIVAN: Stam said you hadn't been at any of the meetings. That was what upset him. The way we left it was that he was going to try to keep things as peaceful as he could, and he hoped that he would be able to report something out to the drafting boys this week, so that the Committee--

H.M.JR: May I interrupt you? I don't know what he said to you, but he said to me in no uncertain terms--I don't like to say this, but he didn't want Paul up there. He told me this yesterday.

MR. PAUL: We heard him.

H.M.JR: And what I did at my end of the business was my business. He went on to say yesterday, when all this discussion was about changes in the Treasury staff--he said, "I refrained from making any remarks. That is your business."

MR. SULLIVAN: He was discussing your remark about keeping Mr. Paul down here, and he was trying to impress on me the fact that Paul had been down here all the time, that he hadn't been up there.

H.M.JR: I don't quite get his line of reasoning.

MR. SULLIVAN: Well, he thinks this was an attempt of Randolph's to claim credit for what the Committee is going
to do. He is claiming that Randolph hadn’t participated in the meetings that are bringing forth these recommendations.

H.M.JR: I see. Well, go ahead.

MR. SULLIVAN: He is going to try to get this thing through this week.

I then went over to see Senator George. He wasn’t disturbed. He thought it was unfortunate. He said if it were coming up before his Committee today he wouldn’t be as upset as Congressman Doughton, but he could realize that with Members of the Committee calling on Congressmen that he would be pretty badly upset.

I told the Senator that I thought the Chairman felt a little better than he had and was going to try to keep the damper on, and George is going to get over and talk to him sometime today or tomorrow.

H.M.JR: Did Doughton say anything more about George’s press conference?

MR. SULLIVAN: Yes.

H.M.JR: What did he say about that?

MR. SULLIVAN: He didn’t like it.

H.M.JR: Well, of course, I think that happened once before; we were going to do a thing jointly, and he left town. George announced it. I think it was once before.

MR. SULLIVAN: Yes, I was in on that.

H.M.JR: But on the other hand, when I went to see George a week ago, he didn’t have the foggiest idea what Doughton was going to do. Well, then, the only thing to do is to sit and see what comes out of the Hill.

MR. SULLIVAN: That is right.

H.M.JR: Now, I have told nothing, to date, to Smith or Shaeffer. I told Smith he should go and see you (Gaston),
and get inquiries. But I did tell them, "For God's sake, sit on the lid on anything, trying to claim credit for the Treasury on this thing," just to sit on it.

MR. GASTON: Yes.

H.M.JR: And not to try to stimulate any credit for us. But they don't know anything about it. I think they should, so they can be intelligent about it.

MR. GASTON: Yes.

MR. SULLIVAN: The Indianapolis speech still rankles in Doughton's mind, Randolph.

MR. PAUL: He talked to me about that, and he talked to the Secretary. But that was a long time ago. I have seen him several times since then.

MR. SULLIVAN: It still bothers him. He spoke of it this morning. He said, "Here are articles coming out about different people, and newspapermen keep running in to see me, and ask, 'Do you think the Treasury ought to be re-organized, a new man ought to handle taxes, and a new man ought to be Secretary?' They have never trapped me into making any kind of a statement to that effect."

H.M.JR: Well, evidently, as of this minute, because we don't know what will come out of the Committee, we have done the best we could.

Of course, you wanted to go up this morning (Paul), but he evidently didn't expect you up there. You thought you were expected.

MR. PAUL: Well, you see, all the meetings hitherto have been meetings on a purely technical level, except a couple of meetings of the Committee just to make an announce-ment. Nothing has been presented. That was the first time I expected to go to Committee, when they actually presented a document. I have been working on it right along.
H.M.JR: Who is up there now?

MR. PAUL: Surrey and Blough, I assume. I tried to get Surrey, and couldn't get him, so they would know what had happened so they could handle themselves. I did get Blough after he got up there. He wasn't able to talk, but I could talk to him.

H.M.JR: Now, who on this end did initial that letter, anyway?

MR. PAUL: Well, I would have to look at it to remember all of them, but the letter was prepared by Walter Heller.

MRS. McHUGH: I have the carbon. Is this one initialed?
(Refers to letter to Congressman Brooks, dated March 9, 1944.)

MR. SULLIVAN: Yes.

MR. GASTON: It was revised by Farioletti and Collins.

MR. PAUL: This is Heller.

H.M.JR: How can we see that no more letters like that go out?

MR. PAUL: There is one on my desk now. I just caught it. It is by Campbell and Kirby. M.F. is Marius Farioletti.

MR. BELL: A Collins is on there, too.

MR. GASTON: That initial is Collins. C. is Collins, isn't it? The three men who worked on the preparation of it--

MR. BELL: At least the Collins was written on here this morning.

MR. SULLIVAN: George was convinced that this was no deliberate attempt, that it was just a slip on a routine matter. I explained that it is inevitable in signing hundreds of documents a day--

H.M.JR: Well, that is--does anybody have anything else?
MR. SULLIVAN: I have, sir.

H.M. JR: Supposing you stay behind, then.

MR. SULLIVAN: Incidentally, Randolph, you might be thinking this over: Senator George suggested you might want to drop a note to Mr. Doughton. If I did, I think I would wait a day or two.

MR. PAUL: Yes, I think that is wise. It might just fan it up.

MR. GASTON: Randolph, you didn't mention to the Secretary about this speech, did you?

MR. PAUL: Not yet. I was just about to start it.

H.M. JR: I question that.

MR. SULLIVAN: I think it is something you could decide tomorrow or the day after, but not necessarily today.

MR. PAUL: I question it, at least at the present time. It might be good later.

MR. GASTON: Randolph has a date to make a speech before the New York County Lawyers Association. It is retrospective. It discusses the present proposition of laws, particularly as to corporation taxes and the excess profits tax, and the possibilities of the future of the transition period and the peacetime period. It contains no reflections on Congress, whatever. It is a speech that I had passed, and I would say that this couldn't possibly do any harm. The only question worth considering now is the question of whether in view of the present situation you want any speech at all. But I would say that this speech is not a speech which I would regard as causing any questions.
MR. SULLIVAN: I can make a contribution to this discussion, because in my talk with Doughton he referred to the Committee of twenty-five Republicans who have been appointed to study post-war taxes. And he is asking McCormack to make a statement on the Floor today, challenging the appointment of such a Committee, and asking that Republican Committee to come forth within sixty days and tell the people what kind of taxes they want to repeal, what kind they want to increase, what commodities they are going to subject to excise taxes, and then let the American people have something to vote on in November.

He is very much burned up about it, and I think any discussion of post-war taxes is going to irritate him.

MR. BELL: I agree with that. I don't think we ought to discuss post-war taxes. They are now considering them some in the Baruch Committee.

H.M.JR: I don't care what Randolph does just now.

MR. PAUL: I want to be guided by you. I will have to cancel promptly.

H.M.JR: The headlines would give you the dirty end of the stick. They would pick something up. I think - after all, I am trying to accomplish a number of things, and one of them is, I don't want your reputation tarried. I think that you wouldn't be doing yourself any good, or the Treasury any good, at this time. I would just - if you are asking my advice--

MR. PAUL: I am asking, because I have no interest in making this speech. It has been scheduled for a month and a half, or two months.

H.M.JR: I would cancel it.

MR. PAUL: But ordinarily I wouldn't have given it a thought.
MR. GASTON: It is mainly a study of the present law, and it is a speech against which no objection could possibly be raised on the score of criticism of Congress. The sole question is whether any speech at all should be made.

H.M.JR: My answer to you is, I don’t think anybody should make any speeches on taxes for the time being. That goes for me and everybody else.

MR. PAUL: Then we will cancel the thing.

H.M.JR: That is what I think. No matter what somebody does, it will be misinterpreted. It goes for the President, too. Let’s let this thing die down.

MR. PAUL: I would like to report one other thing to you, as long as you are having tea and have a minute. The other day I received a long letter from Johnny Hanes on the Pearson story. The letter attempted to state what happened, and a copy of it was sent - did he send a copy to Pearson?

MR. GASTON: He sent a copy to the other participants in the discussion and to Drew Pearson. The other participants were J.Cheever Cowdin, and I forget who the other one was.

MR. PAUL: The only part of the letter was a part toward the end where he said that I was the principal one embarrassed. And I wrote back a short letter to John, which I think saw, saying that since Pearson did not get his information from me, and since I considered it my duty to talk with all taxpayers and their representatives as part of my job, which was a point he had made in his letter, I was not at all embarrassed, thank you.

MR. GASTON: I didn’t see the broadcast, but apparently it was a broadcast.

MR. PAUL: Wasn’t a broadcast.
Mr. Gaston: A column in which he was exposing the fact that big business was working on you.

Mr. Paul: Now I get a letter from Louis Brown, a long letter, trying to make the record. He also repeats this. He has a sentence here, "His comments, I presume, were more embarrassing to you than they were to any of the others present at the meeting."

Mr. Bell: Ganging up on you.

Mr. Paul: He also wrote a letter to Doughton, of which he encloses a copy. Herb has seen this. Nobody else has.

I would like to have somebody consider whether anything should be done, and if anything should be done, what should be done.

Mr. Gaston: My own feeling is that you write a letter to Brown similar to the one you wrote to--

Mr. Paul: Brown got a copy of that other one. This may have crossed that one in the mails.

Mr. Gaston: Probably did.

H.M. Jr: Well, I am at a particularly low ebb right now.

Mr. Paul: I wanted to report that to you. If you want to consult these other three gentlemen, I would be willing to abide by the advice of the four of you.

Mr. Bell: I think you have handled it by saying you were not embarrassed.

H.M. Jr: I don't get the drift of it. Right now I am exhausted.

Mr. Paul: I think they are a little afraid of the record.
MR. BELL: They are trying to make a record.

H.M. JR: I will leave it in the hands of you four people.

Do you have something else?

MR. SULLIVAN: Yes, I have a couple of things. You wanted a report on that black market.

H.M. JR: Well, let's see if anything happens during the day. I am available.
March 9, 1944

My dear Mr. Brooks:

The Secretary has asked me to reply to your letter of February 26, 1944, respecting the Treasury's recommendations on simplification of the present tax laws.

I am pleased to inform you that representatives of the Secretary's Office and the Bureau of Internal Revenue are currently working with members of the staff of the Joint Committee on Internal Revenue Taxation on the problems of simplification. As a result of this joint work, it is expected that recommendations respecting simplification of the individual income tax will be made to the Ways and Means Committee and the Senate Finance Committee.

Among the several plans we are examining is one under which the withholding receipt would be adjusted for use as an extremely simple return. 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. Another possibility being examined is a broadening of the privilege of using the short form (1040A). A third possibility is to eliminate returns for some taxpayers. We are hopeful that a truly simple income tax return will be developed out of these or other alternatives.

I believe the present tax returns for 1943 income are as simple as it has been possible to make them under the law. Most of the complexities of these tax forms are attributable to two major causes, the Victory tax and the transition to a current-payment basis. The second complication is a one-year worry and will be automatically eliminated after this year. Action on the Victory tax has been repeatedly recommended by the Treasury, and was begun last fall when Congress converted the so-called postwar credit of the Victory tax into a simple current credit. This change simplified the tax computation for 1943 income and allowed the taxpayer to get the credit currently without reporting bond purchases, insurance premiums, and debt payments. As suggested by the Treasury, the Revenue Act of 1943 makes a further simplifying change in the Victory tax. It places the tax for 1944 on a flat 3 percent basis, thus eliminating the complex decimals involved in the 1943 computation. Moreover, the Treasury has urged that Congress eliminate the Victory tax entirely by merging it with the regular income tax.
In addition to changing the Victory tax rate to a flat 3 percent, the Revenue Act of 1943 makes several other changes which will result in a certain amount of simplification. This legislation embodies Treasury suggestions for repeal of the earned income credit, permitting consolidation of the normal tax and the surtax, and disallowance for non-business purposes of the deduction of Federal excises. This Act also determines the taxpayer's status for exemption purposes as of July 1 (on Form 1040 as well as Form 1040A), and permits the use, without penalty, of prior-year income in declaring estimated income.

I hope these comments will be helpful to you. If there is further information you would like to receive, please write to us again.

Sincerely,

(Signed) Randolph Paul

Randolph E. Paul
General Counsel

Honorable Overton Brooks
House of Representatives
February 26, 1944.

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

Dear Mr. Secretary:

For some time I have been interested in the possibility of Congress simplifying the present tax laws, and although I am not a member of the Ways and Means Committee, I have been doing some work in this respect.

Suggestions of simplification have been made by many people, but I would like to get some idea of your recommendations, and would appreciate your advising me in what respect the law is subject to simplification and in what respect you make recommendations.

I will be glad to keep your reply confidential if you so desire.

Very sincerely yours,

[Signature]

[Name]

[Address]
March 13, 1944

Copies were sent to the following:

Mr. D. W. Bell
Mr. Gaston
Mr. Sullivan
Mr. Paul
Mr. Smith
MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

The Committee on Ways and Means met from 10:30 a.m. to 12:15 p.m. Treasury staff members present included the following: Messrs. Surrey, Wales and Blough from the Office of the Secretary, and Messrs. Cann, Atkeson and Turner from the Bureau of Internal Revenue.

Prior to the meeting Mr. Stam told me that the Chairman was angry at Secretary Morgenthau because he had held the press conference last Friday, and was angry at Mr. Paul because of the letter appearing in the paper on Sunday. Mr. Leslie Rapp, the minority clerk of the Committee, who spoke separately to me, knew nothing of the Chairman's present feelings but said that the Chairman is upset by the statements which Senator George gives the press.

When Chairman Doughton came into the room, he went to one side with Mr. Disney and talked with him for several minutes.

At the session of the Committee, which was not well attended, the Committee first voted to report a ninety-day extension of the free feed importation resolution. Mr. Stam then read the attached report describing the simplification plan and answered a number of questions.

Thereafter when the attendance at the Committee had improved, Chairman Doughton read Secretary Morgenthau's letter of March 10, regarding the restriction of the bill to individual income tax simplification and after brief discussion the pending motion by Congressman Cooper that the bill be so restricted was accepted by unanimous consent.

The meeting then adjourned in order that the members might go on the floor. The Committee will meet again at 10 a.m. Tuesday, March 14. The Chairman reiterated several times that the report was under no circumstances to be made public or given to the newspapers.
After the meeting Mr. Surrey talked briefly with Chairman Doughton. The Chairman was still not in the best of moods and said he hoped there would be nothing more in the newspapers. He said it looked to him like everybody was trying to take credit for simplification.

Attachment

RB:ded
3/13/44
SIMPPLIFICATION OF THE INDIVIDUAL INCOME TAX

PRELIMINARY REPORT

to the
COMMITTEE ON WAYS AND MEANS
on the
SIMPPLIFICATION OF THE INDIVIDUAL INCOME TAX
PREPARED JOINTLY BY THE
STAFF OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
AND THE
THE TREASURY DEPARTMENT INCLUDING
BUREAU OF INTERNAL REVENUE

MARCH 18, 1944

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1944
SIMPLIFICATION OF THE INDIVIDUAL INCOME TAX

INTRODUCTION

This report has been prepared by the staff of the Joint Committee on Internal Revenue Taxation and the Treasury Department, including the Bureau of Internal Revenue, in accordance with instructions received from the Committee on Ways and Means. It embraces suggestions for simplification within the limitations laid down by the Committee on Ways and Means providing that no changes should be made which would result in any substantial shift in tax burden or the dropping of any substantial number of present taxpayers from the rolls.

The suggestions are limited to the principal items affecting tax computation, personal exemptions, credit for dependents, deductions, and tax tables.

The procedures are designed to relieve the majority of the taxpayers from the actual tax computation, to reduce the number of computations in the case of the remainder, and to reduce the necessary record-keeping for the great mass of the taxpayers. The report which follows describes the procedures involved.

While the suggestions are specific as to objectives, there remain a considerable number of technical problems which have not been satisfactorily solved and on which work is now progressing. This is also the case in respect to a number of problems peculiar to the year of transition.

OVER-ALL EFFECT OF SUGGESTED PLAN

The suggested plan does not substantially change the number of taxpayers or the revenue yield as compared with the Revenue Act of 1943.

A. Taxpayers for whom the collector will determine the tax.—

All wage earners subject to withholding whose total income is under $5,000 and who did not receive more than $100 from other sources would be permitted at their option to file the withholding tax receipt, furnished by the employer, in lieu of a regular tax return.

The wage earner would be required to list his dependents on the back of the receipt; show the amount of his "other income," if any; sign the receipt and forward it to the collector without any payment.

The collector would determine the tax on the basis of the information submitted and if it exceeded the amount shown as tax withheld, the collector would bill the taxpayer for the additional amount, or if it was less than the tax withheld, the collector would mail a refund check.
B. Taxpayers who will determine their own tax.

All other taxpayers including those with incomes of more than $100 from sources not subject to withholding and those whose income is $5,000 or more, would be required to file a regular return. These taxpayers would be of three general types—

1. Taxpayers with total income of under $5,000 whose deductions do not exceed 10 percent of their total income.

Such a taxpayer would be allowed presumptive deductions of 10 percent and could use the short-cut method of ascertaining his tax by reading the tax from a simple one-page tax table on the basis of total income.

2. Taxpayers with total income of $5,000 and over, whose deductions do not exceed $500.

Such a taxpayer would be allowed to use $500 as his total deductions in lieu of a detailed itemization and substantiation required at present. The tax would then be computed on the resulting “net income.”

3. Taxpayers with total income of under $5,000 whose actual deductions are in excess of 10 percent of their income, and taxpayers with total income of $5,000 and over, whose actual deductions are in excess of $500.

These taxpayers in order to secure the full benefit of their actual deductions would be required to list their deductions as at present and compute the tax on the resulting “net income.”

FACTORS UPON WHICH THE PLAN DEPENDS

A. To secure the simplification described the following are necessary: The withholding tax tables must be so constructed that the tax withheld at source will closely approximate the final liability for taxpayers with less than $5,000 of income. This will keep to a minimum the number and amount of year-end adjustments in those instances where the taxpayer files his withholding receipt in lieu of a formal return and will also permit the elimination of declarations filed by persons with incomes of under $5,000 whose entire income is subject to withholding.

B. One simple annual tax table covering all taxpayers up to $5,000 must be adopted. The simplicity of the tax table depends upon the adoption of a system of multiple exemptions.

C. The correlation of the withholding tax tables and the annual tax table depends upon a system of presumptive deductions.

D. The Victory tax must be integrated with the normal and surtax. This is accomplished under the plan without changing substantially the distribution of the burden or the number of taxpayers.

SUMMARY OF CHANGES REQUIRED TO MAKE THE PLAN EFFECTIVE

1. Integration of the Victory tax with the normal tax and surtax—
   (a) Repeal the present Victory tax; levy a 3 percent normal tax on net income in excess of $500.
   (b) Reconstruct surtax rates to include the present normal tax and maintain approximate burden distribution. A suggested schedule is attached marked “Exhibit A.”

(c) Repeal the present supplement T tax tables; substitute one tax table applicable to all incomes up to $6,000. A suggested table is attached marked “Exhibit B.”

2. Clarification of the personal exemption and credit for dependents—
   (a) In lieu of the present $624 specific exemption against gross income for Victory tax purposes allow $500 specific exemption against net income for normal tax purposes. If the income of more than one person is included in a return each person is entitled to $500 or to an exemption equal to their income, if less than $500.
   (b) In lieu of the present $1,200 for married persons and heads of families and $350 for each dependent against income the net income for normal and surtax purposes, allow, for surtax purposes only, $500 for single persons; $500 to each spouse filing separate returns; $1,200 to married couples, and $500 for each dependent. Eliminate the “head of family” category, which now receives $1,200 but excludes the first dependent, by allowing $500 to head of family and $500 for each dependent.
   (c) Eliminate the computation of tax and the filing of declarations by persons whose entire income is subject to withholding and whose total income is under $5,000.

In lieu of the present withholding rate require withholding on a graduated basis for the first two surtax brackets so that the tax withheld will more closely approximate the final liability.

DISCUSSION OF PRINCIPAL FEATURES OF THE PLAN

I. FILING REQUIREMENTS

Under the plan, those persons who must report their income for tax purposes can be simply and adequately described as every person having a total income in excess of $500 for the taxable year. This single criterion which is easily understood by everyone would supplant the complicated requirements found in the present law to the effect that a return must be filed by every individual if—

(1) Single for the entire year and gross income equals or exceeds

   
   
   $500

(2) Married but not living with husband or wife for any part of the year and gross income equals or exceeds

   
   
   $500

(3) Married and living with husband or wife for any part of the year or for the entire year, and—

   Gross income exceeds

   
   
   $624

   or

   Combined gross income of husband and wife equals or exceeds

   
   
   $1,200

II. PERSONAL EXEMPTION AND CREDIT FOR DEPENDENTS

Fundamental to the simplification achieved under the plan are certain changes in the law with respect to the personal exemption and credit for dependents. These changes relate to the amounts of the
allowances and the definitions of concepts. It should be noted that
the changes will be applicable for surtax purposes only, since under
the plan it is contemplated that the exemption for the 3 per
cent tax will be $500, per income recipient, or a lesser amount
equal to the income received, as the case may be.

The surtax exemption and credit changes involve two primary
aspects of simplification: (1) They permit the liability and withholding
rules to be compressed in size so as to give maximum usability for
(2) the employer in administering graduated withholding, (b) the
collector's role in making the computation of the tax for those who
avoid themselves of the privilege of filing the withholding receipt in lieu
of a return, and (c) the taxpayer whose income is under $5,000 but
subject to withholding, but who nevertheless may file a simplied
return; and (2) they simplify the taxpayer's compliance by making
the concept of the personal exemption and the credit for dependents
easier of comprehension and application by him.

The changes from present law which are required are these:
(a) In lieu of the present exemptions of $500 for a single person,
$1,000 for a married person or a head of a family, and $1,500 for each
dependent, the law will be changed to have the personal exemption
and credit for dependents in an equal per capita amount; a convenient
amount which keeps the tax burden near the present levels is $500 for a
single person, $1,000 for married persons, and $1,500 for each
dependent.
(b) The present requirements that a dependent be under 18 or
unable to support himself will be eliminated. In place of these
requirements will be substituted the concept that a dependent is
anyone whom the taxpayer furnishes over half the support, pro-
vided that the person is domiciled in the United States, is related to
the taxpayer by blood, marriage, or adoption, and is not himself
required to file a return.
(c) The option available under existing law to married persons to
divide the married persons' exemption between the spouses filing
separate returns on Form 1040 in any proportion they choose will be
eliminated as it is now in the case of returns under supplement T.
If the spouses file separate returns each will be entitled to his own
$500 exemption plus whatever dependents he is entitled to claim.
(d) To avoid the technical and confusing requirements of the present
law, and which is a concept difficult to understand will be eliminated.
Persons who would satisfy the technical and confusing requirements
of the present law with respect to a head of a family will receive
automatically under the new plan a total exemption and credit
without any reference to a head of the family. This situation obtains
because of the expansion of the definition of dependents which makes self-operative the rule with respect to the
head of the family, which requires the dropping of the first dependent
when a person occupies that status solely by reason of the existence
of dependents.
(e) The application of the plan requires some change in the treat-
ment of the income of dependents. At the present time, the earnings
of an emancipated child are legally required to be reported with the
income of the parent. The law must be changed either to exempt
such income under $500 or so that one who claims a credit for any
dependent will be required to include the income of the dependent on
his return. Such income would never be greater than $500 since
anyone whose income over that amount is required to file a return and so
will not have the status of a dependent. No conclusion has as yet
been reached by the staffs on this problem.

It is believed that the effect for the purpose of simplification with
respect to the withholding and tax liability tables is obvious. In
lieu of the three tables which were necessary for supplement T in
the Revenue Act of 1943, this system of exemption and credit for
dependents permits the use of only one table. A copy of the single
table is set out in Exhibit B of this report.

Additional complications of existing law which will be eliminated
are:
(a) The confusion which exists in many taxpayers' minds with
respect to the requirement that in order to claim the married persons
exemption, taxpayers must be "married and living together." This
source of confusion is particularly prevalent under wartime conditions
with respect to the definition of a head of a family. Under the present
law, to occupy the status of a head of a family, one must show that he supports in his household
one or more persons related to him by blood or marriage over whom
he has the right to exercise family control;
(b) The confusion which exists with respect to earnings or income
of a minor child. Most taxpayers do not clearly know the law with
respect to the reporting of such earnings and great variation exists
in the various States with respect to emancipation of minor children.
The plan solves this complication by treating any child who earns
over $500 as if he were an emancipated child who must file his own
return, whether by himself or through his guardian, and who will be
liable for his own tax. A person who files his own return cannot be
claimed as a dependent of any other person.

III. PRESUMPTIVE DEDUCTIONS

An important element in the plan is the expansion of the principle
of presumptive deductions, in order to avoid the deduction com-
parisons in our present law. Many of the difficulties which beset
the individual taxpayer arise from the present method of handling
deductions. The problems encountered in this field generally fall
into two groups: (1) Those relating to the interpretation of the
statutory provisions and regulations as to what items are deduc-
tible from gross income; and (2) those concerned with the keeping of
the necessary accounts and records preparatory to the making of the
year-end return and with the insertion of the numerous items of
deduction in the appropriate spaces and schedules on the return
form. To a limited extent, the present law attempted to alleviate
these difficulties by providing for the short return (supplement T),
pursuant to which the tax is computed upon a gross income figure with
a presumed deduction of 6 percent. However, the supplement T
form is restricted not only as to size of gross income ($3,000 or less) but also as to type of income (salaries, wages, compensation for personal services, dividends, interest, or annuities). These limitations, plus the fact that many taxpayers who would otherwise use the short form have deductions in excess of 6 percent of their gross income, have prevented large numbers of taxpayers from obtaining the benefit of the simplified form offered by supplement T.

The plan will make available to a far greater number of taxpayers the advantages of presumptive deductions by substantially three changes in present law.

(a) In lieu of the 6 percent presumptive deduction incorporated in the current supplement T table, the plan provides for a 10 percent presumptive deduction. This amount of presumptive deductions will be used not only in the table for tax computation but also in the table for withholding. The increase in the presumption will make the simpler form advantageous to many more taxpayers, and where a taxpayer's income consists of wages under $5,000 subject to withholding, the amount withheld in the course of a full year's employment will almost precisely coincide with the liability of the taxpayer. It is contemplated that this increased rate of presumptive deductions will be sufficiently high for many taxpayers to realize that the keeping of records of deductible items throughout the year is unnecessary. The use of the presumptive deductions, however, will be elective only. Thus, those taxpayers, whose actual deductions are in excess of 10 percent of their gross income, will be permitted to list such deductions and to take full tax advantage of the larger figure.

(b) Presumptive deductions will be permitted to all taxpayers regardless of the type of income of the taxpayers. The table form of computation of the tax, as under the present supplement T will no longer be restricted to taxpayers with certain types of income. At the present time, many individuals are prevented from using the easier method of preparing their returns because they have income from trades or businesses. The plan contemplates that all taxpayers will be allowed to use the presumptive deductions, in lieu of itemizing on their returns the actual deductions of which they have kept records during the years.

The underlying theory of presumptive deductions is that they are intended as a substitute for the so-called personal deductions, i.e., those deductions which are generally not attributable to any trade or business. In substance, it is this type of deduction which is not allowed under the present Victory tax. Therefore, in extending the privilege of presumptive deductions to additional types of income, it is necessary to allow the regular business deductions to be taken in the usual manner with respect to income derived from the operation of a trade or business or from the rental of property. After the net profits from the trade or business or from the rental of property are computed, then the presumptive deduction will be applied in lieu of the allowance of the so-called personal deductions. Rents and royalties and net profits from trades and businesses will be computed on virtually the same types of schedule as they are under the present law, and the present deductions allowable in making such computations will not be affected. However, the unusual type of personal deductions, such as for alimony, medical expenses, and casualty losses, will be within the presumptive deduction allowance to the extent that the sum of all the deductions does not exceed the 10 percent figure.

(c) The size of the gross income will no longer serve as a limitation upon the use of the presumptive deduction by the taxpayer. All taxpayers will be allowed to compute their tax by using the presumptive deduction allowance in lieu of listing the personal deductions. With regard to those taxpayers who elect to file the withholding receipt, the presumptive deduction will be given effect in the table upon which the tax will be computed by the collector; this will also be true with respect to those taxpayers who file the longer form of return but who have incomes not in excess of $5,000. The taxpayer who cannot use the table method of computing his tax due to the fact that his income exceeds $5,000 will nevertheless be allowed to take as a presumptive deduction the highest figure used in the table ($500), or of course if his actual deductions exceed $500, he may use such actual deductions in making his tax computations.

IV. withholding

The plan for simplification depends to a considerable extent upon the revision of the present tables of withholding. At the present time, the rates of withholding purport to collect no more than an approximation of the Victory tax, the normal tax, and the first bracket surtax liability. In fact, the current rates do not accurately withhold the liability through the first surtax bracket; the 20 percent rate is two points less than the combined Victory tax, normal tax, and first bracket surtax. The withholding exemptions, also, are only approximations; they represent a compromise between precision and convenience, being influenced by the need for amounts which could serve both as Victory-tax exemption and income-tax exemption, and which had such a relationship to each other that they would work into a reasonably short table. These factors deprive the present withholding system of precision and effectiveness.

It is thought that any real simplification requires as great accuracy in withholding as is obtainable. Further it is believed that major simplification requires also the collection by withholding of the entire tax liability in the case of as many taxpayers as possible to cover without encountering too many new difficulties. The plan contemplates, therefore, that the withholding tables and computation formula will be changed so that withholding will collect the ultimate tax liability on the salary and wages of the taxpayer, not only through the first bracket of surtax but also through the second bracket of surtax liability as well.

Although the second bracket of surtax liability extends only up to $4,000 of surtax net income, the graduated withholding will mean that all persons with income of $5,000 or less from salary or wages will have their entire tax liability collected at the source since the 10 percent presumptive deductions would reduce a total income of $5,000
to a net income of $4,500 which in turn would be reduced by a minimum exemption of $500 (the exemption accorded a single person), leaving a maximum surtax net income of $4,000.

V. METHOD TO BE FOLLOWED BY COLLECTORS

Method to be followed by collectors in determining the tax for persons electing to file their withholding tax receipts in lieu of a regular tax return.

The collectors will determine the tax in accordance with the new tax table. Thus will the tax be identical with that which would be determined by the taxpayer in the event he wished to file a regular return. This will be accomplished procedurally by sorting the receipt forms first by number of dependents, and second, by total income brackets corresponding to the tax table. The tax for all receipt forms in each group so segregated will be identical. After the tax is determined it will be compared with the amount shown on the receipt as tax withheld. If the amount withheld is less than the total liability, the taxpayer will be billed for differences; if the tax withheld is more than that due, the difference will be refunded.

No serious administrative problems are anticipated where the employee works for only one employer during the entire year and either has no dependents or has dependents who have no income. Administrative problems will arise in all other instances. Among these problems are:

First. The matter of making certain that the taxpayer physically attaches all receipt forms which he received during the year so that the tax may be accurately determined by the collector; and

Second. The matter of determining the lowest tax for the taxpayer's family group where some of his dependents have withholding tax receipts for income earned during the year.

There is the probable burden on the employers of preparing a blank copy of the receipt which might be retained by the employee in case he filed his original receipt with the collector.
### Simplification of the Individual Income Tax

#### Exhibit B: Suggested Supplemental Tax Table

| Tax to be Paid | \( \text{At least } \$ \) & \( \text{Not less than } \$ \) & \( \text{At least } \$ \) & \( \text{Not less than } \$ \) & \( \text{At least } \$ \) & \( \text{Not less than } \$ \) & \( \text{At least } \$ \) & \( \text{Not less than } \$ \) & \( \text{At least } \$ \) & \( \text{Not less than } \$ \) |
|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1             | 2               | 3               | 4               | 5               | 6               | 7               | 8               | 9               | 10              |
| 11            | 12              | 13              | 14              | 15              | 16              | 17              | 18              | 19              | 20              |
| 21            | 22              | 23              | 24              | 25              | 26              | 27              | 28              | 29              | 30              |
| 31            | 32              | 33              | 34              | 35              | 36              | 37              | 38              | 39              | 40              |
| 41            | 42              | 43              | 44              | 45              | 46              | 47              | 48              | 49              | 50              |
| 51            | 52              | 53              | 54              | 55              | 56              | 57              | 58              | 59              | 60              |
| 61            | 62              | 63              | 64              | 65              | 66              | 67              | 68              | 69              | 70              |
| 71            | 72              | 73              | 74              | 75              | 76              | 77              | 78              | 79              | 80              |
| 81            | 82              | 83              | 84              | 85              | 86              | 87              | 88              | 89              | 90              |
| 91            | 92              | 93              | 94              | 95              | 96              | 97              | 98              | 99              | 100             |

*Note: The accuracy of this table cannot be guaranteed. It is intended to provide a rough guide and may be subject to change.*

Regraded Unclassified
### SIMPLIFICATION OF THE INDIVIDUAL INCOME TAX

#### EXHIBIT C. BURDEN TABLES—(GROSS INCOME LEVELS)

Tax under supplement T of the Revenue Act of 1945 compared with that under the proposed plan

#### MARRIED PERSON WITH NO DEPENDENTS, SEPARATE RETURN

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax</th>
<th>Effective rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
<td>Revenue Act of 1943</td>
</tr>
<tr>
<td>$100</td>
<td>$1</td>
<td>0</td>
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<td>$8,000</td>
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</tr>
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</tr>
<tr>
<td>$32,000</td>
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</tr>
<tr>
<td>$64,000</td>
<td>$960</td>
<td>0</td>
</tr>
</tbody>
</table>

**Note:** For incomes of $5,000 and over the tax was computed by the same method employed as in constructing the supplement T table prescribed by the Revenue Act of 1945.

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#### MARRIED PERSON WITH NO DEPENDENTS, joint return

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax</th>
<th>Effective rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
<td>Revenue Act of 1943</td>
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<td>$4,000</td>
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<td>$32,000</td>
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</tr>
<tr>
<td>$64,000</td>
<td>$960</td>
<td>0</td>
</tr>
</tbody>
</table>

**Note:** For incomes of $5,000 and over the tax was computed by the same method employed as in constructing the supplement T table prescribed by the Revenue Act of 1945.
### Simplification of the Individual Income Tax

**Tax under Supplement T of the Revenue Act of 1945 compared with that under the proposed plan**

#### Married Person with No Dependents

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax Revenue Act of 1945</th>
<th>Increase for Revenue Act of 1945</th>
<th>Effective rate (percent)</th>
</tr>
</thead>
<tbody>
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<tr>
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<td>100%</td>
</tr>
</tbody>
</table>

1. Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract $10 from the tax shown.

2. Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract $10 from the tax shown.

### Married Person with 1 Dependent

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax Revenue Act of 1945</th>
<th>Increase for Revenue Act of 1945</th>
<th>Effective rate (percent)</th>
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<td>$90,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

1. Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract $10 from the tax shown.

2. Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract $10 from the tax shown.
### MARRIED PERSON WITH 2 DEPENDENTS

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax</th>
<th>Increase or Decrease</th>
<th>Effective rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
</tr>
<tr>
<td>$500</td>
<td>$10</td>
<td>$10</td>
<td>0.0%</td>
</tr>
<tr>
<td>$750</td>
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<td>$15</td>
<td>0.0%</td>
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<tr>
<td>$1,000</td>
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</tr>
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</tr>
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<tr>
<td>$8,000</td>
<td>$160</td>
<td>$160</td>
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</tr>
</tbody>
</table>

*Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have income subtract $16 from the tax shown.*

---

### MARRIED PERSON WITH 2 DEPENDENTS

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Tax</th>
<th>Increase or Decrease</th>
<th>Effective rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
</tr>
<tr>
<td>$500</td>
<td>$10</td>
<td>$10</td>
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<tr>
<td>$750</td>
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<td>$1,000</td>
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<td>$2,000</td>
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<td>$2,250</td>
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</tr>
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<td>0.0%</td>
</tr>
<tr>
<td>$3,750</td>
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</tr>
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</tr>
<tr>
<td>$5,750</td>
<td>$115</td>
<td>$115</td>
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</tr>
<tr>
<td>$6,000</td>
<td>$120</td>
<td>$120</td>
<td>0.0%</td>
</tr>
<tr>
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<tr>
<td>$7,500</td>
<td>$150</td>
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<td>0.0%</td>
</tr>
<tr>
<td>$7,750</td>
<td>$155</td>
<td>$155</td>
<td>0.0%</td>
</tr>
<tr>
<td>$8,000</td>
<td>$160</td>
<td>$160</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

*Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have income subtract $16 from the tax shown.*

---

Regraded Unclassified
### SIMPLIFICATION OF THE INDIVIDUAL INCOME TAX

#### EXHIBIT D. BURDEN TABLES—(NET INCOME LEVELS)

Income and Victory tax under Revenue Act of 1943 compared with total tax under proposed plan

**SINGLE PERSON WITH NO DEPENDENTS**

<table>
<thead>
<tr>
<th>Net income before exemption</th>
<th>Tax</th>
<th>Revenue Act of 1943</th>
<th>Increase or decrease</th>
<th>Revenue Act of 1944</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Proposal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>0</td>
</tr>
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<td>0</td>
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<td>0</td>
</tr>
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</tr>
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</tr>
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<td>0</td>
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</table>

**MARRIED PERSON WITH NO DEPENDENTS**

<table>
<thead>
<tr>
<th>Net income before exemption</th>
<th>Tax</th>
<th>Revenue Act of 1943</th>
<th>Increase or decrease</th>
<th>Revenue Act of 1944</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
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<td></td>
</tr>
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<td>0</td>
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<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td>200</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td>300</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>$4,000</td>
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<td>400</td>
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<td>0</td>
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</tr>
<tr>
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<td>500</td>
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</tr>
<tr>
<td>$6,000</td>
<td>600</td>
<td>600</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>$7,000</td>
<td>700</td>
<td>700</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1 Victory tax computed on a gross income equal to 10% of net income. Assumes only 1 spouse has income to derive minimum amount of tax where both husband and wife have incomes. Subtract $10 from the tax shown.

2 Assumes only 1 spouse has income to derive minimum amount of tax where both husband and wife have incomes. Subtract $10 from the tax shown.
### Simplification of the Individual Income Tax

**Income and Victory Tax under Revenue Act of 1943 Compared with Total Tax under Proposed Plan**

#### Married Person with 1 Dependent

<table>
<thead>
<tr>
<th>Net Income before Exemption</th>
<th>Tax</th>
<th>Effective Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
</tr>
<tr>
<td>$5,000</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>$6,000</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>$7,000</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>$8,000</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
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<td>5.3</td>
</tr>
<tr>
<td>$10,000</td>
<td>5.0</td>
<td>5.0</td>
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</tbody>
</table>

*Victory tax computed on gross income equal to 169 of net income. Assumes only 1 spouse has income.*
*To derive minimum amount of tax where both husband and wife have income, subtract $10 from the tax shown.*

#### Married Person with 2 Dependents

<table>
<thead>
<tr>
<th>Net Income before Exemption</th>
<th>Tax</th>
<th>Effective Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue Act of 1943</td>
<td>Proposal</td>
</tr>
<tr>
<td>$5,000</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>$6,000</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>$7,000</td>
<td>7.0</td>
<td>7.0</td>
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<td>5.7</td>
<td>5.7</td>
</tr>
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<td>5.3</td>
</tr>
<tr>
<td>$10,000</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Victory tax computed on gross income equal to 169 of net income. Assumes only 1 spouse has income. To derive minimum amount of tax where both husband and wife have income, subtract $10 from the tax shown.*

---

Regraded Unclassified
### Simplification of the Individual Income Tax

#### Exhibit E. Withholding Tables

If the pay-roll period with respect to an employee is weekly—Continued

<table>
<thead>
<tr>
<th>And the wages are</th>
<th>And the number of exemptions is</th>
<th>The amount of tax to be withheld shall be</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least $200</td>
<td>0</td>
<td>12 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$200 and over</td>
<td>1</td>
<td>19 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$300 and over</td>
<td>2</td>
<td>26 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$400 and over</td>
<td>3</td>
<td>34 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$500 and over</td>
<td>4</td>
<td>42 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$600 and over</td>
<td>5</td>
<td>50 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$700 and over</td>
<td>6</td>
<td>58 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$800 and over</td>
<td>7</td>
<td>66 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$900 and over</td>
<td>8</td>
<td>74 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$1,000 and over</td>
<td>9</td>
<td>82 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$1,100 and over</td>
<td>10</td>
<td>90 cents of 1 percent of wages</td>
</tr>
<tr>
<td>And so forth</td>
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<td></td>
</tr>
</tbody>
</table>

If the pay-roll period with respect to an employee is biweekly—Continued

<table>
<thead>
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<th>And the number of exemptions is</th>
<th>The amount of tax to be withheld shall be</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least $400</td>
<td>0</td>
<td>24 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$400 and over</td>
<td>1</td>
<td>32 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$500 and over</td>
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<td>40 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$600 and over</td>
<td>3</td>
<td>48 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$700 and over</td>
<td>4</td>
<td>56 cents of 1 percent of wages</td>
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<td>64 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$900 and over</td>
<td>6</td>
<td>72 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$1,000 and over</td>
<td>7</td>
<td>80 cents of 1 percent of wages</td>
</tr>
<tr>
<td>$1,100 and over</td>
<td>8</td>
<td>88 cents of 1 percent of wages</td>
</tr>
<tr>
<td>And so forth</td>
<td></td>
<td></td>
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</tbody>
</table>

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Regraded Unclassified
<table>
<thead>
<tr>
<th>Wages</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10 or More</th>
</tr>
</thead>
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<tr>
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<td>$18.50</td>
<td>$18.70</td>
<td>$18.70</td>
</tr>
</tbody>
</table>

The amount of tax to be withheld shall be:

- At least $600
- But less than $700
- $700 and over

For wages over $800:

- 13% of the excess over $800 plus

| $800 | $81.90 | $82.90 | $83.90 | $84.90 | $85.90 |
| $900 | $92.90 | $93.90 | $94.90 | $95.90 | $96.90 |

Regraded Unclassified
### Simplification of the Individual Income Tax

If the pay-roll period with respect to an employee is monthly—Continued

<table>
<thead>
<tr>
<th>Wages per</th>
<th>The amount of tax to be withheld shall be—</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least</td>
<td>But less than</td>
</tr>
<tr>
<td>$200</td>
<td>$220</td>
</tr>
<tr>
<td>$200</td>
<td>$220</td>
</tr>
<tr>
<td>$200</td>
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If the pay-roll period with respect to an employee is monthly—Continued

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If the pay-roll period with respect to an employee is monthly—Continued

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If the pay-roll period with respect to an employee is monthly—Continued

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miscellaneous pay-roll period,

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The tax to be withheld shall be the sum of the following:

(a) 2.7 percent of the amount by which wages exceed the normal
tax withholding exemption;

(b) 18 percent of the amount, not over the first bracket of wages, by
which wages exceed the surtax withholding exemption; and

(c) 20.7 percent of the amount by which wages exceed the sum of the
withholding exemption and the first bracket of wages.

| Pay-roll period | Normal tax withholding exemption | Surtax withholding exemption—Amount allowed for each person for whom
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<th>whom exemption is claimed</th>
<th>First bracket of wages</th>
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<tr>
<td>Weekly</td>
<td>$20.00</td>
<td>$11.00</td>
<td>$46.30</td>
</tr>
<tr>
<td>Biweekly</td>
<td>$22.00</td>
<td>$12.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>Semiweekly</td>
<td>$24.00</td>
<td>$13.00</td>
<td>$53.00</td>
</tr>
<tr>
<td>Monthly</td>
<td>$46.00</td>
<td>$24.00</td>
<td>$98.00</td>
</tr>
<tr>
<td>Quarterly</td>
<td>$95.00</td>
<td>$19.00</td>
<td>$124.00</td>
</tr>
<tr>
<td>Semimonthly</td>
<td>$278.00</td>
<td>$278.00</td>
<td>$1,172.00</td>
</tr>
<tr>
<td>Annual</td>
<td>$350.00</td>
<td>$350.00</td>
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<tr>
<td>Daily or miscellaneous (per day of such period)</td>
<td>$5.50</td>
<td>$1.50</td>
<td>$6.00</td>
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</table>
Hello.
Fred
Smith:
Hello.
HMJr:
Fred.
S:
Yes.
HMJr:
I don't see any reason for a four o'clock Press Conference.
S:
I don't either. We got a soldier though to get your refund. Do you want to do that?
HMJr:
Yes, we could do that. When?
S:
Well, we could do that around four o'clock.
HMJr:
Well, I'll put down "Smith" at four o'clock.
S:
Okay.
HMJr:
You'd better let me know what it's about.
S:
It's....
HMJr:
But I'll get time.
S:
Yeah.
HMJr:
Okay?
S:
You bet. It's just a photograph, you know. That's all you have to do.
HMJr:
That has to do with refunds?
S:
That's right. It's the first refund to a soldier. You see they've started giving the soldiers refunds and you have ordered that they give the soldiers refunds before they give anybody else -- maybe you didn't know that, but you did. So, the first soldier is going to be in here then at four o'clock and your picture will be taken.
HMJr:
Hello.
Yeah.

I can't....

I say, this first soldier around here to get a refund will be in and you will give him the check personally, which ought to make an awful good story, you giving somebody back some money for a change.

Just a minute. (Talks aside) I'm just asking here -- you weren't on the loud speaker and I was asking Gaston and Sullivan. I don't -- they all think it's all right.

Yeah.

We're all very jittery around here.

Yeah. This is -- this is strictly an administrative business.

All right.

I mean, this has nothing to do with Congress or anything.

Okay.

All right?

Right.

Okay.
March 13, 1944

Secretary Morgenthau today presented to an air force sergeant the first of an estimated 16,000,000 refund checks which eventually will go to American taxpayers as the result of filing March 15 income tax returns.

The first check, which was for $14, was presented by Secretary Morgenthau to Staff Sergeant Stanley A. Sweet, stationed at the nearby army air base at Bolling field.

Although members of the armed forces who are in this country are generally required to file income tax returns, the majority of their returns result in refunds rather than tax payments.

Under the pay-as-you-go plan, several millions of civilian taxpayers also will receive refunds on their March 15 income tax returns, but Secretary Morgenthau said special arrangements have been made so that the serviceman and woman will get their refunds ahead of civilians. The first group of service refunds is now being mailed by local collectors of internal revenue in various parts of the country, and the rest will be mailed as rapidly as it is possible to verify the refunds claimed on the returns.
There are two reasons why most service returns result in refunds: the first $1,500 of active service pay received in 1943 was not taxable, and the bulk of 1942 taxes owed by servicemen is forgiven under a special "recomputation" formula which was included in the Current Tax Payment Act of 1943. As a result of these provisions, the average serviceman owes no tax for either 1942 or 1943 and therefore is entitled to a refund of anything he has already paid. The refund usually is in the amount of installments paid in March and June of last year on account of what was the 1942 tax before passage of the Current Tax Payment Act.
March 13, 1944
3:00 p.m.

ASSOCIATION OF AMERICAN COLLEGES

Present: Mr. Paul
       Mr. Sullivan
       Mr. Carl T. Curtis
       Dr. Gould Wickey
       Bishop Edwin H. Hughes
       Reverend Albert J. McCartney
       Dr. C.V. Vickrey
       Mr. Guy E. Snavely

H.M.JR: What do these gentlemen want?

MR. SULLIVAN: They have had some conferences with
Stam and I guess Surrey and Blough have been in on them.
You see, under this simplification proposal, people are
given an average deduction of ten percent of their income.
That is supposed to cover their ordinary deductions,
including charitable contributions.

Now, one thing this group wants is to have it made
perfectly clear to these taxpayers that they don't want
to use the simplified form, and if their charitable con-
tributions were greater than that ten percent, they can
use another form and get credit for it.

H.M.JR: Get credit for the fifteen percent?

MR. SULLIVAN: That is right. Now, in addition to
that, this group wants to have an allowance made at the
withholding end. In other words, I tell you that I--

MR. PAUL: You, as the employer?

MR. SULLIVAN: Yes, he is my employer. And I say,
"Mr. Secretary, my charitable contributions are so much,
and I want you to compute that so that when you withhold my tax, you are not withholding on the amount that I am contributing to charity."

That would just place an absolutely impossible burden on employers. They couldn't use withholding tables and it just wouldn't work.

MR. PAUL: It wouldn't work, and in addition, Bell and I had a long conference with Congressman Curtis and a lot of Bishops - Bishop Hughes - on that point in the last bill, and told them that it couldn't be done. Then it was introduced in Committee and the Senate Finance Committee voted it down decisively.

MR. SULLIVAN: What is the third thing you have in that memorandum?

MR. PAUL: The third thing is the allowance under the withholding. The second one is no system of average deductions should be utilized with respect to the final return. Final return should contain itemization of deductions, and the present short form should be abandoned.

MR. SULLIVAN: This is going right away from simplification.

H.M.JR: Who is going to argue with them? I don't know enough about it.

MR. PAUL: Anybody you want to do it. I think the function of this is to give them a hearing before you.

H.M.JR: I think I will just have to say I will take it under consideration.

MR. PAUL: Oh, sure.

MR. SULLIVAN: This fellow is a fraternity brother of yours.
MR. PAUL: That doesn't mean anything.

MR. SULLIVAN: How exclusive a fraternity do you belong to?

MR. PAUL: I don't think it is very exclusive - Phi Gamma Delta. It has a lot of chapters, that is all I know about it.

H.M.JR.: Conant is on this?

MR. PAUL: This is a combination of churches, the colleges, the Community Chest, and the War Fund.

(Mr. Curtis, Dr. Wickey, Bishop Hughes, Rev. McCartney, Dr. Vickrey and Mr. Snavely enter the conference)

MR. SNAVELEY: I won't take much of your time, Mr. Secretary. I know you are very busy and these other men are, too. We have a group that has been working for sometime together, meeting together, working on taxes and philanthropy.

We have drawn up this statement we would like to read to you. I would like to have some of these men make a few brief remarks.

(reading) "On behalf of the churches, the colleges, and other charitable organizations, we, the undersigned, request that proper consideration be given their interests in the Simplified Federal Income Tax Report, with which we are heartily in sympathy. We thoroughly appreciate the tremendous task of the Treasury Department in its present problems. We also are heartily in sympathy with raising the highest amount of taxes possible and in the quickest way possible for the present War.

"However, our fundamental independent form of democracy depends upon the maintenance of churches, colleges, and the charitable institutions that we Americans have supported so loyally through the years. Any attempt
to slight their interests will inevitably lead to a totalitarian form of government which will include state supported churches, only state supported educational and other charitable institutions.

"We believe that no loss or particular inconvenience will ensue if a line is included on Form W-2, on which the employee may state to the employer on January first of each year the amount of contribution he plans to make to churches and charities (up to a total of 15% of his income) in that year. Thus, the employee will not have the Withholding Tax applied to his charitable gifts, but, if he does not contribute according to his promise, he will be obliged to make adjustments in his report to the Collector of Internal Revenue for each year."

This is dated March 13, 1944, and signed by this group with indication of their position.

With your permission, sir, I think Bishop Hughes, who represents about eight million Methodists and about twice as many more affiliated with that church, can explain his attitude on this matter.

BISHOP HUGHES: I can talk better standing up, Mr. Secretary. I am used to that in the pulpit when I have appeared before less distinguished audiences.

Mr. Secretary, if there is any Methodist, if I may speak first for our eight million people in the country - if there is one of eight million people in the country who does not think that something of this sort ought to be done, I do not know who the person is.

I have travelled very widely and within the past three months have been West and North and South and over my own territory which lies in this general region, and I find absolutely no dissent. They feel a measure of this kind would be fair to the great religious interests of our country.
I would like to emphasize in the second place that our institutions and especially our colleges have been put in a very peculiar place by the conditions of the war.

I was in one of our schools awhile ago, where we had normally over three hundred young men, where there are seventeen left. All their tuition is gone, because these young men have been summoned into the Army. Those colleges are certainly in a position where, having offered their students as a sacrifice for the country and the present situation, they are entitled to have all the consideration that we can possibly give.

In the third place, there is a tremendous saving for our Government and a tremendous saving for all of our States in these educational enterprises.

I happen to be a trustee of four different colleges connected with my own religious communion - really five; Boston University, Dickinson College in Pennsylvania, Ohio Wesleyan in Ohio, and Depauw in Indiana - and a former trustee of Northwestern.

For years and years and years we have saved our country and our States enormous funds they would have been compelled to spend for the education of the young people that we take care of. When I tell you that there are more than a hundred and twenty-five thousand or them you can see just precisely what that would mean to our different States.

In addition to that, the burden of maintaining our churches and our colleges under the severe conditions that we have at the present time. Our churches are all engaged in this war business. I helped two years ago a committee which raised a million dollars for camp work. In addition to all that, we do for the Red Cross, and all we do in connection with the bond issues, the giving of my own church alone straight out to the war issue at the present time runs almost to four million
dollars, and our people are taking on themselves that burden.

I suppose that I see this thing very, very emphatically from the standpoint of my own life's work. I wouldn't give much for the future of our country, apart from the influence of our religious organizations on them, and I am sure that I speak very, very emphatically for the constituents that I represent, when I say that we think that a prospectus of this kind that would set before all of our people a goal at the beginning of the year when they consider their taxation, would be a just thing, and a very, very helpful thing for the long-run of our work.

But we are not asking this simply on the basis that it would mean larger funds, though that is in our mind, but asking it upon the basis of justice to the very large section of our people.

MR. SNAVELY: Reverend Dr. Albert J. McCartney of the Presbyterian Church, here, represents the Federation of Churches of Washington.

REV. McCARTNEY: Mr. Secretary, I don't know that I can clarify anything further that the Bishop has given us. But as an a-b-c picture of it, so far as I can see, it is this: Yesterday I had to present to my congregation the Annual Appeal for the Budget of the church, and if I could have said, "If you are taxed a hundred dollars and that can be reduced to eighty dollars instead of a hundred dollars, then that twenty dollars that is there representing the fifteen percent that can be given to charity, reduces your tax so much, and stimulates your interest in giving to your charitable organizations."

And furthermore, I see this, that most of these church contributions are made by the week, millions of them. They don't know whether they are going to have enough money to keep that up during the year, but they can cancel it sometime during the year, and that, further, would be a stimulation to them to support these charitable organizations.
That applies to colleges as well as to ecclesiastical support. The principle of the whole thing, the technique of which is not familiar to me, but the principle of it is to find some way whereby those gifts to the church that have been washed out by the great taxes in our country will be made up by smaller gifts from the great rank and file of the salary of the income-earning group in our churches and organizations.

I think that is about all I have to add.

MR. SNAVELY: Congressman Curtis has presented our case before the Ways and Means Committee and before the Congress. He has had two bills that have been presented.

I think he might like to add a word at this moment.

MR. CURTIS: Mr. Secretary, I will try to be brief. The historic position with reference to the income tax made fifteen percent of a person’s income, if they gave to religion, charity. Everything went well until we had the withholding tax coming along. I am speaking particularly in reference to those millions of people whose sole income, whose wages or salary are subject to withholding tax. The tax is taken out before they ever get the money.

Now, there is a movement on foot which I welcome, but it further complicates the thing in regard to religious giving, and that is that maybe a plan could be worked out for some thirty million people whereby they never have to file a tax return, but would take care of their entire tax bill by those withholdings.

Here is where that leaves the individual who gives regularly to religion and charity: He will either have to go ahead and give, and pay taxes on exempt income and file a claim for a refund, or stop giving.

Suppose we have two individuals living in the same community and drawing exactly the same wages. One gives nothing to any worthwhile institution, and another one
supports the Red Cross, the Boy Scouts, the USO, his college, his church, and so forth. Both of their tax bills are handled through the withholding. Surely we are not going to adopt a policy which treats both those individuals alike and they both pay the same tax. Now, an average allowance for gifts won't do any good. That doesn't meet the picture. That gives the cynic who doesn't give a nickel credit for paying and making a contribution he never makes. It really helps no one. We do not ask that the employer check off and pay the money to the church. We would be opposed to that. We think it should be a voluntary thing. But we do feel that the tax should be lessened on the amount that is given away as we go along.

Now there is another side of it. In the interest of simplification, if these people whose tax is being withheld, assuming that they could go ahead and make their contributions to religion and charity, then at the end of the year they will have to file a claim for a refund. They will run into millions. How much the total obligation bill, nobody knows. It is in the interest of simplification to fix it so that the regular and consistent givers to religion and charity can have their withholding tax reduced as they go along.

Now, the Government is doing much more for the labor unions. Union dues are a deduction from taxation. Isn't that correct? As a business expense—

MR. PAUL: No. Labor unions are exempt from tax.

MR. CURTIS: The union dues, the individual union dues?

MR. SULLIVAN: The member of the union, his dues are exempt.

MR. PAUL: A business expense.

MR. CURTIS: His dues are exempt, but the Government goes farther and has the employer check it off and pay it to the union. We don't ask that at all. But we say that when the worker certifies how much he is giving, that that should reduce his taxes that amount, then and there, regularly each period.

That is all, Mr. Secretary.
MR. WICKERY: The colleges that I represent are very emphatic in their desire that something of this sort be inserted in the little blank which, I understand, you are considering, just the one line indicating what you contribute to religion, and then the withholding tax made on that basis. We believe it is just and fair. We believe it is illegal to tax the income--

MR. SNAVELY: ...that is given away.

MR. WICKERY: We believe further that labor is becoming awake to the situation; and if we do not give them that privilege of stating what they contribute—if it is more than two percent or two and a half—that they might accuse us or accuse the Treasury of giving a special privilege to the higher-ups, because there is an increasing number in this thirty million bracket that are giving to charity and to religious organizations and institutions far beyond the average. Your average is gained, not on the average of contributors, but on the average of American citizens, which greatly reduces the average. That is all.

MR. PAUL: I would just like to ask a couple of questions so I am sure I understand. I have talked with Congressman Curtis, Mr. Vickrey, and Bishop Hughes, and one or two others, about this question previously. Do I understand that you are opposed to the average deduction system as such?

MR. CURTIS: Speaking for myself, I think we are; to give an average deduction means that the average taxpayer has to make up that loss of revenue. It gives to the cynic, who gives not a cent, a deduction for something he doesn’t give. There is no special reward for the individual who gives clear up to fifteen percent of his income.

MR. MCCARTNEY: A great multitude of people don’t give anything at all.

MR. PAUL: That is right. There isn’t any question but what an average deduction system does disfavor the people who give.
MR. CURTIS: Plus a further fact that in the past it has been added, because it has been a percentage for all deductions, including interest and State taxes, and so forth.

MR. PAUL: That is the present short form.

MR. WICKEY: Mr. Secretary, I don't object to the average if you grant this other line, but if you do not grant the people the privilege--

MR. PAUL: Your other line would allow for people over the average?

MR. WICKEY: Allow me to state that I am going to contribute so much this year, and then I will have to reply or certify at the end of the year that I have given that much. If not, pay the penalty or pay the difference.

MR. PAUL: You made another argument which wasn't quite clear to me, about the laboring man.

MR. WICKEY: We have men interested in the War Fund and the Community Chests contending that laboring people are increasing their grants, their gifts, very much; and if they are not given the privilege of stating so and so, that they are giving more than the average, there is a possibility of their accusing the Government of granting a special privilege to the higher-ups that they don't have.

MR. PAUL: But when you say giving, you mean to the charitable or educational institutions, not to the union?

MR. WICKEY: Oh, no.

MR. SNAVELY: The Red Cross and USO, particularly.

MR. SULLIVAN: I wonder if that problem could be cured, Doctor Wickey, if the person whose deductions are greater than the average, for instance, the person who contributes the full fifteen percent to charity, is allowed to take that?

MR. PAUL: You mean at the end of the year?
MR. WICKEY: The only thing, I am taxed on that at the beginning.

MR. SULLIVAN: I mean, a tax is withheld, but then when it is computed, if you give them that extra five percent when you file your return on March 15, closing up all the loose ends on the previous year, then instead of owing additional money, you have a refund coming to you. Wouldn't that help?

MR. WICKEY: It would, but the only thing is there are millions who forget or neglect it.

MR. SNAVELY: Who wouldn't have any money left.

MR. PAUL: If they didn't neglect it, of course, there is the question of the loss of the use of the money in between.

H.M.JR: Have you taken this up with Mr. Stam?

MR. CURTIS: Yes, we have. We met with Mr. Stam about March 1, I believe. As a matter of fact, I have a reprint here that Doctor Vickrey made of the remarks that I presented. Do you have one or two others of those, Mr. Vickrey? (Refers to "Extension of Remarks," attached.)

DR. VICKREY: Yes, I have.

MR. CURTIS: My statement before Mr. Stam's group--Mr. Surrey was there, and I should judge eight or ten of the men from the Department. These gentlemen were not with me at the time. I appeared alone.

H.M.JR: Did you get anywhere with Stam?

MR. CURTIS: That is a difficult question to answer, Mr. Secretary.

H.M.JR: It is a fair question, isn't it?

MR. CURTIS: What I mean is, I presented that to Mr. Stam in the same spirit that they do here today. I have
no pride in authorship of any proposal. If you can work out a better plan—

H.M.JR: That isn't the point. Stam works for your Congressmen. I just wondered how far you had gone into winning him over.

MR. CURTIS: I don't think he has been won over.

H.M.JR: May I say this, gentlemen: I am very much interested in this. Doctor Vickrey knows my family and everything. We are all interested in this sort of thing. I don't know, but I certainly can promise you that I will make an honest effort to see if there isn't some way of seeing that the colleges and the churches and religious organizations get some assistance so that the people who wish to contribute up to fifteen percent can do so without too much handicap. I don't know whether it can be done, but certainly I can promise you that I will look into it seriously. I will instruct our people to consult with Mr. Stam. Do you know him?

MR. SNAVELY: Yes, yes.

H.M.JR: I will be very glad to, because, after all, the organizations you represent must go on. I mean, they can't be a casualty of the war. I will do the best I can.

MR. McCARTNEY: Is there any further approach you can suggest for us to make in the matter?

H.M.JR: Let me see whether we can't think of some original way of going at this thing, which at the same time won't complicate this blank which we are trying to make as easy as possible. It may or may not, but, after all, where there is good will, very often a way can be found. If we need assistance—and we always do—we won't hesitate to call on you gentlemen.

MR. SNAVELY: Thank you very much, sir.

(Mr. Curtis, Mr. Wickey, Mr. Hughes, Mr. McCartney, Mr. Vickrey, and Mr. Snavely leave the conference.)
H.M.JR: Isn't there some white rabbit you fellows can pull out on this?

MR. SULLIVAN: Here is your catch, here is the table the employer has: (gesticulates) He withholds on that basis. Now, if these fellows are coming in, in the first place, you won't find out of the thirty million, two hundred thousand who will be willing to make any estimate as to how much they are going to give to charity. They don't know. Even you don't know how much you are going to give to charity in the coming year.

H.M.JR: Why get personal, Mr. Sullivan?

MR. SULLIVAN: O.K. You see, once you introduce that, this gums up all these tables. The employers will never be able to handle them.

H.M.JR: I am just groping because I don't know much about it.

MR. SULLIVAN: There is something that can be done.

H.M.JR: I want some kind of a stamp or something, a stamp or certificate or bond or something or other. Isn't there something entirely new? This is perfectly crazy, see, but suppose I want to give--my income is three thousand dollars and I want to give fifteen percent. That is forty-five dollars, isn't it?

MR. SULLIVAN: Four hundred and fifty.

H.M.JR: I don't want to give four hundred and fifty, but that is the maximum. Every time I give that I get some kind of a certificate or stamp showing that I have given it, which is a credit, and which I could present at a post office and get a refund as I go along.

MR. SULLIVAN: You mean, after you have gone above your ten percent?

H.M.JR: Yes.

Who is the most original guy we have around here, I mean, a fellow who isn't tied down by red tape?
MR. SULLIVAN: Perlmeter.

H.M.JR: You mean Irving?

MR. SULLIVAN: Sure. He did more on revising this form than all the rest of the crowd put together. I don't mean this new short form, but on the other one.

H.M.JR: Really?

MR. SULLIVAN: Yes.

H.M.JR: Well, put somebody on this, fellows. Perlmeter, good--see if there isn't some way--

MR. PAUL: The Committee has been discussing this two or three times since this last one.

H.M.JR: See if there isn't somebody. I am perfectly serious about this thing. These people shouldn't be hurt.

MR. SULLIVAN: These people aren't being hurt by this one thing.

MR. PAUL: I would like to get some figures on how many people pay over ten percent.

H.M.JR: I would like to make an honest effort.

O.K.?

MR. SULLIVAN: Yes.
Mr. CURTIS. Mr. Speaker, we are facing a situation in our Nation which merits the attention of all thoughtful citizens. The national income has gone up, the tax rates have increased many fold, Government expenditures have increased by a tremendous amount, yet the flow to religious institutions have declined. They have gone in the opposite direction.

We are happy in the all-some law in reference to the percentage of our national income that is being given to religious institutions.

On Wednesday, March 1, 1944, I appeared before the tax experts on the staffs of the Ways and Means Committee, the Senate Finance Committee, the Joint Committee on Internal Revenue Taxation, and the representatives of the Treasury Department in reference to this problem. I wish to extend my remarks by incorporating my statement made at that time:

Gentlemen, the efforts of this group to simplify the tax returns for the American people are something that will be appreciated by millions of taxpayers in every part of the United States. I favor the putting forth of every effort possible to simplify our income tax structure. The statement is often made that a plan will be worked out whereby some 80,000,000 taxpayers, who are subject to the withholding tax, will file no tax return, the entire matter being handed through the withholding tax. I do not oppose such a plan. On the contrary, I think it is advisable, but I do stress a very serious problem that must be met in connection with our withholding tax.

I refer to that portion of an individual's income, not to exceed 15 percent, which is exempt from taxation, if given to religion and charity. I can best state the problem by citing an illustration. We will imagine that Mr. A and Mr. B work for the same employer. They live in the same neighborhood, and they both receive the same pay. Mr. A contributes nothing to religion and charity. Mr. B, motivated by deep convictions, and through self-denial, gives generously of his hard-earned money to support his local church, to contribute to foreign missions, to support the Boy Scouts movement, to assist in the Red Cross drive, and the U. S. O. drive. He contributes to a hospital that does charity work, and he donates to his college.

Shall we support a tax system that taxes Mr. A and Mr. B alike? I assume the answer is "No." If the answer is "No," then will we tax Mr. B's exempt income and make him file a claim for it at the end of the year? There, gentlemen, is the problem.

The United States has a stake in the answer to that problem. It is not a preacher's problem or a problem that belongs to those charged with raising money. Because men give a few dollars to support the Boy Scout movement, a community may be saved the expense of a costly trial and a prison term. Because men give of their substance to support a church, that inspires people to high living and restrains their bent for evil, homes are saved and children are not sent to public institutions supported by taxation. Because men give of their substance to provide charity and philanthropy, the taxpayers of America are saved millions of dollars. Because devout individuals prayerfully give to missionary programs, the causes of war were removed in the far corners of the earth. There is no other antidote for the causes of war. Again, I say the question of taxing exempt income given to religion and charity is a public question and means much to our country.

Giving to Religion and charity is patriotism in its highest form.

I would remind the committee that there are millions of people—the majority of them of low incomes—who give 10 percent or more of their income regularly. There are some denominations in our midst that maintain such a record for a portion of their members. Justice cannot be done by averaging what they give with the millions who give nothing, and including it in the withholding tax. That is contrary to the recognition given in the past of an American to be an individual and lacks simple fairness.

I do not suggest that provision be made which grants to those taxpayers, who certify that they are regular and consistent givers to religion and charity, and that they expect to give an amount in excess of 3 percent of their net income, the right to reduce their tax base upon which the withholding tax is applied by 15 percent, and that at the end of the taxable year, they be required to file a return on that 15 percent of their income. That should be accompanied with such appropriate conditions and penalties as this group in their wisdom think best.
"GIVING TO RELIGION AND CHARITY IS PATRIOTISM IN ITS HIGHEST FORM"  
---Congressman Carl T. Curtis

Federal Expenditures
Increased 2700%

Percentages of Increases and Decreases 1928-1948

Federal Taxes
Increased 600%

Does the Arrow point to an explanation of the great increase in juvenile delinquency and other crimes?

National Income
Increased 86%

CHURCH-Related Charities
DECREASED 30%

NATIONAL INCOME
1928 - $77,200,000,000
1948 - $150,000,000,000
TAX RECEIPTS by U.S. Gov't:
1928 - $3,741,000,000
1948 - $21,982,000,000

Source:
United States Treasury Dept.

FEDERAL EXPENDITURES by U.S. Gov't:
1928 - $2,799,000,000
1948 - $79,604,000,000

Gifts to CHURCH-RELATED CHARITIES:
1928 - $532,000,000
1948 - $264,000,000

Source:
United States Treasury Dept.
On behalf of the churches, the colleges, and other charitable organizations, we, the undersigned, request that proper consideration be given their interests in the Simplified Federal Income Tax Report, with which we are heartily in sympathy. We thoroughly appreciate the tremendous task of the Treasury Department in its present problems. We also are heartily in sympathy with raising the highest amount of taxes possible and in the quickest way possible for the present War.

However, our fundamental independent form of democracy depends upon the maintenance of churches, colleges, and the charitable institutions that we Americans have supported so loyally through the years. Any attempt to slight their interests will inevitably lead to a totalitarian form of government which will include state supported churches, state supported educational and other charitable institutions.

We believe that no loss or particular inconvenience will ensue if a line is included on Form W-2, on which the employee may state to the employer on January first of each year the amount of contribution he plans to make to churches and charities (up to a total of 15% of his income) in that year. Thus, the employee will not have the Withholding Tax applied to his charitable gifts, but, if he does not contribute according to his promise, he will be obliged to make adjustments in his report to the Collector of Internal Revenue for each year.

Very truly yours,

[Signatures and endorsements]

Regraded Unclassified
Honorable John L. Sullivan
Assistant Secretary of the Treasury
Treasury Building
Washington, D. C.

Dear Mr. Sullivan,

First, let me express my thanks for your courtesy in arranging a conference with Mr. Morgenthau at 3 P. M., March 15.

The following have indicated their desire to accompany me to the conference to discuss the possibility of inserting a line on the new simplified Income Tax Report on which the employee may indicate the amount of his gifts to charity, to which the withholding tax will not be applicable.

- Monsignor George Johnson, Catholic Welfare
- Dr. Gould Wickey, Lutheran Church and Council of Church Boards of Education
- Bishop Edwin H. Hughes, Methodist Church
- Reverend Albert J. McCartney, Presbyterian Church
- Mr. Ray Wilson, American Friends' Service
- Dr. William F. Montavon, Catholic Church
- Dr. C. V. Vickrey, Golden Rule Foundation
- Dr. Samuel Cavert, Federal Council of Church Boards

The above represent churches and other charity organizations while I represent the educational institutions.

Faithfully yours,

[Signature]

March 9, 1944
Mr. Brady:

Hello. Yes, Mr. Secretary.

HMJr:

Look, Dorothy, have you got a pencil?

B: Yes, I have.

HMJr:

The Map Room, at the request of the President, sent me over a cable from Mr. Churchill protesting against the cable the President sent him, saying that he wanted -- the President said he wanted the British dollar balances reduced to one billion dollars.

B: Uh huh.

HMJr:

'Hello?

B: Yes, sir.

HMJr:

Now, that cable went out without it ever being shown to the Treasury. Churchill is right and we are wrong.

B: Uh huh.

HMJr:

I am now trying to draft an answer, as the President asked me to with the help of the State Department and Crowley.

B: Uh huh.

HMJr:

In this cable it refers to a conversation that the President had with Harry.

B: Uh huh.

HMJr:

I asked the Map Room if I could see that so I could know everything to do the job intelligently.

B: Uh huh.

HMJr:

And the President said he wanted to see what Harry had said because he had never seen it before.

B: Uh huh.
HMJr: And he wanted to read it himself.
B: Uh huh.
HMJr: Now, unless there's something in there which I shouldn't see, if I could see that memorandum then, at least, I would know what Churchill knows.
B: Uh huh.
HMJr: And it would help me in trying to draft a cable to get the President off this spot.
B: Uh huh. I see.
HMJr: You see?
B: Yes, sir.
HMJr: Now, I don't know what's in that message....
B: Uh huh. What date was it? Do you know?
HMJr: The Map -- the Pres....
B: No, I mean Harry's -- the conversation.
HMJr: I don't know now, but the Colonel in the Map Room just called me to say that through Grace, or somebody, he gave -- he gave it to the President....
B: Yes.
HMJr: ....this morning himself.
B: All right. I'll speak with Miss Tully about it.
HMJr: I mean, the President got it this morning.
B: Okay.
HMJr: Is that clear?
B: Yes, it is.
HMJr: I thank you.
B: You're welcome.
Colonel Peterson: Yes, sir.

HMJr: This is Mr. Morgenthau.

P: Yes, sir.

HMJr: If agreeable to General Arnold, I would like to be brought up to date on how you're getting along with the B-29.

P: All right, sir.

HMJr: Not so much as to the production -- I have those figures -- as to whether or not there are any bugs in it.

P: All right, sir.

HMJr: Heretofore, General -- uh -- Benny Myers ....

P: Yes.

HMJr: .... has looked after me.

P: Uh huh.

HMJr: And if he is the right man and that was agreeable -- would he be the man?

P: Yes, sir, I think he could do that. I'll check with the General on that, sir, and have General Myers call you.

HMJr: Well, let's leave it this way -- if General Myers -- what I want to know is how near is it ready to go into action, and how many we've got and all the rest of it.

P: Uh huh.

HMJr: If I could be brought up to date -- and if he -- some -- if either General Myers or somebody else could come to my office at 10:30 tomorrow....

P: All right, sir, I'll check with the General and make sure that....
HMJr: Would you call back and let Mr. Fitzgerald in my office know?
P: Yes, sir, I'll do that.
HMJr: And I'm going on the assumption General Arnold is perfectly willing to let me have that information.
P: I'm sure he is, sir.
HMJr: It's for me only.
P: Yes, sir.
HMJr: Nobody else.
P: Fine.
HMJr: Thank you.
P: All right, sir. Yes, sir.
Fred Smith

The Secretary.

March 13, 1944

When I saw Vinson on Friday, he evidently saw some exhibition of posters for War Bonds which have to do with fighting inflation. He said how much we were doing. I think he saw this at the Advertising Council. I wonder if it wouldn’t be a good idea to get together a group of posters showing what the Treasury is doing on the inflation front. After all we collect taxes and sell War Bonds and evidently we are doing, as I understand, one-third of all the advertising in the country. I mean that the Government is doing about one-third of all this advertising and the balance is done by us. It seems to me if we are doing a good job through War Bonds on inflation, we could get the story together and it’s something that I could take the credit for. Think it over and please talk to me.

See Smith’s memo of 3/9/44.
I checked with the Advertising Council, and I found that what Vinson saw and is giving us credit for is the anti-inflation campaign being run by the Council and OWI. Bonds are involved in this campaign, much of which is being financed by the life insurance companies. But we have practically nothing to do with it.

We are not using the inflationary argument to sell Bonds because there is no evidence that anyone buys Bonds for this reason.

This does not mean, however, that we can't write a story on Bonds and taxes as the greatest factors in preventing inflation. I will start someone on it immediately.
ARMY SERVICE FORCES
OFFICE OF THE COMMANDING GENERAL
WASHINGTON 25, D. C.

13 March 1944

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

Dear Mr. Secretary:

I am glad to inform you that your request for the services of Pfc. George R. Carley for an additional sixty (60) days has been approved by the War Department. I hope, however, that his work can be completed within that period so that he may be returned to his military duties.

Sincerely yours,

BREHDON SOMERVELL
Lieutenant General,
Commanding.
March 9, 1944

Dear General Somervell:

In your letter of January 29, you approved a project aimed at getting to men overseas, the story of Home Front activity in Bond buying.

This project is progressing very rapidly and successfully. General Byron, whom you put in command, has given us every cooperation. Everyone in all the ASP agencies concerned, has accepted the plan with interest and enthusiasm. We have a joint operation. The Army is contributing a great deal toward the actual plan, not simply carrying out our wishes.

General Byron was given a report just before he left on his current overseas tour, which I understand pleased him. On March 2, I made a special report to the armed forces on the final results of the Fourth War Loan drive, copy of which is attached. This was short waved by the Armed Forces Radio Service to all overseas theaters, and was well publicized through other Army and Navy information channels. This too, I understand, met with General Byron’s approval.

However, we do have one problem at this particular writing, with which you can help us immeasurably, if you feel justified in doing so.

This entire operation has been set up under the direction of George R. Carley, Pfc, whom we borrowed from the Armed Forces Induction Station in Philadelphia. He has had a great deal of experience in this sort of thing, and is very valuable to the program. We have him on loan, through the cooperation of AGO, for sixty days. On March 13, his time will be up, and the AGO says that the time cannot be extended without approval of higher military authority.
Continuation of the program is dependent upon keeping Carley, who has established working arrangements with representatives of all the ASF and Navy agencies involved and who is largely responsible for preparation of various materials supplied to them. For this reason we should like to retain his services for at least sixty more days.

Before expiration of this period, perhaps you would like to see an exhibit of what has been accomplished. This would provide the basis for a decision as to what further action on the over-all program is indicated.

Here are the facts concerning Carley:

George R. Carley, Pfc
ASN 32398226
Army Service Forces
Armed Forces Induction Station
32nd and Lancaster Avenue
Commanding Officer: R.H. Kiebach, Maj., Inf.
Previous arrangements were made through
Col. Williams, AGO.

Sincerely yours,

(Signed) H. Morganthau, Jr.

Lt. Gen. Brehon B. Somervell
Room 3E672
Pentagon Building
Arlington, Virginia
TEXT OF MR. MORGENTHAU’S REPORT TO THE
ARMED FORCES ON THE FOURTH WAR LOAN DRIVE

MR. MORGENTHAU: THIS IS SECRETARY OF THE UNITED STATES TREASURY
HENRY MORGENTHAU, JR. I AM MAKING THIS SPECIAL
REPORT TO OUR ARMED FORCES TO LET YOU MEN AND WOMEN
IN UNIFORM KNOW, FIRST-HAND, THE RESULTS OF THE
FOURTH WAR LOAN DRIVE.

AFTER ALL, YOU ARE VITALY CONCERNED WITH THE SUCCESS
OR FAILURE OF THIS MISSION. FOOD, AMMUNITION, EQUIPMENT ...
BOUGHT WITH FIGHTING DOLLARS ... ARE WHAT IT TAKES TO BACK
FIGHTING MEN.

YOUR OWN EFFORTS IN THE FOURTH WAR LOAN DRIVE HAVE NOT
GONE UNRECOGNIZED. AS A MATTER OF FACT, THE JOB YOU DID
AND ARE DOING, IN BUYING BONDS, GIVES THE PEOPLE AT HOME
THOSE ISSUES ADDED INCENTIVE.

WE HAVE HEARD NOW FROM ALL 75,000 OF OUR BOND OUTLETS.
ALL THE PLACES WHERE BONDS ARE SOLD -- ALL THE STATE
CONSEPTIONS AND BANKS AND FACTORIES AND RETAIL STORES
AND MOVIE THEATERS HAVE REPORTED -- AND I AM HAPPY TO
BE ABLE TO TELL YOU THAT THE RESULTS ARE MOST GRATIFYING.

WHEN THE FOURTH WAR LOAN DRIVE GOT UNDER WAY, FIVE MILLION
VOLUNTEERS SET OUT TO SELL FOURTEEN MILLION DOLLARS WORTH
OF BONDS ... THOSE BILLION DOLLARS OF THAT AMOUNT WAS TO
BE SOLD IN “E” BONDS ALONE ... TO THE PEOPLE ... TO THE
MAN IN THE STREET ... TO THE WORKER IN THE FACTORY.
THREE BILLION DOLLARS WORTH ... THAT'S TWENTY-TWO DOLLARS FOR EVERY MAN, WOMAN AND CHILD IN OUR LAND.

THIS, MORE THAN ANY OTHER DRIVE, WAS TO BE "THE PEOPLE'S DRIVE."

I CAN REPORT TO YOU, THAT THE FIVE MILLION VOLUNTEER WORKERS SUSCENDED IN THEIR ASSIGNMENT. THE AMERICAN PEOPLE ANSWERED THE CALL OF THE FOURTH WAR LOAN DRIVE ... NOT WITH THE FOURTEEN BILLION DOLLARS ORIGINALLY SET AS THEIR GOAL ... BUT WITH SIXTEEN BILLION SEVEN HUNDRED AND THIRTY MILLION DOLLARS ... EXCEEDING THE GOAL BY MORE THAN TWO AND THREE QUARTER BILLION DOLLARS. THIS, ON TOP OF THE SEVENTY BILLION DOLLARS WHICH THE NATION HAD ALREADY INVESTED.

AND HOW ABOUT THOSE "E" BONDS, THE "PEOPLE'S BONDS" ... HOW DID WE DO THERE? WELL, WE SET OUT TO SELL THREE BILLION DOLLARS WORTH. I AM HAPPY TO REPORT THAT, THERE TOO, WE EXCEEDED OUR QUOTA.

IN SHORT, THE AMERICAN PEOPLE RESPONDED TO THE FOURTH WAR LOAN DRIVE BETTER THAN EVER BEFORE.

DURING THE FIRST WAR-LOAN DRIVE, NINETEEN MILLION SEPARATE SERIES "E" BONDS WERE SOLD. DURING THE SECOND DRIVE, WE SOLD THIRTY-TWO AND A HALF MILLION. THE THIRD DRIVE SOLD FIFTY-TWO AND A HALF MILLION. AND,
DURING THE FOURTH WAR LOAN DRIVE, WE MADE AN ALL-TIME RECORD, BY SELLING MORE THAN SIXTY MILLION SEPARATE "R" BONDS!

BY RAISING SIXTEEN AND A HALF MILLION DOLLARS, THE FOURTH WAR LOAN DRIVE HAS FAR EXCEEDED ITS GOAL. THE PEOPLE - BUSINESS (LABOR AND MANAGEMENT) - EVERYBODY HAS WORKED HARD IN GETTING THE JOB DONE.

MANY OF YOU AMERICANS IN UNIFORM DESERVE A GREAT SHARE OF THE CREDIT FOR PUTTING THE FOURTH WAR LOAN DRIVE OVER THE TOP - FOR SELLING THE SIXTY MILLION SEPARATE BONDS SOLD IN THAT DRIVE.

THOSE SIXTY MILLION BONDS ARE SIXTY MILLION VOTES OF CONFIDENCE IN DEMOCRACY ... AND IN DEMOCRACY'S WAY OF DOING BUSINESS. THEY ARE SIXTY MILLION SHARES IN OUR NATION OWNED BY THE PEOPLE.

FROM MY OWN STANDPOINT, AS SECRETARY OF THE TREASURY, I AM CONVINCED THAT A GREAT AMERICAN MISSION HAS BEEN ACCOMPLISHED ... I AM SATISFIED THAT A GOOD JOB HAS BEEN DONE.

FROM YOUR STANDPOINT, AS MEMBERS OF THE ARMED FORCES, I KNOW YOU CAN REST ASSURED THAT, IN MAKING THE FOURTH WAR LOAN DRIVE A SUCCESS, THE AMERICAN PEOPLE, MORE
THAN EVER BEFORE, HAVE BACKED YOUR ATTACK. THE SPIRIT WITH WHICH THEY MET THAT CHALLENGE SIGNIFIES THE EVER-RISING SPIRIT WITH WHICH THEY WILL CONTINUE TO...

"BACK YOUR ATTACK".
Fred Smith.

The Secretary.

March 13, 1944

Saturday's New York Times, page 28, has a story on liquor. For once Stewart Berksheir has given me credit for starting this investigation. I think the more that we can do along the lines of getting people liquor at ceiling prices the better. If you talk to me about it, I'd like to go into the matter and it seems to me -- I don't know anything more popular than trying to get people some liquor at reasonable prices. As I pointed out before if we don't do it, the first thing we know the prohibitionists will use this as an excuse to get prohibition back again. You will remember I talked of having a conference with the Institute of Liquor people. I've never done that, at least I haven't done that for some time. I think it might be wise for me to get in touch with the head of the Liquor Institute and have a talk with him.

Meeting scheduled.
Memorandum for the Secretary:

Since receipt of the memorandum dated February 29, 1944, from Mr. Harold E. Graves, Acting Commissioner, with reference to investigations being conducted in California by the Alcohol Tax Unit of black market liquor activities, additional information indicating substantial progress has been received.

As of March 4, eight persons had been arrested and nine case reports, involving 60 persons, were being prepared for submission to United States Attorneys, with recommendations for grand jury action against the following wholesale liquor dealers:

- Old Madrid Winery
- South Pacific Wholesale Company
- Golden West Wineries
- Francisco Distributing Company
- Distillers Distributing Company
- Los Angeles Liquor Company
- National Liquor Company
- Miremonte Company
- Merchants Wholesale Company

Six cases were to be presented to the grand jury in Los Angeles beginning March 8, 1944. Recommendations for the suspension of basic permits of twelve concerns have been made and citations actually issued against four wholesalers as follows:
Memorandum for the Secretary.

National Liquor Company
San Diego Ice & Cold Storage Company
South Pacific Wholesale Company
Los Angeles Liquor Company

In connection with the investigation into the activities of the National Liquor Company, San Diego, the court has issued an order requiring the filing of a libel against the 2,895 cases of seized whiskey valued at $65,000. The libel must be filed by March 13 and heard by March 27.

Substantial progress was made during the week in connection with the investigation of Alfred Hart Distilleries, Incorporated, and its subsidiaries, which is the largest distributor of liquor in southern California at the present time. The black market transactions of this concern are so involved and so well concealed as to require an extensive investigation to detect them. Sufficient evidence has already been developed, however, to make out both a prima facie suspension and a criminal case.

Mr. Earle E. Kochler, who has been acting as the Bureau representative in supervising these investigations, is still on the Pacific Coast. The entire force of Investigators in California is still being utilized in connection with investigations being made in Los Angeles.

(Initialed) J.L.S.

Assistant Secretary.
TO
Sub Jrot:
TREASURY DEPARTMEN'T
INTER OFFICE COMMUNICATION

TO
Secretary Morgenthau

FROM
Mr. Head

Subject: The Business Situation,
Week ending March 11, 1944.

Summary:

Stock market: After fluctuating narrowly since early in
January, industrial stock prices last week moved up to a
new high since last September. Trading activity expanded
on the rise and daily average transactions approximated
1,200,000 shares. The rise in stock prices occurred in the
face of much bearish sentiment, as evidenced by a sharp
expansion in the short interest in February to the highest
level since last May.

National income: Income payments declined less than seasonally
in January, and the annual rate of payments rose to a new high
of $152.8 billions from $151.0 billions in the previous month.
(Income payments for the year 1943 totalled $141.9 billions.)

Commodity prices: A rise in cotton prices featured an upward
movement in commodity prices last week, with the BLS index of
25 basic commodities rising 0.3 percent. This index has shown
a gradual advance during the past three months, due largely to
a rise in cotton and rosin prices. Hog slaughter has passed
its peak and hog prices are beginning to rise, but egg prices
continue depressed under pressure of heavy production.

Retail trade: Department store sales in the week ended March 4
rose 1 percent above the corresponding week in 1943, reflecting
pre-Easter and pre-tax buying. A shortage of cotton textiles
is expected to cut civilian supplies 15 percent this year.

Construction: Construction contract awards in February fell
to the lowest level since February 1938, with the monthly
total of $137 millions contrasting sharply with the war-time
peak of $1,190 millions. The cost of the St. Louis house
(largely theoretical under war conditions) was $7,581 in
February. This compares with $6,005 in July 1940, at the
beginning of the defense program.
General situation

Although the peak in war-time industrial production and employment may have been passed, some of the recent concern over cutbacks in war contracts appears to have abated under the impact of continuing heavy demand for materials and manpower. The steel industry is heavily booked with war orders and steel mills last week were scheduled to produce the second highest tonnage on record. In addition to renewed evidence of tight supply situations in such items as lumber, paper, leather, rubber, alcohol, petroleum products, etc., recent developments have forced a reappraisal of the outlook for such an essential war material as copper. A short time ago this commodity was believed to be in an easy supply position, due in part to cutbacks in small arms ammunition. However, heavy demand for copper for artillery requirements has developed, and a recent report of the Department of Commerce indicates that its place on the list of surplus metals has become uncertain.

Meanwhile, the tightening up on draft deferments for industrial workers, and General Hershey’s recent statement that draft demands will become “tougher and tougher” in the next six months, have served to focus additional attention on the manpower shortage. Indicative of the current heavy demand for additional workers, Transportation Director Eastman last week announced a drive to recruit 100,000 workers for the nation’s railroads. In opening the drive it was asserted that unless the railroad manpower shortage is alleviated, traffic congestion is bound to become serious. Other recent indications of manpower shortages have included the ordering of a 48-hour week in the Youngstown district, effective April 1, and the adoption of a labor rationing plan at Pittsburgh in an effort to stave off the 48-hour week in that area.

Industrial stock prices rise

After moving in a narrow range since the early part of January, industrial stock prices last week moved up to a new high for the year on substantially increased trading volume. Stock transactions on the New York Exchange on Wednesday reached the highest level since last November 8, and daily average trading volume during the past week approximated 1,200,000 shares. At the close on Saturday the Dow-Jones average of industrial stock prices was about 3 percent above week-earlier levels, while railroad and utility stock prices rose 2 percent and 1 percent, respectively. (See Chart 1.)
The strength in industrial stock prices has developed in the face of considerable bearishness in speculative sentiment. Thus it has just been revealed that the short interest on the New York Stock Exchange at the end of February rose to 961,000 shares as compared to 847,000 shares a month earlier. This was the sharpest increase in any month since August 1939, and it carried the short interest to the highest levels since last May.

Industrial stock prices at London have moved slowly higher since last November. Resumption of German air raids on England induced moderate selling of stocks around the end of last month, but slightly firmer tendencies last week carried the industrial stock average to within a fraction of the war-time peak. (See Chart 2.) In addition to caution engendered by renewed aerial attacks, activity in the London market recently has been slowed down by prospects of the forthcoming invasion and by the "salute the soldier" savings drive to be launched during March.

National income payments at new high

Although factory employment declined noticeably in January, national income payments during the month showed less than the usual seasonal decline, and the annual rate of payments moved up to a new high of $152.8 billions. This compares with $151.0 billions in the previous month and with $132.0 billions in January 1943. (See Chart 3.)

Further increases in Government disbursements for military pay in January served to offset a seasonal decline in payments to trade workers and the decline in factory payrolls. As indicated in the lower section of Chart 3, all major income groups in January showed gains over last year's levels. The most notable increase, amounting to 27 percent, was in Government salary and wage payments. Interest and dividend payments in January, on the other hand, were only 3 percent higher than a year earlier.

Weekly earnings of factory workers rose in January

Although factory employment in January decreased 1.7 percent, factory payrolls declined only 0.3 percent. As a consequence, estimated average weekly earnings of factory workers rose to within a fraction of the war-time peak attained last November. While average weekly earnings of factory workers in January were 11 percent above those of January 1943, a levelling off in earnings has occurred in recent months. This may tend to step up demand for wage increases should living costs advance further. (See Chart 4.)
Commodity prices advance

Featured by a rise in cotton prices, commodity prices showed strength last week and the BLS index of 28 basic commodities advanced 0.3 percent to a new high. (See Chart 5.) Despite the fact that most of the commodities in the index are at ceiling levels, the index has registered a gradual rise during the past three months. This upward trend has been due chiefly to the rise in cotton and rosin prices (the only commodities in the index not covered by price ceilings) together with the more recent advance in hog prices, which had previously been depressed. The total rise in the index during this period, however, has amounted to only 1.6 percent.

Spot cotton prices were up almost 2 percent last week, with March contracts reaching a 15 year high. Increasing evidence of expanding war demands for cotton textiles influenced the cotton market. Rosin prices continued to show noticeable gains as supplies remained tight. Hog prices, after declining to near support levels in the preceding week, rose substantially. Since the period of peak slaughtering is over, further increases in hog prices may be expected.

In the week ended March 4, the BLS all-commodity index dropped 0.2 percent, offsetting most of the rise of the preceding week. Lower prices for livestock and grains were important factors in the decline. At 103.4 percent of the 1926 average the index is only 0.5 percent higher than a year ago, although it is 37.9 percent above the pre-war level of August 1939.

Egg prices moderately lower

Egg prices declined moderately during February, and further easing was noted in the first week of March. In the week ended March 4 prices of fresh standard eggs at Chicago were about 2½ cents below a year ago. (See Chart 5, upper section.) Supplies have been abnormally heavy for the season and considerably in excess of current consumption demands. Production in February was at an all-time high for that month, being 16 percent above that of last year. (Part of this increase, however, reflects the extra day in February this year.) While receipts at the four leading markets have been moderately lower in recent weeks, following very high levels during the first part of February, this drop probably reflects in part a diversion of eggs to other markets. (See Chart 6, lower section.)
In view of the heavy supplies of eggs, prices would probably have shown much larger declines if it had not been for the WFA support program. Among other factors contributing support to egg prices were: (1) Purchases by the Army and other Governmental agencies; (2) mid-West egg drying operations; (3) speculative purchases; and (4) heavy into-storage movement. The net into-storage movement last month was much heavier than in previous years. In the four weeks ended February 26 cold storage stocks in 35 cities increased 675 thousand cases, as compared with an increase of only 401 thousand in the corresponding period last year. Stocks near the end of the month were 132 percent larger than a year ago.

Concern was expressed last week over the tightness of storage space for eggs, which, together with a shortage of egg containers, may later have a weakening effect on egg prices.

1944 crop season less favorable than last year

Although weather conditions thus far in the 1944 crop season have probably been not far from average, they have been less favorable for field crops than in the corresponding period last year and much less favorable than two years ago, according to the March 1 crop report of the Department of Agriculture. Recent rain, however, have improved prospects rather generally, but too much rain from Arkansas eastward has put spring planting considerably behind schedule in some places. While heavy snows recently continued to improve winter wheat prospects in the northern Great Plain states, precipitation has still not been sufficient in that area nor in the Pacific Northwest.

With citrus fruit crops having passed the winter with minimum damage from freezing, the crops of oranges, grapefruit, and lemons now being picked are expected to show a new record total. Moreover, the production of winter vegetables, it was indicated, may be 74 percent above that of last year and 90 percent above the average of the past 10 years.

The early fruit situation in the southern half of the country, according to the Weather Bureau, has become precarious due to continued warm weather. Some early fruit trees are now blooming as far north as Tennessee, Arkansas, and central Oklahoma, where the chance of killing frost at this time is considerably greater than 50 percent. In the Middle Atlantic area, however, lower temperatures during the past ten days have had a favorable retarding effect on fruit buds.
Cotton textile situation tight

Emphasizing the tight cotton textile situation, a special meeting with trade representatives was called by four Government agencies last week to present demands for over 91 million yards of cotton goods for lend-lease purposes. This yardage represents chiefly a backlog which could not be filled in the last quarter of 1943. It was indicated that once this backlog is covered, additional goods under the 1944 lend-lease program will be needed.

In the face of heavy demands for cotton textiles from the armed forces and lend-lease, production has been declining during the last year. Cotton consumption by mills has recently been running about 10 percent below the levels of a year ago. Manpower shortages, together with an increased proportion of inexperienced workers, have been largely responsible for the declining production trend. Moreover, the production of some items has undoubtedly been discouraged due to unfavorably low ceiling prices. The OPA, however, has recently made some adjustments in the manufacturers' ceilings on sheets and certain other cotton textiles, which should help to stimulate output.

Due to the declining production and heavy military and lend-lease demands, civilian supplies are expected to be reduced, on the average, 15 percent below last year's levels, the Journal of Commerce reported last week. The shortage is expected to be particularly severe in the case of civilian underwear.

Department store sales rise

After lagging 10 percent behind year-earlier levels in the preceding 4 weeks, in reflection of the heavy scare buying that occurred in February 1943, department store sales in the week ended March 4 turned upward and exceeded the corresponding week last year by 1 percent. (See Chart 7.) Further gains now appear likely throughout March as pre-Easter buying gets under way and sales volume is swelled by beat-the-tax buying of furs, jewelry, and other items subject to higher excise taxes effective April 1. Preliminary estimates from New York indicate that department stores' sales in that city last week showed gains of from 7 to 10 percent over year-earlier levels.

Construction activity at low level

With the peak in war construction activity long since passed and restrictions on new building still in effect,
construction contract awards in February, as reported by the F. W. Dodge Corporation, fell to the lowest level since February 1938. Total contract awards of $137 millions last month contrasted sharply with the February 1943 total of $394 millions and the war-time peak of $1,190 millions in June 1942.

Contract awards for residential construction last month fell to a new low for the war period. The residential total for the month was 73 percent below last year's level, and in fact was the lowest monthly figure since February 1935.

Under present restricted conditions, building cost figures are regarded as largely theoretical. However, compilers of building cost data for the standard 6-room frame house in St. Louis have reported no change in costs for the past four months, with the total for February standing at $7,581. This compares with a cost of $6,005 in July 1940, when the defense program was just getting under way.
INDUSTRIAL STOCK PRICES IN U.S. AND U.K.
AUGUST 1936 = 100

Weekly (Average of Daily)

U.K. 56 Industrial Stocks

U.S. 30 Industrial Stocks (Dow-Jones)

Office of the Secretary of the Treasury
Source of Bureau of Statistics

Regraded Unclassified
MOVEMENT OF BASIC COMMODITY PRICES

PERCENTAGE CHANGE DEC. 6, 1942 TO MAR. 3, AND MAR. 10, 1944

Office of the Secretary of the Treasury

Department of Research and Statistics
EGG PRICES AND RECEIPTS
Year Beginning in November

Price, Chicago*

\[\begin{array}{|c|c|c|c|c|}
\hline
\text{CENTS} & \text{Per Dozen} \\
\hline
\text{NOV.} & 45 \\
\text{JAN.} & 40 \\
\text{MAR.} & 35 \\
\text{MAY} & 30 \\
\text{JULY} & 25 \\
\text{SEPT.} & 20 \\
\hline
\end{array}\]

\[\begin{array}{|c|c|c|c|c|}
\hline
\text{CENTS} & \text{Per Dozen} \\
\hline
\text{NOV.} & 50 \\
\text{JAN.} & 45 \\
\text{MAR.} & 40 \\
\text{MAY} & 35 \\
\text{JULY} & 30 \\
\text{SEPT.} & 25 \\
\hline
\end{array}\]

Receipts, 4 Markets

\[\begin{array}{|c|c|c|c|c|}
\hline
\text{CASES} & \text{Thousands} \\
\hline
\text{NOV.} & 450 \\
\text{JAN.} & 400 \\
\text{MAR.} & 350 \\
\text{MAY} & 300 \\
\text{JULY} & 250 \\
\text{SEPT.} & 200 \\
\hline
\end{array}\]

\[\begin{array}{|c|c|c|c|c|}
\hline
\text{CASES} & \text{Thousands} \\
\hline
\text{NOV.} & 150 \\
\text{JAN.} & 100 \\
\text{MAR.} & 50 \\
\text{MAY} & 0 \\
\text{JULY} & 50 \\
\text{SEPT.} & 100 \\
\hline
\end{array}\]

*Weekly average, fresh standards. Previous to July 17, 1943 certain comparable grades used.
DEPARTMENT STORE SALES
1935-'39 = 100, Unadjusted

Weekly

Office of the Secretary of the Treasury
Division of Research and Statistics
In response to your request of March 9, I am submitting the attached tables showing monthly United States exports, by country of destination, for steel scrap and gasoline, January 1938 to December 1941, and for aviation gasoline, January 1939 to December 1941. (Exports of aviation gasoline were not separately reported in 1938.) The countries for which separate data are shown in the tables include all the leading countries, all those to which we exported any substantial quantity of the three commodities, and certain others which might conceivably have served as intermediaries in diverting our exports to axis countries. We have experimented with the use of charts to show the trends of these figures, but we found that the monthly fluctuations were so violent that one could get a clearer picture from the figures in the tables themselves.

The following trends are especially noticeable:

(1) Exports of scrap to Japan made up the bulk of the steel scrap exports until October 1940, when such exports were put under license except to Great Britain and the countries of the Western Hemisphere.

(2) Scrap exports to Germany declined sharply to zero during the half-year preceding the invasion of Poland, but exports to Sweden were stepped up in that period.

(3) Scrap exports to Italy continued heavy until that country entered the war. Exports to Spain continued until the licensing plan was put into effect in October 1940.

(4) Exports of gasoline to Japan were very heavy from mid-1940 through June 1941, and exports of aviation gasoline to that country continued up to October 1941.

(5) Exports of gasoline to Curacao, an important refining and reshipping center, were very heavy through 1938 and 1939, dropping off shortly after Germany invaded Poland. Exports of aviation gasoline to that country have also been very heavy.
<table>
<thead>
<tr>
<th>Item</th>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>September 1, 1939</td>
<td>Germany invades Poland</td>
</tr>
<tr>
<td>2</td>
<td>April 9, 1940</td>
<td>Germany invades Norway and Denmark</td>
</tr>
<tr>
<td>3</td>
<td>June 10, 1940</td>
<td>Italy enters war</td>
</tr>
<tr>
<td>4</td>
<td>October 16, 1940</td>
<td>Exports of iron and steel scrap, except to Great Britain and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>countries of the Western Hemisphere, placed under licensing system</td>
</tr>
<tr>
<td>5</td>
<td>June 22, 1941</td>
<td>Germany invades Russia</td>
</tr>
</tbody>
</table>
## Domestic exports of iron and steel scrap, by months, 1938 to 1941, by country of destination
(Tons)

<table>
<thead>
<tr>
<th>Country</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
<th>1941</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North and South America</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>3,128,171</td>
<td>3,012,871</td>
<td>2,959,016</td>
<td>2,935,911</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
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<td>2,935,911</td>
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<tr>
<td><strong>Honduras</strong></td>
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<td>2,935,911</td>
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<tr>
<td><strong>Costa Rica</strong></td>
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<tr>
<td><strong>Rep. of Panama</strong></td>
<td>3,128,171</td>
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<tr>
<td><strong>Cuba</strong></td>
<td>3,128,171</td>
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<td>2,935,911</td>
</tr>
<tr>
<td><strong>Curacao</strong></td>
<td>3,128,171</td>
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<td>2,959,016</td>
<td>2,935,911</td>
</tr>
<tr>
<td><strong>Colombia</strong></td>
<td>3,128,171</td>
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<td>2,935,911</td>
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<tr>
<td><strong>Venezuela</strong></td>
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<td>2,935,911</td>
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<tr>
<td><strong>Peru</strong></td>
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<td>2,935,911</td>
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<tr>
<td><strong>Chile</strong></td>
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<td>2,959,016</td>
<td>2,935,911</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
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<td>2,959,016</td>
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<tr>
<td><strong>Argentina</strong></td>
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<tr>
<td><strong>Japan</strong></td>
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<td><strong>Netherlands</strong></td>
<td>3,128,171</td>
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<td><strong>Philippines</strong></td>
<td>3,128,171</td>
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<td><strong>France</strong></td>
<td>3,128,171</td>
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<tr>
<td><strong>Indices</strong></td>
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<tr>
<td><strong>Total</strong></td>
<td>6,256,342</td>
<td>6,025,742</td>
<td>5,918,032</td>
<td>5,871,822</td>
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</tbody>
</table>

## Notes
- The table above provides a detailed breakdown of domestic exports of iron and steel scrap from 1938 to 1941, categorized by country of destination.
- The data is presented in tons, with separate entries for each country and the years specified.
- The table includes countries from North and South America, as well as select countries from other continents.
- The table provides a comprehensive view of the export trends during this period.
### Domestic exports of iron and steel scrap, by country of destination — Continued

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>United Kingdom</td>
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</tr>
<tr>
<td>Germany</td>
<td>125,156</td>
<td>32,256</td>
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<td>Sweden</td>
<td>81,802</td>
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<td>Italy</td>
<td>7,514</td>
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<td>France</td>
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<td>Spain</td>
<td>2,407</td>
<td>5,765</td>
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<td>U.S.S.R.</td>
<td>1,152</td>
<td>1,152</td>
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<tr>
<td>Finland</td>
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<td>1,152</td>
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<tr>
<td>Norway</td>
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<td>1,152</td>
</tr>
<tr>
<td>Denmark</td>
<td>1,152</td>
<td>1,152</td>
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<tr>
<td>Turkey</td>
<td>1,152</td>
<td>1,152</td>
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<tr>
<td>Union of South Africa</td>
<td>1,152</td>
<td>1,152</td>
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<tr>
<td>Others</td>
<td>252,341</td>
<td>357,256</td>
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<tr>
<td><strong>Total</strong></td>
<td>377,256</td>
<td>387,724</td>
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### Source
Department of Commerce.
<table>
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<tr>
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<td>4</td>
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<td>Country</td>
<td>1936</td>
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</tr>
<tr>
<td>Canada</td>
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<td>Mexico</td>
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<td>India</td>
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<td>Turkey</td>
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<tr>
<td>Yugoslavia</td>
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</tr>
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</table>

Note: The table represents domestic exports of gasoline, by months, 1936 to 1941, by country of destination. (Aviation gasoline excluded beginning January 1939.) (Thousands of 42-gallon barrels.)
<table>
<thead>
<tr>
<th>Date</th>
<th>Germany</th>
<th>Switzerland</th>
<th>France</th>
<th>Spain</th>
<th>U.S.S.R.</th>
<th>Belgium</th>
<th>Finland</th>
<th>Norway</th>
<th>Denmark</th>
<th>Sweden</th>
<th>Netherlands</th>
<th>Italy</th>
<th>Japan</th>
<th>China</th>
<th>Turkey</th>
<th>Greece</th>
<th>Portugal</th>
<th>United States</th>
<th>South Africa</th>
<th>Australia</th>
<th>New Zealand</th>
<th>Others</th>
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</thead>
<tbody>
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<td>635</td>
<td>117</td>
<td>80</td>
<td>236</td>
<td>a</td>
<td>150</td>
<td>158</td>
<td>-</td>
<td>166</td>
<td>95</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>92</td>
<td>-</td>
<td>9</td>
<td>209</td>
<td>6</td>
<td>191</td>
<td>144</td>
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<tr>
<td>Feb 1935</td>
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Source: Department of Commerce.

5. Less than 500 barrels.
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### Domestic Exports of Aviation Gasoline, by Months, 1939 to 1941, by Countries of Destination

(In thousands of 42-gallon barrels)

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Note: Figures for Germany and Italy are not included in this table.
Domestic exports of aviation gasoline, by countries of destination — Continued
(In thousands of 42-gallon barrels)

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Notes: Department of Commerce.
Less than 500 barrels.
MEMORANDUM TO GENERAL MARSHALL:

It will be appreciated if you will furnish me with the following information:

1. The extent to which there is a tie-up between the Spanish Falange and the present Fascist Government in Argentina.

2. The extent to which the Spanish Falange and the present Argentine Government are working together in other countries in South America.

(Signed) H. Morgenthau, Jr.
MEMORANDUM FOR THE FILES:

At the Secretary's request, I called Lt. Col. Towson and stated that the Secretary was interested in getting information on the following two points:

1. The extent to which there was a tie-up between the Spanish Falange and the present Fascist Government in Argentina.

2. The extent to which the Spanish Falange and the present Argentine Government were working together in other countries in South America.

Colonel Towson stated that he was sure there would be no difficulty in obtaining the material but that as a matter of formality, it would be preferable for the Secretary to address this request to General Marshall.

I advised Colonel Towson that that would be arranged but that I hoped in the meantime it would be possible for him to collect the material together so that there would be as little delay as possible.

It was agreed that Colonel Towson would speak to Colonel Galloway so that work might start at once on the matter and that the Secretary would furnish a memorandum to the War Department on Monday formalizing the request.
EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
INTER-OFFICE COMMUNICATION

DATE Mar. 13, 1944

Secretary Morgenthau
J. W. Pehle

If you agree I will ask Mr. Hull
to call a meeting of the War Refugee Board
for the latter part of this week.

I agree

March 13, 1944

MR. DEAN ALFANGE,
C/O EMERGENCY COMMITTEE TO SAVE
JEWISH PEOPLE OF EUROPE,
535 FIFTH AVENUE,
NEW YORK, NEW YORK.

I REGRET THAT I AM UNABLE TO BE WITH YOU TONIGHT, BUT THE URGENCY OF THE TASK IN WHICH YOU ARE SO WHOLEHEARTEDLY COOPERATING DEMANDS THAT WE STAND BY IN WASHINGTON.

THE TEST OF OUR SUCCESS LIES IN WHAT WE CAN ACCOMPLISH. YOU WILL BE HEARTENED TO KNOW THAT SOME OF OUR EFFORTS ALREADY HAVE MET THAT TEST. THINGS ARE BEING DONE. THEY WILL CONTINUE TO BE DONE. EVERY DAY, EVERY HOUR, HUMAN LIVES ARE BEING SAVED.

RESCUING DEFENSELESS PEOPLE FROM A MAD MAN'S FURY IS A DELICATE AND COMPLEX TASK. OBSTACLES MUST BE HURDLED. I AM GLAD TO TELL YOU THAT THERE IS ONE OBSTACLE WHICH HAS NOT BEEN PLACED IN OUR PATH. REPORTS HAVE CIRCULATED THAT THE WAR REFUGEE BOARD IS BEING IMPEDED IN ITS ACTIVITIES FOR LACK OF FUNDS. I WANT TO TELL YOU, UNEQUIVOCALLY, THAT NO PROJECT OF THE WAR REFUGEE BOARD HAS FAILED TO GO FORWARD FOR LACK OF FUNDS. THE MAGNITUDE OF NO PROJECT UNDER CONSIDERATION BY THE WAR REFUGEE BOARD HAS BEEN LIMITED BY LACK OF FUNDS. WHEN AND IF MORE FUNDS ARE NEEDED, THEY WILL BE FOUND, SOMEHOW, WHETHER FROM PUBLIC OR PRIVATE SOURCES.

I SEND YOU WARM GREETINGS AND THE MESSAGE THAT WE ARE IMPATIENT TO BE ON WITH THE JOB.

/1/ J.W.P.

JOHN W. PEHLE
ACTING EXECUTIVE DIRECTOR
WAR REFUGEE BOARD

Vf:fw
American Embassy near the
Government of Greece.

Cairo, Egypt,
March 13, 1944

No. 70

SUBJECT: Ambassador’s visit to the Greek
Refugee Camp at Moses Walls.

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

Sir:

I have the honor to report that on Saturday,
February 19th, I took the opportunity to visit the
Greek Refugee Camp at Moses Walls in Egypt, now
operated by the Middle East Relief and Reconstruction
Administration. The trip was made by motor in
company with Mr. Matthews, the head of MERRA, and we
were accompanied by Mr. Hill, my Special Assistant
for Economic Affairs.

Moses Walls is situated on the western shore of
the Sinai Peninsula facing the town of Suez. The
scenery, which includes a strip of blue water backed
by a long line of mountains, is strongly reminiscent
of Greece and particularly Corinth. The country is
desert, but the camp is located not far from the
small oasis where Moses is supposed to have written
the rock. Unfortunately the water of this oasis is
now brackish (if it was not always so) and cannot be
used for drinking purposes. Notable water is brought
by sea from Suez, but the oasis at least provides a
grateful touch of greenery. Health conditions in the
camp are excellent, and the several thousand refugees,
though living in tents — generally three families to
one large tent —, present a cheerful if somewhat
ragged appearance. Women and children predominate.
There are a number of old men, but all the young men
and boys down to the age of 12 have been evacuated
to other centers for Naval Training. The provenance
of the refugees is, at present, almost wholly re-
stricted to the Fodecanese Islands and Chios, with
some smattering from Samos. The director is an Anglo-
Greek (ghiot) major named Rallis, of the well-known
banking family of that name, and the medical care of
the camp is in the hands of Greek doctors and nurses.

Regarded Unclassified
bare essentials of equipment are available, and these are in many cases of a decidedly make-shift variety. The Camp is laid out in "Company Streets" which are kept carefully policed, and sanitary outhouses are numerous, solidly constructed of brick. Discipline in small matters is enforced by the refugees themselves, but serious original offenses are referred to the military authorities. Such offenses are rare, however, and petty pillaging from the communal stores, which are accordingly enclosed with barbed-wire, provides the most common type of infringement. Because of the lack of the male element, politics plays but little part in the life of the Camp. The refugees are happy to see any sympathetic visitors, and when the King arrived here recently and walked alone among them, their chief reaction appears to have been disappointment that he would not, with characteristic aloofness, make them even the briefest speech. Particularly encouraging are the health and spirit of the children, whom we saw in large numbers both at school and at play. It appears to be MDERA's policy to give special attention to the children, in view of the tremendous need for youthful health and vigour in the devastated areas to which the refugees will be repatriated, and too much praise cannot be given to its foresight in the matter. The experience gained in such camps as this by all concerned, including the refugees themselves, will also be of incalculable value in later phases of relief operations when similar camps have to be set up on Greek soil.

Respectfully yours,

Lincoln MacVeagh

Sent in original and hectograph to Department

File No. 848
LMacV/efb
Beckelman sends the following.

Given below is the substance of telegram sent to Madrid as cable No. 63.

This telegram answers the questions contained in your cable to Algiers No. 108 of March 10.

1. We do not expect Bayonne in Algiers until today. In a few days we hope to clear the first group.

2. Additional applications should be sent to American Representative in Algiers by the fastest possible means.

3. We hope no trouble will be experienced in admitting Sephardic Jews, after discussions with the French. We will know better, however, as soon as discussions for final clearance of group whose applications are already here get under way.

CHAPIN
From

LONDON

Dated March 13, 1944

RECD: Mar 23, 10 a.m.

Secretary of State

Washington

A-286, March 14, 1944, 3:30 p.m.

The Economist for March 11 carries an important article entitled "America in the Middle East".

After referring to pre-war American interests in that area and remarking that relations between the American oil companies and the British authorities were uniformly cordial, the article continues by saying that the present war opened a new phase in American interests in the Middle East. The full cooperation of the British and the Americans in the Middle East Supply Centre is emphasized and the Centre is described as "a model of how two Great Powers can work together without friction..... It was not unreasonable to hope that it might be typical of the cooperation which would be possible after the war in the Middle East."

The article continues by stating that two events have recently occurred which make the issue much more doubtful — Mr. Ickes’ statement regarding American oil reserves and the projected pipe line, and the resolutions in Congress regarding free immigration of Jews into Palestine and the reconstitution of "Palestine as a free and democratic Jewish Commonwealth". These two sudden American incursions into Middle Eastern politics are so out of keeping with the line of close co-operation with the British, and with the regional discussion of difficulties hitherto pursued through the Combined Boards at Washington and the supply Centre at Cairo, that they raise in a very urgent form the question of what post-war course the Americans will follow in the Middle East. The first possibility is, of course, a return to isolation ....there are definite signs that permanent intervention in the affairs of the Middle East is intended. The pipe-line is one. The wide scope of General Royce’s military mission to Saudi Arabia.....is another.”

The article continues by saying that if American intervention in the Middle East “is to be unilateral, spas-
modic and uninformed, the final result will be worse than straight isolationism. Unhappily the two recent excursions into Middle Eastern politics show little sign of forethought and even less of any desire to co-ordinate American policy with that of Great Britain. There is no threat to British oil interests in the proposed pipe-line, if it is made available to other countries on equal terms. The article goes on: "Yet the manner in which this American pipe-line scheme was made public showed that there had been no prior consultation with the British nor any attempt to relate the new scheme to the interests of the Middle East as a whole. Automatically the Government's intervention raises the question to the political level. It is not unreasonable to suggest that other Governments should have been consulted.

The article continues: "The case of Jewish immigration is much more serious .... In discussing the resolutions on the white paper, Congress has afforded itself the luxury of criticising where it has no intention of constructive action and proposing positive solutions which it has neither the power nor the intention to enforce .... If this is to be the model of American intervention in Middle Eastern politics, then from the point of view not only of Britain, but of all the Middle Eastern peoples, an American withdrawal from the whole area, on the analogy of the last war, would be a more manageable outcome of this war. Yet such retrogression would be tragic. However much the British may resent uninformed or irresponsible or unilateral action, they welcome eagerly and wholeheartedly any possibility of Anglo-American cooperation for the long-term tasks of peace. They do not wish to see the United States retreat from its wartime involvement in Middle Eastern politics. They hope, on the contrary, that the American Government will advance to a position of full understanding and co-operation — understanding of the problems involved, co-operation with all the nations concerned. The Middle East Supply Centre has shown how far a policy of straightforward collaboration can advance the interests of the whole region .... Mr. Stettinius is to visit London and oil talks are to begin in Washington. Both conferences will vitally affect the Middle East. It is to be hoped that the statesmen will abandon the dangerous and unprofitable unilateralism of the last weeks and by following the wartime methods of close Anglo-American collaboration, make the Middle East the world's new model of Great Power understanding and Small Power prosperity." Full text following by despatch.

WINANT

RDC: 7
TELEGRAM SENT

War Refugee Board

AMBASSADOR

LONDON
1944, thirteenth.
FROM WAR REFUGEE BOARD FOR CASSODAY.

Following for Joseph Schwartz, Central Council for Jewish Refugees, Upper Woburn Place, London, from Joint Distribution Committee.

QUOTE Understand Schwarzbart others London received recent reports of condition Jews in Poland and requesting assistance. Stop Assume you will take advantage Greenstein’s return this country to bring us your views and other information regarding above and all our programs. Stop Suggest you visit Delfosse Belgium Minister Justice or his assistant DeKindere, 116 Eaton Square, London and inform Greenstein accordingly. Leavitt UNQUOTE

HULL
(GLN)
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Ankara
DATED: March 13, 1944
NUMBER: 194

CONFIDENTIAL

The following to Hirschmann from War Refugee Board.

Davila suggested that an investigation be made by you of the report that administration of Transnistria has been turned over to the Germans by Rumania, in which event it is indispensable that the Jews be evacuated to Rumania or elsewhere immediately. You are also requested to investigate the report that the Germans halted the earlier evacuation from Transnistria to Rumania. Our insistence that this German demand, if made, be resisted by Rumania is a matter of importance. This Government is making appropriate representations to Rumania, Hungary, and Bulgaria through various channels. You should immediately cable to us any information you can secure regarding the present situation in Transnistria.

STETTINIUS
(Acting)
PARAPHRASE OF TELEGRAM SENT

TO: AMBASSADOR, Ankara
FROM: Secretary of State, Washington
DATED: March 13, 1944, 4 p.m.
NUMBER: 195

CONFIDENTIAL

War Refugee Board sends the following for Hirschmann:

Please inform us whether it is possible for you to send us pictures of evacuated refugees coming through or into Turkey from the Balkans. This is requested because an article on War Refugee Board is being prepared for Victory Magazine, an OWI publication.

HULL
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Ankara.
DATED: March 13, 1944
NUMBER: 198

CONFIDENTIAL

ATTENTION OF STEINHARDT AND HIRSCHMANN.

It is stated by you that the Department's 142, February 24, was transmitted when the press story referred to was the Board's only information on the situation in Turkey and before reports were received from you. The Board has greatly appreciated your suggestions for action and your full reports have received immediate attention. We advised you of steps taken by the Board in our cable numbers 144 and 148. General instructions to Hirschmann were contained in cable no. 120 and suggestions for the approach to the Turkish Government were contained in cable no. 146. Information from the British for Hirschmann's attention with reference to refugees who may escape to Turkey was contained in our cable no. 147 of February 26. At the Board's suggestion, the British Foreign Office has instructed its missions abroad to work with members of American missions in carrying out the program of the Board.

The Board is actively engaged in following up other suggestions which you have made. Strong representations are being made through various channels to Hungary, Bulgaria and Rumania on the subject of their treatment of Jewish and other refugees and to bring pressure on these Governments other methods will be utilized. A cable has been prepared for transmission to our mission in Moscow and is now being cleared with the War and State Departments, which outlines the Board's activities and details the problems which have to be solved. Harriman is requested in this cable to advise the Soviet Union at once of the Board's activities and to obtain its assistance not only in specific matters suggested by you but in the program generally. This cable will be repeated for your information to Ankara when it is actually transmitted.

The Board is in agreement that no publicity which interferes with the rescue of refugees or in any way impedes such rescue should be employed. There is no intention on the part of the Board to publicize any expected actions of cooperation by the Turkish Government until it is convinced that the Turkish Government has taken effective steps in support of the program and in this matter the Board will naturally take into consideration the advice of yourself and Hirschmann. However, the Board desires to restate its view that appropriate publicity in certain features of the program can be of enormous help.
We cite one instance. At the Board's request, the OWI has initiated a campaign directed specifically towards the satellite governments in order to press home to them and their people the serious view which we take of their collaboration with Hitler in the persecution of the Jews and other minorities and our determination through every possible effort to rescue these unfortunate. In connection with other features of the program publicity may also prove helpful, particularly that of rescue itself. To illustrate, appropriate publicity given to sincere acts of cooperation by neutral and other Governments may be extremely helpful in certain cases in securing assistance from other Governments. It will be appreciated by the Board if you will keep it advised of developments which conceivably might be properly publicized in your area.

In its desire to avoid confusion with respect to its cables to its representatives in the field, the Board intends to number its cables to each representative consecutively commencing with this cable. Kindly refer to these Board numbers in your replies to Board cables. Also, please number consecutively all of your cables to the Board.

The foregoing message is War Refugee Board's no. 1 to Ankara and is in reply to your cable of February 25, no. 345.

Hull
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SC00)

Secretary of State,
Washington.

440, March 13, 5 p.m. (SECTION ONE)
Department’s 177, March 7.
FROM HIRSCHMAN FOR PEHLE WAR REFUGEE BOARD

After consultation with Ambassador Steinhardt it was decided that it was preferable to make a direct approach to Alexandre Cretzianu, recently appointed Rumanian Minister to Ankara rather than to make an indirect approach to the Rumanian Government which would have entailed delay, the possibility of a misunderstanding as to the motive of the approach and would have made less of an impression on the Rumanian Government. Furthermore the unexpectedly rapid advance towards Transnistria with the ensuing probability of drastic measures by Rumanian and German authorities throughout the threatened area, seemed to call for immediate action to bring to the attention of the Rumanian Government in Bucharest the message contained in the Department’s telegram under
-2-440, March 13, 5 p.m. (SECTION ONE) from Ankara.

telegram under reference. Accordingly, acting under the authority vested in me by the Secretary of Treasury (see Department's 120, February 12), Gilbert Simond the Swiss representative of International Red Cross in Ankara was requested to arrange a meeting between Gretzianu, Simond and myself at Simond's home.

Gretzianu is reported on good authority to enjoy the confidence of Marshal Antonescu. His sympathies are said to be pro-Allies and his disposition humanitarian. At the outset of our conversation I made it unmistakably clear to Gretzianu that my sole function in Ankara was as the representative of the War Refugee Board to deal with refugee problems; that any discussion between us would be confined exclusively to this subject; and that any other construction placed on our talk by him or his Government could only be occasioned by a deliberate distortion. Gretzianu said he quite understood the situation and that he welcomed a frank discussion of the Jewish refugee problem in Rumania with a view to its clarification and efforts towards an immediate amelioration. After outlining to him the outraged feeling of our Government as a result of the brutal treatment which
treatment which has been and is being accorded the Jewish minorities and refugees of other nationalities in Rumania and our Government's determination to do everything in its power to rescue these unfortunates who are in danger of death and to find havens of refuge for them, and that our Government will keep in mind in the future any continuation on the part of the Rumanian Government of the execution of these policies of Hitlerite persecutions, and that the Rumanian Government would be well advised in its own interest to take advantage of such opportunities as may be available to it in the future to permit refugees to depart across its borders, I invited him to report the foregoing to his Government. After stating his long standing desire to find a satisfactory solution of the Jewish problem in Rumania he made the following statements:

STEINHARDT

EEO
BE-253
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (5200)

Secretary of State
Washington

440, March 13, 5 p.m. (SECTION TWO)

(1) Transnistria where the Jewish refugees are mainly concentrated has recently been changed from a civil to a military zone under the direction of General Pepeanu who Cretzianu stated was well known to him and would if he received appropriate instructions from Marshal Antonescu to protect the refugee population, carry out these instructions in an "efficient and sympathetic manner".

(2) The recent advance of the Russian Army toward Rumania was most unexpected by his Government which had anticipated sufficient time within which to "adjust" its military position and might result in a situation which would provoke the German military authorities to take over control in Transnistria.

(3) Cretzianu made the catagoric statement that provided there was time enough to control the situation he could assure me that "no bodily harm will be
will be done to any of the Jewish refugees in Transnistria." In this connection he stated that steps had recently been taken by Marshal Antonescu "to improve the situation among the Jewish refugees even to the extent of providing clothing and medicines.

(4) Cretzianu gave me a definite assurance that on the arrival of a vessel or vessels at Constantza to embark up to 5000 Jewish refugee children the necessary transportation and exit visas would be provided promptly.

(5) Cretzianu agreed to send an urgent telegram to Bucharest recommending in the strongest terms that efforts be made at once to transfer the Jewish refugees from Transnistria to the interior of Rumania proper expressing the reservation, however, that it might not be practical to effect so large a transfer before the Russian advance hindered further movement.

At the close of our talk Cretzianu stated that he would communicate to me immediately any reply received by him from Bucharest by requesting a further meeting with me through Simond.

Throughout the conversation I gained the impression that
-3-#440, March 13, 5 p.m. (SECTION TWO) from Ankara

that Cretzianu was deeply with the importance attached by our Government to the program of the War Refugee Board and to the seriousness with which our Government would regard any further mistreatment of Jewish refugees in Rumania.

(END OF MESSAGE)

STEINHARDT

WSB
Ankara, March 13, 1944.

No. 596

Subject: Forwarding report from Mr. Ira A. Hirschmann, Representative of the War Refugee Board, to Mr. John Pehle, Acting Director of the War Refugee Board.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to forward herewith a report from Mr. Ira A. Hirschmann, Representative of the War Refugee Board, to Mr. John Pehle, Acting Director of the War Refugee Board, Washington, regarding efforts which are being made by Mr. Hirschmann and the Embassy to rescue oppressed minorities from Axis-occupied Europe.

Respectfully yours,

Laurence A. Steinhardt

Enclosure:
Report as described.

840.1
ELF/mp

To Department in original and hectograph.

cc: Chauncey, Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, Marks, McCormack, Murphy, Paul, Pollak, Rains, Smith, Standish, Stewart, H. D. White, Pehle, Sargoy, Mannon, Weinstein, Files
Ankara, Turkey
March 6, 1944.

Confidential

Mr. John G. Fehle, Acting Director,
War Refugee Board,
Washington.

Dear Mr. Fehle:

I submit herewith my first report on the situation existing in Turkey and the Balkan satellite countries pursuant to the assignment given me by the War Refugee Board and our preliminary discussions in Washington on January 24th and in your telegram to Ambassador Steinhardt (No. 120 of February 12th, 3 p.m.).

En route to Ankara I spent five days in Cairo. Acting on the advice of Ambassador Steinhardt I went for two days to Jerusalem to explore the situation there as related to the Board’s program. The time both in Jerusalem and Cairo were devoted to investigation connected with the activities of MERRA (Middle East Research and Rehabilitation Administration), since absorbed, I am told, by UNRRA. This report concerns itself with the situation in Turkey as observed by me since the time of my arrival here until the date of this report.

Despatch #574 of February 20th from Ambassador Steinhardt to the Secretary of State covers the period up to the date of my arrival. The position as I found it at the time of my arrival here and the steps taken by me thereafter are as follows:

1. Rail Traffic. The relatively limited number of refugees who had been coming through Turkey by rail since 1941 from the Balkan satellite countries virtually ceased on or about January 1, 1944. Prior to that date, during October, November, and December 1943, 200 refugees came through Turkey from Rumania, Bulgaria, and Hungary and are now in Palestine. The Hungarians could not go through Rumania and the Rumanians could not go through Bulgaria. Nor would the Bulgarians or any refugees who had found their way into Bulgaria with Turkey as their intended destination leave Bulgaria. But for this stoppage the number of rescued people would have been more or less regular according to the schedule then existing.

This schedule of about sixty a week constituted nine families permitted to enter Turkey en route to Palestine from each of the
three satellite countries mentioned above. (On this question of the nine families there still exists some confusion of interpretation and efforts are being made to have this clarified with the Turkish consuls in each of the countries. In some instances it has been interpreted by the Turkish consuls abroad as nine people rather than nine families, which is the interpretation of the Turkish authorities in Ankara.)

The lists of visas approved by the Turkish authorities in Ankara which were to be forwarded to the Turkish consuls in the three countries were at times delayed for six to eight weeks on the desk of Kemal Asiz Paymann, Turkish Director-General of the Department of Consular Affairs. In accordance with the complex and protracted routine of the Turkish authorities as outlined below three to four months were required for the releases. In addition, the routine was frequently choked at one or several points. The Turkish authorities maintained that some of these lists were held up on Mr. Maby's (Vice Consul of the British Embassy) desk. I have reason to believe that this claim is not without foundation.

In this connection I think it desirable to acquaint you with the routine and the steps necessary to be taken in connection with the approval of visas and the time required under this routine to obtain visas and releases for refugees from the Balkan states. The steps are as follows:

1. Mr. Barlas of the Jewish Agency makes up his list on the basis of information given to him by representatives and others who have come from the occupied countries. It is necessary to have the full data--name, date, where and when born, present address, etc. (This requires from 2 to 3 weeks.)

2. These lists are then sent to authorities of the Jewish Agency in Palestine for them to obtain guarantees of admission to Palestine by the British government representatives there. (This requires from 2 to 3 weeks.)

3. The British authorities in Palestine after checking sends it edited and approved list to the authorities in London for authorization. (This requires from 2 to 3 weeks.)

4. London officials send the authorized list to the British passport officer at Istanbul, Major Whitall who is very cooperative. (This requires from 2 to 3 weeks.)
Note: Since writing the above we have succeeded in consolidating these four steps into one requiring one or two instead of eight or nine weeks.

(5) After the British passport officer at Istanbul obtains this data, he makes up a note each week which goes from Istanbul to Mr. Maby in the British Embassy at Ankara which contains the names of the nine families.

(6) Maby then sends a note to the Turkish Ministry of Foreign Affairs containing the names of the nine families from the three satellite countries.

(7) This list then reaches the hands of Aziz Kemal Paymann of the Foreign Office, who routes it through the various departments of the Turkish government, viz., the Minister, police, military authorities and other officials.

(8) When all the steps of approval as outlined above have been obtained, the names are dispatched to the Turkish consuls at Bucharest, Budapest and Sofia (now Plovdiv due to bombing of Sofia.)

In this manner 1200 names had been approved in the period since September 1943. In addition, an agreement had been obtained from the Palestine government to permit 5,000 Jewish refugee children to come into Palestine provided means of transportation could be arranged, in groups of 75 to 150 per week. The approval of the Turkish government had been obtained for this movement. The agreement was finally concluded in January 1944. Both the Turkish and British officials in Ankara agreed that names had been accumulating during December 1943 and January 1944. The Turks maintained that some of the refugees had remained in Istanbul violating the agreement that they leave within 24 hours and that this was a reason for holding back on additional names. A check-up disclosed that there was some truth to this contention. As the result of discussion with representatives of the Jewish agency, they agreed to put an end to this practice.

While it is correct that the Turks had agreed prior to my arrival to permit more refugees to pass through Turkey than had been able to leave the Balkan countries, it is also a fact that some who had been listed for departure had been delayed and were being held back due to the above outlined red tape in
Turkish and British procedure. While the American Embassy had succeeded in expediting individual cases, they were still struggling at the time of my arrival to have the routine simplified.

After consultations with British officials including the British Minister to Turkey, Mr. J. C. Sterndale Bennett, Mr. A. Knox Hela, British Counselor of Embassy, Mr. Maby (on whose shoulders the routine of this work had fallen) and the aforementioned Kemal Aziz Paymann, it was ascertained that the Turkish official maintained that the entrance visas were being delayed while awaiting a general letter from the British guaranteeing that all Jewish refugees entering Turkey en route to Palestine would be permitted to leave for Palestine within 24 hours. This letter was finally located and the refugee movement was resumed as per telegram No. 344, February 26th, 5 p.m.

In a consultation on March 3rd with Kemal Aziz Paymann at the Turkish Foreign Office, I was shown the written authorization being sent to the Turkish consuls in the Balkan satellite countries guaranteeing the regular flow of refugees on the basis of nine families a week and 140 children with 10 adults every 10 days to be drawn from the three Balkan satellite countries. We do not see at this time any reason for the interruption of this movement by rail unless something unforeseen develops.

2. Maritime traffic. The political and military situation in the Balkans is more chaotic and subject to deterioration from day to day than is generally understood. The plight of the minorities grows increasingly worse. The Jewish population has been subject to persecution, and annihilation to an extent that beggars description and upon which you have had reports from time to time, which in my opinion are understated rather than overstated. Below I shall offer some further background material more nearly up-to-date on the situation relating to refugees and potential refugee movements from Hungary, Rumania, and Bulgaria. Some brief reference will also be made to refugees in Yugoslavia, Greece and Jews of Turkish origin in France.

In view of this desperate situation in the Balkans and the relatively limited number of refugees who can be saved through the quota system and the bureaucratic delays inherent in the ancient Turkish system, it had become apparent to the Ambassador and all those dealing with the problem before my arrival that large scale rescue movements by sea would be indispensable if a substantial number of the persecuted minorities were to be rescued. Efforts had been focused on evacuating some
5,000 children by boat. The parents of the children in the Balkans were willing to release the children in order to give them the opportunity of a new life. Negotiations had been opened between Mr. Barlas of the Jewish Agency, with the assistance of the Ambassador personally, and Mr. Kalkawan Riza, Turkish shipowner of the SS VATAN (3700 tons) as noted in telegram No. 282 of February 18. The plan was to take the boat with a Turkish crew from Istanbul to Constanza and to return to Istanbul with about 900 Jewish refugees, mainly children from Transnistria whom the Romanians were said to be willing to release. The negotiations were making slow progress, as the Turkish authorities who control all shipping at first refused to permit the shipowner to enter into the proposed charter agreement due to the extremely limited number of ships available for their commerce at this time and their fear of losing the ship by mines or submarines even if safe conduct could be secured by the International Red Cross which had promised to procure such safe conduct from all of the belligerent powers. As a result of your prompt agreement to replace the ship in the event of loss, Ambassador Steinhardt made forcible personal and written representations to the Minister for Foreign Affairs and Minister of Communications. The discussions concerning the charter were resumed and at this writing the possibility of securing the authorization from the Turkish authorities is more promising. The consent of the Turkish Cabinet will however be necessary. In this connection I desire to add that I have had the fullest and most wholehearted cooperation from Ambassador Steinhardt personally and the members of his able staff in all of my efforts to rescue refugees and particularly in the pursuit of this ship.

In order to expedite the planned passage of the ship with the refugees, we have proposed that it should go from Constanza direct to Haifa. As stated previously, it must be understood that no such voyage can be contemplated without safe conduct obtained through the International Red Cross, as the ship must ply through waters of the Black Sea and Aegean Sea adjacent to islands controlled by the Russians and Germans and without this safe conduct would be subject to constant attack. Approval of the German, Russian, and British governments is necessary. In the matter of the German approval, previous experience has indicated that such requests have been delayed for as long as six months. We have no way of knowing to what extent the Germans may delay approval in this instance. Meanwhile we have approached Mr. Simond, the representative here of the International Red Cross, who is telegraphing Geneva for this approval, and who has promised to expedite authorization from the Germans with whom he has an active liaison.
Simultaneously with our efforts to secure the Turkish ship we determined to press for a Swedish boat. On February 21 a meeting was arranged for me by the Ambassador with Mr. Modig, the Swedish Minister in Ankara who agreed to teletype his government in Stockholm recommending the use of a Swedish ship for the above mentioned purpose. He cabled on that day asking for permission to have the SS BARDALAND, which was then en route to Salonica to tow the Swedish ship CAMELLIA damaged by accidental bombing diverted to Constanza for our purpose. There being a considerable movement of Swedish ships plying from Canada to Greece, we recommended that this or another Swedish ship be diverted by permission of Stockholm for this purpose. In my telegram to you of February 21st (No. 306) I requested you to synchronize these efforts through the Swedish Minister in Washington. I should like also to record the cooperative attitude manifested by the Swedish Minister and his sincere efforts in behalf of our work.

Mr. Modig has today informed me of the telegram he received from Stockholm, about which I telegraphed you on March 8 (No. 397).

Meanwhile an alternative proposal was made by the Jewish Agency to a shipowner in Istanbul for the lease and eventual purchase of the SS NECAT. In his telegram No. 380 of March 3, Ambassador Steinhardt informed you of the preliminary negotiations concerning the SS NECAT. If the purchase of this boat can be arranged at a cost of approximately $400,000, it is our opinion that it will be a sound investment in the furtherance of our work and the larger scope of the War Refugee Board’s program since it will cost no more than transporting the same number of refugees by a vessel under charter. It will also open up possibilities of introducing the subject of Larger quotas with the Turks by reason of the donation of the vessel by the Red Crescent. Ambassador Steinhardt informs me that as a result of his discussions with the Turkish officials concerned with the matter, he believes that may be amenable to the proposal. I talked (today) with Mr. Ahmet Remzi Gonenc, Director General of the Red Crescent, which as the beneficiary of the proposed purchase of the NECAT is obviously eager to see the negotiations materialize as the organization of which he is head is in need of materials and funds, especially in view of recent earthquakes in Turkey, and would receive the proceeds of the sale of the vessel. We are planning to press these negotiations with all possible speed, provided of course the War Refugee Board authorizes the $400,000 payment for the vessel.
By the time you receive this report we will either have concluded some arrangement for a ship or by telegraph informed you of the refusal of the Turkish authorities to charter us a vessel, or of new obstacles beyond our control which may have intervened.

3. Inside the Balkans.

A. Bulgaria. For some time prior to my arrival here it was reported that the Bulgarian officials, controlled or supervised by Nazi officials, had substantially closed the door on refugee exits from Bulgaria. In my talks with the British authorities noted above, they insisted that the door out of Bulgaria was closed from the inside. On February 26th, at the suggestion of Ambassador Steinhardt, I made a trip to Istanbul, remaining five days, and among other things explored the situation presently existing in Bulgaria relating to the departure of Jewish refugees. I spoke with numbers of refugees who had just escaped from Bulgaria including several men who had previously held responsible positions in that country and whose information was checked as being truthful and reliable. It appears that at this date of writing, the Bulgarian officials will permit a larger number of refugee departures from Bulgaria than heretofore. This I reported to you in my cable of February 18th, No. 282. It is not claimed that the Bulgarians will release their minority victims in large numbers, but they seem willing to release two to three hundred a week if transportation can be provided and administrative routine relaxed. It was reported by the refugees who were interviewed by me and who had just arrived that the pressure of the Nazi military had somewhat eased prior to their departure. In this connection I am appending a memorandum from Dr. Albert Romano, President of the Zionist Organisation of Bulgaria, whom I interviewed in Istanbul on March 12, 1944, after he had escaped from Bulgaria. (Exhibit A). Also attached is a memorandum of a conversation with Dr. Lloyd H. Black, Auxiliary Foreign Service Officer, who deals with Bulgarian questions in the American Consulate General at Istanbul, together with a copy of the Bulgarian anti-Jewish law of August 29, 1942, with comments which were forwarded to the Secretary of State by the then American Consul General, Mr. Samuel W. Bonaker, on November 16, 1942. Included for your background information is a letter of March 15, 1943, from a Bulgarian woman describing vividly and at first hand the situation connected with the persecution program on a single day (Exhibit B). In addition, there is enclosed herewith a copy of a despatch dated February 26th, 1944, from the American Consulate General at Istanbul to the Secretary
of State giving an account of conditions in Bulgaria by two immigrants recently arrived (Exhibit C). You may also be interested in the following, quoted from my notes of conversation with Mr. Isaac Yomtov Semah, a reputable citizen who had just escaped from Bulgaria:

"If the Turkish and British visas continue to arrive in Bulgaria at the present tempo, practically all of the Jews there are condemned. No matter what happens in the political and military situation, the Jews will be the scapegoats. I did not see as many German troops in the last days in Bulgaria as before. I was convinced that preference was being given to the Zionists in the choice of those who were permitted exit visas through the Jewish Agency. Since October, I have regularly visited the Turkish Embassy in Sofia and was always told that there were no visas for Jews. Even after my visa came through, it was necessary to bribe the petty Turkish official. There is an active trade of bribery going on by so-called brokers in this 'human stock.'

"I was interned for six and a half months in a village south of Sofia. My family is in Bourgas (Burgas) and is not molested. I was free to buy but not to work. I was told that I was interned because I was a friend of the British Consul, which I was. I am convinced from my observations that pressure can be brought on the present Bulgarian Government not to persecute further the minorities. I had managed to retain some small means by indirection, but the poor people, which constitute the largest number of refugees, are allowed no means of livelihood. I saw one Jewish man killed before me because he was in the street after curfew hours. No one has to account for killing. There is no law or need for this in respect of minorities. All efforts to bring out these children have failed. The situation is rapidly disintegrating and they will soon have no means to live. The fifty children who I am told will finally come to Istanbul on March 3rd or 5th have been on the way for two years. Most of the parents are willing to sacrifice themselves and let the children go."

* They came through on March 5th, as reported to you.
B. Rumania. The background of the situation in Rumania relating to minorities is outlined below and is taken from reports, statistics supplied by the Jewish Agency, and interviews with former prominent Rumanian Jewish citizens, among whom is Dr. Manfred Reifer, former Deputy of the Jewish community of Rumania. Dr. Reifer, now in Istanbul en route to Palestine, is almost blind, having been the victim of vitriol by Nazi bandits.

In 1938 came the revision of citizenship of Jews. All Jews of Rumania had to hand in the proofs that their documents, according to which they had received their civil rights, were genuine. This new fraud was a reason that thousands of Jews in Rumania lost their citizenship.

(a) Total deprivation of the Rumanian Jews' civil rights.

The law passed in 1940, similar to the Nurnberg Law against the Jews, declared the Jews of Rumania as pariahs, left without protection to the mercy of the authorities. All Jewish possessions were confiscated by the state. Jewish land property was taken over by the state. This loss of every right reached its height in the Bucovina, where the Jews were forbidden to work in any capacity - with the exception of physicians who were allowed to treat Jewish patients. They were allowed to leave their homes only between 10 a.m. and 1 p.m. They had to wear the yellow Star of David on a visible part of their clothing. Attending Jewish schools or prayer houses was also forbidden. They had to pay double prices for bread, compared to the Christian population.

Specialists in the cadre had to give 30% of their salary to the newly founded Department of Romanization. Only a small number of Jews in Category 2, who continued to possess some rights, were excepted. They were the Jews whose forefathers had received individual naturalization, or orphans whose fathers had fallen in the war.

(b) Pogroms. The propaganda against Jews started in its stronger form already in 1938 under the Goga-Cuza Government; it reached its highest degree under the government of Marshal Antonescu - Horia Sima.

The returning Rumanian army organized the first pogrom in June 1940 in the town of Dorohoi, where Jews were herded together in the Jewish cemetery and shot there. The second large pogrom was staged in Jassy in the same month, where 4,000 Jews were murdered. At the same time, Jews of this town were put into freight cars and transported to the town of Roman, without water or air, so that the greater part of them died of asphyxiation.
In January 1941, the Iron Guard openly revolted against Marshal Antonescu. For three days the leaders of the Iron Guard held Bucharest; during these three days, about 170 Jews were assassinated in the most terrible manner.

The pogroms reached their height with the re-occupation of the Bucovine and Bessarabia in June 1941. The following statistical data offers a picture of the number of victims:

Before the outbreak of this war, about 900,000 Jews lived in Rumania. They were divided as follows: 250,000 in actual Rumania, 250,000 in Transylvania, 300,000 in Bessarabia, and 100,000 in the Bucovina. About 150,000 must be deducted from this total, as living in the part of Rumania taken over by Hungary. When the army entered the Bucovina and Bessarabia, the General Staff permitted them three days for murder, robbery and plundering. The result of this measure can be seen in the following data: In the districts of Czernovits and Storojinetz (Bucovina) 12,000 Jews were shot. In other towns of actual Rumania and Transylvania, pogroms against Jews occurred, resulting in deaths.

(c) Deportations. In October 1941, deportation of Jews to Transnistria, the area between the Dniestr and the Bug, began. Eighteen thousand (18,000) were deported from Dorohoi; about 35,000 from Czernovitz; and about 40,000 from the Jews remaining in the Bucovina. From Rumania itself, too, smaller groups were sent to Transnistria. From Transylvania, Jews were deported only individually. Those deported to Transnistria were allowed to take with them only as much of their possessions as they could carry. The rest of their property fell to the newly founded Patronage Organisation. Their money was changed at the rate of 40 Lei per Ruble, while the Rumanians, when occupying this area, had exchange one Ruble for one Lei. Jewelry, gold and silver were taken at a ridiculous rate. The deported came to a destroyed country. At the two changing stations of Atachi and Margulesti, their luggage and all their personal documents were confiscated, so that they arrived even without proof of identity. Correspondence with and sending of money to relatives were forbidden. Governmental help did not come at all. Epidemics of infectious diseases broke out and decimated them. At some places, the mortality reached 40%.

In June 1942, 5,000 more persons were deported from Czernovitz to Transnistria. The number of deported from all provinces was about 150,000. The present status is:
about 25,000 from Czernovitz;
12,000 from the rest of the Bucovina;
12,000 from Bessarabia;
15,000 autochthone Jews.

Of the 18,000 Jews from Dorohoi, only 6,700 survived, who, in the most terrible condition, were repatriated during the last weeks.

From these figures, one can get a clear picture of the rate of mortality, especially among the children. The responsibility for this piece of wholesale butchery of the Jewish population lies above all with the leader of the Government, Marshal Antonescu, who, I am informed, had his orders carried out by the General Staff.

But the opposition parties in Rumania cannot be considered as free from fault with regard to these crimes. They had been informed of everything that was to ensue and did not use their influence to prevent this mass slaughter.

(d) Practical proposals for saving the Jews.

(1) Transnistria. About 30,000 Jews were sent across the Bug, where they were taken over to work for the Todt Organization. With insufficient food, they had to do the most difficult work, and, with few exceptions, were shot mercilessly after the job was accomplished. The 50,000 Jews living in Transnistria today are in danger of being directly in the zone behind the German front.

With regard to the Jewish population, I offer this resume of figures:

Number of Jews in Rumania in 1940 about 900,000
Less:
  a/ the lost Transylvania territory, about 150,000
  b/ captured or departed voluntarily with the Russians 50,000 200,000
Balance 700,000

Today there live in:
  a/ Transnistria about 50,000
  b/ in the rest of Rumania 270,000

This means that there exist in 1944 320,000

To be accounted for 380,000

Before my departure from Washington I was told by Assistant Secretary of State Long that pressure has been brought upon the Ru-
The Rumanian Government by the Department of State, as a consequence of which the Rumanians are alleged to have repatriated the Jews deported from Transnistria to Rumania. After 6,400 Jews had been thus returned, the Germans intervened and the repatriation was halted. Incidentally, I was told that a report was issued by Mr. Long prior to my departure, that the United States Government had allocated the sum of $300,000 to cover the expenses of the transportation of 5,000 children from the Balkan countries to Palestine. I do not know the authority for this statement and refer to it only in the event that the War Refugee Board may wish to check with the Department of State regarding its veracity.

It is apparent that efforts to secure the release of the thousands of Jewish refugees caught in the millstone in Transnistria can only be achieved at the moment by the willingness on the part of the present Rumanian Government to permit the release of these people and for us then to find means of transportation, either direct or through Turkey to Palestine, which for the moment is the only country where provision has been arranged to accept any considerable number of refugees.

Special attention is again directed to the man who is generally held personally responsible for the policy leading to these extremes—Marshal Antonescu. I have been told that Mr. A. Cretzianu, the newly appointed Rumanian Minister in Ankara, has the Marshal's confidence and is ideologically and sentimentally opposed to the Government's anti-Semitic policy. At the proper moment, with Ambassador Steinhardt's consent and employing the authority vested in me by the War Refugee Board to deal with the enemy, I expect to approach Mr. Cretzianu and possibly others who have connections with the present Rumanian Government. Before these talks you may be assured that I will first consult with Ambassador Steinhardt and use every discretion not to make any statement which could be interpreted as having a bearing on the present political or diplomatic situation between Rumania and the United States.

The Jewish population in Rumania, which was estimated at the beginning of the war at about 900,000, is now considerably reduced by: 1) mass massacres of the Jews in Bessarabia and Bukovina; 2) the annexation of provinces of Transylvania to Hungary; 3) the flight of Jews from Bukovina to Russia at the beginning of the war with Russia. The greater part of the Jews from Bessarabia and Bukovina (about 180,000) were expelled to Transnistria (the area previously belonging to Russia). Of
this number only about 75,000 Jews remained alive, while 20,000 died or were killed during the period of their expulsion. The actual number of Jews in Rumania may be estimated as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Rumania</td>
<td>100,000</td>
</tr>
<tr>
<td>Galatz</td>
<td>25,000</td>
</tr>
<tr>
<td>Yassi</td>
<td>25,000</td>
</tr>
<tr>
<td>Transfistria</td>
<td>175,000</td>
</tr>
<tr>
<td>Bucovina</td>
<td>16,000</td>
</tr>
<tr>
<td>Various</td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>266,000</strong></td>
</tr>
</tbody>
</table>

The Jews in Transnistria are living under the most tragic conditions. They are concentrated in about 50 camps and are divided into three categories: 1) "free," i.e., Jews who are allowed to work, mostly originating from Bucovina; 2) Ghettos in Mohilev, etc.; 3) concentration camps, employed at forced labor. Their situation is more dangerous now when the Russian army is approaching this area and there is serious danger of their being massacred by the Rumanian hordes during the period of retreat.

C. Yugoslavia. The whole population of 75,000 Jews who lived in peace in Yugoslavia has disappeared except for a number of about 2,000 Jews living in concentration camps, near Zagreb. A considerable number of Yugoslav Jews, about 12,000, escaped to Italy, where the war has reached them now. It is probable that these Jews will attempt to return to Yugoslavia at the first opportunity after the reconquest of the country by the Allied forces, and this problem requires special attention now. A number of Yugoslav refugees in Italy, about 1,000, mostly children are registered for immigration into Palestine, but unless shipping accommodation can be found at an early date, they will also have to return to Yugoslavia. It may be added that a considerable number of Yugoslav refugees are also scattered in Hungary where they are tolerated, together with many other Jewish refugees from Poland, Slovakia, etc.

D. Greece. The Jewish population in Greece was previously concentrated for the most part in Salonika, about 60,000, while another 10,000 to 12,000 lived in Athens, Crete, etc. At the beginning of March 1943 the Germans expelled all the Jews from Salonika to Poland. This exodus was effected within the short period of two weeks. Of the whole Jewish community in Salonika only about 3,000 succeeded in escaping to Athens and another 3,000 to the Islands, where they are living in hiding and deprived of all means of existence. About 60 Jewish families of Turkish origin were saved and repatriated by the Turkish Legation, while another
group of 380 Spanish refugees were protected by the Spanish Legation and efforts are being made for their return in transit to Spain with a view to their immigration to Palestine.

E. Hungary. I do not intend to give any protracted or detailed picture of the situation in Hungary as it does not at the present time constitute an acute problematic situation. On the contrary, as you are undoubtedly informed, the Hungarian Government has recently been relatively human in its attitude towards the minorities in offering them means of entry into Hungary from the German-occupied countries and permitting the organization of methods for their safety and safe exit to other countries. The suggestion had been made the special publicity of a congratulatory nature be employed to encourage the Hungarians to proceed with and further their program of enlightenment. The delicacy of the situation and the possibility of momentary change are such that I should not recommend any such propaganda at this moment. While the Hungarians have recently become "noble" compared with their neighboring satellites, even their work has been of a limited nature and any statements which might encourage them to feel that they had done a satisfactory job in this field of mistreating minorities less ferociously might lead them to terminate their efforts and to decide that they had already won an honorable place at the Peace Table.

F. France. As stated in my telegram No. 295 of February 19th, Ambassador Steinhardt had, prior to my arrival here, been exerting every effort to influence the Turkish Government to repatriate 10,000 Jews in France who were allegedly divested of their Turkish nationality by operation of Turkish law. These Jews of Turkish origin (many of whom admittedly must go back many generations to establish Turkish origin) were reported as about to be deported to Poland. On February 13th Ambassador Steinhardt spoke with the British Ambassador here who, at his request, sent a note to the Foreign Office in support of a note previously sent by our Ambassador concerning the plight of these Jews in France of Turkish origin. In so doing the British Ambassador supported the request made by Ambassador Steinhardt to the Foreign Minister personally on two occasions to make the necessary representations to the Vichy Government that Jews of Turkish origin not be expelled from France. On March 3rd in Istanbul I interviewed the first Jewish refugees who had arrived from France in the last week. They reported to me that the Jews in France of Turkish origin numbered about 10,000 and of these the Turkish Government had thus far authorized entrance visas to Turkey for about 700. They stated with a degree of authority that several thousand Jews of Turkish origin had been deported to Poland, notwithstanding repeated protests by the Turkish
Ambassador in Vichy, France. I attach copies of the contents of the official bulletins made public in France announcing the decision of the Vichy Government regarding the fate of these people. (Exhibit D).

Ambassador Steinhardt informs me that the Turkish Ambassador in Vichy is continuing his efforts and doing everything within his power to stop further deportations from France. I urge that the Board consider means whereby it might exert pressure indirectly on the Vichy Government to bring about an immediate end to these deportations. A telegram on this subject is being sent to you within a few days.

Respectfully submitted,

Ira A. Hirschmann
Attache

Enclosures:

Exhibit A - Memorandum from Dr. Albert Romano.

Exhibit B - Memoranda of conversations with Dr. Floyd R. Black together with Istanbul Despatch No. 188 and letter from a Bulgarian woman of March 15, 1943, regarding persecution.

Exhibit C - Copy of Despatch No. 2516 of February 26, 1944, from Istanbul.

Exhibit D - Copy of official bulletins re decision of Vichy Government on treatment of Jews.
EXHIBIT A
MEMORANDUM
on the situation of the Jews in Bulgaria and on their emigration.

I - Situation.

Statistics:

According to unofficial statistics approx. 40,000 to 43,000 Jews are living now in Bulgaria. The largest Jewish agglomeration was in Sofia, with approx. 25,000 persons. Now there are only about 500 Jews living there, (converted Jews not to be included in this number). The Jews of this city were dispersed in the provincial towns (Rousse, Pleven, Vidin, Kustendil, Pazardjik, Shumen, Haskovo, etc.) so that the population of these cities amounts to 2,000 - 4,000 persons. There are also some other small communities. The largest agglomeration is now in Plevdiv (approx. 8,000).

Juridical situation:

The Office (Commissariat) of Jewish Affairs has unlimited powers towards the Jews.

Jews are excluded from all professions or any economical activity, this with the exception of an insignificant percentage only. Those who can work are: The manual labourers, the pedlars and the artisans who had already been doing this before 1940. In fact different other limitations reduce a lot the number of Jews who can earn their living.

The buildings are taken by the State and all their money is blocked in the Banks.

Jews can only travel with a special permission of the Office of Jewish Affairs. It takes a long time to obtain same which is also rarely granted. They do not have the right to use the telephone and to cross the principal streets. Since lately they are allowed to leave their house for only 2 hours during the day and this applies only to the head of the family.

Economical situation:

Theoretically the rich receive, with the special permission of the Office of Jewish Affairs (permission which must be requested
and which is granted separately for each month), a sum deducted from their blocked accounts for their living. Even in the best cases this sum does not exceed 6,000 Levas, a sum which is not even sufficient for a family of the middle class and it also happens that the permission is given with a delay of 3-4 months. Besides the rich also have to face money-extortions on part of the Bulgarian Authorities. In fact they live on their hidden money, on sales of jewels etc. The poor could work for their living but the supplementary limitations deprive them of this possibility.

The middle class lives by selling furniture and they have reached the end. Soon it will mean black misery for them.

The Jewish communities keep up popular kitchens with the money sent by the Office of Jewish Affairs, but same refuses any sum for other charity works or social help and consequently people in need remain without clothes, heating, etc.

The Jewish Communities and the Central Consistory (central representations):

In fact the Central Consistory does not exist any more since the evacuation of the Jews from Sofia. A delegate of the Office of Jewish Affairs is at the head of each community and has unlimited powers. The buildings and the incomes of the communities are transferred to a central fund, which provides to the needs of each community according to a budget which is approved by the Commissioner of Jewish Affairs. In fact he only approves a minimal budget which sometimes is lower than the incomes of the community.

Normal situation:

There is general panic because of:

a) the uncertainty concerning the final aim of the anti Jewish policy of the Government. Last year Jews were on the point of being sent to Poland (the revocation of this decision is generally attributed to the intervention of the Church) and now they live in a constant fear that this might happen again.

b) the means of living are exhausted.

II - Emigration.

There is a huge wish to immigrate to Palestine, wish which develops into a real psychose. The Bulgarian Government (since the last change of Government, i.e., 4-5 months) grants exit-permissions to every Jew who wants to leave Bulgaria, provided he has the necessary foreign visas.
A few months ago during a debate at the Chamber of Deputies, when the Minister of the Interior, indicated the number of emigration permits granted to Jews (a few hundred at that time), the deputies shouted "not enough." A characteristic fact is that the censorship admitted the publication of this incident. It is said that there is almost nobody to whom the granting of the exit permit was refused by the Minister. Why then have Bulgarian Jews emigrated in such a small number till now? Because only a small number of certificates were sent to Bulgaria and the procedure to receive same as well as the Turkish visas is terribly slow and complicated.

Measures which will have to be taken:

It is necessary to use all available influences to simplify and accelerate the mass obtaining of Palestinian certificates and especially the obtaining of Turkish transit visas.

Possibly send a boat sailing under neutral flag, to a Bulgarian port to enable a mass emigration.
EXHIBIT D

(Translation)

NOTICE

By a Note of the German Embassy at Paris, our Consulate General has been informed that the Jews of Turkish nationality will be subjected, after January 31, 1944, to the same treatment as the German Jews.

This step has been referred to our Government.

21/12/1943.

Communique of the Turkish Consulate General.

Turkish nationals belonging to the Jewish faith, who are in order with the Consulate General and who desire to return to Turkey must apply immediately to the Consulate General to prepare their departure.
Information received up to 10 a.m., 13th March, 1944.

1. **NAVAL**

During air raids on ANZIO 10th/11th two enemy aircraft shot down one being manned by Italians. Two of H. M. Destroyers bombarded positions KORCULA ISLAND 9th/10th.

2. **MILITARY**

**BURMA.** Our troops have reoccupied BUTHIDAUNG.

3. **AIR OPERATIONS**

**WESTERN FRONT.** 12th. Liberators without loss dropped 160 tons on military constructions Northern FRANCE.

12th/13th. Total 12 Mosquitoes sent AACHEN and DUISBURG. All returned. 12 German aircraft crossed Channel, five of them operated over SUSSEX. Only one bomb reported and that in sea.

**BURMA NORTH.** On 10th and 10th/11th Liberators dropped total 90 tons on MOGAUNG.

**CHINDWIN.** 10th. Vengeances bombed Japanese Headquarters PAUNGBY in dropping 22 tons.

**ARAKAH.** 11th. Our aircraft attacked enemy positions NAUNGDAW.