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March 14, 1944  
10:00 a.m.

DEFERMENTS

Present: Mr. Gaston  
Mr. Thompson  
Mrs. Klotz

H.M.JR: O.K.

MR. THOMPSON: We had a meeting last Saturday. I don't know whether Mr. Gaston told you or not.

H.M.JR: He tells me nothing!

MR. THOMPSON: We went before what I termed the "stuffed-shirt" committee, Mr. Puryear's committee.

MR. GASTON: The political deferment committee.

MR. THOMPSON: He is a fellow you go around in circles with, and the upshot of it was that he agreed we could take the people on the key lists and go directly to the local boards. They had disapproved some twenty-eight of our key list men. We got back automatically twenty-eight of the one hundred and seven disapprovals.

MR. GASTON: Yes. You see, in those that they turned down were twenty-eight who were on the key list. The key list had been approved in the interim.

He also told us that since the revenue agents all have accountants' training that we could regard them as on the critical list as accountants and need not submit them to them again, so that all our revenue agents we can submit --

MR. THOMPSON: That will help Internal Revenue. That will add some fifteen or twenty. We will get back half of the one hundred and seven that way.

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H.M.JR: You just appeared before him alone?

MR. THOMPSON: He was alone.

MR. GASTON: He had an assistant with him.

MR. THOMPSON: I don't think he was a board member, however. There is supposed to be a committee of three.

H.M.JR: Out of the one hundred and seven you can't show me who was on the list of twenty-eight?

MR. THOMPSON: Yes.

MR. GASTON: He also gave us the privilege of coming back again Thursday, writing up some more detailed memoranda and giving him an argument on all of them.

H.M.JR: Let me tell you this, gentlemen: You will do better with him than with the President and Rosenman, because, believe me, I won't take at Cabinet what Hull had to take the other day from the President. I mean, the President was something; he ridiculed and ridiculed.

I don't know what the facts are, but I would hate to be in that position.

MR. THOMPSON: Well, I think Puryear's feeling is that his first thought is he must make a record with the Costello Committee.

H.M.JR: Did McNutt transmit our thing?

MR. THOMPSON: He handed your letter to Mr. Puryear and asked him to give us a hearing.

H.M.JR: Good.

All right.

MR. THOMPSON: (Hands the Secretary a digest of the Review Committee actions on pre-Pearl Harbor deferment requests) All those marked "yes" on the critical or key list are the ones.

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H.M.JR: You mean where it says "yes," you got those?

MR. THOMPSON: Yes, and we will go direct to the local Boards. They were so inconsistent in disapproving the key list people, because they approved the key list and then--we get all our plate-printers.

MR. GASTON: What about those offset press men? They are not on the key list, are they?

MR. THOMPSON: They are not on the key list. We will not be hurt much. We can get all we want now.

MR. GASTON: I was asking, were those offset printers? Norman tells me, however, that the Government Printing Office is releasing some offset press men.

MR. THOMPSON: So we will be all right on press men.

H.M.JR: Go ahead.

MR. THOMPSON: (Hands the Secretary deferment request list dated March 13, 1944, attached.) Here are the current deferments which came in this morning. They are the same type of cases we have had in the past.

MR. GASTON: There is one in there that is a more or less borderline case, and that is Mr. Benner. He is Banyas' assistant. He has lost Praetorius and Blume, two men, and this man is the next assistant. It will cripple him quite seriously.

H.M.JR: We get an awful lot of work out of Banyas.

MR. GASTON: It is a question of whether that graphic work is vital to us, because we are going to be badly crippled if we lose him.

H.M.JR: No, I am the principal recipient.

MR. THOMPSON: That is the way I felt.

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MRS. KLOTZ: You can't get them, and you can't train them.

MR. GASTON: No, we are just stuck on that. And he has some good economical and statistical training besides his graphic training.

MR. THOMPSON: All those Revenue people are on the key list so we don't have to go to Puryear.

H.M.JR: (Signs deferment application list) Now, what else?

MR. THOMPSON: That is all.

MR. GASTON: They turned down Harold Mager, you know. Now, I don't know whether we want to go back and make any strong argument on Harold Mager, or not. My feeling is "no."

H.M.JR: No.

MR. GASTON: And I feel the same way about Dillon.

H.M.JR: Who is Dillon?

MR. GASTON: He is next to Shaeffer upstairs. He is a good man, and he is along in the middle thirties, but they are replaceable.

MR. THOMPSON: He is thirty-six, and has three children.

MR. GASTON: We simply use the benefit of his Treasury experience.

H.M.JR: No, you can't ask for him.

MR. GASTON: I don't think we can.

MRS. KLOTZ: Well, there are people like that in Procurement who can be replaced, and yet you have asked for them.

H.M.JR: This is a change in the last three weeks. We asked for Mager.

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MRS. KLOTZ: That is right, but they were granted over in Procurement, and those people can be duplicated in a minute.

H.M.JR: But did we ask for Dillon?

MR. GASTON: Yes, and we were turned down on both of them.

H.M.JR: It is a question of appealing.

MR. THOMPSON: Yes, in our fight with the Puryear Committee we can't make a very strong fight.

H.M.JR: No, I am being consistent with the times.

MR. GASTON: Well, that is the general keynote. We don't make a last-ditch battle for everybody on that list.

H.M.JR: Do you have anything else?

MRS. KLOTZ: This man has been fired. I see he has been approved for ninety days.

MR. THOMPSON: Salomone? I don't know a thing about him.

H.M.JR: Where was he fired from?

MRS. KLOTZ: Over in Procurement. Yes, I am positive.

MR. THOMPSON: It probably hasn't reached my desk yet.

MRS. KLOTZ: He told me the circumstances.

March 13, 1944.

DEFERMENTS

6

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>No. of Children</u>
<u>OFFICE OF THE SECRETARY:</u>			
Edgar, Gilbert E.	Sr. Adm. Technician (Space Control)	35	2
<u>INTERNAL REVENUE:</u>			
Polin, Robert O.	Administrative Officer (Alcohol Tax Unit)	34	3
Vecchio, Matthew J.	Jr. Administrative Officer (Chief, Misc. Tax Div.)	37	2
Charlton, Ralph W.	Agent	34	2
Church, Charles A.	Agent	34	1
Lee, Homer W.	Agent	33	3
Watts, Norman J.	Agent	35	4
Wright, Elmer J.	Agent	35	4
Wright, J. Donald	Agent	36	1
<u>PUBLIC DEBT SERVICE:</u>			
Wiegand, Henry F.	Tech. Asst. to the Commissioner	36	2
<u>RESEARCH AND STATISTICS:</u>			
Wright, Carl A.	Asst. Head of Graphic Sec.	32	2

Deferments for the above 11 employees are recommended by the Agency Committee.

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\_\_\_\_\_

APPROVED:

\_\_\_\_\_  
Secretary of the Treasury.

March 14, 1944

I asked Admiral Leahy this morning to find out whether the Armed Forces of the United States outside of the United States either buy or give credit for war materiel of U.S. origin. I gave him as an example that I understood in England the gasoline we get is of American origin, and that we pay the English for it. He said he would take it up with the Joint Chiefs of Staff at noon today.

Admiral Leahy said, "Of course, I think we ought not to give them anything," and I said that I did not agree with him on that. He said, "I think they ought to pay for everything."

March 14, 1944  
3:00 p.m.

Re: CANADIAN CONFERENCE

Present: Mr. Bell  
Mr. White

MR. WHITE: I asked for fifteen minutes sometime before. I thought I would get at this earlier this morning, but the Russians kept me until one-thirty. We had a long final meeting.

This aluminum situation is bad. We are going to import six hundred million pounds. We already have an enormous stockpile. It will leave us with a billion and a half pounds at the end of 1944.

Now the Canadian Government claims it can't do anything about it, or certainly doesn't want to. I merely wanted to tell you that. I don't know whether you can do anything about it. It is a bad situation, but I don't think the operation is through the Canadians.

MR. BELL: We have to take action here, you mean, to reduce the contract?

MR. WHITE: Nobody has been permitted to see that contract, so we can't tell.

MR. BELL: Who made the contract?

MR. WHITE: Jones. We know there is a cancellable feature in it, but we are probably committed to taking most of this.

H.M.JR: Have you got something in writing for me from Donald Nelson on this?

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MR. WHITE: We have all the facts.

H.M.JR: Who knows about the financing?

MR. WHITE: This information comes from WPB and public sources.

H.M.JR: I mean, do I have a letter from Nelson on it?

MR. WHITE: Oh, no. You won't begin to operate officially like that until you are ready to take on a first-class fight.

MR. BELL: Wouldn't you have to have a conference with Nelson and Jones on it?

MR. WHITE: There would have to be a conference, but more than that, it will be a major issue, and I wondered whether you want to take it on, before you start.

H.M.JR: I want to know my facts first. I want to have something from Nelson.

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Meeting in the Secretary's Office  
March 14, 1944  
3:00 P.M.

Present: Secretary Morgenthau  
Mr. Bell  
Mr. White

Minister Ilsley, Mr. Clark and  
Mr. Plumptre of Canada

Mr. Hickerson and Mr. Collado  
of the State Department

The meeting was called by the Secretary to discuss the proposed schedule of reimbursements by the Canadian Government to the United States Government. The Secretary had asked the State Department to send over a representative who was familiar with the problem but was misunderstood and Collado was sent. The Secretary then asked for Hickerson and Hickerson joined the meeting a few minutes later.

Mr. Ilsley said Mr. Clark and Mr. White had been in conference on the individual items listed on the program and that they had practically agreed on most of them. The appended memorandum was distributed and a discussion on each item took place. Mr. Ilsley indicated that Clark and White had agreed to items I-a, I-b, I-c. He explained that the Canadians would like to pay for the whole telephone instead of half (item I-d). They also agreed on item I-4 or a total of reimbursements of approximately \$105 million.

Mr. Ilsley said there was also agreement on items II-a and II-b together providing for expenditures of some \$155 - \$160 million. He pointed out that many of the items listed in III-a had already been cancelled and that they were ready to cancel the remainder except for some \$600 thousand involving seven contracts. He explained that these would be filled by the end of the month and that they involved so much detail that they would prefer, unless we objected, to leave those seven contracts to be completed under present arrangements. The Secretary agreed to the Canadian request on that point.

Mr. Clark also explained that there was agreement between them and the Treasury on items III-b, III-c, III-d and III-e.

Mr. Ilsley then stated that he was particularly concerned about the items under B. These were the additional items which Mr. Hickerson had suggested after the main schedule had been proposed to Mr. Clark in his last visit. He said that item (a) under (B) for the air field development on the Crimson Route would be politically difficult because the route had been constructed against the advice of the Canadians and that they had no

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use for them. The reimbursement for U.S. air field developments at Mingan listed under (b) was even worse in view of the fact that they had an air field, a better one only 70 miles away constructed at less than half the cost of the U.S. field. It would be very difficult to get the Quebec legislature to accept with any grace an expenditure of \$4 million for a field they didn't want and which they felt should never have been built. Mr. Hickerson said that it was his understanding that the U.S. air field was better than the one which the Canadians had.

The Secretary replied that he was not going to suggest that the fields were a good investment. He didn't know what the merits of the case were but he did feel that their repurchase provided a way by which the Canadians could reimburse us by some \$40 million. He said that it was difficult to find reasonable ways to get the Canadian balances down to anything like the agreed upon level. He said that if the Canadians thought of a better way to provide some of the expenditures then it was perfectly all right with him. He thought, however, it would be a mistake to treat the fields from the point of view as to whether or not the present worth was the amount which was expended on them.

Mr. Ilsley then raised the question of the purchase of the nickel from Falconbridge and gave their reasons why they would prefer not to take that case up. The Secretary agreed with their reasons and it was decided to drop that item.

Item C was then discussed and Mr. Ilsley and Mr. Clark were uncertain as to just what that included. They thought that a good deal of that was part of the Alcan Highway and should be treated the same as was the highway. Mr. Hickerson explained that there were some permanent improvements that could be separated from the highway and that any decision that was made on that point would have nothing to do with the settlement that had been agreed upon with respect to the highway.

Mr. Ilsley asked whether he could have an opportunity to get in touch with his Government again and whether he could get them to accept the proposal to reimburse us for the additional air fields. The Secretary readily assented.

Mr. Ilsley again raised the question as to whether we were considering the balances inclusive or exclusive of security sales. White explained that we had never agreed to exclude the net proceeds from security sales. The only transaction of that character which we had discussed was the setting aside of some \$110 million for the redemption of government securities which were callable in 1943. The sum had been so set aside and had been so used. These securities now being referred to were securities chiefly on private account and represented an entirely different type of transaction. He said that we recognized that Canada's international position

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vis-a-vis dollars had altered but wanted to know if they felt that was pertinent would they feel we ought to go into the Canadian position vis-a-vis sterling areas as well in order to get a complete picture. Mr. Ilsley replied that he thought the significant thing was their position vis-a-vis the U.S. dollar but he agreed we had never agreed to the security item.

He said he would get in touch with his Government with respect to the additional items totaling some \$40 million which had been suggested by Mr. Hickerson. The Secretary asked how soon he expected to hear from his Government and Mr. Ilsley thought it would be not longer than a few days.

H. D. White

*HDW*

Mar. 14, 1944

Secretary Morgenthau

Mr. White

Subject: Current Status of Negotiations to Reduce Canada's Dollar Balances

At a meeting in my office yesterday, Mr. Clark presented the Canadian Government's position concerning the various measures discussed with him and Finance Minister Masley to reduce Canada's dollar balances to the agreed-upon \$350 million maximum. The situation may be summarized as follows:

(In millions U.S. \$)

- A. Items Agreed to by the Canadian Government
1. To reimburse U.S. for expenditure made in Canada totaling..... 105.5
  2. To pay the U.S. Government for purchases of tanks and Campay shipments amounting to..... 155-160
  3. To take over U.S. contracts and other past and projected U.S. expenditures which will reduce Canada's dollar receipts by a total of..... 172.5

B. Items Tentatively Rejected by the Canadian Government

1. Our suggestions that it take over interests in various installations in Canada and in the Falcoobridge metal contract which total.....

41.7

(For details of items see the attached tabulation.)

The Canadian Government has requested that the maximum balance arrangement be terminated as of the end of 1943. If this is agreed to, then the above program calling for payments and reimbursements to the U.S. Government of \$260-265 million is sufficient to reduce Canada's gold and dollar balances as of that date to \$300 million, or to a level only \$40 million more than the \$350 million upper limit. As of December 31, 1943 Canada held \$650 million of gold and dollars.

Division of Monetary  
Research

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If, however, the decision is to use current holdings as the basis of calculation, then the program now agreed upon falls \$160 million short of the amount needed to bring Canada's balances down to the \$350 million figure. (Canadian gold and dollar balances totalled \$775 million as at the close of February.) Additional items which might be agreed to are:

1. U.S. agreement to consider as outside Canada's official reserve the net proceeds from security sales which during the year 1943 amounted to \$109 million.
2. A favorable reconsideration by the Canadian Government of the rejected items which would involve reimbursements to the U.S. of \$40.1 million and a reduction in Canada's dollar receipts of \$1.6 million.

If these items were accepted by the Canadian Government and if we agreed to consider the \$109 million of net security proceeds as outside Canada's reserve, these measures together with the program already agreed upon would reduce Canada's holdings as of the end of February from \$775 million to \$364 million, or to a level only \$14 million in excess of the maximum we had agreed as appropriate for this Government to assist the Canadian Government to maintain.

**Status of Program to Reduce Canada's Gold and Dollar Balances**

**A. Items Agreed To (millions U.S. \$)**

**I. Reimbursement by Canada for past U.S. Government expenditures**

a. For goods shipped on Canex account.....	38.8
(The Canadian Government has been billed for only \$20.9 million, but Dr. Clark agreed to make payment on account of \$35-38 million.)	
b. For past expenditures on Navy contract for PB2B aircraft.....	22.0
c. For expenditures on permanent airfield developments in Northwest.....	33.3
d. For expenditures on telephone line, Edmonton to Fairbanks.....	8.0
e. For capital advances and subsidies for operation of marginal mines.....	<u>3.2</u>
Total reimbursements.....	105.3

**II. Payment by Canadian Government for Purchases made from the United States**

a. Purchase of American tanks in England and Italy, including estimated freight costs...	140.0
b. Amount due for purchases on Canpay account.	15-20
(Dr. Clark was uncertain as to this figure. He believed this is more accurate than the figure of \$47 million submitted to us the end of February.)	
Total due to U.S. for goods purchased by Canada.....	155-160

**III. Measures which would result in loss of income to Canadian Government**

a. Termination and cancellation of War Dept. contracts.....	81
(This figure includes \$54 million for cancellations which have been made since December 31, 1945 as a result of these discussions and \$27 million of still outstanding contracts which the Canadian Government has agreed to take over.)	

126

Division of Monetary Research

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(millions U.S. \$)

b. Cancellation by Navy Dept. of contract for PB2B planes.....	41
(The assumption by Canadian Government of this contract rests upon completion of arrangements with the Navy for continuance by it of certain services necessary to the completion of the contract.)	
c. Assumption by Canada of future expenditures incurred for U.S. airfield developments in Northwest, including newly-projected \$6 million program.....	35
d. Assumption by Canada of refining and distribution costs of gasoline used to meet British commitment in connection with Empire Air Training Plan.....	15
e. Elimination of Canadian participation in contracts for purchase of New Caledonian nickel.....	<u>2.5</u>
Total estimated reduction in Canada's dollar receipts.....	172.5

B. Items tentatively rejected by the Canadian Government

a. Reimbursement for U.S. airfield development on the Grimson route.....	30
(This development was undertaken against the advice of the Canadian Government. Construction has been halted and Clark's information is that the project will not be completed. He offered to ask for a reconsideration of the Canadian decision, if it is important to us.)	
b. Reimbursement for U.S. airfield development at Higham.....	4.2

The assumption of the cost of this project would be difficult to justify in Parliament for the reason that they have a better airfield only 70 miles away which was constructed at less than half the cost of the U.S. field and the use of which was offered to us.

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BANKING OF MONETARY  
Research

(millions U.S. \$)

- c. Reimbursement for expenditures made for terminal facilities at Dawson Creek....

5.6

(This is in somewhat the same category as the airfield developments at Highnam and on the Crimson Route.)

- d. Assumption of contract for purchase of nickel from Falconbridge.....

1.6

(This suggestion was rejected by the Canadian Government because the contract is with a private Canadian firm. The Canadian Government has no objection to its cancellation once the company has recouped its capital expenditures.)

Total of measures rejected by the Canadian Government.....

41.4

**Canada's Gold and Dollar Position**  
**(In millions U. S. dollars)**

	<u>Total</u>	<u>Excluding net proceeds from security sales</u>
December 31, 1939	405	
December 31, 1940	555	
December 31, 1941	188	
December 31, 1942	319	
December 31, 1943	649	541
February 29, 1944	775	661

Treasury Department, Division of Monetary Research      March 14, 1944

ISP/crs 3/14/44

*Carlow  
 copy to  
 →*

*Bill  
 Smith  
 Cannon  
 Sullivan*

March 14, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

The Committee on Ways and Means met from 10 a.m. to 12 Noon Tuesday, March 14. The attendance to start with was very small but eventually there was a good representation. Mr. Knutson was present for the first time. Mr. Disney was not present. Mr. Cann introduced Mr. Nunan, the new Commissioner of Internal Revenue, to the members of the Committee. Mr. Cann then made a short statement on the desirability of some form of tax return and answered questions and arguments brought up by several members of the Committee. What Mr. Cann appeared to be arguing for was flexibility in the law so that the Commissioner could use simplified returns instead of the withholding receipt if he so desired. Mr. Atkeson explained the proposed new tax table.

In the course of the morning Chairman Doughton re-emphasized the desirability of keeping all aspects of the plan confidential. Congressman Robertson said this put him in a somewhat difficult position because he and other members of the Committee were participating in a discussion on the American Forum of the Air tonight. He said he wondered what he could say and what he couldn't say. He mentioned the fact that a month ago he had written a letter to the Treasury containing certain suggestions which now appeared in the plan and he wondered if he could use them in his radio discussion. A number of Congressmen said of course it would be all right while Chairman Doughton said he thought any reference to aspects of the plan under discussion would be unfortunate.

As the end of the session approached Congressman Robertson again asked what would be considered confidential and suggested that the \$500 for a single person and for each dependent was no longer a secret since it appeared in the Paul letter which was published on Sunday. Mr. Surrey said that this was not mentioned in the letter, that in fact none of the basic elements of the plan were in the letter. Chairman Doughton then said that he had not intended to bring the question up but since the matter of the letter had been raised he wanted to know what the

- 2 -

reason for the letter was. Mr. Surrey indicated that the Treasury has many requests from members of Congress for information and that we endeavor to answer them as fully as possible, while not revealing any recommendations or matters which should be held for the Committee. Mr. Robertson pointed out that the letter was in the Congressional Record and handed a copy to Mr. Surrey and asked him to read it.

Mr. Surrey read the first paragraph of the letter which was the usual indication that the Secretary had referred the letter to Mr. Paul. Mr. Doughton then asked whether that really meant anything or whether that was just a reference form. Mr. Surrey said that many letters come in addressed to the Secretary and the Secretary indicates who he wants to answer them and that this form was commonly used. Mr. Doughton then indicated that he did not believe the Secretary had seen the letter and Mr. Surrey said he thought that was the case. Mr. Doughton then mentioned the fact that the letter had given the Secretary a good deal of displeasure. Mr. Surrey then read the balance of the letter. I had the feeling that the Committee found objectionable the reference to the Treasury having recommended the various simplification measures. Indeed, at one point in the discussion Chairman Doughton said that the Treasury seemed to be trying to load all the blame for complications on Congress.

Mr. Jenkins (Republican, Ohio) said that there was something wrong with Treasury relations with the Committee; that it was not right for the Secretary to get together with Senator George and issue statements on matters which were the business of this Committee; that the Chairman could not say anything but that he could and he was coming to the Chairman's defense. He said that whoever wrote that letter in the Treasury should be ferreted out and kicked out.

Congressman Forand said that he had read the letter and he thought the letter was all right and saw nothing whatever objectionable to it. He said this was all a matter of needling Mr. Paul in Mr. Paul's absence and he felt if they wanted to needle Mr. Paul they should have him up there. Mr. Knutson said he thought that was a good idea. Chairman Doughton said that he did not think

- 3 -

that would be the thing to do; that he didn't think any publicity ought to be made about this matter; that he knew the Secretary did not like the letter so he did not see how the Secretary could object to their not liking it. He said he did not like Mr. Paul's Indianapolis speech but he was able to take that; but when this happened on top of it and members of the Committee called him about it, he thought something ought to be done.

Mr. Reed (Republican, New York) said that in his opinion the letter was a direct attack by a group in the Treasury Department who are out to smear Congress.

Mr. Cooper said that he had talked with Mr. Brooks on the floor of the House; that Mr. Brooks had been bothered by a lot of his constituents and had sought to get this information in order to know what to write them.

Mr. Doughton made a final statement indicating that he thought it was important that the Treasury have good relations with the Committee, that Mr. Blough and Mr. Surrey and the people from the Bureau had been working in harmony with Mr. Stam and everything had been going along fine until this came up. He said he hoped nothing further would happen to spoil the good relations of the Department.

Mr. Stam told me afterwards that what he thought bothered them was the speeches. Mr. Surrey talked with Mr. Robertson who told him that when he saw the letter in the paper he thought that Brooks had decided to run for the Senate and wanted to set himself up as the fellow who knew all the answers, but that later he had talked with Brooks and found out that was not the case, that Brooks had just been bothered by a bunch of his constituents. Mr. Stam told Mr. Surrey that Mr. Robertson was the one who first called Chairman Doughton about the letter Sunday.

The Committee adjourned until 10 a.m. Wednesday, March 15.

RB

March 14, 1944.

Dear Mr. Lydgate:

I thank you for advising me, in advance of release, of the results of your survey on taxes. It seems to me that ninety per cent approval of wartime taxation is a remarkable verdict and one that amply supports our conclusion that the American people are willing to undertake sacrifice to meet the financial costs of the war.

Sincerely,

(Signed) W. Morgenthau, Jr.

Secretary of the Treasury.

Mr. William A. Lydgate  
Associate Director  
American Institute of Public Opinion  
110 East 42nd Street  
New York, N. Y.

*W.A.L.*

HEG/mah

AMERICAN INSTITUTE OF  
**Public Opinion**

DR. GEORGE GALLUP  
*Director*

110 EAST 42ND STREET  
NEW YORK, N. Y.

March 10, 1944.

Secretary Henry Morgenthau  
Treasury Department  
Washington, D. C.

Dear Secretary Morgenthau:

I think you will be interested in the results of a survey on taxes which I am passing on to you confidentially in advance of publication March 15.

This survey, conducted from coast to coast in late February and early March, asked each person interviewed whether he had figured out the amount he owes in taxes. All those who replied in the affirmative were then asked:

"Do you regard the amount you have to pay as fair?"

Ninety per cent said the amount they have to pay is justified and fair, while only 10 per cent thought it wasn't.

Cordially,

*William A. Lydgate*  
William A. Lydgate,  
Associate Director

WAL:M  
Emel.

March 14, 1944

FROM: THE SECRETARY

TO: MR. GASTON

I want to appoint a committee consisting of you, Mr. Smith and Mr. Haas to act on this matter and decide it without referring it back to me.

Gaston's memo of 3/11

March 11, 1944.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

\* I am attaching a letter and the outline of a proposed movie short sent in by Carter Barron, local representative of Metro-Goldwyn-Mayer. You will note that they would like to make this into a film as part of the battle against excess spending but hesitate to undertake it without a green light from us in view of their experience on the unsatisfactory inflation film.

I have discussed the outline with George Haas. He thinks that while there is some economic fallacy in the argument that the recent depression was caused by excess spending in the boom years, yet the net effect of the film would probably be good.

Fred Smith thinks we ought to tell M.G.M. that we can not approve or disapprove on the basis of a mere outline of the story, that we would have to reserve judgment until we see the actual script. I don't know whether we want to take this amount of responsibility for the film, although probably M.G.M. would be willing to accept our help. They are not asking for Treasury sponsorship, but merely to avoid Treasury objection after the film is made.

My own idea would be to check responsibility over to O.W.I. and ask them to work with M.G.M. and with us in developing a proper script. The alternative, in my opinion, would be to tell M.G.M. that we don't like the story.

\* Returned to Gaston (enc. 3/14/44 memo).

per Miss Channery 3/13/44

March 14, 1944

Dan Bell.

The Secretary.

What would you think of getting Dr. Jacob Viner down here for a week to review the financing of the Government for the balance of this year? I think if he would come down here for a week he would be very useful. *Done*

MAR 14 1944

## TREASURY DEPARTMENT ORDER

By virtue of the authority contained in section 801(e) of the Revenue Act of 1943, I hereby delegate to the Director of Procurement all the authority and discretion conferred upon me by the aforesaid section 801. The Director of Procurement is hereby authorized to make further delegations of such authority and discretion.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

WGHelfrich:TB  
3/1/44



MAR 14 1944

## TREASURY DEPARTMENT ORDER

By virtue of the authority contained in paragraph 4 of the DELEGATION BY THE WAR CONTRACTS PRICE ADJUSTMENT BOARD OF POWERS, FUNCTIONS AND DUTIES UNDER THE RENEGOTIATION ACT, dated February 26, 1944, I hereby delegate to the Director of Procurement all the powers, functions and duties conferred upon me by the aforesaid Delegation. The Director of Procurement is hereby authorized to make further delegations of such powers, functions and duties.

The powers, functions and duties delegated hereby shall be effective immediately and shall be retroactive to the effective date of the Revenue Act of 1943.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

WGHelfrich:TB  
3/1/44

# TREASURY DEPARTMENT

29

## PROCUREMENT DIVISION

### INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau

DATE MAR 8 1944

FROM: Clifton E. Mack, Director of Procurement *CEM*SUBJECT: Delegation of powers, functions, etc. under  
Delegation by the War Contracts Price Adjustment  
Board of Powers, Functions and Duties under the  
Renegotiation Act, dated February 26, 1944.

Section 701 of the Revenue Act of 1943, providing for renegotiation of war contracts, creates a War Contracts Price Adjustment Board and confers upon that Board the powers, functions and duties involved in the renegotiation of war contracts. Said section authorizes the aforesaid Board to delegate in whole or in part any powers, functions or duties to the Secretary of a Department, and any Secretary of a Department to whom any such powers, functions or duties have been delegated may further delegate in whole or in part and authorize successive redelegations of such powers, functions and duties.

The War Contracts Price Adjustment Board provided for in said Act has been organized, and on February 26, 1944, said Board executed a Delegation of certain powers, functions and duties to the Secretaries of the Departments covered by the Act. A copy of said Delegation is attached hereto.

Pursuant to the authority contained in paragraph 4 of the above referred to Delegation, an order has been prepared, which is attached hereto, for the delegation by you to the Director of Procurement of all the powers, functions and duties delegated to you by said Delegation.

Attachments

C O P Y

WAR CONTRACTS PRICE ADJUSTMENT BOARD

WASHINGTON, D. C.

February 26, 1944

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

Dear Mr. Secretary:

Enclosed is a photostat of the original delegation of authority by the War Contracts Price Adjustment Board to the Secretary of the Treasury of powers, functions and duties under the Renegotiation Act. The delegation is signed by the Chairman, Joseph M. Dodge, and is dated February 25, 1944.

The powers, functions and duties delegated pursuant to this delegation are effective as of the date of the delegation and are retroactive to the effective date of the Revenue Act of 1943, which is 12:49 P.M., February 25, 1944.

Very truly yours,

James S. Feight  
Secretary

Attachment

DELEGATION  
by  
THE WAR CONTRACTS PRICE ADJUST ACT NO. 1  
OF POWERS, FUNCTIONS AND DUTIES UNDER  
THE DELEGATION ACT

February 26, 1944

1. For the purpose of this delegation, the terms "Board," "Department" and "Secretary" shall have the same meaning as when used in the Delegation Act (hereinafter referred to as "the Act").

2. Pursuant to the provisions of subsection (d)(4) of the Act, the Board hereby delegates to each Secretary:

(a) All of the powers, functions and duties conferred upon the Board by subsections (a)(4)(B); (a)(4)(C); (a)(4)(E); (a)(5)(B); (c)(1); (c)(2); (c)(3); (c)(4); (c)(5)(E) and (h)(1) of the Act;

(b) All of the powers, functions and duties conferred upon the Board to require the furnishing of information, records and data pursuant to the provisions of subsection (c)(5)(A) of the Act, except the financial statement provided for in the first sentence of said subsection; and

(c) All of the powers, functions and duties conferred upon the Board to interpret and apply the exemptions provided for in subsection (i)(1)(A), (B), (C), (E) and (F), the definition contained in subsection (a)(7) and the provisions of subsection (i)(3) pursuant to such interpretations thereof and regulations relating thereto as may be prescribed by the Board from time to time.

The foregoing delegation of powers, functions and duties, however, shall be effective, as to each Secretary, only as to contractors and subcontractors assigned by the Board, or pursuant to its authority, to such Secretary or his Department for renegotiation.

3. Pursuant to the provisions of subsection (d)(4) of the Act, the Board hereby delegates to each Secretary the power conferred upon the Board by subsection (i)(4) of the Act to exempt, in his discretion, from some or all of the provisions of the Act, individual contracts entered into pursuant to his authority or the authority of his Department; excepting from such delegation, however, any power to exempt from any of the provisions of the Act any such contracts or subcontracts by general classes or types.

4. The powers, functions and duties hereby delegated to each Secretary may be delegated in whole or in part by him to such officers or

Delegation of Powers, Functions and Duties  
under the Renegotiation Act  
February 26, 1944.

agencies of the United States as he may designate, and he may authorize successive redelegations of such powers, functions or duties.

5. Without intending to limit the powers, functions and duties hereby delegated, nevertheless, each Secretary and each officer or agency of the United States to whom any power, function or duty is delegated or redelegated hereunder, shall exercise such power, function and duty, and all authority and discretion thereunder, in accordance with such interpretations of the act and such regulations relating thereto as are issued or adopted by the Board and in accordance with the principles, policies and procedures established by the Board. Where a determination with respect to the amount of excessive profits of a contractor or subcontractor is embodied in an agreement between the contractor or subcontractor and a duly authorized representative of the Board such agreement shall be conclusive according to its terms and shall not be subject to review by the Board or any representative of the Board. Nothing herein contained, however, shall be construed to limit the right of the Board to review determinations with respect to the amount of excessive profits made by order and not embodied in an agreement with the contractor or subcontractor concerned.

6. This delegation is subject to revocation or modification in whole or in part at any time.

7. The powers, functions and duties delegated hereby shall be effective immediately and shall be retroactive to the effective date of the Revenue Act of 1943.

By direction of the Board:

*Joseph M. ...*  
Chairman,  
War Contracts Price Adjustment Board.

TREASURY DEPARTMENT

33

INTER OFFICE COMMUNICATION

DATE 3-14-44

TO Secretary Morgenthau

FROM Randolph Paul

In January, 1942, the practice of sending you monthly mimeographed reports of criminal statistics was stopped. I am informed that the practice was discontinued at the suggestion of Mr. Charles Bell. We continued collecting such statistics monthly until July 1, 1943, at which time the project was discontinued since it was felt that the personnel assigned to this work could be utilized to better advantage elsewhere.

*BR*

TREASURY DEPARTMENT

33

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*BR*

## TREASURY DEPARTMENT

## Inter Office Communication

October 31, 1941

To: Secretary Morgenthau

From: Mr. Haas

Subject: Treasury Criminal Cases - Enforcement, September 1941

1. Pending cases. New cases as well as cases closed were considerably higher in September. Except for a decrease in narcotic cases closed, all units participated in the upward trend. Although a greater number of cases were commenced than were disposed of, the increment to the pending case load for September was substantially smaller than that for August.

2. Conviction ratio. An increase from 62 to 71 percent occurred in the conviction ratio. Increases in this ratio for alcohol tax and secret service more than compensated for declines in this figure for all other units. Of the 29 cases closed by internal revenue, 3 cases involving tax, penalty, and interest amounting to \$299,967 were compromised for \$238,479 after institution of criminal proceedings.

3. Imprisonment ratio. There was a decrease from 64 to 59 percent in the imprisonment ratio. Increases in this ratio for narcotics and internal revenue were not sufficient to offset declines for all other units.

4. Average length of imprisonment. All units but secret service contributed to a decline from 452 to 358 days in the average length of imprisonment. This is the lowest point this figure has reached since November 1940.

5. Fines. The average fine for September was lower than the August figure. Total fines, however, were substantially higher as there were a greater number of fine cases reported for September. Increases in the average fines for alcohol tax, customs, and secret service were not sufficient to compensate for decreases for narcotics and internal revenue.

## Summary Table

Criminal Cases in United States District Courts  
Alcohol Tax, Customs, Narcotics, Secret Service, and Internal Revenue <sup>1/</sup>  
For the Month of September 1941

## INVENTORY OF CASES

Bureau	Cases pending : first of month :	Now : cases :	Cases : closed :	Cases pending : end of month :	Net change in pending cases
Total	18,386	2,727	2,022	19,091	+ 705
Alcohol Tax	15,079	2,131	1,616	15,594	+ 515
Customs	205	33	29	209	+ 4
Narcotics	1,816	371	193	1,994	+ 178
Secret Service	947	155	155	947	0
Internal Revenue	339	37	29	347	+ 8

## DISPOSITIONS

Bureau	Number : cases : closed :	Number : cases trans- ferred <sup>2/</sup> :	Percent released				Percent convicted		
			Before : indict- ment :	After : indict- ment :	Acquittals: Total :	Found guilty :	Pleaded : guilty :	Total	
Total	2,022	182	16	11	2	29	6	65	71
Alcohol Tax	1,616	129	17	10	3	30	7	63	70
Customs <sup>3/</sup>	29	2	41	15	-	56	3	41	44
Narcotics <sup>3/</sup>	193	31	7	8	3	18	3	79	82
Secret Service <sup>4/</sup>	155	20	7	4	3	14	6	80	86
Internal Revenue	29	-	35	48	-	83	3	14	17

## SENTENCES

Bureau	Total : convictions :	Percent : imprisoned :	Percent : probated :	Percent : fined :	Average days : imprisonment :	Average fine : (dollars) :	Total fines (dollars)
Total	1,257	59	36	31	358	331	129,832
Alcohol Tax <sup>5/</sup>	1,047	56	37	32	294	366	120,741
Customs	12	50	-	50	299	133	800
Narcotics	86	87	19	16	703	26	362
Secret Service	107	64	40	37	532	61	2,429
Internal Revenue	5	60	40	40	588	2,750	5,500

Treasury Department, Division of Research and Statistics.

October 31, 1941.

- 1/ Throughout this report, internal revenue cases include income and miscellaneous tax cases referred by the Penal Division to the Department of Justice with recommendation for criminal prosecution.
- 2/ Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.
- 3/ Cases in which no arrests were made are not included in calculating percentages.
- 4/ Cases disposed of by lunacy hearings are not included in calculating percentages.
- 5/ Percent probated based on cases in which a suspended or probationary sentence only was imposed.

Table I

Treasury Criminal Cases, by Months  
Total Alcohol Tax, Customs, Narcotics, Secret Service, Internal Revenue <sup>1/</sup>  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : first of month	New cases	Cases closed	Cases pending : end of month	Net change in pending cases
1941-April	18,707	2,773	2,749	18,731	+ 24
May	18,731	2,523	3,915	17,339	- 1,392
June	17,339	2,469	3,202	16,606	- 733
July	16,606	2,383	2,095	16,894	+ 288
August	16,894	2,482	990	18,386	+ 1,492
September	18,386	2,727	2,022	19,091	+ 705

DISPOSITIONS <sup>2/</sup>

Date	Number : cases closed	Number : cases transferred <sup>3/</sup>	Percent released				Percent convicted		
			Before : indictment	After : indictment	Acquittals	Total	Found : guilty	Pleaded : guilty	Total
1941-April	2,749	143	18	13	2	33	6	61	67
May	3,915	174	15	7	5	27	8	65	73
June	3,202	175	14	13	3	30	5	65	70
July	2,095	188	26	10	2	38	7	55	62
August	990	80	24	12	2	38	5	57	62
September	2,022	182	16	11	2	29	6	65	71

## SENTENCES

Date	Total : convictions	Percent : imprisoned	Percent : probated <sup>4/</sup>	Percent : fined	Average days : imprisonment	Average fine : (dollars)	Total fines : (dollars)
1941-April	1,668	57	39	23	415	319	121,405
May	2,629	58	36	26	404	489	336,451
June	2,063	57	39	18	420	494	184,160
July	1,086	60	37	21	503	284	65,841
August	508	64	39	21	452	471	49,415
September	1,257	59	36	31	358	331	129,832

Treasury Department, Division of Research and Statistics.

October 31, 1941.

- <sup>1/</sup> Throughout this report, internal revenue cases include income and miscellaneous tax cases referred by the Penal Division to the Department of Justice with recommendation for criminal prosecution.
- <sup>2/</sup> Narcotic and customs cases in which no arrests were made and secret service cases disposed of by lunacy hearings are not included in calculating percentages.
- <sup>3/</sup> Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.
- <sup>4/</sup> Alcohol tax figures based on cases in which a suspended or probationary sentence only was imposed.

Table II

Treasury Criminal Cases, by Months - Alcohol Tax  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : first of month	New cases	Cases closed	Cases pending : end of month	Net change in pending cases
1941-April	15,386	2,196	2,059	15,523	+ 137
May	15,523	1,958	3,210	14,271	- 1,252
June	14,271	1,826	2,583	13,514	- 757
July	13,514	1,788	1,583	13,719	+ 205
August	13,719	1,987	627	15,079	+ 1,360
September	15,079	2,131	1,616	15,594	+ 515

## DISPOSITIONS

Date	Number : cases closed	Number : cases transferred 1/	Percent released				Percent convicted		
			Before : indictment 2/	After : indictment 2/	Acquittals	Total	Found guilty	Pleaded guilty	Total
1941-April	2,059	62	21	14	3	38	5	57	62
May	3,210	114	16	8	5	29	8	63	71
June	2,583	120	14	13	4	31	6	63	69
July	1,583	134	31	11	2	44	7	49	56
August	627	24	29	12	2	43	5	52	57
September	1,616	129	17	10	3	30	7	63	70

## SENTENCES

Date	Total : convictions	Percent : imprisoned	Percent : probated 3/	Percent : fined	Average days : imprisonment	Average fine : (dollars)	Total fines : (dollars)
1941-April	1,248	52	42	23	317	361	102,579
May	2,185	56	35	27	363	502	297,089
June	1,700	54	40	17	364	497	145,660
July	806	56	39	22	451	331	59,860
August	343	59	37	22	334	283	21,520
September	1,047	56	37	32	294	366	120,741

Treasury Department, Division of Research and Statistics.

October 31, 1941.

1/ Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.

2/ Includes cases compromised.

3/ Includes cases in which a suspended or probationary sentence only was imposed.

Table III

Treasury Criminal Cases, by Months - Customs  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : first of month	New cases	Cases closed	Cases pending : end of month	Net change in pending cases
1941-April	276	23	99	200	- 76
May	200	38	50	188	- 12
June	188	33	50	171	- 17
July	171	27	15	183	+ 12
August	183	29	7	205	+ 22
September	205	33	29	209	+ 4

DISPOSITIONS <sup>1/</sup>

Date	Number : cases closed	Number : cases transferred <sup>2/</sup>	Percent released				Percent convicted		
			Before : indictment	After : indictment	Acquittals : Total	Found guilty	Pleaded guilty	Total	
1941-April	99	9	6	21	-	27	3	70	73
May	50	2	19	17	4	40	2	58	60
June	50	3	10	11	-	21	11	68	79
July	15	3	-	-	-	-	-	100	100
August	7	1	33	17	-	50	-	50	50
September	29	2	41	15	-	56	3	41	44

## SENTENCES

Date	Total : convictions	Percent : imprisoned	Percent : probated	Percent : fined	Average days : imprisonment	Average fine : (dollars)	Total fines : (dollars)
1941-April	66	62	26	26	345	244	4,150
May	29	48	52	7	177	300	600
June	37	97	5	5	345	1	2
July	12	83	17	-	289	-	-
August	3	100	-	67	487	2	4
September	12	50	-	50	299	133	800

Treasury Department, Division of Research and Statistics.

October 31, 1941.

- <sup>1/</sup> Cases in which no arrests were made are not included in calculating percentages.  
<sup>2/</sup> Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.

Table IV

Treasury Criminal Cases, by Months - Narcotics  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : : first of month :	New : : cases :	Cases : : closed :	Cases pending : : end of month :	Net change in : pending cases :
1941-April	1,703	276	293	1,686	- 17
May	1,686	285	387	1,584	- 102
June	1,584	375	270	1,689	+ 105
July	1,689	386	313	1,762	+ 73
August	1,762	292	238	1,816	+ 54
September	1,816	371	193	1,994	+ 178

DISPOSITIONS <sup>1/</sup>

Date	Number : : cases : closed :	Number : : cases trans- : ferred <sup>2/</sup> :	Percent released				Percent convicted		
			Before : : indict- : ment :	After : : indict- : ment :	Acquittals : : Total :	Found : : guilty :	Pleaded : : guilty :	Total : : Total :	
1941-April	293	44	1	5	2	8	12	80	92
May	387	37	3	9	4	16	11	73	84
June	270	27	7	19	-	26	7	67	74
July	313	36	4	2	2	8	13	79	92
August	238	44	1	9	1	11	9	80	89
September	193	31	7	8	3	18	3	79	82

## SENTENCES

Date	Total : : convictions :	Percent : : imprisoned :	Percent : : probated :	Percent : : fined :	Average days : : imprisonment :	Average fine : : (dollars) :	Total fines : : (dollars) :
1941-April	133	78	24	18	611	322	7,734
May	208	74	31	10	626	169	3,554
June	114	77	34	14	573	561	8,981
July	141	79	32	11	520	142	2,129
August	92	78	43	14	721	624	8,113
September	86	87	19	16	703	26	362

Treasury Department, Division of Research and Statistics.

October 31, 1941.

- 1/ Cases in which no arrests were made are not included in calculating percentages.  
2/ Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.

Table V

Treasury Criminal Cases, by Months - Secret Service  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : : first of month :	New : : cases :	Cases : : closed :	Cases pending : : end of month :	Net change in : pending cases :
1941-April	977	267	287	977	- 20
May	977	221	254	944	- 33
June	944	230	280	894	- 50
July	894	165	172	887	- 7
August	887	153	93	947	+ 60
September	947	155	155	947	0

## DISPOSITIONS 1/

Date	Number : : cases : closed :	Number : : cases trans- : ferred 2/ :	Percent released				Percent convicted		
			Before : : indict- : ment :	After : : indict- : ment :	Acquittals : : Total :	Found : : guilty :	Pleaded : : guilty :	Total : : Total :	
1941-April	287	28	7	2	2	11	5	84	89
May	254	21	4	2	3	9	10	81	91
June	280	25	11	3	2	16	3	81	84
July	172	15	5	4	2	11	8	81	89
August	93	11	10	10	5	25	1	74	75
September	155	20	7	4	3	14	6	80	86

## SENTENCES

Date	Total : : convictions :	Percent : : imprisoned :	Percent : : probated :	Percent : : fined :	Average days : : imprisonment :	Average fine : : (dollars) :	Total fines : : (dollars) :
1941-April	217	73	34	25	694	125	6,742
May	200	67	44	35	549	46	3,208
June	205	62	41	27	729	228	12,517
July	121	64	36	30	759	107	3,852
August	58	72	41	21	479	4	47
September	107	64	40	37	532	61	2,429

Treasury Department, Division of Research and Statistics.

October 31, 1941.

1/ Cases disposed of by lunacy hearings not included in calculating percentages.

2/ Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.

Table VI

Treasury Criminal Cases, by Months - Internal Revenue <sup>1/</sup>  
For the Month of September 1941

## INVENTORY OF CASES

Date	Cases pending : first of month :	New cases :	Cases closed :	Cases pending : end of month :	Net change in pending cases :
1941-April	345	11	11	345	0
May	345	21	14	352	+ 7
June	352	5	19	338	- 14
July	338	17	12	343	+ 5
August	343	21	25	339	- 4
September	339	37	29	347	+ 8

## DISPOSITIONS

Date	Number : cases closed :	Number : cases transferred <sup>2/</sup> :	Number released				Number convicted		
			Before : indictment <sup>3/</sup> :	After : indictment <sup>4/</sup> :	Acquittals :	Total :	Found : guilty :	Pledged : guilty :	Total :
1941-April	11	-	4	2	1	7	2	2	4
May	14	-	6	-	1	7	2	5	7
June	19	-	2	10	-	12	-	7	7
July	12	-	4	2	-	6	1	5	6
August	25	-	6	7	-	13	8	4	12
September	29 <sup>5/</sup>	-	10	14	-	24	1	4	5

## SENTENCES

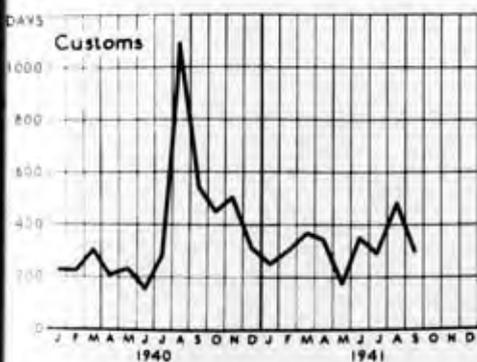
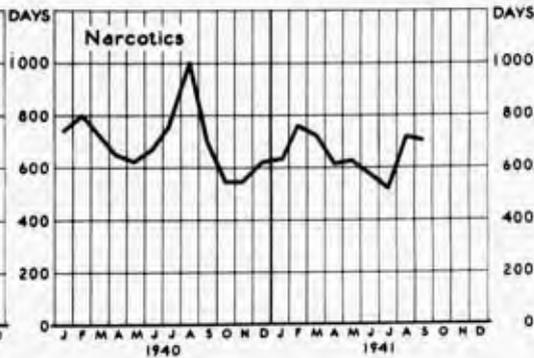
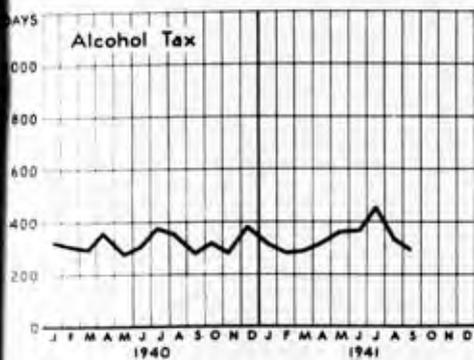
Date	Total : convictions :	Number : imprisoned :	Number : probated :	Number : fined :	Average days : imprisonment :	Average fine : (dollars) :	Total fines : (dollars) :
1941-April	4	3	1	2	1,217	100	200
May	7	5	1	4	475	8,000	32,000
June	7	1	5	7	1,825	2,429	17,000
July	6	4	2	-	1,392	-	-
August	12	5	7	2	1,096	10,001	20,001
September	5	3	2	2	588	2,750	5,500

Treasury Department, Division of Research and Statistics.

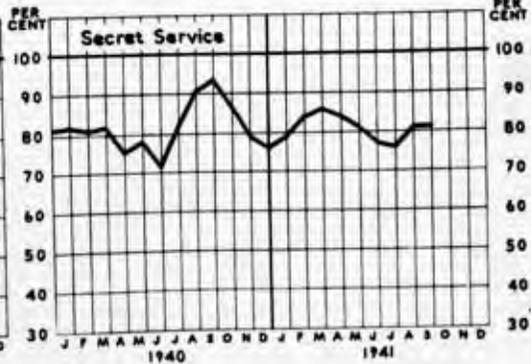
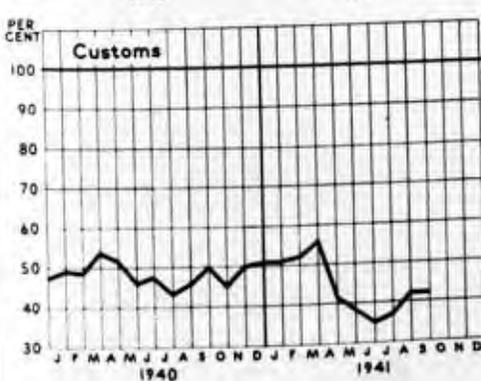
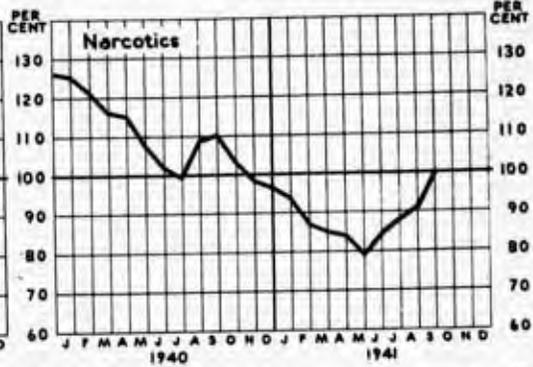
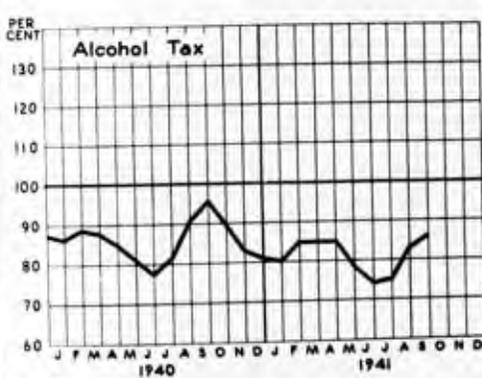
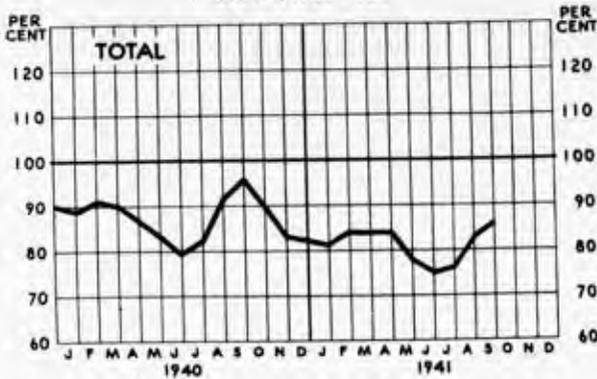
October 31, 1941.

- 1/ Includes all income and miscellaneous tax cases referred to Department of Justice with recommendation for criminal prosecution.
- 2/ Includes cases transferred to state, local, or other authorities for prosecution and cases closed because of duplicate prosecutions. These cases are not included in calculating percentages.
- 3/ Includes cases which were compromised by Department of Justice, and cases which the Attorney General declined to prosecute.
- 4/ Includes cases which were compromised by Department of Justice.
- 5/ Includes 3 cases involving tax, penalty, and interest amounting to \$299,967 which were compromised for \$238,479 after institution of criminal proceedings.

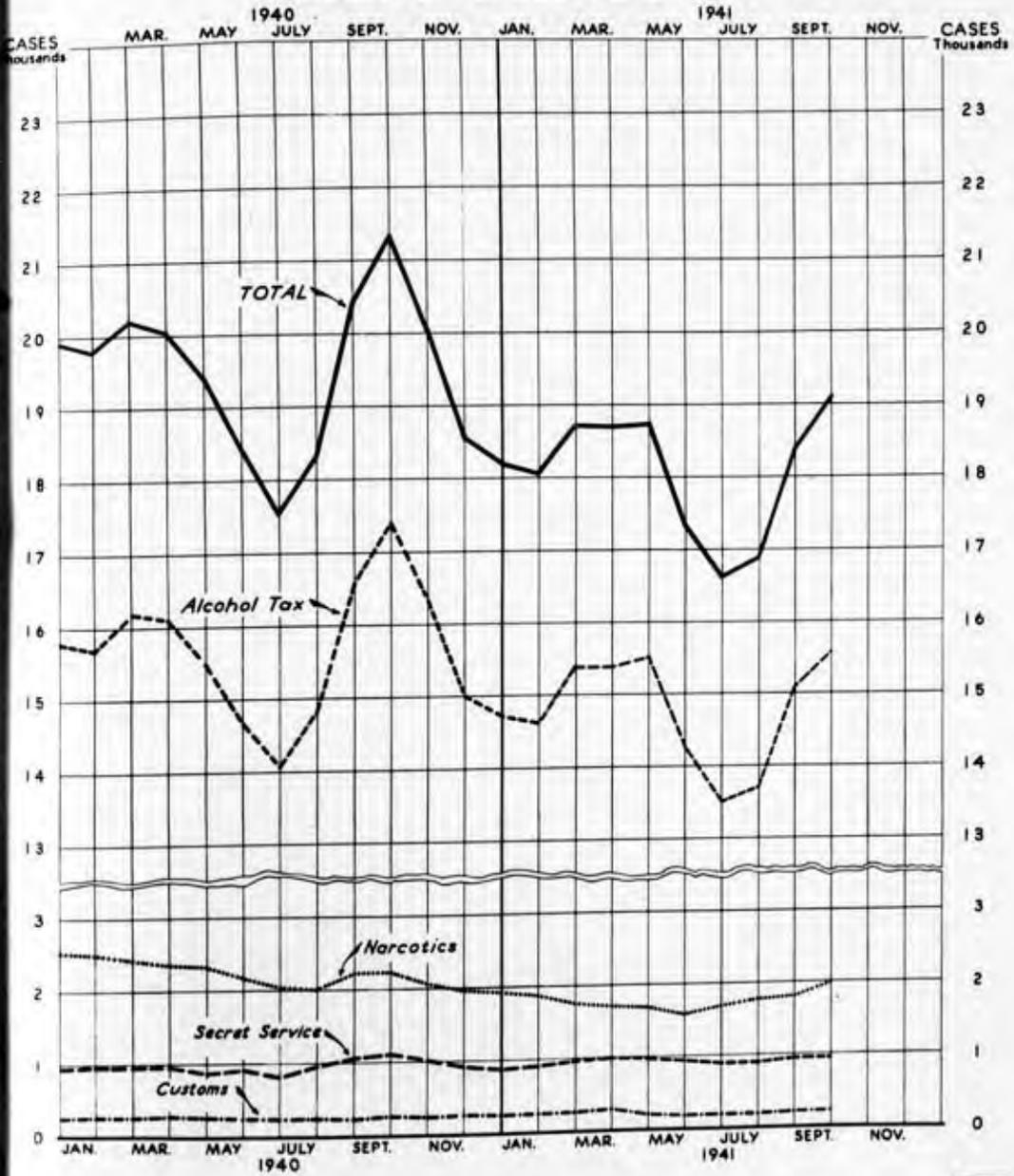
TREASURY CRIMINAL CASES  
AVERAGE LENGTH OF IMPRISONMENT PER PERSON



TREASURY CRIMINAL CASES  
 CASES PENDING: PERCENTAGE VARIATION  
 JULY 1, 1936 = 100



### TREASURY CRIMINAL CASES NUMBER OF CASES PENDING





TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



OF THE DIRECTOR

**SECRET**

March 14, 1944

MEMORANDUM TO THE SECRETARY:

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

A requisition has been received for the purchase of 3,134,077 square feet of shearlings to be manufactured into coats and vests for use in liberated areas under the Foreign Economic Administration. These shearlings originated as surplus from the Army Air Corps.

*Clifton E. Mack*  
Clifton E. Mack  
Director of Procurement

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF MARCH 8, 1944  
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$4693.3 (4692.3)	\$2289.7 (2288.7)	\$1877.3 (1877.3)	\$113.9 (113.9)	\$11.0 (11.0)	\$401.4 (401.4)
Purchase Authorizations (Requisitions)	\$3562.9 (3524.0)	\$1840.8 (1824.6)	\$1416.4 (1396.2)	\$44.8 (44.8)	- -	\$260.9 (258.4)
Requisitions Cleared for Purchase	\$3500.6 (3463.4)	\$1818.3 (1799.2)	\$1387.5 (1367.3)	\$44.7 (44.7)	- -	\$250.1 (252.2)
Obligations (Purchases)	\$3376.0 (3336.7)	\$1786.3 (1768.4)	\$1361.0 (1342.7)	\$44.1 (44.0)	\$10.5 (10.1)	\$174.1 (171.5)
Deliveries to Foreign Governments at U. S. Ports*	\$1745.9 (1728.6)	\$1163.8 (1157.9)	\$528.5 (518.8)	\$21.5 (21.4)	- -	\$32.1 (30.5)

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

Note: Figures in parentheses are those shown on report of March 1, 1944.

## EXPLANATION OF DIFFERENCE

The decrease in Requisitions Cleared for Miscellaneous and Undistributed is a result of adjustments of requisitions to actual contracts.

Treasury Department  
Division of Monetary Research

47-A ✓

Date March 14, 1944 19

To: Secretary Morgenthau

There is attached a summary of our gold sales operations in India and the Middle East to finance military expenditures.

Gross realized profits on the gold sales as of March 1 were \$13 million.

Much could be done to improve the efficiency of these operations and to increase our profits.

I should like to discuss with you the possibility of sending one or two of our men to study the field operations for this purpose.

H.D.W.

*Mr. White has spoken to Seay*

MR. WHITE  
Branch 2058 - Room 214½

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Mar. 14, 1944

TO Secretary Morgenthau  
 FROM Mr. White  
 Subject: Gold sales to meet Army needs.

1. We have arranged with the British Treasury to have gold sold on joint account. Our share of gold sales through March 1, 1944, amounted to \$20 million for which we received \$36 million in local currencies. Of this we have sold \$30 million and the Stabilization Fund still holds about \$6 million.

Gold is being sold at the following prices in local currency (official exchange rates):

<u>Country</u>	<u>Per ounce</u>
Iran	\$69
India	\$57
Egypt	\$71

2. Our situation in each country is as follows:

India - One-fourth of the local currency from gold sales is turned over to us. Gold sales are now \$4.5 million a month, equivalent to \$7.2 million in rupees. Army expenditures vary from \$8 million to \$12 million a month and we are covering from 60 to 90 percent of our needs.

Iran - All the local currency from gold sales is turned over to us. Gold sales have declined sharply and are now \$500,000 monthly, equivalent to \$1 million in rials. Army expenditures are \$4 million a month and we are covering only 25 percent of our needs.

Egypt - Most of the local currency proceeds of gold sales in Egypt have been turned over to us. Gold sales are \$1 million a month, equivalent to \$2 million in Egyptian pounds. We are covering our present needs in full and we may cut down our proceeds of gold sales in Egypt.

- 2 -

3. In view of the magnitude of these gold sales and the substantial savings to the Treasury, it would be advisable for Treasury representatives to survey operations in these areas. The survey should cover:

(a) The possibility of meeting in full our local currency requirements in India and Iran by reducing the premium on gold. The British have expressed reluctance to increase gold sales in Iran for fear of adversely affecting the price of gold in nearby areas where all of the local currency proceeds go to them.

(b) The desirability of resuming the sale of gold coins in Iran where it is reported that the cessation of the sale of coins has been a prime factor in the decline in gold sales. The possibility should be considered of our taking over the operations in Iran where all the gold is now sold on our account.

(c) Selling operations, including fees paid to selling agents and other expenses. The Treasury has as yet not been informed of its share of the expenses of the gold sales in India and the Middle East.

(d) The best means of coordinating Army transfers with the settlement dates on which we receive local currency from our gold sales. ~~This~~ would avoid large dollar transfers and carrying excessive balances of local currencies.

4. If you agree, we could send one or two of our people to investigate the procedures and the results of the gold sales in India and the Middle East.

Treasury Department  
Division of Monetary Research

48

Date March 17, 1944 19

To: Miss Macdonald

From: J. Morgan (Mr. White's office)

On March 16, 1944, Mr. Friedman sent this letter in a sealed envelope to Mr. Solomon Adler for delivery to Dr. Kung, together with a copy for Ambassador Gauss.

MAR 14 1944

Dear Dr. Kung:

I am writing to inform you that I have instructed Mr. Solomon Adler to stay on in China as U. S. Treasury representative.

Mr. Adler will continue to do all possible to promote friendly and close relations between China's Ministry of Finance and the U. S. Treasury Department.

I would like to take this occasion to thank you for your kindness towards the Americans who were associated with the Stabilisation Board of China.

I trust that this letter will find you in the best of health.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,  
Minister of Finance,  
Chungking, China.

ISF/efs 3/9/44

Treasury Department  
Division of Monetary Research

50

D

Date..... March 10, 1944 .19

To: Secretary Morgenthau

1. At our request Mr. Adler has resigned his position on the Stabilization Board as of February 29th. As you know, the Stabilization Board is being dissolved in view of our decision not to renew the stabilization loan. We wanted Mr. Adler to resign on January 1st, but the Chinese urged us to have him remain until certain matters of the Board could be cleared up. We instructed him, therefore, to resign on February 29, which he has done.
2. I am attaching for your approval suggested letter to Dr. Kung informing him that we are asking Adler to stay on in China as U. S. Treasury representative. If you sign this letter, we will send a cable to Adler informing him of this appointment.

H.D.W.

*HDW*

MR. WHITE  
Branch 2058 - Room 214½

COPY

51

MEMORANDUM

March 14, 1944

I talked to Raymond G. Swing today concerning the psychological warfare side of the War Refugee Board's problems. Swing seemed very sympathetic with the purposes of the War Refugee Board but was very discouraging generally on what could be done through propaganda. He made the following points:

(1) Swing did not think it would do any good at all to try to bring home to the German people the German Government's activities in murdering the Jews since the German Government would deny the accuracy of any statements which were made and was in a position to neutralize the effect of any such statements without any trouble. He felt that the German people would not be particularly concerned about the problem and even if they were somewhat concerned Swing felt it would not have any effect, at this stage of the war, on the German Government's position.

(2) Swing did not feel that any approach to the German Government would be worth while and felt that any publicity given to any failure of an approach to the German Government would only result in intensification of measures against the Jews. He said the only possibility of doing anything with the German Government would be to make a deal with some faction in the Nazi party, such as Goering, and he felt it would be very bad policy to make such a deal.

(3) Swing said he thought much could be done by directly pressing the satellite governments and some good might be done in propaganda aimed at the satellite people. He said that if the Russian Government were willing to bring pressure on the satellite governments it would increase many fold the effectiveness of such pressure.

(4) Swing thought possibly something could be done by way of pressure on the Vichy Government.

Swing was very cordial and said he would be glad to help out in any way which he felt was practical and would really do some good.

/s/ J. W. Pehle

OFFICE OF  
THE REPRESENTATIVE  
OF THE  
UNITED STATES OF AMERICA

Algiers March 14, 1944.

No. 169

Subject: War refugees

The Honorable

The Secretary of State,  
Washington, D. C.

Sir:

With reference to my despatch no. 155 of March 8, 1944, and to the Department's airgram of January 26, 7 p.m., 1944, I have the honor to report that I called again on Mr. Massigli to discuss the possibility that the French Government would be willing to issue instructions to its officials to implement cooperation on behalf of the French Committee of National Liberation with other governments for the rescue and relief of refugees from Europe.

I also took up with him the suggestion that the Commissariat for Foreign Affairs might feel disposed to issue a declaration of policy similar to that made by the President. A copy of the aide-memoire which I left on this occasion is enclosed for the Department's information.

- 2 -

Mr. Massigli promised that the Committee would give full consideration to the matters in question.

Respectfully yours,

Selden Chapin  
Counselor of Embassy, In Charge

SC/ew  
500

Enclosure:

1. Aide-Memoire dated March 13, 1944.

Ozalid to the Department

Enclosure no. 1 to despatch 169 of March 14, 1944, from the Office of the Representative of the United States of America, Algiers.

AIDE-MEMOIRE

Reference is made to the Aide Memoire which Mr. Chapin left with His Excellency the Commissioner for Foreign Affairs on February 5, 1944, on the subject of instructions issued by the President of the United States to the Secretaries of State, Treasury and War to take action for the rescue and relief of the Jews of Europe and other victims of enemy persecution, and of the creation of a United States War Refugee Board charged with the responsibility for carrying out the announced policy.

The Office of the Representative of the United States of America has been instructed to explain to the appropriate French authorities that the establishment of the War Refugee Board represents the United States Government's determination effectively to carry out without delay the policy to take all possible measures for the speedy rescue and relief of the refugees of Europe.

Although the United States Government for its part intends to take all possible action with all possible speed, it feels certain that this effort will not be unilateral and it wishes to make it clear that it continues to be its policy to encourage and participate in effective cooperative efforts with other governments. As the President has stated, the Board will, of course, cooperate fully with all interested international organizations.

Mr. Chapin has been instructed to assure the Commissioner for Foreign Affairs of his Government's hope for cooperative action on the part of the French Committee of National Liberation and to explore with the appropriate French officials the possibility of implementing such cooperation through the issuance by the Committee of a declaration of policy similar to that

- 2 -

made by the President. In that connection it is hoped that the Commissariat for Foreign Affairs may feel disposed to issue instructions to its representatives abroad similar to those issued by the United States Government to its representatives, as described in the final paragraph of Mr. Chapin's Aide Memoire of February 5.

March 13, 1944.

## TELEGRAM SENT

PLAIN

March 14, 1944

## AMLEGATION.

DUBLIN  
39, fourteenth  
FROM WAR REFUGEE BOARD.

Refer your A-7 of February 10, 1944 regarding the rescue and relief of war refugees.

Please inform the appropriate Irish officials that this Government accepts with deep appreciation the generous and humanitarian offer which we understand the Irish Government is prepared to make to receive and provide haven for 500 Jewish refugee children.

It is anticipated that these 500 children may be able to leave France and to enter Eire by transit through Spain and Portugal.

We are presently examining the matter of securing the shipping space necessary for the transportation of these children and will advise you further with respect thereto. We are also canvassing the possibility of assisting the Irish Government in its humanitarian endeavor, with respect to supplies of food and clothing.

The Swiss Government has been requested to take up the matter of evacuating children from France with Vichy, and we are considering the desirability of requesting similar action on the part of the Irish Government, as we understand that it was prepared last year or earlier this year to take such action. However, we would appreciate your informally raising this matter with the appropriate Irish authorities to ascertain whether they are still prepared to make such an approach to Vichy.

You are also requested to ask the appropriate Irish authorities whether their Government would be willing presently to guarantee the admission into Eire after the war of an additional 500 Jewish refugee children in the event that they are evacuated from France to Switzerland during the war. Such a guarantee would probably enable us to induce the Swiss Government, which may be in a position to obtain the release of children from Vichy, to accept larger numbers of them for the duration of hostilities.

-2- #39, fourteenth, to Dublin

- 2 -

We will appreciate being kept promptly and fully advised of all developments.

HULL  
(GLW)

WRB:GLW:KG  
3/9/44

WE

BC

## A I R G R A M

From

Lisbon

Dated: March 14, 1944 4:45 pm

Rec'd: March 27, 1944 4:00 pm.

THE SECRETARY OF STATE

WASHINGTON

A-192 March 14 4:45 pm

I saw the Secretary General of the Foreign Office on March 10 and read to him from a prepared aide-memoire the substance of the Department's circular airgram dated February 29, 1944 7:30 pm. I also referred to the President's Executive Order contained in the Department's cable of January 25 a copy of which had been made available to the Secretary General previously.

We had a long discussion on the general question during the course of which Ambassador Sampaio outlined the history of Portugal's attitude and accomplishments in the matter of refugees. He repeated that so far as Portugal was concerned, a country which was not contiguous to Germany or German-occupied territory, the question resolved itself largely to (a) permitting the transit of refugees who might be brought out or escape and (b) to providing refuge for a limited number and to an extent which would not interfere with the internal economy of the country.

He said that Portugal's policy was unchanged from that which it has pursued in this respect since the refugee movement began and he emphasized that it would continue along its former liberal and broad humanitarian lines. He assured me that he was prepared at all times to cooperate with us fully along the lines of the established policy.

As far as making a statement or further announcement he enquired whether any of the other countries approached by us had yet done so. I would accordingly appreciate being informed if and when such announcements may be made in order that I may bring the matter once more to his attention.

HORWEB

cc-Madrid  
bp

CABLE TO BERN

FOR HARRISON FROM WAR REFUGEE BOARD

Please transmit the following message to Isaac Sternbuch, 3 Teufener Strasse, St. Gallen, from Rabbis Abraham Kalmanowitz and Aron Kotler of the Vaad Hahatzala Emergency Committee:

"Communication via legation received. Interventions requested by you being made stop Raising necessary funds do everything possible expand rescue work Holland, Belgium, France, Lithuania elsewhere wherever possible. Advise if you Jacob Grifill of Istanbul can do rescue work for Jews in Roumania and those entered Hungaria."

Original to Mr. Warren with Cover page information as follows:

"It will be appreciated if you will have the attached cable dispatched to Isaac Sternbuch, 3 Teufener Strasse, St. Gallen, from Rabbis Abraham Kalmanowitz and Aron Kotler of the Vaad Hahatzala Emergency Committee, and bill the Vaad Hahatzala Emergency Committee, 132 Nassau Street, New York, N. Y., for the cost of the message and any answer thereto."

(Signed) J. W. Pehle

FH:hd 3/14/44

## PARAPHRASE OF TELEGRAM SENT

FROM: The Secretary of State, Washington  
TO: The American Legation, Bern  
DATE: March 14, 1944  
NUMBER: 838

## SECRET

Please inform Noel Field, 12 Rue du Vieux College, Geneva that for the purpose of supporting medical work in refugee camps in France the Treasury Department has issued license number W-2149 to the Unitarian Service Committee, Boston, Massachusetts. With the exception that paragraph (A) of license W-2149 provides for medical work among refugees in refugee camps in France, and paragraph (B) provides that the total sums covered thereby shall not exceed 130,000 Swiss francs or the dollar equivalent thereof for the nine months beginning January 1, 1944, in all respects the terms of the license are identical to those issued to the World Jewish Congress, the Union of Orthodox Rabbis, and the American Joint Distribution Committee. The Treasury, the War Refugee Board and the Department have approved these operations.

HULL

DCR:MPL  
3/15/44

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: March 14, 1944  
NUMBER: 839

## CONFIDENTIAL

License No. W 2138 has been issued by Treasury to the International Rescue and Relief Committee, New York City, for the purpose of effecting relief and evacuation operations in enemy territory and territory occupied by the enemy. It is requested that information regarding this license be given to Rene Bertholet, 14 Wasserstrasse, Zurich. The text of this license is exactly the same as those issued to the World Jewish Congress, the Union of Orthodox Rabbis, and the American Joint Distribution Committee (please see our cable of February 21 No. 584) except that it is specified in paragraph (b) of the license to the International Rescue and Relief Committee that the total amount authorized for the half year period beginning February 15, 1944 shall not exceed Swiss francs 255,000 or the dollar equivalent.

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

HULL

## PARAPHRASE OF TELEGRAM SENT

FROM: The Secretary of State, Washington  
TO: The American Legation, Bern  
DATE: March 14, 1944  
NUMBER: 843

## CONFIDENTIAL

With the Union of Orthodox Rabbis we have considered the contents of paragraph (3) of your message number 1321 dated March 4, 1944. Please inform Sternbuch at once that he is authorized by the Union to use the funds already remitted for the purpose of carrying on evacuation and relief operations in any enemy-occupied region whatsoever, including France, Holland and Belgium. The license issued by the Treasury to the Union allows operations in accordance with its terms throughout enemy or enemy-occupied regions and individual countries are not specified, and Sternbuch should be so informed. However, in the instructions previously given by the Union to Sternbuch it is understood that mention was made only of Poland and Hungary. That this instruction should preclude operations elsewhere was not intended. The Treasury, the Department and the War Refugee Board have approved the foregoing message.

HULL

DCR:MPL  
3/15/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, BERN  
TO: SECRETARY OF STATE, WASHINGTON  
DATED: March 14, 1944  
NUMBER: 1568

## CONFIDENTIAL

On March 14 we delivered to Sternbuch personally the substance of the message contained in the Department's telegram of March 9, 1944, no. 784. The message will be transmitted to Szmulewicz as coming from Sternbuch.

HARRISON

TELEGRAM SENT

PLAIN

March 14, 1944

AMEMBASSY

ANKARA.  
202, fourteenth  
FROM WAR REFUGEE BOARD.

WRB's no. 6.

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.

HULL  
(GLW)

WRB:GLW:KG  
3/13/44

VMT-733

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

Ankara

Dated March 14, 1944

Rec'd 9:27 p.m., 15th

Secretary of State,

Washington.

452, March 14, 11 p.m.

Department's 189, March 11.

FROM HIRSCHMANN FOR PEHLE, WAR REFUGEE BOARD.

While I appreciate your offer to provide whatever funds may be required for effective operations on behalf of the Board's program here, at the present stage substantial sums are not required in this connection.

Two. Desire to point out that until the transportation of refugees by vessel from Balmanpots to Palestine has begun, substantial funds are not necessary as we are informed that the Jewish agency with the assistance of the Joint Distribution Committee is adequately provided with funds to finance the movement by rail.

STEINHARDT

HTM

American Embassy near the  
Government of Yugoslavia.

Cairo, Egypt,  
March 14, 1944

No. 18

SUBJECT: Ambassador's visit to the Yugoslav  
Refugee camp at El Shatt, in Egypt.

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

Sir:

I have the honor to report that on February 19th I visited the new Yugoslav refugee camp at El Shatt, in the western part of the Sinai Peninsula, a few miles from Suez. I was accompanied by the head of the Middle East Relief and Rehabilitation Administration, Mr. Matthews, and by my Special Assistant for Economic Affairs, Mr. Henry Hill.

The MERRA is operating this camp, which is still under construction on an immense scale, with a view to accommodating some 27,000 refugees. When completed it will measure 10 miles on a side and thus cover 100 square miles of desert. At present only a few thousand refugees are housed here, but more are coming in nearly every day, and a trainload actually arrived during our visit. All the refugees now here have been brought from the Dalmatian Coast by the British, via Bari. They are partisan sympathizers and many of them wear the red star of Tito. I am informed that all the rest who are coming are also expected to be from Dalmatia, and to be partisan sympathizers. All ages and both sexes are included, and I saw numerous young men and young women who were said to have already fought in Tito's ranks and "got their man", though both Mr. Matthews and later the British Ambassador assured me that the appearance of fitness presented by these warriors of both sexes is deceptive, and that in fact all the refugees of military age being accommodated in this camp have some disability, from wounds or otherwise.

When we arrived at the Camp, where we talked with the British Major Commanding, and visited the hospital, there was a mass meeting going on. The refugees are divided into committees or Soviets, and the Major was

about

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about to address the representatives of these in an effort to quell what he called a "terroristic campaign" on foot in the camp. Rumors were being circulated that the British had brought the refugees here to starge in the desert, that they were to be surrounded by barbed wire, etc., etc. Further more, it had come out that a number of Chetniks had escaped from Yugoslavia undetected in the crowd of Partisans, and such a danger had arisen that these might be liquidated in hot blood that the British had been forced to come to their rescue. I saw twelve such persons at the Greek camp a few miles away. They were pitiful creatures, mostly old women and children, but nevertheless the British authorities assured me that their danger had been real and acute. The British Commandant said he had the members of the supreme soviet on his side for the maintenance of law and order, and had little doubt but that his address, to be followed by another from them, would calm the situation. We did not wait to hear the speeches, but that order was maintained appears to have been the case, since no further trouble has been reported. This incident may serve to emphasize the different problems presented by this camp from those which characterize the Greek camp at Moses Wells (see my despatch No. 70 of March 13). The Greeks have politics in their heads but the Yugoslavs have hatred in their hearts. To such an extent is this last remark true that the Yugoslav refugees have refused even to be ministered to by nurses they suspect to be sympathetic to King Peter's Government, and it is obvious that if Americans are going to be assigned to El Shatt, only genuine Americans, like Dr. Wilson Dodd now working there, or Yugoslav-Americans of undoubted Partisan sympathies, will have any chance of success.

Respectfully yours,

Lincoln MacVeagh

Sent in original and hectograph to Department.

File No. 848  
LMacV/efb

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OFFICE  
SECRETARY OF TREASURY

NOT TO BE RE-TRANSMITTED

1944 MAR 15 AM 10 10

COPY NO. 11

BRITISH MOST SECRET  
U.S. SECRET

TREASURY DEPARTMENT

OPTEL No. 85

Information received up to 10 a.m., 14th March, 1944.

1. NAVAL

On 10th/11th a Motor Torpedo Boat sank a schooner off YUGOSLAVIA and captured 28 German prisoners. On 13th/14th one of H.M. Canadian Frigates escorting outward convoy sank a U-boat north of AZORES assisted by U.S. destroyers and aircraft. 7 Germans picked up.

2. MILITARY

RUSSIA. Russians report following advances: Southwards beyond main railway east of TARNOPOL towards VINNITSA from east-westwards from KOROVRAD area and across lower DNIEPER where they have recaptured KHERSON.

BURMA. ARAKAN. On 11th/12th our troops in face of some opposition landed in the ALETHANGYAW area southeast of MAUNGDAW and are advancing inland towards MAYU HILLS.

3. AIR OPERATIONS

WESTERN FRONT. 13th. Medium and light bombers dropped 68 tons on military constructions, Northern France. One Mosquito missing.

271 escorted Fortresses and Liberators on same objectives abandoned task owing to weather. Two Fortresses missing.

13th/14th. Aircraft despatched:

LE MANS	222 (one missing)
FRANKFURT and other objectives in Germany	39 Mosquitoes
Sea-mining	35 (one missing)
Leaflets	28
Intruders	26 (one missing)

Weather cloudless LE MANS marking good and bombing believed concentrated. Six German aircraft operated over SUSSEX Coastal areas and six more off shore. A few bombs dropped at EASTBOURNE, WORTHING and LANCING. No fatal casualties reported.

ITALY. 11th/12th. 37 Medium and Heavy Bombers attacked railway objectives at GENOA through cloud. One aircraft missing.

12th. Weather prevented bombing.

OPTEL No. 84 not sent to WASHINGTON.

March 15, 1944  
9:30 a.m.

CANADIAN DOLLAR BALANCES

Present: Mr. Bell  
Mr. White  
Mr. Hickerson

H.M.JR: Will you start? I don't quite understand this question of the Canadian securities, so will somebody give me an over-all picture on the dollar balances as to where these securities come in? Let's have the whole thing instead of a piece at a time.

MR. WHITE: They have cash and dollar balances as of the end of last year when we began the serious end of the negotiations of six hundred and fifty million dollars.

During the year they had sold--the Canadians, not the Government--Canadian private individuals had sold Canadian securities. They also had bought American securities. There is a lot of business always going back and forth. The net result of that--the net proceeds from sales was about one hundred and nine million dollars.

H.M.JR: To them?

MR. WHITE: In other words, a hundred and nine million dollars which they have represents a change in their international security position.

MR. BELL: The Americans buying Canadian securities, too?

MR. WHITE: Both. It is the sum of both sets of gross transactions. They want to set that one hundred and nine million aside because, they say, "We are worse off to that extent. We used to have American securities, and Americans had less Canadian securities, to that amount

- 2 -

on balance." That is something we never agreed to, but they kept putting the figures in, and they have them in now. We haven't agreed on that with England.

H.M.JR: That hundred odd million should not be counted in the balances.

MR. WHITE: They want to deduct it from the six hundred and fifty million so they would appear to have had at the end of last year five hundred and forty million, instead of six fifty.

H.M.JR: Could I put it another way? It really raises the minimum from three fifty to four fifty. Is that correct?

MR. WHITE: That is correct.

MR. BELL: They want to reserve one hundred and nine or one hundred and ten million dollars to meet this liability if the shift goes the other way.

H.M.JR: But also, I say it is correct; it raises the minimum from three fifty to four fifty.

MR. WHITE: Put it that way. Since the first of the year there is another twenty million.

Incidentally, those figures are larger than their own published figures, and larger than ours. They say they are accurate, I mean, the amount of security transaction. They have exchange control, so they ought to have careful figures.

H.M.JR: I understand that. Now, if they do, however, did they agree to pay back exclusive of the thirty million for those northern airfields--about forty million dollars all together?

MR. WHITE: Actually, they are paying much less back than what we are dressing this up to. I don't think we ought to give in. They are actually paying back one hundred

- 3 -

five million dollars, which consists of three items: for goods shipped on Canex account; that is a reimbursement which they don't have to give us at all. It is an actual repayment of sums which they had a long time ago, a reimbursement on a Navy contract on 2B2 planes of twenty-two million. They are buying these Northwest airfields for thirty-three million.

The telephone line, for which you had suggested paying half--they want to pay it all and buy it outright.

MR. HICKERSON: I had a question about that. I don't think that we should agree to that for the moment. Our War Department has a very keen interest in it. If they want to reimburse us for all of the telephone lines on Canadian territory, we couldn't object to that, but part of that is in Alaska. It goes all the way to Fairbanks, so we can't permit them to reimburse us for the entire cost of the telephone line.

We expect, Mr. Secretary, to work out an agreement with them to sell that to, say, the Bell Telephone Company of Canada, or some private company. And the two governments would make an arrangement with the company to keep it in operation. There is not enough traffic to enable it to make a profit, but it has to be kept going. So I have a question mark there I will have to clear with the War Department.

MR. WHITE: I told them there was a question mark that we had not cleared with the State Department, and we didn't know, there might be some objection.

But they say they can't understand how two people can operate that line; and though you ask them to pay half, the fact that they offered to pay for it all led me to think we ought to check.

How much would it be?

MR. HICKERSON: Half of it, or the part on Canadian territory?

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MR. WHITE: Yes.

MR. HICKERSON: I can't tell you that.

MR. WHITE: Hold that in abeyance.

H.M.JR: Are we just maintaining our interest in the Alaskan end, or half interest in the whole line?

MR. HICKERSON: My suggestion, which was informally approved by the War Department was that they pay for half of the cost of the entire line, irrespective of whether it was in Canada or Alaska.

H.M.JR: How much is involved?

MR. HICKERSON: About five million dollars, all told.

H.M.JR: Do you want to hold that out?

MR. HICKERSON: I have a little question mark on that. The eight million dollars looks very much as if it is three-fourths of it, which might well be the part in Canadian territory.

MR. WHITE: The last item was for capital advances in subsidies, which was submitted as three million, making a total of one hundred and five million dollars that they are actually repaying, which would have reduced their year-end balances from the six hundred and fifty to five hundred and forty-five if we don't count their securities.

Now, there are other payments which they are making.

H.M.JR: This is the way I feel: In the first place, I think the Canadians are unique in the way they have conducted themselves. I wish the British could learn from them.

MR. HICKERSON: I wish we could learn a little from them, too.

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H.M.JR: That is all right. We can certainly learn. Now, I want to look into that aluminum thing, and I don't want to, as of today, give up the one hundred and nine million dollars on the securities, pending what happens on the aluminum thing. I mean, I might give up if they say, "Will you take this aluminum thing off our hands?"

MR. WHITE: Well, you have to find something for them to pay back. Otherwise, it isn't a question of giving anything up. Either you have to ask them for more payments, or not. The longer you wait, the more these contracts--

H.M.JR: We can tell them that forty million in airfields is not a good buy, "But you tell us where there is another forty million."

MR. WHITE: That is right.

H.M.JR: How is that? I will say, "I can't sell it to you." Now, the war is three or four years old; it looks terrible. At the time, somebody thought it was necessary.

MR. HICKERSON: General Arnold thought it was a good idea.

H.M.JR: With the submarines around Iceland and Greenland, you know-- "But you tell me the forty million dollars that looks better to you."

MR. HICKERSON: It shouldn't have been done. It looked good at the time. It is money spent in Canadian territory, and I think it is better from their standpoint than some of the other things they are reimbursing us for. If you want to argue it on its merits, we can't do it, because the fields haven't been completely finished. They are useful; the runways are all right. Mark my words, that thing may well be worth a lot to Canada.

H.M.JR: We used Canadian labor, didn't we?

MR. HICKERSON: Yes.

H.M.JR: I am not even going to attempt to sell it to them. I will say, "Gentlemen, in order to accomplish t

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thing we have to get some more money and more projects. Now, maybe you can find some."

MR. WHITE: This one hundred and fifty-five million dollars they are going to pay us, which we have added to-- we made it clear, although they keep ignoring it and treating it differently--that is payment they would have had to make anyhow if they had wanted lend-lease. They got tanks from us. They were going to pay for them. Some of the payments would be a little bit later. We are just speeding them up. The same thing is true of these Canpay accounts.

MR. BELL: You say one hundred and five million. Then you say one hundred and fifty-five million. Isn't that the result of that two hundred and sixty million dollar deduction from their balances, almost immediately bringing it down to five hundred and fifteen?

MR. WHITE: That is the way we can dress it up. But let's keep in mind what they are giving us is only one hundred and five, because this other one hundred and fifty-five they would have paid anyhow during the course of the year, and it should be deducted from their balances of that date, which are increasing.

MR. BELL: It doesn't make any difference when you deduct it; it has to come out of their balance.

MR. WHITE: But it makes a difference what you have left.

MR. HICKERSON: There is one other thing to take into account on your total. These pictures are pretty well out of kilter because of the perfectly fantastic expenditures of the U.S. Army in Canada. They have done all sorts of things. They let over five hundred million dollars' worth of projects-- this Canol matter, and all of these things, some of it for the purchase of goods, and some for construction. That is over. They are over the hump on that. There will be very little more of that. The highway is finished. This Canol pipeline project will be finished in April. Their heavy expenditures are

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over. The maintenance expenditures will be moderate, so the buildup will not be so great.

(The Secretary held a telephone conversation with Mr. Donald Nelson, as follows:)

March 15, 1944  
9:46 a.m.

HMJr: Hello.

Donald  
Nelson: Hello, Henry.

HMJr: How are you?

N: How are you feeling these days?

HMJr: Very well, thank you.

N: That's good.

HMJr: Look, Don, we here in the Treasury are working with the Canadians on their dollar balance position.

N: Yes.

HMJr: And I've raised the question about our contract for aluminum in Canada.

N: Yes.

HMJr: Now, the first thing that I, of course -- before I go into it -- I've just told them -- I've raised the red flag, but I just would like to find out from you what our aluminum position is and are we stockpiling aluminum? Do we need this aluminum and so forth and so on?

N: I'll be glad to get you all the figures.

HMJr: And then the question comes after that -- let's say that we've got all the aluminum we need -- I wonder if you know whether we can cancel that contract or not.

N: Yes. Of course, the difficulty there is this, that when you cancel the contract....

HMJr: Yeah.

N: ....you see, under the contract that was made by R.F.C. ....

HMJr: Yes.

N: .... you return to them any unpaid portion of that contract. They pay 5% a pound....

HMJr: Yeah.

N: .... toward the cost of the plant, which was advanced by the United States.

HMJr: Well....

N: If you cancel the contract, you give them the uncompleted facilities.

HMJr: Well, this is the way I understand it, roughly, and I may be all wrong, if we carry out the contract to its completion, it involves the payment on our part of some hundred million dollars. If we cancel it, it will cost us about eighteen. Now, that may be all wrong but that's what I was informed.

N: Roughly, that's -- roughly, that's about right. Of course, in one case you have the product.

HMJr: Yeah.

N: And in the other case you don't have.

HMJr: Yeah. Well, would you mind looking at it and....

N: I will be glad to do it.

HMJr: ....and advising me on the -- on the all-around thing?

N: I shall be glad to do it. I'll get it up right away for you.

HMJr: If I could have it fairly promptly....

N: I'll be glad to get it for you promptly. I think I can have it for you before the end of the week.

HMJr: That will be very fine.

N: Okay, sir.

HMJr: Thank you.

N: Good bye.

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H.M.JR: He is familiar with it. He said that the figures are approximately right.

MR. WHITE: You don't get the aluminum?

H.M.JR: Yes, but he will give me an all-around picture--that was Nelson.

MR. WHITE: I don't think the aluminum is worth anything. I don't see how they will sell it. They have capital which is greatly in excess of peacetime uses. I think the Government will be stuck with it unless they want to keep it as a permanent stockpile. I don't think they will ever let them sell it.

H.M.JR: The stockpile will be so big you won't be able to see the Pentagon Building. I don't think there will be any sympathy, but great criticism from the Hill, if we begin to stockpile now, and simultaneously shut down any of our own plants and put people out of work.

MR. WHITE: Yes, I think we ought to take our losses and run.

MR. HICKERSON: The West Coast Aluminum they have cut out on.

H.M.JR: Let's say they close a plant and one hundred men are put out of work, and we keep employing people in Canada and pay good tax dollars.

MR. WHITE: Except they say there is a labor shortage here. I don't know whether there is, but that is their answer.

MR. HICKERSON: It works both ways.

H.M.JR: I still say, if the facts were known, the taxpayer wouldn't like it.

MR. HICKERSON: They say there is a labor shortage in Canada, too. We have been trying to get woodsmen.

MR. BELL: Didn't the Canadians say this was a private matter and would have to be handled on that basis? They weren't so much interested as the Government.

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MR. WHITE: There are two possibilities; one is that we cancel the contract, take the loss, and not get the aluminum. The other possibility is to have the Canadian Government take over the contract, in which case we would not lose nearly so much, but the Canadian Government would be very, very reluctant to take that over.

MR. BELL: They don't need the aluminum. Did they get any aluminum from us?

MR. HICKERSON: Oh, no.

MR. BELL: They have enough production there?

MR. HICKERSON: Yes, they produced a large part of their supply and practically all of the British.

MR. BELL: This aluminum contract isn't going to interfere with this settlement. The Canadians will look upon that as just cutting down future dollar receipts and shouldn't be a part of that at all, except the Secretary mentioned he is going to look into it.

MR. HICKERSON: It has very little to do with it.

MR. WHITE: This thing should be settled now.

MR. BELL: If the Canadians would accept the forty million dollars which they have tentatively projected--

MR. WHITE: They will have had a good deal out of this.

MR. BELL: And getting credit for the one hundred and nine would be a good deal.

MR. WHITE: And we could dress it up as though it was a good deal for everybody concerned.

MR. BELL: And if you could keep future receipts down to a reasonable basis--

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MR. WHITE: You are not interested in that.

MR. BELL: You are doing that under Number 3. If you get the aluminum contract out of it you do it further.

MR. WHITE: No, if they rise to a billion dollars by the end of next year, we say God bless them.

MR. BELL: I say again, that is right.

MR. WHITE: Providing we settle that now. We shouldn't let it drag.

H.M.JR: I want to be a little more foresighted than we were on that liquor deal in '34. If we were smart we could have seen this liquor shortage coming.

MR. HICKERSON: And had a lot of liquor.

H.M.JR: A little private reserve.

MR. WHITE: Here is your chance to get a private reserve of aluminum!

MR. HICKERSON: Harry, isn't this correct? There is not one chance in a hundred that the Canadian Government would take over that contract.

MR. WHITE: The chances are slim.

MR. HICKERSON: Very slight. If we choose to cancel it, that is our business. A contract between Metal Reserves and a private company--

H.M.JR: I want the pen with which Jones signs the cancellation!

MR. BELL: That is the reserve pen.

H.M.JR: That will be a metal reserve.

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MR. HICKERSON: It is a very hot political subject. I don't think they will touch it.

H.M.JR: You mean the Government?

MR. HICKERSON: That means that we can cancel it and pay the price, if we want to.

H.M.JR: Oh, yes, that won't affect the Government, but it would mean less dollars coming.

MR. HICKERSON: That is right.

MR. WHITE: Can't we sell the contract to the Aluminum Company of America? They can export it after the war. Why should we take all that loss?

H.M.JR: It is too early to be facetious. We have five minutes to go.

MR. HICKERSON: They have built up, with our help in maintaining the dollar position, a large stock of U. S. dollars. Now, for our purposes we can forget the aluminum matter. That doesn't affect our deal with the Canadians. It has been mentioned to them; the red flag has been raised. There may be something coming, although it doesn't directly concern them now.

Now, when we bring down their balances to a reasonable figure, that to be determined, I hope, this morning, then we are relieved by further exchange of letters between you and Ilsley of the obligation to maintain--to make purchases up there, to provide exchange, and so forth. After that is done, if they get up to a billion or two billion dollars, we wish them well. They are grand people. We have no obligation. Contrariwise, if they go down to two hundred or one hundred and fifty million, they can re-open the question. But, we have no obligation unless it is re-opened.

MR. BELL: Does that--

(The Secretary left the conference temporarily.)

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H.M.JR: I have to stop in a minute. I have to do one thing. You just summarized that thing when I was out of the room. Will you summarize it once more?

MR. BELL: I don't know as I would approach it just like Harry did. I was looking at it from the standpoint of taking two hundred and sixty million dollars out of the balance, bringing it down to somewhere in the neighborhood of five hundred million dollars. I said that if you could get the Canadians to keep this forty million dollar group of items down here, aggregating forty-one million and seven hundred thousand, which they have tentatively rejected, and give them the credit for the one hundred and nine million dollars for the security sales, they would have in the neighborhood of four hundred and sixty or seventy million dollars which you would let them have with that reserve of one hundred and nine.

Then with the understanding that the aluminum contract is separate and distinct from this settlement, and that if you get that cancelled, why--but it would cut down on their future dollar receipts.

H.M.JR: Bring it down to three hundred and fifty plus that one hundred and nine.

MR. HICKERSON: That is the point.

MR. WHITE: That is what we can say, but let us keep in mind that of that one hundred fifty million dollars in money that they would have to pay in the future in any case--they are getting a very good deal out of it.

MR. HICKERSON: Excellent.

MR. BELL: Can you say that that one hundred and fifty million dollars is in the seven seventy-five? Unless you look to future dollar receipts--that is what they have to pay.

MR. WHITE: It depends on when they have to pay it. They don't have to for some time. We are speeding up the payment to make their balances look smaller.

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H.M.JR: I have to make this one call before I see them. I think that we ought to tell them we want that forty million for that purpose, or some other purpose.

MR. HICKERSON: Something better from their standpoint--

MR. WHITE: I think you need that forty million.

MR. BELL: They were going back and talk to their people in Canada as to what they could do with this forty million. They may have a suggestion to make.

H.M.JR: I would like one minute to call the Hill.

Meeting in Secretary's Office  
 March 15, 1944  
 9:30 A.M.

Present: Secretary Morgenthau  
 Mr. White  
 Minister Ilsley,  
 Mr. Clark and  
 Mr. Plumtre of Canada  
 Mr. Hickerson, State Department

The discussion on the program of reimbursements and cancellations was continued from the previous afternoon. Mr. Ilsley reported that he had not yet heard from his Government on the question of reimbursement for the airport. He said he hoped that we would not insist upon those items if his Government felt it would be too difficult to do. The Secretary replied that unless they could find some better way of making up the \$40 million he thought that it should be done. He said it was going to be difficult to get the amount down within the range which had been agreed upon the year before unless \$40 million more were added to the program. We again went over the totals in the schedule and White explained that the only way in which the amount could be reduced to the range agreed upon was to permit the Canadians to set aside the \$120 million to offset net security transactions even though we had never specifically agreed to that arrangement. The Secretary said that under the circumstances he didn't see how the matter could be closed unless the Canadians did find some way of adding some \$40 million in place of the air route if they rejected payment on the air route.

Hickerson said that he had made some inquiries and it was his understanding that the Dominion air fields were being used. Mr. Ilsley replied that his information seemed to indicate that if they were being used they were being used very little.

Mr. Hickerson suggested the possibility of the Canadian purchase of the Canol oil properties. Mr. Clark at once expressed some interest but the Secretary quickly added that Mr. Hickerson was speaking for himself alone and not for the Treasury or the Government in making that suggestion; that he, the Secretary, did not know enough about the fields and would not make that suggestion. He said he presumed that Mr. Hickerson was just being facetious. Mr. Hickerson quickly added that of course he wasn't serious in that suggestion. The Secretary said that he would like it made clear that that suggestion wasn't being made.

Mr. Ilsley said he expected to get in touch with his Government that afternoon and to be able to make a final decision before he left. He hoped to be able to leave that evening for the West Coast. It was arranged that Mr. Clark would get in touch with Mr. White that afternoon to draft the kind of letters which might be exchanged as soon as the decision on the air field had been obtained.

H. D. White



March 15, 1944 85  
9:59 a.m.

HMJr: Hello.

Operator: Mr. Doughton.

HMJr: Hello.

Operator: The other phone, Mr. Doughton.

Robert  
Doughton: Hello.

HMJr: Hello, Bob?

D: Yeah.

HMJr: Henry talking.

D: Yeah.

HMJr: Well, I hear that you handled a very difficult situation up there in a masterful manner.

D: Well, I don't know about that. I've kept it out of the papers.

HMJr: Well, as always, you've been a gentleman and a scholar.

D: Well, I'm no scholar but I try to be a gentleman, and I thank you, Henry. I'll tell you another thing.

HMJr: Yeah.

D: Now, so far as I'm concerned....

HMJr: Yeah.

D: ....I've talked to the boys on your staff about that pretty plainly inside -- executive --

HMJr: Yep.

D: ....but they want it frankly for the purpose of establishing and maintaining better relations.

HMJr: Yes.

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D: But now I've said the last word to them....

HMJr: Yeah.

D: ....or anybody else....

HMJr: Yes.

D: ....about anything that's occurred in the past that was not satisfactory.

HMJr: Good.

D: Anything that comes up in the future it will -- anything that I ever say in the future will be something that comes up in the future.

HMJr: Well, then you....

D: You see....

HMJr: Then you....

D: ....the book's closed with me....

HMJr: Fine.

D: ....and I'm very appreciative of the -- of the very cooperative manner and courteous manner and gentlemanly manner in which you handled it.

HMJr: Well, I was just trying to follow in your footsteps.

D: An, no, not that, but you, as always, are inherently -- inherently a gentleman you are.

HMJr: Well, I'll tell you, Bob.

D: Yeah.

HMJr: I'd like to consider the matter closed.

D: It's closed with me.

HMJr: And I'll say a little prayer that nothing comes up now -- again -- for a while, at least.

D: If anything comes up, I'll talk to you first. And if anything is up down here that you think that I should know you don't -- that you don't understand why -- uh -- what I do, you take it up with me.

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HMJr: That's right.  
D: Thank you very kindly.  
HMJr: Thank you.  
D: All right. Good bye.  
HMJr: Bye.

March 15, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

The Committee on Ways and Means met to discuss tax simplification from 10 a.m. to 11:40 a.m. and are scheduled to resume at 2:30 p.m.

I had stepped out of the room when Chairman Doughton arrived. As soon as I came in he came over very jovially, took my hand and held it playfully, and drew me aside to talk with me. He said that he had already talked with Mr. Surrey; that he had not seen me when he came in the room. (Mr. Surrey indicated to me that his conversation with him was along the same lines as is indicated herein.)

I told the Chairman that I also had a point to mention to him. He asked me what it was and I said I wanted to make sure that it was brought to his attention that Secretary Morgenthau had not himself chosen to hold a press conference but that he was obliged to do so after the President referred reporters to him in response to a question at the White House press conference. Without comment Chairman Doughton launched into a very cordial conversation to the effect that the Secretary had called him this morning and thanked him for the way he had handled the matter and kept it out of the newspapers. The Chairman said that he would not have raised the matter in Committee if Congressman Robertson had not brought it up.

The Chairman asked if the letter to Congressman Brooks was given to the papers by the Treasury or by the Congressman. I said I was positive that it was not given out at the Treasury, that it was simply one letter among many in response to questions asked by Congressmen, and that there was no intention at all to give rise to any difficulty or publicity. The Chairman said he was sure that was the case but that he felt the letter was a mistake nevertheless and I agreed with him. (The above paragraph may give the impression that the Chairman was digging up everything all over again. Such was not the case. It was very amiable and in the nature of finally burying the matter.)

- 2 -

The Chairman said that so far as he was concerned he would not mention the matter again and that anything he might have to say to us in the future would be based on something that happened hereafter and not on anything that has happened in the past. I expressed my pleasure at his remarks and assured him that I hoped nothing would arise to disturb the cooperative relations between the Treasury and the Committee. He said that was his hope too and he appreciated the way in which the Treasury people had been working with the Committee.

I took opportunity to thank the people who were on the American Forum of the Air program last night (Congressmen Robertson, Mills, Carlson and Dewey) for not allowing Mr. Jacobstein (a former congressman who is now with Brookings Institution) to lead them into criticism of the Treasury, as he attempted to do in the broadcast. They indicated that that would not have been fair and one of them said that Mr. Jacobstein had it in for them too.

The meeting was given over largely to a discussion of a slightly revised "alternative" rate schedule which would slightly reduce taxes above about \$3,000 without affecting simplification and with little effect on revenue.

Commissioner Nunan was present and was asked for his opinion by Mr. Robertson. The burden of the Commissioner's remarks was that the Committee would have to take the responsibility for the bill and ought to consider the matter very seriously.

The Chairman is trying to get the Committee to the voting stage as rapidly as possible and may succeed in getting some decisions this afternoon.

One matter that occupied the Committee for several minutes at the opening of the session was the Drew Pearson story in this morning's Post about "leaks" by members of the Ways and Means Committee. For example, Mr. Disney said that in his fourteen years with the Committee there was only one action that had not leaked out and that was the time the Committee had taken a member to task for giving out information.

RFB

March 15, 1944

## MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

The Committee on Ways and Means resumed its discussion of tax simplification at about 3:15 p.m. A number of questions were raised and answered for the Committee about the plan. They then voted to adopt tentatively the summary of the plan, a copy of which is attached, with minor changes in rates in certain brackets. The ban of secrecy on the plan and on the Committee's action was continued.

The Committee adjourned to meet Friday morning at which time the return forms which can be used under the proposed plan will be shown to the Committee and examples worked out for them. At that time it is Chairman Doughton's hope that the Committee will definitely accept the plan and issue a press release describing it. The Joint Committee and Treasury staffs were asked to prepare such a press release to be available for the Committee Friday morning.

Mr. Cooper did not vote to adopt the plan, saying that he did not yet understand it but he did not indicate that he would necessarily oppose it. He and others would prefer to eliminate the Victory tax entirely but the general sentiment of the Committee is so strongly in favor of not leaving out the nine to eleven million taxpayers involved that such action is not to be expected. Although many of the Committee members are only partially informed regarding the plan, it is my opinion that the plan will be reported by the Committee in substantially its present form.

Attachment

RB

## WAGE TAX TRAINING

and the tables and the tax rate on the basis of the amount of the tax withheld. The tables and the tax rate on the basis of the amount of the tax withheld will be determined on the basis of the amount of the tax withheld.

— 1966-67 100,000 tables to annual table rate, and the tables will be determined on the basis of the amount of the tax withheld.

**SUMMARY OF PLAN**

- (1) Repeal the present Victory tax and levy a 3-percent normal tax on net income in excess of \$500.
- (2) Reconstruct surtax tables to include the present normal tax.
- (3) Provide a tax table applicable to all incomes up to \$5,000.
- (4) Allow presumptive deductions of 10 percent for all persons with total incomes under \$5,000, and \$500 for all persons with incomes of \$5,000 and over. Persons having actual deductions in excess of presumptive deductions can take actual deductions.
- (5) For surtax purposes, allow a personal exemption of \$500 for single persons, \$500 for each spouse filing separate returns, \$1,000 for married couples and \$500 for each dependent. In other words \$500 per person.
- (6) Taxpayers for whom collector will determine 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.

- (7) 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.



March 15, 1944  
10:35 a.m.

Re: CANADIAN DOLLAR BALANCES

Present: Mr. Bell  
Mr. White  
Mrs. Klotz

(The Secretary holds a telephone conversation with Mrs. Dorothy Brady, as follows:)

March 15, 1944  
10:53 a.m.

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Operator: Yes, sir.

HMJr: What's the matter?

Operator: I'm waiting for them to come to the phone.

HMJr: Who?

Operator: I don't know which one I'm going to get, sir.

HMJr: All right.

(Pause)

Operator: Miss Brady. Go ahead.

Dorothy  
Brady: Hello, Mr. Secretary.

HMJr: Hello, Dorothy. How are you?

B: Fine. How are you?

HMJr: Good. I got that so-called Hopkins memorandum.

B: Oh, you did?

HMJr: Yeah.

B: Uh huh.

HMJr: Now, thanks for that -- now, I need some more.

B: You do?

HMJr: You know I'm still working to prepare an answer. You see? The President sent a memorandum to the Prime Minister on the 22nd of February. Hello?

B: Yes.

HMJr: Now -- and then the Prime Minister came back with an answer. Now, before the President sent that on February 22nd, Mr. Stettinius prepared a draft....

B: Uh huh.

HMJr: ...and I also understand that he sent a -- I'm told he sent a memorandum protesting against the President sending this.

*not attached  
A.D.S.*

- 2 -

B: Uh huh.

HMJr: Now, if I could have what Mr. Stettinius gave the President pertaining to this whole question of dollar balances, -- it must have gone to the President either on February 22nd or prior to that.

B: Uh huh. And that's what you want now?

HMJr: That's what I want now.

B: All right. We'll make a look in the files and....

HMJr: Well, you see -- in other words, the State Department says they protested -- they didn't want the President to do this. Well, I want to know what they did advise the President.

B: Yes. All right, Mr. Secretary.

HMJr: If I could have that....

B: We'll let you know.

HMJr: I thank you.

- 2 -

H.M.JR: Now, I wanted you to hear that. That is correct, isn't it?

MR. WHITE: That is what Dean Acheson said at the meeting.

H.M.JR: That is what you have got.

If I could see you (Bell) in about half an hour - could you wait that long?

MR. BELL: Yes, it's just about closing the books.

H.M.JR: I promise to see you before twelve o'clock.

MR. BELL: Fine. That is time enough so I can get a press release out.

March 15, 1944 96  
10:58 a.m.

HMJr: Hello.

Operator: Senator McCarran.

HMJr: Hello.

Senator McCarran: Hello.

HMJr: Henry Morgenthau.

M: Yes, Mr. Secretary.

HMJr: How are you?

M: Fine, thank you. I hope you are well.

HMJr: I'm fine.

M: Good.

HMJr: I'm calling you up on a new subject between us.

M: Yes.

HMJr: Liquor.

M: Oh, yes. Have you got any?

HMJr: (Laughs) I wish I had. I'm not -- I wish I was one of those petty hoarders I saw you were talking about.

M: Where is it?

HMJr: Well....

M: (Laughs)

HMJr: ....that's what I want to find out.

M: Yeah.

HMJr: I had this in mind and before I went any further I'd like to feel that we -- you and I -- were working on the same track.

M: Yeah.

- 2 -

HMJr: And that is this -- I -- we've been doing a lot of work here, and fairly successful, in getting violators who have been exceeding the O.P.A. regulations.

M: Yeah.

HMJr: Largely wholesalers.

M: Yes.

HMJr: And I was thinking of calling in the managers of the larger distilleries.

M: Yes.

HMJr: And having a talk with them to see whether they could help us on this enforcement business.

M: Yes.

HMJr: Because I think the O.P.A. people, without trying to be unfair to them, are more or less throwing up their hands on it.

M: Yes.

HMJr: And we've been fairly successful. Now, if we had such a meeting with these distillers, would that in any way supplement what you're doing?

M: Well, I think maybe it would give us some light. It would help us in what we're trying to do.

HMJr: Well, now, would you care to attend such a meeting?

M: I'd care to attend, yes, Mr. Secretary. But, in any event, I would ask you to let my counsel for my Committee attend in case I couldn't attend.

HMJr: Well, now, we were thinking of having it at ten o'clock Friday morning.

M: Well, I'll -- I'll try to be there if I can and I want my counsel with me, if you please.

HMJr: Oh, surely. But would this be along the lines that you would....

- 3 -

M: I'd like to hear it just to see if it wouldn't be along -- I think it might be.

HMJr: Good. Now, I'm going to have somebody here from Justice to make sure that we don't overstep the lines -- what they're trying to do.

M: Yes.

HMJr: You see? And I'm going to ask Bowles to send somebody.

M: Yes.

HMJr: But what we're -- it's the enforcement angle only that I'm interested in.

M: Yeah. Well, of course, the enforcement angle may bring out what we're driving at and what we're driving at is to try to release it and look into the reasons why it's being hoarded and held up and otherwise jockeyed around.

HMJr: And also what I was thinking -- if we could do something once and let us Democrats get the credit.

M: That's right.

HMJr: What?

M: All right. That's fine. That's what I'm after.

HMJr: Does that sound good to you?

M: Yeah, we need it.

HMJr: Yeah, and I want to help.

M: All right.

HMJr: Well, then, I'll look for you and your counsel, one way or the other and if you could let -- have your office let me know. It will be ten o'clock Friday.

M: Where will it be?

HMJr: In my room.

M: All right. Thank you.  
HMJr: Thank you.  
M: Thank you, Mr. Secretary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

100

DATE

March 15, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

Re: The Liquor Meeting

1. The two men you spoke of last night as having cooperated with you before are Louis Rosensteil of Shenley's, who is now in Arizona with a sick wife, and Seton Porter of National Distillers. He will be invited.

2. I confirmed the 10:30 date with Harold Jones of Distilled Spirits Institute and he will invite the people and will double-check the list of people for any additions which the industry believes should be included.

3. You wanted to be reminded to invite Chet Bowles and somebody from the Department of Justice.

March 15, 1944<sup>101</sup>  
11:41 a.m.

Commissioner  
Nunan:

....thank you. How are you?

HMJr:

I'm very well. What I'm calling you about is this: I've got Fred Smith working on an idea to try to explain to the public a little bit more how we collect this revenue.

N:

Yes, sir.

HMJr:

And it's going -- he needs a little money -- it's going to cost around six thousand dollars and Mr. Bell says you've got it.

N:

All right.

HMJr:

Now, a little later Mr. Smith will be in touch with you and explain the project to you.

N:

Fine.

HMJr:

And if you think well of it, I'd like your cooperation and what's more important, your money.

N:

Yes, sir.

HMJr:

I mean, it comes out of Internal Revenue.

N:

Well, I was hoping that.

HMJr:

(Laughs)

N:

Certainly, Mr. Secretary.

HMJr:

Nothing personal.

N:

All right.

HMJr:

But he'll be in touch with you a little later and, as I say, you take a look at it and if it looks good to you, why I'd like you to get back of it.

N:

Yes, sir. I'll do that.

HMJr:

Thank you.

March 15, 1944<sup>101</sup>  
11:41 a.m.

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Yes, sir.

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Well, I was hoping that.

HMJr:

(Laughs)

N:

Certainly, Mr. Secretary.

HMJr:

Nothing personal.

N:

All right.

HMJr:

But he'll be in touch with you a little later and, as I say, you take a look at it and if it looks good to you, why I'd like you to get back of it.

N:

Yes, sir. I'll do that.

HMJr:

Thank you.

- 2 -

N: I've been up at the Ways and Means for two mornings and I think things are progressing very well up there.

HMJr: Were you there this morning?

N: Yes, sir. I was up this morning again and, of course, they have an alternative plan, as you know, on the simplification and the other plan and they tried to ask us which we advised and I stood right up and told the Committee -- I said, "This is your responsibility."

HMJr: Yes.

N: "We're offering both plans. It's going to be your plan in the end. Now, you take which one you want."

HMJr: Yes.

N: "We don't recommend either one." And I think that they have to be told that -- that it's their responsibility.

HMJr: Well, I had a talk with Brother Doughton about five minutes of ten...

N: Uh huh.

HMJr: ....complimenting him on the masterly way in which he had handled this explosion.

N: Uh huh.

HMJr: And he said as far as he was concerned it was a dead horse.

N: Dead.

HMJr: And it wasn't going to come up again.

N: Well, it shouldn't have come up yesterday. I mean -- I so happened to be out at the Shoreham last night when they had the debate on tax simplification over the Forum Hour.

HMJr: Yeah.

- 3 -

N: And I was entertaining all the heads of the Department here at dinner so as to meet them and we all went and attended it.

HMJr: Yeah.

N: And by golly, everything that was in the plan was discussed right over the air, so it's not a secret any more, including the 10% over-all, the five hundred per capita, everything came out.

HMJr: Is that right?

N: Yes, sir, right at the Forum of the Air last night.

HMJr: Well, I didn't know that.

N: Yes, sir. Well, I'll be waiting for Mr. Smith, Mr. Secretary.

HMJr: Thank you.

N: All right. Thank you.

March 15, 1944  
2:17 p.m.

Rep. Adolph  
J. Sabath:

Hello.

HMJr:

Morgenthau speaking.

S:

Hello, Mr. Secretary.

HMJr:

How are you?

S:

I'm pretty fair -- working like a mule.

HMJr:

Well, that's what you usually do.

S:

Yeah. We just got that voters -- soldiers voter bill off. I didn't want to trouble you, but there is a matter that I took up with John L. Sullivan.

HMJr:

Yeah.

S:

And I think you ought to know the faction that -- to me it looks awfully dangerous and bad -- what the -- that O.P.A., that is, Sullivan is following the recommendations suggested of the O.P.A.

HMJr:

Yep.

S:

And that there's a combination and a bunch in there that's absolutely controlled by the combination that has been robbing the Government of about \$500,000 a year, due to the fact that they got their contracts from the Division under you -- what do they call it?

HMJr:

Procurement.

S:

Division -- Procurement Division -- without -- just one bid and about 4% where the other people broke in and offered, I think, about five times as much, and I think if you would know the facts, I'm afraid Sullivan, though he means well, he's influenced by that combination that he says, "Well it ought to be investigated," but still he wants to give that contract out today.

HMJr:

Yeah.

S:

And I think if I would have just about ten minutes -- you know, I don't trouble often....

HMJr: Yes.

S: ....but this is a very important matter and I'm afraid there'll be a lot of unfavorable publicity on it.

HMJr: Yeah.

S: Now, if I could talk to you this afternoon or tomorrow morning at any time for about seven minutes or no more than ten minutes, I'll appreciate it.

HMJr: Well, I'm -- I'm always available, you know. If you want to come down at -- at....

S: Well, how's -- we'll get through here about four o'clock. Will that be too late?

HMJr: It's -- it's a little bit late. I've got -- it isn't late, but I've got other appointments. I don't know -- uh....

S: Well, ....

HMJr: Just a minute -- let me find -- I mean, I -- I'm -- see, I get pretty well tied up. I was free....

S: The vote will come up at half-past three or a quarter to four.

HMJr: Yeah.

S: I just got through lambasting our Republican friends on it.

HMJr: Yeah.

S: And there's about thirty minutes more time to be used for debate and then a motion to recommit and they'll pass a motion on the bill so it will....

HMJr: Well, I can....

S: I don't think I can get out of here before four o'clock.

HMJr: Well, I could see you at nine thirty tomorrow morning.

S: God, I have a meeting of the Rules Committee at ten o'clock.

HMJr: At when?

S: Ten.

HMJr: At ten?

S: Yeah.

HMJr: Well....

S: That wouldn't do me any good because I've got to see some of the members because....

HMJr: Well, how....

S: ....they've got two or three....

HMJr: How early can....

S: ....resolutions.

HMJr: How early....

S: How would it be about eleven thirty?

HMJr: No, I've got somebody else, but I can see you at nine o'clock if you want to.

S: Well, un -- well, I'll tell you what I'll do. I'll try to make it nine thirty.

HMJr: Nine thirty?

S: I'll make it short and I think I can get here in time.

HMJr: Okay.

S: All right, thanks.

March 15, 1944  
2:31 p.m.

HMJr: Hello.

Operator: Go ahead.

Joe  
O'Connell: Hello, Mr. Secretary.

HMJr: Joe, Sabath called me.

O: Uh huh.

HMJr: He couldn't come down today because they're voting so he's coming in at nine thirty tomorrow morning.

O: Uh huh.

HMJr: Now, in view of that I think we ought to hold up the thing one day -- the paper contract.

O: Well, gosh, we've already made the deal with the other company.

HMJr: You have?

O: Yes. I just talked with their Vice President in New York on the phone before lunch because time was rather of the essence. We haven't put out the Press Release yet unless Fred Smith has done it within the past fifteen minutes, but we actually have told the other company that we were giving them the job.

HMJr: ~~I see~~. Well, why don't I listen to him tomorrow anyway?

O: Well, I think so.

HMJr: But I would hold up the Press Release.

O: All right. We won't put the Press Release out until tomorrow.

HMJr: I think that would be a slap in his face.

O: All right, we won't put that out today then.

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HMJr: Right.

O: Okay, sir.

March 15, 1944  
3:30 p.m.

## FINANCING

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

H.M.JR: All right, at your service.

MR. HAAS: Shall I do it?

H.M.JR: Yes, give me about a half an hour's worth.

MR. HAAS: Glad you told us that.

Mr. Secretary, I would like to present this problem of bank financing in connection with financing for the rest of the year. I think the matter is one of considerable urgency.

We have estimated that the bank financing probably would range around twenty-two billion dollars, but in deriving that estimate, we assume that the two remaining drives during the year would be about of the magnitude of the January one.

H.M.JR: Twenty-two billion for what?

MR. HAAS: Calendar year, for the banks.

MR. BELL: Seepage and everything.

MR. HAAS: Now, under almost any conceivable contingency it will be that much. This assumes maintaining a balance around three, three. You indicated you wanted a higher one, and that means more bank financing.

- 2 -

If you get a collapse of the two enemies during the year sometime, or one of them, it would mean more bank financing. If you get the sales organization pepped up so they could do better--

H.M.JR: Say we had a collapse in Germany, what would happen?

MR. HAAS: Then this figure would be increased.

MR. BELL: Your drives wouldn't be so effective after collapse as they are now, probably.

MR. HAAS: And you may get the corporations selling out these securities to get funds for reconversion. It all works toward higher bank financing.

MR. BELL: That is a good assumption, anyhow.

H.M. JR: It is an interesting one.

MR. BELL: A conservative one to take in this program.

MR. HAAS: If your drives are more successful than the fourth one, even then you reduce the problem somewhat, but you still have a very large and important problem left. It isn't a problem that is one that we are groping for materials to solve it. The materials are all there. It is just a matter of putting them together at the right time.

Now I think I will leave Henry to take over. We have only a half hour, Henry.

H.M.JR: That is wonderful. Do you take that sitting down?

MR. HAAS: I have Henry "broke in." I told him we had only five minutes!

MR. MURPHY: I feel quite expansive.

- 3 -

MR. BELL: For half an hour, eh, Henry?

MR. MURPHY: I think that the essence of the point we want to make, Mr. Secretary, is that of the twenty-two billion-odd that will be necessary in the year, which includes the amount of securities, of course, which banks will purchase in the open market, as well as those which we will sell them and which will be higher if we want to have a minimum working balance of more than three billion, and which will be higher if the drives should decrease in their effectiveness, and lower if the banks were more effective; that this financing will be divided between the Federal Reserve Banks and the Commercial Banks, and the proportion in which it will be divided will not be influenced, presumably, by the type of securities you put out.

Fed has to purchase a certain amount of securities, and they have to purchase these securities from whatever is available in the market. We estimate that Fed will have to purchase about eight and a half billion of Government securities on net balance during the calendar year. That is, they will have to increase their total Government portfolio by about eight and a half billion.

The reason is because we estimate first that money in circulation will increase by about five billion dollars during the year, and they will have to purchase an amount of Government securities to offset that. As the money in circulation increases, the drain falls first on the banks. The banks lose that much in reserves and Fed has to replace those reserves to the banks.

In the second place, we estimate that, as a result of the increase in bank deposits during the year, member banks' reserve requirements will go up about two billion dollars, assuming the present rate of present reserve requirements expressed as percentages. Fed naturally has to purchase enough Government securities to provide the banks with two billion dollars of additional reserves. That makes about seven billion.

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We estimate the gold stock will decline by about a billion during the year, and that the deposits of foreign banks and governments in the Federal Reserve Bank will go up about half a billion. These latter two items, between them about a billion and a half, constitute what you could call an external drain.

H.M.JR: Why do you think that the deposits of foreign countries will go up?

MR. MURPHY: Because they went up a little more than that last year, and the increase has continued until this date, and when foreigners accumulate a claim on the U.S. - I am getting out of my field - it is for reasons that are good and sufficient, we buy our imports and give our exports away. As they accumulate these claims, they can take them in a number of forms.

They can take them in the form of gold which they can have earmarked, or take them in the form of a deposit, and the deposits have, in large part, been in Federal Reserve Banks.

Now, of course, the effect of increase in foreign deposit in the Federal Reserve Bank is the same as the increase in the other deposit in the Federal Reserve Bank. There is less available for the other depositors, consisting of the member banks. I might say, the five billion increase of currency in circulation which we are estimating is almost exactly the same as last year. The external drain which we are estimating is also almost the same as last year. The increase in required reserves is substantially more than last year, because last year required reserves went up very little as a result of the legislation by which war loan accounts were exempted from reserve requirements, and there is no such thing in the offing this year.

Well, as a result of factors I have enumerated, it will be necessary for Fed to purchase about eight billion and a half of Federal securities during the year - all of

- 5 -

them subject to error of estimate, which wouldn't affect the nub of the problem. Maybe it is nine and a half, or maybe seven and a half; it is somewhere along that line. They are going to have to purchase whatever is available to be purchased. If we didn't issue anything but perpetuals they would have to buy perpetual consols, or buy up from the banks their existing portfolios.

Of course, they may buy in periods of market weakness, but the very necessity for these purchases, which exist as the result of pressure of increasing money in circulation, the pressure of increasing reserve requirements, would itself create the weakness which would force them to buy.

The amount that they have to buy, for the purposes of planning your financing program, is a pre-determined thing. Now, the question is, what should you offer during the year in order that Fed may have what you consider to be a suitable portfolio, and in order that the commercial banks can acquire what you consider to be a suitable portfolio.

Well, now, it seems to us that the most suitable things for Fed to acquire are additional bills, that the bulk of their purchases should consist of bills. They are a good investment for a central bank and for three-eighths rate they are perfectly liquid. They are being purchased essentially to finance increase of money in circulation, and I think that an instrument at a higher rate than a bill is not a suitable instrument to offset against an increase of money in circulation and a decrease in gold stock.

Our thinking has been - here is an increase of eight and a half billion that is going to take place in the Fed portfolio. What should it consist of? We say, for instance, wouldn't it be good if it consisted of six billion dollars in Treasury bills, a billion and a half of certificates, and half a billion each of notes and bonds?

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Why that, rather than, say, all the whole thing in bills? Fed has to buy the whole eight and a half, but they ought not to be committed to buy it all in one form of security because they ought to have some reserve buying power so they can patch up the curve here and there.

The main thing is to put the reserves in without which the whole curve will collapse. They also need to keep a few band-aids for emergency use.

We are allowed in our rough estimates two and a half billion of those; a billion and a half of certificates and a half billion each of notes and bonds. The increase in certificates and bills that we are projecting is about the same as last year - as 1943. They actually sold notes and bonds last year, and they are sufficiently optimistic in the market so they think they will this year, I suppose. But we thought it might be a little better to figure they might have to buy some.

In any event, so much for the Federal Reserve banks. They will take eight and a half billion of this increase. That would leave thirteen and a half billion for the commercial banks. Mr. Lindow's estimate, however--

H.M.JR: Who?

MR. MURPHY: Mr. Lindow.

H.M.JR: How do you pronounce your name?

MR. LINDOW: Lind-o. It doesn't matter. I call it Lind-o, but I jump when anybody says it either way!

MR. MURPHY: It rhymes with window.

H.M.JR: All right. I didn't know who you were talking about.

MR. MURPHY: He answers to it plenty well.

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Mr. Lindow estimates that the commercial banks will absorb, by a process of seepage, so to speak, about ten and a half billions out of the thirteen and a half which they would have to take out of the twenty-two by purchasing - buying in the open market, and that that will appear on the record, as far as the Treasury is concerned, as securities sold to non-bank investors, which then seep back.

On the basis of past experience, most of the stuff that they will buy in the open market would be long securities or bonds. That is the tendency they have.

H.M.JR: This is the Fed?

MR. MURPHY: No, I am speaking now of commercial banks. Fed is eight and a half, and we have given a hypothetical projection of what might be a nice idea for them to buy, which consists of six of bills, one and a half in certificates, and a half billion each in notes and bonds. That would leave thirteen and a half billion for the commercial banks, to raise twenty-two.

If you are going to raise more, that would be more for the commercial banks to take. It wouldn't affect Fed much. Commercial banks would take the whole amount. But if they are going to take ten or eleven billion in the open market, the amount of securities you will have to sell to the commercial banks will be much less than the whole amount they are going to take - in fact, it will be only a minor fraction of the amount.

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

cc-Mr. Harry White.

March 15, 1944  
3:43 p.m.

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CONFIDENTIAL

HMJr: Hello.

J. L. Illsley: I've been in touch with Canada.

HMJr: Yes.

I: And my colleagues are agreeable to our paying for the Crimson Route and the Mangan Airport. That was the point I was to take up with them and I think we can get ahead now with this all right. There's just one point that I would like to mention,

HMJr: Please.

I: The telephone line -- the cost of that is greater than Mr. Hickerson's estimate. He used the figure ten million dollars and he now informs us that the cost is \$11,300,000, and in those circumstances I have suggested and am suggesting that we drop Dawson Creek. Otherwise, we'll be up -- I don't see any way to do it without getting up too high.

HMJr: Over the forty-two?

I: Yes.

HMJr: Yeah.

I: And I would think that following the discussion that that's all right from your point of view. I didn't think that there was anything very vital there and it would be...

HMJr: That's right.

I: ....better to drop it altogether than to try and carve out some little fraction of it there that wouldn't be connected with anything except very arbitrarily and I think, myself, that it would be fair if you were to drop Dawson Creek. The....

HMJr: Well....

I: The other items give you what you want.

HMJr: That will be agreeable.

- 2 -

I: All right. Well, thank you very much. Now, I'm going to -- I have to go away tonight and I'll try and get a draft of my understanding of this agreement ready and perhaps submit it to somebody before I go, but that's a matter I'm working on now.

HMJr: Well, any way that you please and I simply feel that this is one of the most satisfactory conferences I've ever had with any Government since I've been in the Treasury.

I: Well, thank you. I enjoyed it very much myself. I appreciate your courtesy and consideration.

HMJr: Well, you were most fair. And if you get a chance, please give my very warm regards to your Prime Minister.

I: I'll do that, Mr. Morgenthau. Yes.

HMJr: Thank you.

I: Good bye.

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MR. MURPHY: I am very close to the point, Mr. Secretary, if your patience will hold up.

H.M.JR: Did I seem impatient?

MR. MURPHY: I felt sort of on the defensive, myself.

The reason why I labor the point that the commercial banks will do most of their security acquisitions in the open market, and their preference will be to acquire long securities, is because the minor portion of their portfolios which they purchased directly from you ought to be short securities in order to maintain the balance of the whole portfolio.

Now, in the light of these circumstances, we have tried to sketch in broad outlines what might be adopted as a financing program for the year.

The first item in the program is a seven billion dollar bill program. That is a program which would start with a hundred million dollars a week in April and step up to two hundred million in June. And I would like to show you why we feel that that is necessary. (Hands Secretary a chart)

H.M.JR: You know, I think if we wanted to go up and see Stewart, I think it would be good.

MR. BELL: I don't know how active Walter is.

H.M.JR: I would find out.

MR. BELL: Do you (Haas) know?

MR. HAAS: Unless Bob Warren - maybe Bob talks to him. I don't know.

MR. BELL: We have asked him three or four times to come down. He has refused.

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MR. MURPHY: That chart, Mr. Secretary, shows the total amount of bills outstanding; the amount held by the Federal Reserve Banks, the amount held by commercial banks, and the amount held by all others.

You notice that the total amount of bills outstanding has levelled off since September at thirteen billion. The Federal Reserve Banks hold just about half of them.

The reason for the decrease at this point - they decrease at the time of each war loan - is a result of transfer of deposits from private accounts to war loan accounts.

They will increase sharply during the months of March, April, and May.

Now, the point which we make is, if this tip is kept at thirteen, Fed will keep on expanding. It has to. They have got to buy eight billion-odd during the year.

The only place it can come from is to buy up the portfolio of the commercial banks. Banks will appear weak during the whole period because the commercial banks will have to sell something in order to keep their reserve position. So there will appear to be no demand for them, and yet they are really short.

Now, the question is, what would we expect to happen to seven billion bills? The answer is that, based on our precise estimate, we would expect six of them to go net into Fed, and only one to go into the market.

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H.M.JR: Have you told them that?

MR. MURPHY: Yes, sir.

MR. BELL: Well, they have been holding conferences with the technical people in the Federal Reserve Board, and copies of these memoranda have gone to Allen Sproul and his technical people. They have not yet met with the Board. We thought we would try a little different tactics this time. We have been meeting with the Board in the room with all the technical staffs. We have never gotten any place. George is now discussing it with Goldenweiser's group. That just began.

MR. HAAS: We have had several hours with him.

H.M.JR: Have you any meetings scheduled, say, for Friday?

MR. HAAS: No, sir.

MR. BELL: You haven't heard from Goldenweiser?

MR. HAAS: No. Henry, you forgot to tell one thing.

H.M.JR: Well, is there no limit to where this can expand? Supposing the war should last three years at the same rate?

MR. MURPHY: We would have to continue, Mr. Secretary. Could I put it this way: The deposits of the banks will continue to expand. The only thing that can stop the deposits of the banks from expanding would be to finance the war entirely by taxation, or to finance it entirely by borrowing from non-banking investors. It is highly unlikely that either goal will be achieved.

(The Secretary held a telephone conversation with Walter Stewart, as follows:)

March 15, 1944 121  
3:49 p.m.

HMJr: Walter?

Walter  
Stewart: Yes.

HMJr: This is Henry talking.

S: Yes, Henry.

HMJr: How are you feeling.

S: I'm feeling better.

HMJr: Good for you. Walter....

S: Yes.

HMJr: ....we're planning an over-all fiscal policy  
for the rest of this calendar year.

S: Yes.

HMJr: And I know you don't like to come to Washington --  
unless you've changed.

S: (Laughs) I don't like it, no, but I think I could  
do it now.

HMJr: Do you?

S: Yes.

HMJr: Well, this coming week will be one in which we'll  
more or less make the over-all plans for the rest  
of the year, you see?

S: Yes.

HMJr: And I'd very much like to have your advice.

S: Well, what days would be best, Henry?

HMJr: Well, just let me ask Bell a minute. (Talks aside:  
When are those bankers coming?) (Pause) Well,  
the point is, if you were here Monday....

S: Yes.

HMJr: ....you could -- it would take about -- I don't  
know -- maybe it would only take you a half a day  
but it would take several hours, I think, to have  
Haas and Murphy give you the picture.

S: All right.

HMJr: And they could give it to you so that you'd be prepared.

S: All right.

HMJr: And then we'll be sitting around with groups of bankers on Tuesday and Wednesday and Thursday. Well, he says Monday and Tuesday. (Talks aside) The thing really runs from Monday through Thursday.

S: All right.

HMJr: But if you were here Monday, Haas and his boys in a half a day could bring you up to date.

S: All right.

HMJr: Viner is going to get here Wednesday.

S: All right.

HMJr: But....

S: I'll try and come down, Henry.

HMJr: Well, it would be very helpful because this is really forecasting what we're trying to do for the rest of the year and....

S: I have once or twice -- I am feeling much better and I, once or twice, thought I'd call you up.

HMJr: Yeah.

S: So, I'll try to come down and be there Monday.

HMJr: That will be wonderful.

S: And spend a couple -- two or three days.

HMJr: And you'll find me moving very much in a happier way so that there won't -- there isn't nearly as much tension around here.

S: Well, wonderful. I'll be glad to see you.

- 3 -

HMJr:

All right.

S:

That's good. Bye bye.

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H.M.JR: He will be here Monday, and will stay through Thursday.

MR. BELL: All right. I am glad he has changed.

MR. HAAS: The point I had in mind, Henry, is, what will happen if nothing is done?

H.M.JR: Just before you do that, will you (Haas) make a note? I would like to know by months what the expenditures of the Government are, the total expenditure, just two breakdowns--the total expenditure of what part is for war and what part is not for war, starting with Pearl Harbor.

Then, if you could have some way or other of showing me--you could have it all on one sheet--I would like the receipts and the deficit. Can't you fix a bar up that way?

MR. HAAS: Yes, sir.

H.M.JR: One that would show the monthly receipts, and the monthly deficit, and the total expenditures, and what part are for war.

MR. LINDOW: I have a table here that has them.

MR. BELL: It is all available.

MR. LINDOW: It shows the total expenditures divided between war and non-war beginning in July '42, and our estimates up through several months ahead. (Hands chart to the Secretary.) They are split between the budgetary items and the Government corporations.

H.M.JR: Just come around over my shoulder.

MR. LINDOW: It is war and non-war, and then Government corporations. Here (indicating) is the total.

H.M.JR: It is forty-six billion for the first six months. Is that it?

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MR. LINDOW: That is right, forty-six billion for the first six months.

H.M.JR: That doesn't include the war?

MR. LINDOW: The non-war is three and a half more, including interest.

H.M.JR: Around fifty billion?

MR. LINDOW: It will run about a hundred for the year, counting in interest.

H.M.JR: That is higher than I thought.

MR. BELL: You are talking about the calendar year?

MR. LINDOW: Yes, sir. The receipts will bring in a little better than forty-two, so you will have a deficit of fifty-seven.

H.M.JR: I think you are wrong on these.

MR. LINDOW: We have rounded those down from the Budget program already. We may, of course, be wrong. That is the way the Budget people and the WPB people see it now.

H.M.JR: Well, I have had a talk with Admiral Leahy about this thing, and there is a study being made in the War Department. He didn't know it. If the war is over in Europe, or over in Japan, and so forth--it is not very far along. As soon as it is ready, they will let me see it. He also wants this projection you are making for me.

MR. HAAS: We are making real progress on that.

H.M.JR: I have promised to give him a copy. He will let them take it and criticize it, the General Staff. He is very much interested, and he leans very much my way. Don't say it outside of this room, but the number of soldiers being discharged will be very much more rapid

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than anybody thinks. His reaction is very curious. "Sure, the people over at the WPB want to carry it on. In the first place, they want to keep their factories going; and in the second place, they don't want to be bothered with unemployment."

MR. HAAS: That is interesting.

H.M.JR: Now, there is a sailor speaking. They want to keep their factories going; they don't want cancellations. Sure, they are going to bring the soldiers back much quicker. And I would say, talking in generalities, he and I were together as to the speed of cancellation and the speed of discharge of men, as against what Nelson says.

MR. HAAS: One of the things we are working on now--

MR. LINDOW: The underlying assumption of this hundred, Mr. Secretary, is tied into the Budget figures which assume that the war in Germany will end about the end of the year and that the war with Japan continues. So this is really tied into the war on both fronts.

H.M.JR: If war in Germany ends at the end of the year?

MR. LINDOW: And the war with Japan continues after that. So the hundred is all tied into those two assumptions. If they are wrong--

H.M.JR: No, I would say you are on the right track.

MR. LINDOW: Now, in addition to that forty-seven deficit--

H.M.JR: Wait a minute. I would like to say this: Do you have a pencil?

MR. HAAS: Yes, sir.

H.M.JR: I would like to say, "Listen, Mr. Army, I have given you a hundred and fifty billion dollars. Now, what the hell do you have to show for it? Every day I

- 14 -

give you so many more million. Now, come on, produce!" See? They have never been talked to like that before. I don't know whether I am going to do it, but I would like to be able to say from some cut-off date, whether Pearl Harbor or the July before, "Mr. Stimson, you have been supplied with one hundred and fifty billion dollars. Now, what have you done with it?" "Mr. Knox, you have been given a hundred billion dollars. What have you got to show for it?"

After all, any other businessman would say to his comptroller, "Here you have so much money. Now, what the hell have you done with it?"

MR. BELL: Do you want them to show that on items or material?

H.M.JR: I want a lump sum. I would like to just now, as of today, whenever you say the war started, July 1st--

MR. BELL: July 1, 1940 was when your defense program started.

H.M.JR: "You have been supplied so much money, Mr. War Department, and every day this thing goes on it is going to cost so much more, particularly the War Department. When the hell are you going to begin to show results?" I mean, this is not a bottomless well; I can't keep going back to the well forever. "When are you going to begin to show results?"

I mean, this idea--I have just been through this Canadian thing. Let me take a minute to give you a little background. The War Department built a field up there at a place called Mignan that cost over four million dollars. Within sixty miles is a field, and in this part of the world it makes very little difference. They had a perfectly good field. "No, we couldn't use it." So we had to go ahead and build a four-million dollar field which we have never used. See?

They have a line of airfields which have not been completed. They haven't even bothered to finish this one.

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Now, all this kind of thing is coming to light, the Alaska highway, which cost one hundred and ten million dollars. Maybe there is some excuse for it, but I want to begin asking, "When are you going to produce and show results? When are you going to stop some of these things?"

The money is going in, I think, particularly to the War Department. If you will read Hanson Baldwin--I don't think that they have anything to show. No one has ever said, "For one hundred and fifty billion dollars, Mr. General Marshall, what can you show that you have accomplished?"

And the answer is, "The lend-lease was given to Russia."

I am talking now about our Army, our Navy; lend-lease is out.

MR. LINDOW: Lend-lease is a pretty small part of the total.

H.M.JR: But lend-lease is out. I don't know whether I will do any of it, but it is an interesting idea, isn't it?

MR. HAAS: Yes, sir.

H.M.JR: Any other business executive would say to another department, "Here you have gotten so much money; what can you show for it?"

MR. HAAS: Probably like Dawes who says afterwards, "Well, didn't we win the war?" That was his answer.

H.M.JR: I, of all people, know that answer, too, but I would just like to see for my own satisfaction what it looks like. I thought this thing was going to taper off in the summer.

MR. LINDOW: It is holding up very high now.

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MR. HAAS: It may taper off, you know, after the invasion when it looks like it is going to succeed, and so forth.

MR. BELL: I don't think you can plan your financing too far ahead on a tapering basis, because you are close to the next war loan, and you know it won't taper until after that.

H.M.JR: Talking strictly in the room here--

MR. MURPHY: During your first year of sharp tapering you may be borrowing as much or more from the banks as in the last year of the full war effort, because your ability to get money from non-banking investors will probably taper faster than your expenditures so that during the transition period you may be increasing rather than diminishing your borrowing from banks. So in Mr. Haas' terms the banks have to be kept well-oiled to make sure they are going to be able to deliver.

H.M.JR: You said you wanted to say one thing. If you didn't do it--

MR. HAAS: Yes, if nothing is done--

H.M.JR: I will give you five minutes.

MR. MURPHY: Suppose, Mr. Secretary, that the financing program for the year should consist merely of selling securities to non-banking investors and selling bonds and notes to banks, and possibly some certificates; in other words, we had no bill program at all. What would happen would be this: Fed would continue to buy, as I have said they have to buy. And they would buy up perhaps half of the bills that remained. They couldn't buy them all, because bills are reserves. Now, they are the only reserves the New York City banks have. A bank would no more give up all its bills than all of its excess reserves. But the Fed will buy up the lion's share of the bills; and when they have finished buying the bills, they will start buying the certificates. That is the corresponding picture on certificates. They will take a large whack at those, with

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several consequences. The first is that, in effect, the short end will have been sawed off. We will still have a curve on paper which runs from three-eighths to two and a half.

H.M.JR: Which is the lower end?

MR. MURPHY: The lower end will be in the Fed. So Mr. Eccles will have gotten his increase in rate by indirection, so to speak. The three-eighths security will not have had its rate raised, but reduced to an innocuous position. That is the first consequence.

H.M.JR: I don't see that.

MR. HAAS: Take some time on that, Henry.

MR. BELL: There will be no bills left on the market except a few held by the banks. So the three-eighths rate will be ineffective so far as the market operation is concerned.

The next market operation will be your certificate, which will be a seven-eighths percent rate. You remember that Eccles last fall wanted a minimum three-quarters nine-months bill or certificate. He would get it through this way by eliminating the bills, and he automatically gets to his three-quarters or seven-eighths percent market minimum rate.

MR. MURPHY: The second corollary is that your average rate on your debt will increase. The third corollary is that the bank earnings will increase. They will probably be more a source of embarrassment than benefit for the far-thinking bankers who are concerned. The next corollary is that the liquidity of the banks will be substantially impaired. Their securities will be pushed more and more out in the long run.

We have taken some credit for the present liquidity of the bank portfolios. That is pointed out as one of the outstanding achievements of financing the war, that the banks have been kept in the liquid position. One-half of

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their portfolios have consisted of bills and certificates. They have been happy about it by and large, and they feel that whatever may be the tidal waves or shifts of deposits across the country, they are prepared to take it. If their portfolios are lengthened, they will not be in a strong position to take that, and the money market will be at a more vulnerable position in the post-war period. That is essentially what will be the result of allowing the banks' portfolios to lengthen; and unless a bill program of seven billion is undertaken, the portfolios will lengthen inevitably, because you can compare this with a heap of dirt. Fed is always eating away at it. They are eating into it at a rate of about three-quarters of a billion a month. Unless you dump some earth at the other end, they will eat through the short stuff.

H.M.JR: You ran around fifteen minutes over, but it is all right.

I am keeping the whole of Saturday morning open, Dan.

Very good. I want Mr. Bell to stay for a minute, please.

## MEMORANDUM

MAR 15 1944

TO: Secretary Morgenthau

FROM: Mr. Paul

SUBJECT: Contributions to Religious, Charitable  
and Educational Organizations

A conference was held on March 11, 1944, between Mr. Stam and representatives of the Treasury Department and the representatives of the religious, educational, and charitable groups listed on the attached page.

At the conference Dr. Snavely, representing the Association of American Colleges, was the only one who strongly pushed the suggestion that a special allowance be made under the withholding system for charitable and other contributions. A clear majority of the other representatives - and possibly all of the others - did not push the suggestion because they were aware of its impracticability. They recognized that the employers would be faced with tremendous difficulties under any such plan.

The suggestion that the withholding procedure should provide a special allowance for charitable contributions is thus being backed by a distinct minority of the organizations affected. It should be noted that so far both the Ways and Means Committee and the Finance Committee, and Mr. Stam have resisted this suggestion.

Some of the representatives of the church organizations were opposed to any system based upon average deductions and recommended that the final income tax return contain an itemization of all deductions. This suggestion is in direct conflict with

- 2 -

the step taken in 1941 by the introduction of the short form return, since such return is based upon allowing the low income taxpayer a figure representing an average of deductions. The suggestion, for the same reason, would also make impossible the simplification measures we are advocating.

It would appear that a probable majority of the representatives at the conference would be content with a system under which a taxpayer who had greater than average deductions because of large contributions would be able to obtain the benefit of such excess deductions. The procedure we are suggesting contemplates such an opportunity.

On March 14 Mr. Surrey and Mr. Blough spoke to Mr. Wickey, one of the persons who attended the conference with you, and presumably convinced him that their suggestion was impracticable.

Attachment

- Gould Wickey - American Association of Theological Seminaries, National Conference of Church Related Colleges, and the Council of Church Boards of Education
- D. Allen Drake - Financial Secretary, General Counsel, Presbyterian Church, U.S.A.
- Moore Gates - Assistant Treasurer, Board of National Missions of the Presbyterian Church in U.S.A.
- Rowell P. Barnes - Associate General Secretary, Federal Council of Churches
- Sidney P. Howell - National War Fund
- Earl W. Brandenburg - National Council, Y.M.C.A.
- Guy E. Snavelly - Association of American Colleges
- J. E. Whitney - Assistant Treasurer, National Council of Protestant Episcopal Church
- Virgil Martin - Director, Finance Campaign, Council of Community Chests  
Director, Special Services, National War Fund
- Edwin N. Lewis - Secretary, Community War Fund of Washington  
Assistant Director, Community Chest of Washington

**TREASURY DEPARTMENT**  
**WAR FINANCE COMMITTEE**  
**NEW YORK**



1270 Sixth Avenue  
New York 20, New York  
March 15, 1944

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

Dear Mr. Secretary:

Let me thank you for yours of March 9th, with its very nice appreciation of our work in the Fourth War Loan. It has been a source of pride and pleasure to have a part in this great patriotic undertaking.

Sincerely yours,

A handwritten signature in cursive script that reads "W. Randolph Burgess".

W. Randolph Burgess

Treasury Department 136  
Division of Monetary Research

Date 3/27/44 19

To: Miss Chauncey

I spoke to the Secretary orally  
about this.

H.D.W.

*(Acqy reiterated his  
former decision of  
being opposed to a loan)*

MR. WHITE  
Branch 2058 - Room 214½

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE March 15, 1944

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Export-Import loan to Netherlands Indies

Mr. de Iongh, representing the Netherlands Indies, has asked us to again reconsider their request for a credit by the Export-Import Bank of \$4-1/2 million with which to pay for 30 ships.

The Export-Import Bank, the Maritime Commission, and the State Department had recommended the loan, but we objected on grounds somewhat similar to reasons we gave for opposing the \$300 million loan which you remember the Dutch tried to get last year. This \$4.5 million request differs from the \$300 million one in that the 4-1/2 million one is to be used for the purchase of small ships, the facilities for which are supposed to be available.

The Netherlands Indies has gold and dollar credits totaling \$247 million. (This does not include the holdings of the Netherlands.)

Mr. de Iongh says his government does not feel free to use any of this sum now because they will need all the funds they can obtain for reconstruction and relief purposes after hostilities.

Mr. de Iongh also said that though it was true that the Netherlands Indies had gold and dollar balances they belonged to the Bank of Netherlands and to private individuals, and therefore the Netherlands Government did not feel it could use the funds.

I am in favor of not approving the loan though of course the Export-Import Bank can make it without our approval should they so desire.

I promised Mr. de Iongh that I would raise the question again to you for your reconsideration.

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

~~138~~ 138

DATE Mar. 15, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

You will be interested in the attached letter from Emerson, the Director of the Inter-governmental Committee. We are drafting a very friendly reply.



COPY

Intergovernmental Committee,  
11D, Regent Street,  
London, S.W.1.  
25th February, 1944

IC/242/56  
HWE/EMS.

Dear Mr. Pehle,

Although I have not written to you before, I have been kept informed through the United States Embassy in London of matters relating to the War Refugee Board, and I expect you have been kept similarly informed through the State Department about the Intergovernmental Committee. I imagine that these will be the normal channels of communication, but I am writing to say that you can rely on the full co-operation of the Intergovernmental Committee in the pursuance of our common aims, and that any information or help I can give is at your disposal, so do not hesitate to ask for it at any time.

With every good wish for success in your work,

Yours sincerely,

(Sgd.) H.W. Emerson.

Director.

Mr. John W. Pehle,  
Director,  
War Refugee Board,  
Washington,  
U.S.A.

GEM-401

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

Algiers

Dated March 15, 1944

Rec'd 2:24 a.m., April 6th

Secretary of State,

Washington.

1124, March 15, 8 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMAN FOR REFUGEE

REPRESENTATIVE No. 10 FOR BLICKENSTAFF

Preliminary screening completed on second batch Fedhala applications. Twenty-eight rejected on security ground. Forty-one objected to by French as arrivals Spain prior to 1933. In this latter group are approximately fifteen Greek and Turkish Jews. Balance is made up of one family group of eighteen Greek Orthodox who want to return to Greece and eight other persons of varying nationalities who apparently want to go to Fedhala as a means of emigrating to other parts of the world. Except on security or grounds just mentioned no objection to Sephardic Jews. Have seen FEA cable for Beckelman of March 30 number to Casablanca. Shall we press French on the pre 1933 groups rejected in both sets of applications.

Sent to Department as 1124, repeated to Madrid as 75.

CHAPIN

BB

COPYMarch 15, 1943  
Bulgaria

Dear Parents,

"Now that we are a little more calm we are able to say that on the tenth of this month God performed a miracle for the Jews of Bulgaria. Surely you have learned that all the Jews in Thrace were roused from sleep and given only two hours in which to get ready to be sent to an unknown destination. Actually they are now at Corna Djumaya.

"On learning of this we were all very much afraid, and still more, my daughter's fiance and her prospective parents-in-law who had heard that similar measures would be taken here. Wednesday evening it was learned that twenty-five families, which had always lived in our city, would be deported during the night. Among these were my daughter's parents-in-law and the family of Mr. K. and also others of the most well-known families in the city. You can imagine how we passed the night. We also got ourselves ready, for it was said that on the next day all the rest of the Jews would be deported. Our tragedy was the more dolorous from the fact that our daughter did not want to be separated from her fiance but wished to be married the same night in order that she might accompany him. This was refused her in view of the fact that her name was not on the list of the deportees. After a night which seemed interminable, six o'clock came. No one knew the hour when the twenty-five families would be sent away. My husband went to the house of the fiance's parents, whose house, like those of all whose names were on the list of deportees, was guarded by the police without any possibility of communication. It is impossible to describe what we went through. The streets were full of people whose faces showed the grief which all felt. The brother of the parents-in-law lived in the yard of the same house and through him we were able to communicate. After a time the police showed themselves more humane and we were able to exchange a few words. We could not find words to comfort them, while the state of mind of our daughter tore our hearts. The greater number of those who were to leave had already been assembled in the Jewish school of the town, while our daughter's parents-in-law were waiting for their baggage to be examined. It was about twelve o'clock noon. All of a sudden the people came with the news that the departure had been postponed.

"It would take a novelist or a cinema film to depict those moments of delirium! The tears, the cries of joy, everybody embracing

- 2 -

without knowing what they were doing! It was hours before we could be calm and ask to whom we owed our safety. We have made every kind of supposition but we do not know anything for certain. We now learn that the first move for our safety was made at Kyustendil, where the people went through the same kind of distress that we did. Happily among the Bulgarians our co-religionists had many good friends, who, having learned what had occurred, hastened to Sofia by auto and there got in touch with some members of the National Assembly and saw the Archbishop. Without knowing much of what actually occurred, the fact is that at the last moment the rope, which was already around the necks of the condemned, was loosened. God grant that this may continue and that He protect us to the end! A fast of two days -- today and tomorrow -- has been fixed to commemorate our miraculous salvation.

"We are still living under the effect of the extreme anguish through which we have passed and are still asking whence came our salvation. We shall learn it after the war, and perhaps you may know it even better. Every day we see people who are being deported passing on the trains, but unhappily we are unable to do anything for them, for we are like mice in a trap. And may God protect us!"

---

Copy to Mr. Pehle 3/16/44.

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CS 5313

THE JOINT CHIEFS OF STAFF  
WASHINGTON 25, D. C.

144

SECRET

15 March 1944.

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

Dear Mr. Secretary:

Reference is made to your memorandum of 1 February 1944 relating to the disbursement of funds to refugees presently on the Island of Rab in the Adriatic which has been referred to the Joint Chiefs of Staff for consideration.

A cable has been dispatched to the Allied Commander in Chief, Mediterranean Theater, to obtain his views in the premises. As soon as a reply is received, you will be advised whether conditions in the theater make the proposed action feasible.

Sincerely yours,

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY,  
Admiral, U.S. Navy,  
Chief of Staff to the  
Commander in Chief of the Army and Navy.

SECRET

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMERICAN LEGATION, Bern  
DATED: March 15, 1944, 4 p.m.  
NUMBER: 851

CONFIDENTIAL

License number W-2150 has been issued by the Treasury Department to the American Committee for Christian Refugees, Inc., New York City, for the purpose of carrying out in France relief and evacuation operations. Information of this license should be given to Dr. A. Freudenberg, of the World Council of Churches, 21 Avenue de Champel, Geneva. The text of this license is substantially the same as those issued to the World Jewish Congress, Union of Orthodox Rabbis, and the American Joint Distribution Committee (see our telegram February 21, 1944, no. 534), except that it is specified in paragraph (b) of license W-2150 that the total amount authorized during the half-year period beginning March 1, 1944 shall not exceed Swiss francs 21,200 per month, or the dollar equivalent, and except further that the operations envisaged are confined to France.

Moreover, in paragraph (a) of license W-2150 the language is somewhat more specific in permitting relief as opposed to evacuation operations. This change is for the purpose of clarity only and does not make any substantive alteration in the terms of the license or in the type of the relief operations which previous licenses authorized. Please see the second paragraph of the Department's cable of January 5, 1944, no. 40, in this connection. The licenses mentioned above, together with all others identified with them, are to be construed as specifically allowing operations looking only towards effecting the relief of persecuted persons in territory occupied by the enemy.

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

HULL

TELEGRAM SENT

LC

PLAIN

March 15, 1944 PLAIN

War Refugee Board

AMLEGATION,

BERN.

853, Fifteenth

Reference our No. 659 of February 26.

Please advise Department immediately whether McClelland has accepted the appointment as Special Representative of the War Refugee Board and as Special Attache to the Legation on war refugee matters.

Also please advise Department whether all consular officials in Switzerland have been notified by you of the contents of our cable no. 251 of January 25.

HULL  
(GLW)WRB:GLW:KG  
3/10/44

FA

WE

S/CR

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMLEGATION, Bern  
DATED: March 15, 1944, 9 p.m.  
NUMBER: 856

CONFIDENTIAL

War Refugee Board sends the following:

This message is in reply to your telegram no. 1054 regarding license of Union of Orthodox Rabbis of the United States and Canada.

In connection with the comment made by Sternbuch with respect to clause A(2) specified in the license, the State and Treasury Departments would like to make clear that for the operations described in the licenses all three methods detailed in this and similar licenses can be used. You are requested to inform Sternbuch at once of the foregoing and also the representatives of other organizations to which similar licenses have been issued and advise them that all three methods may be used in acquiring the required local currency. Although the third method may make foreign exchange available in enemy territory, that method should be used if it proves to be the most effective for the quick execution of the relief and evacuation operations which the license authorizes.

With a view to avoiding delay, you are requested to make liberal interpretations of the provisions of all the licenses issued, always bearing in mind that time is important and that the operations which these licenses authorize should be initiated at once. In the present situation the War Refugee Board, the Treasury and the Department consider the saving of lives of paramount importance.

HULL

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 15, 1944  
NUMBER: 1578

## CONFIDENTIAL

Reference is made herein to my 1054, of February 19, and 1321, of March 4.

In my telegram under reference the amount of pengoes mentioned should read 300,000 and not 100. It is stated by Sternbuch that compensation in the form of a check for 23,077 Swiss francs was given to his brother N. Sternbuch of St. Gall (who arranged the purchase of pengoes from persons in Hungary) and who according to the former's statement will hold Swiss francs until the War's termination. It is further stated by Sternbuch that secrecy of his brother's interests declines to reveal the source in Hungary of the pengoes and Sternbuch says that he received confirmation from Budapest that the pengoes were turned over to the agents designated. Sternbuch says he has arranged through his brother for similar purchases of 240,000 Slovakian crowns for 12,000 Swiss francs but this transaction not yet completed. He says that in the case of crowns he is demanding written confirmation of receipt by the agent before giving his brother check for Swiss franc equivalent. Prior to the undertaking of these transactions the Legation was not consulted.

Because of future transactions of this character envisaged by Sternbuch and which technically do not appear to fall within Treasury authorization transmitted in the Department's 229, of January 22, instructions from the Department would be appreciated by this Legation.  
5565.

HARRISON

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 15, 1944  
NUMBER: 1597

## CONFIDENTIAL

Reference my 1321, dated March 4.

Substance of message from Sternbuch for transmission to Union of Orthodox Rabbis at the Department's discretion is transmitted herewith, as follows:

"(1) Now with brother of rabbi of Wyanitz, the first twenty-two persons saved have reached Hungary. When weather improves great success expected as rescue work is well organized.

(2) Request has been made by Donati, Valobrand Lopez as representatives here of the Italian Colony, for Italians of America to place at their disposal greater amounts as there is possibility saving Jews of northern Italy. This action managed and controlled by us.

(3) In France the situation is becoming much worse. Frightful panic exists and people are seized in streets and sent to camps for deportation."

Sternbuch, Rubinfeld, Rosenbaum and Pines signed the foregoing message.

HARRISON

COPY

~~M~~ 150

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: March 15, 1944  
NUMBER: 455

SECRET

FROM HIRSCHMANN FOR THE ATTENTION OF PEHLE:

This morning Ambassador Steinhardt and the Foreign Minister held a personal conference and as a result the latter definitely committed the Turk Government to making available to the Ambassador as a personal courtesy a Turk passenger vessel with a capacity for carrying 1500 people, to make a single trip as soon as possible, to and from Constanza to evacuate refugees of Jewish nationality. I have been informed by the Ambassador that the Foreign Minister gave the necessary instructions in his presence to the Minister of Communications by telephone. As they are both cargo vessels, it would appear from the Minister's promise of a passenger vessel that neither the VATAN nor the NECAT will be used. Valuable time will be saved by placing a passenger instead of a cargo vessel at our disposal as refitting of a cargo vessel for passenger service in this area would involve inordinate delay in view of shortage of material and labor available for that purpose.

The Ambassador

- 2 -

The Ambassador was informed by Numan that as the vessel being placed at his disposal was one of the very few ships available to the Turk Government for its vital commerces it could not continue to evacuate refugees from Balkan ports after the trip in question unless the United States Government made available to the Turk Government a substitute vessel by the time of termination of the initial trip. It was categorically stated by him that if the United States Government would make a ship available on a loan basis to the Turk Government by the time the initial trip is completed, he would put it in operation to carry Turk commerce after placing the Turk flag on the vessel so loaned.

By this means he would be permitting the vessel assigned to us for the initial trip to make further trips to Balkan ports to evacuate refugees, but that failing, a substitute vessel only as in the voyage to and from Constanza could be permitted. Because of the desperate situation in which the Turk Government finds itself for lack of ships, he added that no amount of money could be accepted in lieu of a substitute vessel and that if we desired the ship about to be made available to us to make repeated trips it would be necessary, as soon as possible, to provide a substitute vessel. Numan

referred

- 3 -

referred to the fact that even a single voyage to and from Constanza represented a genuine sacrifice on the part of the Turk Government. If the representatives of the International Red Cross encountered new difficulties in regard to obtaining safe conduct for the vessel, the Foreign Minister agreed, at the conclusion of their talk, to intervene with the German Ambassador in Ankara.

The foregoing information has been communicated to Simond, of the International Red Cross who is at once taking up the matter of safe conduct for the vessel with the belligerents.

Barlas of the Jewish agency has also been informed by me of the imperative necessity of having the refugees available at the port of Constanza on the arrival of the vessel so that there may be no undue delay.

Incumbent upon us is the burden to continue this Turk vessel in regular operation for the evacuation of refugees by the prompt loan to the Turk Government of an American vessel in substitution therefor, as we have now reached a point at which the Turk Government has given evidence of its willingness to cooperate by placing one of the very few vessels available to it at our disposal for the first trip. After the first trip has been completed by a Turk vessel it will be (\*) if not impossible to persuade the Turk Government that the United States Government with its large merchant fleet and construction  
of over

- 4 -

of over 1,500,000 tons per month is not in a position to provide one vessel of 6,000 to 7,000 tons to evacuate refugees which it desires to rescue. I have no doubt that such a vessel would be made available promptly if it were possible for an American vessel to proceed to Constanza. Satisfactory explanation to the Turk Government why an American vessel unable to proceed to Constanza should not be placed at the disposal of the Turkish Government while its vessel undertakes the regular and continued evacuation of the refugees, would for this reason be difficult.

STEINHARDT

(\*) Apparent omission.

DCR:MAS:EA

3-17-44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
 TO: Secretary of State, Washington  
 DATED: March 15, 1944  
 NUMBER: 458

## CONFIDENTIAL

Reference is made herein to my cables of March 3, No. 380 and 455, dated March 15,

Reference was made in my conversation this morning with the Minister for Foreign Affairs to my previous conversation with the Minister of Communications concerning the possibility of the purchase by the War Refugee Board of the SS NECAT at a cost of approximately \$400,000, the vessel to be donated to the Turkish Red Crescent and to become its property after completing the transportation to Palestine of 5,000 Jewish refugee children from Rumania under auspices of the International Red Cross. In reply Numan stated that the Minister of Communications had discussed the subject with him and that as the Turkish Government had now agreed to make a passenger vessel available to me at once, to withdraw a second vessel from the very few ships at the disposal of the Turkish Government would be impossible. Numan added that there was some question as to whether the Red Crescent could accept the donation of a vessel under the conditions suggested by me. Inquiry was then made by me as to whether he could devise a means whereby the Red Crescent could operate a vessel under the Turkish flag for the continuous evacuation from Balkan ports of Jewish refugees. Later in the day the Foreign Minister telephoned me and said that he had obtained the consent of the Council of Ministers to proposing that the American Government donate a vessel to the Turkish Red Crescent which would undertake to operate it under the Turkish flag for the purpose of evacuating refugees from Balkan ports during the continuance of the war, the vessel thereafter to remain the property of the Red Crescent.

Hirschmann and I recommend that the foregoing proposal be accepted and in considering this proposal the War Refugee Board may wish to bear in mind the present exorbitant cost per capita of evacuating refugees either by rail or sea from the Balkans. The cost of evacuating a few thousand refugees, at the existing rates, from the Balkans to Turkey or Palestine by sea would probably be as much as the value of the ship on which they were carried which would clearly justify its donation.

The Department's instructions in this matter will be appreciated.

STEINHARDT.

March 15, 1944 155

MEMORANDUM FOR THE SECRETARY.

NA  
For perusal at your  
convenience.

The details of the incident which Secretary Stimson referred to and which I mentioned to you are indicated below.

For some time prior to 1911 the condition of Jews in Russia had aroused opinion in this country to an angry pitch. The situation was not alleviated by the fact that Russia placed the same disabilities on foreign Jews, including American citizens, as it did on native Jews.

The matter of Russia's treatment of Jews, native or foreign, was repeatedly called by different presidents in public communications to the attention of Congress. President Cleveland took up the matter at some length in his message to Congress of December 2, 1895 and previously Presidents Arthur and Harrison had dealt with Russian maltreatment of the Jews in similar communications. When the horrible Kishineff massacre of Jews occurred in 1903, President Theodore Roosevelt, knowing that the Russian authorities would not receive American protests, resorted to the device of embodying the petition to the Czar in a cabled official inquiry whether Russia would receive it, in order to give wide publicity to the same, but Russia even refused proffered American pecuniary aid to the sufferers. President Roosevelt went further, and wrote a personal letter to the Czar, which he handed to Count Witte in September, 1905, when the latter was chief envoy of Russia at the Portsmouth Peace Conference at the close of the Russo-Japanese War.

If Russia's treatment of native Jews was an internal matter, its treatment of American Jews was not, since competent authorities viewed such action as being in violation of the Treaty of 1832 between the United States and Russia. For a number of years after ratification of this treaty, Russia raised no question as to the right of admission into Russia of Jewish holders of American passports, under the treaty; but about 1879 she began her course of refusing the right of residence to American Jews, and she persisted in this course from that time on, with occasional exceptions of specially favored individuals. Our secretaries of state uniformly sought to induce her to desist from this discriminatory attitude, and protested against her course as constituting a violation of our treaty.

Commencing around 1908, the American Jewish Committee, then led by Jacob H. Schiff, Louis Marshall and Mayer Sulzberger, bent its efforts to secure the abrogation of the Treaty of 1832. As Mr. Schiff wrote Adolph S. Ochs it was felt that: "The moment Russia is compelled to live up to its treaties, and admit the foreign Jews into its dominion upon a basis of equality with other citizens of foreign countries, the Russian Government will not be able to maintain its pale of settlement against its own Jews." A campaign of publicity was agreed upon, and Mr. Marshall delivered a powerful address on "Russia and the American Passport" before the Union of American Hebrew Congregations in New York on January 19, 1911.

Mr. Marshall's address at once attracted the widest attention, and was printed and reprinted, and commented on favorably by the daily and weekly press of the country. Numerous bills for the abrogation of the violated Russian treaty were promptly introduced in Congress, among others by Senator Culberson and Congressmen Goldfogle and Herbert Parsons. A conference was also held at the White House with President Taft, on February 15, 1911, which was attended by prominent Jews whom he had invited to meet him, namely, Louis Marshall, Jacob H. Schiff, Adolf Kraus, Simon Wolf, Philip Stein, Jacob Furth, J. Walter Freiberg and Bernhard Bettman, in the course of which the President announced that he had concluded not to give notice to terminate the treaty, because he felt that its abrogation would not be helpful to the cause of the Jews, but would, on the other hand, injure American commercial interests, and might lead to further anti-Jewish reprisals. He stated that, if he believed that the condition of the Jews would be helped by termination, he would give the notice in question. The conference expressed to him their deep disappointment, and Mr. Schiff at once stated that they would put the case before the American people directly. He authorized Mr. Marshall to draw upon him in the sum of \$25,000 to promote a campaign of public education, and he subsequently embodied his views in a letter to the President. The very day following the interview with the President, the House of Representatives Committee on Foreign Affairs held a hearing on the abrogation resolutions, at which Herbert Parsons, Louis Marshall and Congressmen Harrison, Goldfogle and Graham advocated abrogation.

The House Committee on Foreign Affairs tentatively decided to report the abrogation resolution favorably, but

- 3 -

concluded first to confer with Secretary of State Knox, and his opposition prevented action at this Congress. Meantime, state legislatures passed resolutions in favor of abrogation, including Georgia, Illinois, Massachusetts, Montana, New York, Wisconsin and California. Before the next session of Congress began, monster mass meetings in favor of abrogation were held all over the United States. At a meeting held in Carnegie Hall, New York City, notable addresses were delivered by Wm. G. McAdoo, Andrew D. White, Senator O'Gorman, William R. Hearst, Bishop Greer, Gov. Woodrow Wilson of New Jersey, Champ Clark, Speaker of the House of Representatives, President Jacob G. Schurman of Cornell and others. On October 22, 1911, Judge Sulzberger showed the impossibility of arbitrating the controversy, when a delegation conferred with Senator Penrose of Pennsylvania, who favored a vigorous course. Soon thereafter, on November 16, a delegation which included Judge Mack, Julius Rosenwald, Harry Cutler, and Isaac M. Ullman conferred with President Taft, as did also Adolf Kraus and Simon Wolf on December 6, and on November 25 the American Federation of Labor at its annual meeting adopted resolutions in favor of abrogation.

As soon as Congress reassembled in December, numerous resolutions in favor of abrogation were introduced, notably by Wm. Sulzer, Chairman of the House Committee on Foreign Affairs, later elected Governor of New York, who arranged for a hearing before his committee on December 11, 1911. As before, Louis Marshall was the dominating figure at this hearing. Among those advocating abrogation was the Federation of Churches of New York City and vicinity, representing over seven hundred Christian churches. The result was that the committee the very next day unanimously reported the resolution of Congressman Sulzer favorably.

The House of Representatives immediately proceeded to consider this resolution and the same was at once adopted by a vote of 301 to 1, the only dissenting vote being cast by Congressman Maltby, solely on the ground that he did not think the resolution would lead to remedying the evil involved. The Senate Committee on Foreign Relations next held a hearing on the measure on December 13, 1911, at which Louis Marshall, Mayer Sulzberger and Oscar S. Straus appeared. Senator Lodge thereupon notified President Taft that an abrogation measure would pass the Senate, probably unanimously. As the President thought that the form of the resolution was

- 4 -

calculated to give unnecessary offense to Russia, he caused United States Ambassador Guild at St. Petersburg to give notice of termination, to be effective on the first of January, 1913, and requested the Senate to confirm his action. Accordingly the Senate Committee by Senator Lodge reported a substitute resolution on December 18, 1911, reciting the treaty, together with the presentation by the President of notification of intended termination to Russia on December 17, 1911, and approved and ratified his action.

This substitute resolution was debated at considerable length in the Senate, and passed without a dissenting vote, the House concurred, and President Taft approved on December 21, 1911.

The foregoing is based upon the paper prepared by Dr. Max J. Kohler which forms an Appendix to Luzzatti, God In Freedom (New York, The MacMillan Company, 1930).

A handwritten signature in dark ink, appearing to be 'J. W. H. C.', is written in the lower right quadrant of the page. The signature is stylized and somewhat cursive.

NOT TO BE RE-TRANSMITTEDCOPY NO. 11TOP SECRETOPTCL No. 86

Information received up to 10 A.M., 15th March, 1944.

1. MILITARY

RUSSIA. Russians have repulsed counterattacks and have continued their advance towards PROSKUROV. They have captured a place on the railway 9 miles southeast of VINNITSA and are developing their offensive west and south of UMAN. Their advance towards NIKOLAIEV continues and they have encircled some German divisions in this sector.

2. AIR OPERATIONS

WESTERN FRONT. 13th/14th. LEMANS Marshalling Yard - 950 tons dropped.

14th/15th. 25 Mosquitoes attacked DUSSELDORF and 16 carried out intruder operations. Four waves of German aircraft flew over the Home Counties and East Anglia, about 140 being involved in all. A number were over LONDON. At least 7 were shot down by night fighters over this country and two were destroyed by Intruder Mosquitoes over HOLLAND.

ITALY. 13th. About 280 tons were dropped with good effect on railway in Central ITALY and 166 Fighter Bombers and Fighters attacked objectives in the FOMF and battle areas. Three enemy aircraft destroyed, 6 Allied missing.

BALKANS. 13th. Spitfires destroyed 36 motor vehicles and damaged others at OMIS near SPLIT. A Siebel Ferry was destroyed and small shipping off ZARA was successfully attacked.

3. HOME SECURITY

Night 14th widespread bombing in LONDON and South Eastern Counties. Mostly incendiary though he also employed some high explosive. Chief residential damage LONDON, PADDINGTON, ISLINGTON, ST. MARYLEBONE Boroughs. Extensive fire damage at U.S. Army Headquarters, DRYANSTON SQUARE. All fires under control by 2 A.M. Casualties LONDON so far reported - killed and missing 50.

OFFICE  
SECRETARY OF TREASURY

14 MAR 16 PM 1 51

TREASURY DEPARTMENT

March 16, 1944  
10:30 a.m.

TAX BILL

Present: Mr. Bell  
Mr. Gaston  
Mr. Paul  
Mr. Smith  
Mr. Sullivan  
Mr. Blough  
Mr. Surrey

H.M.JR: Good morning.

Well, now, where are we at on tax simplification?

Dan, I thought you might listen to this and give a report on tax simplification. Who talks?

MR. PAUL: Roy or Stanley can summarize it.

MR. BLOUGH: I have it here in my hand for you. The Committee yesterday afternoon adopted tentatively a summary statement of the jointly developed plan for simplification. They are not meeting today; but they are meeting tomorrow morning to see what return forms would be like under such a plan, and to work out specific problems on these forms.

If, after seeing that and discussing it some more, they like what they have done, they will then adopt it formally, at which time they wish to issue a press release to get good publicity. They have asked Mr. Stam and the Treasury staff to prepare such a press release.

Mr. Sullivan called you at five-thirty last evening about this, I believe. We do not have the best press release

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in the world. Mr. Smith has just been knocking off a rough draft.

H.M.JR: Well, the press release is one thing. What is it all about? That would interest me more.

MR. PAUL: Why not get that right from the release? It would be a good test.

MR. BLOUGH: Do we have all of it here?

MR. SMITH: No, I haven't the last page.

MR. PAUL: The first two pages really cover it very well.

MR. BLOUGH: Who has it?

MR. SMITH: You (Paul) have the ribbon copy.

MR. BLOUGH: This is what they adopted (Hands the Secretary statement entitled "Summary of Plan," attached.)

H.M.JR: Why don't you read it and explain it as you go along?

MR. BLOUGH: Sure. This is what the Committee adopted tentatively yesterday afternoon. I have two or three copies here. I am not sure there are enough to go around.

MR. PAUL: Give one to Herb.

MR. GASTON: I have one here, sir.

MR. BLOUGH: (Reading) "Summary of Plan (1) Repeal the present Victory tax and levy a 3-percent normal tax on net income in excess of \$500."

That is net income per income receiver. It has nothing to do with family status or anything else.

"(2) Reconstruct surtax tables to include the present normal tax." So the present normal tax and the present surtax are merged into one tax.

- 3 -

"(3) Provide a tax table"--similar to the short-form table--"applicable to all incomes up to \$5,000.

"(4) Allow presumptive deductions"--or automatic deductions--" of 10 percent for all persons with total incomes under \$5,000--"

MR. PAUL: May I interrupt you there, Roy? Does that say presumptive, or automatic?

MR. BLOUGH: The word here is presumptive. It has been objected to by Disney. He suggested "normal."

MR. GASTON: It is not at all tentative; it is final, isn't it?

MR. PAUL: The word "presumptive" is wrong.

MR. GASTON: It is "arbitrary."

MR. PAUL: "Arbitrary" is the correct word.

MR. BLOUGH: We will not use "arbitrary" if you don't mind.

MR. PAUL: It is the correct word.

H.M.JR: Automatic isn't bad.

MR. BLOUGH: Disney suggested normal deductions, but it doesn't quite mean what it says.

Anyway, you get ten percent, willy-nilly--

MR. PAUL: ... whether you spend it or not.

MR. GASTON: It is to allow a fixed deduction.

MR. BLOUGH: In lieu of. "Allow deductions of 10 percent for all persons with total incomes under \$5,000, and \$500 for all persons with incomes of \$5,000 and over."

- 4 -

It sounds a little complicated, but it means that as you go up the line you get ten percent up to five thousand dollars, where it would be five hundred. Above that you just get the five hundred.

"Persons having actual deductions in excess of this automatic fixed deduction can take actual deductions." If you have more than ten percent or more than five hundred dollars, you can take the actual.

H.M.JR: Does that take care of these churches and colleges?

MR. PAUL: It takes care of them to the extent that you get a refund if you make more than ten percent, religious or educational institutions, and so forth.

MR. BLOUGH: It doesn't do what they want.

MR. PAUL: It doesn't take it out of the withholding by the employer. There is a certain amount of dispute about what they want.

MR. BLOUGH: "(5) For surtax purposes, allow a personal exemption of \$500 for single persons, \$500 for each spouse filing separate returns, \$1,000 to married couples and \$500 for each dependent. In other words \$500 per person.

"(6) Taxpayers for whom collector will determine 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

- 5 -

shown as tax withheld, the collector would bill the taxpayer for additional amount, or if it was less than the tax withheld, the collector would mail a refund check." About thirty million people would be able to do that.

MR. BELL: Does Internal Revenue accept that?

MR. BLOUGH: Yes, not too happily, but they do.

MR. BELL: I don't know where they will get their employees.

MR. BLOUGH: The thing is set up so it won't take near as much time as it does now. They couldn't do it under the present law, but the way it is set up, they could calculate this very rapidly.

MR. PAUL: They have been right in on this right through.

MR. BELL: Yes, I know, but I wondered if they accepted this.

MR. BLOUGH: "(7) 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.

- 6 -

"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.'

"(8) Withholding.

"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."

Now, this, in effect, is carrying to all sources of income and up to five thousand dollars the type of simplification which you started with the short form in 1941.

H.M.JR: All right.

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Did I start that in '41, I, the Treasury?

MR. BLOUGH: You started it personally out at breakfast one morning. You asked me to explain what a taxpayer had to do. When you saw what he had to do, you said, "That is impossible." You got the Bureau in, and insisted that they fix up the shortened form.

H.M.JR: Tell that story to Fred sometime, will you? Were you listening?

MR. SMITH: I was listening.

MR. BLOUGH: I told him.

H.M.JR: Tell it to him again until he does something about it.

MR. BLOUGH: I told it to the New Yorker fellow. I thought he would put it in the "Profile." I don't know whether he did or not.

MR. GASTON: No.

H.M.JR: Where are we on the publicity statement?

MR. SMITH: I only worked on it about half an hour. I can read it to you, if you want.

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H.M.JR: Let me get the feel of it, then I won't bother with it again.

(Mr. Smith reads attached draft of press release dated March 16, 1944.)

MR. SULLIVAN: Twice you have used "substantiate." That is not true. Nobody ever has to substantiate it in his return.

MR. BLOUGH: He was copying from this. (Summary of Plan)

H.M.JR: All I wanted to do is get the feel.

MR. SULLIVAN: I think it is good.

MR. SMITH: It "ain't" accurate.

MR. GASTON: I have one minor suggestion where you say there, to simplify - that they are setting an arbitrary five hundred dollars - that may gag the taxpayers a little bit. If you say that they are making an arbitrary five hundred dollars and added advantages--

MR. PAUL: I have a little question about the last paragraph on page one.

MR. SMITH: (Reading) "Mr. Doughton also announced that the present Victory Tax, levied on persons making more than \$624.00 income, will be dropped. However, there will be a three percent normal tax on all whose incomes net more than five hundred dollars. In effect, this means that approximately two hundred thousand more people than at present will be involved in tax payment."

MR. PAUL: You read the first sentence and you are delighted; you read the second sentence and--

MR. GASTON: What is this going to do to our implied or explicit promises about the worth of the normal on partially exempt securities?

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MR. SULLIVAN: This is leaning backwards on that question.

MR. PAUL: No.

MR. SULLIVAN: No, I guess you are right.

MR. GASTON: Giving them only three instead of six.

MR. PAUL: We discussed that with Dan.

MR. BELL: You mean the six comes down to three.

MR. BLOUGH: That is right.

MR. BELL: Oh, I was just going to ask how you were going to integrate this with the surtax.

MR. PAUL: If you want to preserve the six, you can only give special credit for that. It will complicate the thing.

H.M.JR: Well, I wanted to know what is going on without crossing a "t" or dotting an "i." It sounds pretty good.

MR. PAUL: There is something in a question that Dan just raised. We have discussed it with him. The reason it is important is because in certain statements that you have made about not taking--

MR. BELL: Not doing anything directly or indirectly to take away the tax exempted income from people who hold our tax exempt securities.

MR. GASTON: Some of those issued under four percent normal and some under six.

MR. PAUL: None higher than four.

MR. GASTON: None of them issued under the six percent normal.

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MR. PAUL: The six didn't come into effect until '41.

MR. GASTON: This is slicing one percent off their benefit.

MR. BLOUGH: Some were issued back in the early days when you had eight, but the Congress deliberately reduced that to four in 1934 and said they were doing it to cut down the value--

MR. BELL: There has really been no consistency in this so far as the legislative history is concerned. The only thing is, you made the statement, and I think they will make some remarks about it, that here is--

H.M.JR: Well, now is the time to protest, unless it is too late.

MR. PAUL: There is an arrangement by which you can cover it, but it complicates the picture. You can give a credit.

MR. BELL: Isn't there some way that you can leave this normal tax at six and throw this three percent Victory Tax some other way?

MR. SURREY: No.

MR. PAUL: That spoils it.

H.M.JR: Make your fight now, Dan, because I did say--

MR. BELL: I don't know what effect it is going to have on the market, but you are going to get some commentators throwing this back in your face, that you did make the statement.

MR. PAUL: Remember what Murphy said about the flight of these bonds to the corporations. This doesn't affect corporations. That was primarily what the Secretary had in mind.

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MR. BELL: They are going into the banks and corporations for taxes. But the individuals hold a lot of them, too.

MR. SULLIVAN: I think you can save this situation in - and you might want it specifically mentioned in the press release - that the Committee approves, that attention is called to the fact that if a person holds partially tax-exempt securities, he should specifically ask for this extra deduction.

MR. PAUL: Yes, well, Murphy says that anybody who holds those securities is a damn fool, because he can sell them.

MR. BLOUGH: Well, what he meant was that the tax value to the individual is so much less than the tax value to the corporation that most of the people are selling them to corporations.

MR. GASTON: This cuts the tax value to the corporation, of course.

MR. SULLIVAN: No, no.

MR. GASTON: Wouldn't affect it?

MR. BLOUGH: None whatever. ~~==~~

MR. GASTON: It really isn't very serious, then, in actual effect.

MR. BLOUGH: The only seriousness is the psychological effect.

MR. SURREY: To be perfectly consistent with what has been done with respect to these - done since they have been issued - their exemption has been determined by the normal tax. It has fluctuated from one and a half percent up to eight percent and down to four percent.

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MR. PAUL: When it was cut from eight to four, back in '34, remember what the Committee said?

MR. SURREY: That was more drastic when they deliberately cut it to increase the tax. Here we are simply changing the normal tax. It is the only way you can simplify the situation. Never in the past history of these bonds have they ever thought for a moment of giving them anything other than what the normal tax happened to be in the particular year.

If it was three this year they would get that, if it was six last year, they would get that.

MR. BLOUGH: We didn't originate the fact this should be called a normal tax.

H.M.JR: All right, Dan, if we fight, what should we do?

MR. BELL: How much time have we got?

MR. BLOUGH: I don't think the fight is ours, to begin with. It seems to me that it would be called to the attention of the Committee tomorrow when we get to working these examples out, and that we certainly ought not to oppose, if the Committee wishes it, some additional tax credit to preserve it.

H.M.JR: May I make a suggestion? Couldn't Mr. Bell, with you, write out a little statement stating what my position is, and put that in as an objection.

MR. PAUL: Not as an objection; perhaps something a little less than that, calling it to the attention of the Committee.

H.M.JR: At least definitely calling it to the attention of the Committee. I would like that.

MR. SURREY: The question would be, it seems to me, what you would want to do after you have done that. The only alternative is to allow the partially exempt against the surtax.

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H.M.JR: Let's call it to their attention. Does that satisfy you?

MR. BELL: I would like to give a little thought today as to what effect it would have on the market. I don't think it would have any. I think the whole impact will come from the criticism of your not being consistent.

H.M.JR: Let's do something so I can say, "Well, I objected and this is what I told the Committee."

MR. PAUL: This all arises out of the desire of Stam--

H.M.JR: You have been talking about this for a couple of weeks, haven't you?

MR. BELL: We talked it over and this was the only question raised. We thought we were going to talk to you to see how you felt about your statement. I am not so sure we can't put something in the report giving a little legislative history, which might help. There has been nothing consistent in the legislative history in normal taxes.

H.M.JR: Will you take this for me today? I don't care how hard you (Bell) push if you think it is important. But I do think I made that statement, and I want to live up to it. I want to make an honest protest.

MR. SURREY: It isn't a question of technical objections. If you protest, you are going to have to follow through, I think.

H.M.JR: O.K.

MR. BELL: I think it is a question of what you do with the Committee after you once call their attention.

H.M.JR: Anyway, I delegate Mr. Bell as my representative. You talk tomorrow.

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MR. BELL: Maybe it can be in the form of a letter to Chairman Doughton.

MR. GASTON: Whatever the Secretary said, that needs to be examined pretty carefully, but we ought to battle hard to preserve the integrity of what he said.

MR. BLOUGH: This is not a perfect plan. It will be criticized. It is the best that can be done and keep the Victory Tax.

## SUMMARY OF PLAN

- (1) Repeal the present Victory tax and levy a 3-percent normal tax on net income in excess of \$500.
- (2) Reconstruct surtax tables to include the present normal tax.
- (3) Provide a tax table applicable to all incomes up to \$5,000.
- (4) Allow presumptive deductions of 10 percent for all persons with total incomes under \$5,000, and \$500 for all persons with incomes of \$5,000 and over. Persons having actual deductions in excess of presumptive deductions can take actual deductions.
- (5) For surtax purposes, allow a personal exemption of \$500 for single persons, \$500 for each spouse filing separate returns, \$1,000 for married couples and \$500 for each dependent. In other words \$500 per person.
- (6) Taxpayers for whom collector will determine 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.

- (7) 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."

(8) Withholding.

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.

... (6) 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."

... (7) 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."

... (8) 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."

PRESS RELEASE

March 16, 1944

Chairman Doughton announced today that his House Ways and Means Committee has arrived at a definite plan for the simplification of individual income taxes. The plan was developed by the Committee after receiving recommendations from the Treasury Department and the Joint Committee on taxation.

In effect, the new plan will increase withholding to more nearly meet the actual tax liability, and will relieve, at their option, nearly thirty million people of filing detailed income tax forms. Another ten million will file a simple tax form, using prepared tables to calculate their taxes. The last ten million, consisting of those who get income from various sources, largely not withheld, or with more than normal legal deductions, will have to file a detailed form. According to the Committee, however, it is a form less complicated than the present 1040.

Mr. Doughton also announced that the present Victory Tax, levied on persons making more than \$624.00 income, will be dropped. However, there will be a three percent normal tax on all whose incomes net more than five hundred dollars. In effect, this means that approximately two hundred thousand more people than at present will be involved in tax payment.

Exemptions for status have been changed also. At present, a married couple has an exemption of \$1200, with \$350 for each dependent. To aid simplification, there will be a straight exemption of five hundred dollars per person: that is, \$1,000 exemption for a married couple, and \$500 for each dependent. Married couples without children will, under this arrangement, pay a higher tax than at present; while married couples with one dependent will pay about the same, and that further dependents will reduce taxes paid to a figure smaller than at present.

The success of the new plan depends upon adjusting withholding at source to more nearly meet the entire tax bill of people earning up to five thousand dollars. About thirty million under this plan will actually pay-as-they-go, and may, if they wish, file a copy of the withholding tax receipt, furnished by their employer, in lieu of a regular tax return. Such a taxpayer will simply list his dependents on the reverse side of the receipt, and show the amount of "other income" if any, then simply sign the receipt and forward it to the local Collector without any payment. The Collector will determine the tax due on the basis of information submitted, and will mail to the taxpayer a bill for additional taxes, or a refund check, whichever the case may be. All those making up to five thousand dollars, and not receiving more than one hundred dollars from other sources, will be permitted to take this short cut. And

the total tax will be computed on the basis of a presumptive deduction of ten percent. If a taxpayer feels that his deductions exceed ten percent, he will have the option of filing a more complete form in which he can list and substantiate all deductions.

Taxpayers who have incomes of more than one hundred dollars from sources not subject to withholding, and those whose income is five thousand dollars or more, will be required to file a formal return. However, such taxpayers will also have the benefit of simplification. There will be three types of taxpayers in this category:

- (1) The taxpayer who has a total income of less than five thousand dollars, and has deductions of not more than ten percent of the total income. This taxpayer can use a short cut method of ascertaining his tax by referring to a simple one-page tax table based upon his total income.
- (2) The taxpayer who has a total income of five thousand dollars or over, but has deductions of not more than five hundred dollars. This taxpayer will be allowed to use five hundred dollars as his total deduction, without detailed itemization or substantiation. His tax would then be computed on the resulting "net income."
- (3) The taxpayer who has an income of under five thousand

dollars and deductions of more than ten percent, or a total income of more than five thousand dollars, with deductions of more than five hundred dollars. Such a taxpayer can secure full benefit of his actual deductions if he lists and substantiates his deductions. He then computes his tax on the resulting net income, and files a form somewhat less complicated than the present form 1040.

March 16, 1944  
2:10 p.m.

## STABILIZATION POLICY

Present: Mr. Smith  
Mr. White  
Mr. Shaeffer

H.M.JR: Listen, fellows, as you once put it, get on the coat-tails of Mr. Knutson and Mr. Dewey before the morning papers, on this statement. (Refers to ticker statement attached)

Now, let me take a couple of minutes and tell the facts as I know them. You look up the dates, or Harry can give them to you. We have got to move fast.

When we last appeared before the three or four Committees in the House and Senate, you see - and you can look up the dates and look up the Chairmen of the Committees - somebody makes notes of those Committees involved in the Senate and the House, I will tell you why in a minute - and simply say that absolutely nothing has happened. Everything is in a state of negotiation, and say that when the thing is far enough along - because we are satisfied - then I intend to come up again as I have twice before on such-and-such a date, and such-and-such a date, and make a report to these respective Committees in the House and Senate.

We can't help what comes out of the London press, because it is this London Times story - a very peculiar story on the ticker this morning from the London Times. I can't help what they say in London. I don't know I want to say that, but anyway, I am fed up on the English. There is absolutely nothing. When there is, I will come out.

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Now I think, personally, there are two ways to do this thing, either make a formal statement here, or get somebody like Sol Bloom and Tom Connally, and say, "Well, I have heard from the Secretary of the Treasury, and there is nothing to it."

Now, maybe I can do it right over the telephone. I want advice. Maybe I can call up Sol Bloom and say, "I want to tell you, Sol, there is nothing to it."

MR. WHITE: That all the discussions are still between the technicians. It hasn't even reached the stage of negotiations.

H.M. JR: What do you think?

(Mr. O'Connell enters the conference)

H.M. JR: Let him read that. (Ticker statement)

MR. WHITE: McCarran's office, not today, but about three times, has called me up, indicating that Senator McCarran is very interested. And I told them, each time, that we would be very happy to let them know anything that was of interest the minute it happened, and I was sure the Secretary would inform them, and that nothing has happened. His secretary has repeated McCarran's thanks for letting him know.

H.M. JR: I personally think the best way to answer is to have a person like Sol Bloom in the House answer it.

MR. SMITH: I think the best way would be to do it in the House. Those are the people you want to have know it.

MR. SHAEFFER: Dewey is in the House.

H.M. JR: Dewey and Knutson are the two.

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MR. O'CONNELL: Are they on the Special Committee?

H.M.JR: No. Maybe Dewey is, I don't know. Is Dewey on Foreign Relations?

MR. WHITE: Dewey was present at the meeting.

H.M.JR: Is it a consensus, because I have a lot to do? Should I try to get Sol Bloom?

MR. SMITH: I would.

MR. WHITE: I wouldn't use the term "negotiations" because there are none going on.

H.M.JR: You gave out something the other day--

MR. SHAEFFER: I rounded up the situation yesterday morning for the Associated Press. Nothing new in it.

MR. WHITE: All we have told them was that discussions were going on with the Russians and it is too early to say how they will be concluded.

We said that there are still some matters of difference between the British and ourselves, and we can't tell them when there is going to be a conference, because we don't even know whether there will be a conference.

That is the line we have taken and stuck to. But this fellow McCormick from the Times got an awful lot of information from somebody in town.

MR. SHAEFFER: Yes, he told me he had that.

MR. WHITE: Either from the British - because somebody gave him a pretty accurate description--

MR. SMITH: Be sure and tell Bloom to do something about it right away so it will tag this in the papers. I would make that crack about London to Bloom.

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H.M.JR: I haven't got the ticker story that came over from the London Times.

MR. SHAEFFER: It is up on my desk.

MR. WHITE: It is bad for another reason. It says they are coming to our plan. You know what it means over there.

H.M.JR: You know what I told you fellows only yesterday, that after reading all this stuff, I wouldn't hold it beyond the realms of possibility that the Bureau of British Information here is trying to undermine me. They have every reason to from their selfish standpoint.

MR. SMITH: And they have a precedent to go on - the King of Egypt and other people. That Egyptian stuff that made the King so mad was done by the British.

MR. WHITE: You know they are withholding their reply to us, Mr. Secretary, without any apparent justification - something outside of the discussions. They have been dragging their feet now, weeks, and weeks, and weeks.

(The Secretary holds a telephone conversation with Congressman Bloom, as follows:)

March 16, 1944<sup>183</sup>  
2:16 p.m.

HMJr: Hello.

Operator: Congressman Bloom.

HMJr: Hello.

Sol  
Bloom: Hello.

HMJr: Sol?

B: Yes. How are you?

HMJr: This is Henry.

B: Yes. Glad to hear your voice.

HMJr: How are you?

B: Oh, fine.

HMJr: Did you have a nice birthday?

B: Oh, I had a wonderful birthday and they gave me a nice luncheon and a nice present. The Committee treated me fine.

HMJr: How does it feel to be twenty-four?

B: (Laughs) Well, I wouldn't want to change a single -- a single moment of the whole seventy-four years, Henry.

HMJr: Well, that's the way my father feels....

B: Yes.

HMJr: ....and he's almost eighty-eight.

B: That's right.

HMJr: Sol, Congressmen Dewey and Knutson let off a blast against the Treasury -- I got it on the ticker -- have you got a moment?

B: Yes.

HMJr: Let me read what United Press said.

HMJr:  
Cont'd:

"Reports that the Treasury Department is about in agreement with other United Nations on a plan for stabilization of international finances precipitated stern rebukes of the Department by several members. Representative Dewey, former Secretary -- Assistant Secretary of the Treasury said he was shocked to read of the plans in the newspaper dispatches of yesterday. 'Neither the Treasury nor any other Department of the Government has the right to enter in agreements not submitted to Congress,' Dewey said. Representative Knutson said there's a special committee been formed in Congress to formulate post-war policies and it is shocking indeed that this Government enters into fast and binding agreements without showing Congress the courtesy of advising in advance of what it proposes to do."

B: Yes.

HMJr: Now, you remember when we came up before you last fall.

B: Yeah.

HMJr: And at that time we were having discussions and I told you if and when we had made some real progress, I would ask for an opportunity to come back and inform you.

B: Right.

HMJr: Well, we haven't even made enough progress to ask to see you.

B: Uh huh.

HMJr: Now, there's been no agreement, the thing is still in the discussion stage and, as a matter of fact, we haven't heard from the British in weeks.

B: Uh huh.

HMJr: And this damn story that they're jumping on me for came out of London, and there's absolutely nothing to it. See?

B: Yeah.

HMJr: And as soon as it's even approaching an understanding, I was going to ask you to let me come up there again.

B: Any time you want.

HMJr: Now....

B: Any time you want. You can -- you can make it Monday if you want.

HMJr: No, I'm not ready.

B: No, but any time you want, I say, it doesn't -- but, of course, here's the idea -- we may go over the Easter Holidays. If you want it before, you've got to bear in mind, afterwards.

HMJr: Yeah.

B: But you can come and we'll have an open hearing and you can go and testify or say anything that you want.

HMJr: Yeah. Now, but this is what, talking as one Democrat to another....

B: Yes.

HMJr: ....I wondered if you didn't want to answer these fellows, give out a statement to the Press up there, that you've....

B: Yes.

HMJr: ....talked to me and that there's nothing to it so that your story will get to the papers just about the same time that theirs does.

B: Yes. Well, I'd have to say more than that.

HMJr: You can say anything that you want to.

B: Well, just give me a -- just a few words besides that -- say about -- that when you....

HMJr: Well....

B: ....were before the Committee....

HMJr: Well, would you like -- what would you like me to say?

B: Well, whatever you want me to say.

HMJr: Well, the point is that I was up before you. I can look up the date -- I don't know -- last fall.

B: Yes.

HMJr: And discussions have not made sufficient progress for me to ask to come up before you again.

B: Yes.

HMJr: And that when we reach a stage of the discussions where I think I have something to report, I will come and tell them to the Congress first hand, the way I promised I would.

B: What was the date? Do you know?

HMJr: I can get it in....

B: Well, supposing you have your secretary call us back. And what do they call that? What is the name of the....

HMJr: The group?

B: No, the discussions -- the....

HMJr: Well, would you like Harry White to get in the car and come up to see you?

B: Fine. Do that.

HMJr: Supposing I send him....

B: I'll tell you -- before he comes if he just dictates a little statement that he can give to me so I'll have it right before me.

HMJr: Right. And then you can call a little Press Conference....

B: Yes.

HMJr: ....and give it out because, you know, Bob Hannegan is right. You know, we've got to hit back as a party.

B: Sure.

HMJr: And this....

B: Well, we've got to give them the truth and that's the truth. I'm going to give them the facts and the truth of the matter.

HMJr: Well, then it's good politics.

B: Yeah, that's right.

HMJr: Well, are you going to be in your office the next half hour?

B: I'll be here all afternoon.

HMJr: Well, Harry and -- will come up there with a little statement....

B: Yeah.

HMJr: ....and Joe O'Connell will come with him.

B: All right.

HMJr: And then if you could -- the sooner you can hit it, the sooner it will get on the tail of those other fellow's lies.

B: Yes. All right, I'll do it as soon as he comes up.

HMJr: Thank you.

B: Good bye.

HMJr: Good bye.

- 5 -

H.M.JR: This is more important. I don't know what you have going on back there, Harry--

MR. WHITE: All right.

MR. SHAEFFER: I have them all upstairs.

H.M.JR: Here are three fellows who will drop everything they are doing to help you type out a statement.

You know, Hannegan went up there. They gave him a kind of meeting, and everybody said, "Everything is lovely."

Hannegan got up on his feet and said, "I say everything is lousy."

He said, pointing, "You tell me, as a Democrat, the last time that you answered a Republican on the Floor. You tell me when you got up and answered a Republican. Anybody in the room tell me the last time he answered a Republican attack, as a Democrat."

There was complete silence. Finally somebody said, "Hannegan is right."

He said, "Every morning I pick up the Congressional Record and I can't see anything."

Now, a Congressman called him up and said, "Bob, is this you? You see how I answered them yesterday? You see how McCormack answered them yesterday?"

Bob is putting life into them. Here are two Representatives attacking me. It is up to Bloom to get dirty and answer them. That is the way to do it.

MR. WHITE: All right.

H.M.JR: And I don't care what any of you are doing, this is the most important thing.

## TICKER STATEMENT

Reports that the Treasury Department is about in agreement with other United Nations on the plan for the stabilization of international finances, precipitated stern rebukes of the Department by several Members.

Representative Dewey, former Assistant Secretary of the Treasury, said he was shocked to read of the plans in the newspaper dispatch of yesterday. "Neither the Treasury, nor any other Department of the Government, has the right to enter into agreements not submitted to Congress," Dewey said.

Representative Knutson said that a special committee will be formed in Congress to formulate post-war policies, and that it is shocking indeed that this Government enters into fast and binding agreements without showing Congress the courtesy of advising in advance of what it proposes to do.

3-16-44

Treasury Chambers,  
Whitehall, S. W.

March 16, 1944

Dr Harry White,  
State Department,  
Washington, U.S.A.

My dear White,

I have just received through Casaday a message from you about the importance of arriving at an agreed, joint text with as little further delay as possible, and we have also had a report from Opie, who has very lately arrived. For reasons which will appear in this letter we are still, most unfortunately, not in a position to send you an official reply, and it has, therefore, seemed right that I should let you have this personal, unofficial letter to tell you how matters stand and what the explanation of the delay really is.

The experts on this side dealt with the outstanding questions as quickly as they could, and we were exceedingly appreciative of the way in which our suggestions were met at your end. The result of this was that you and Opie were able to arrive at a text, which was complete in respect of the discussions up to that point, except the question of the Unitas version. Personally, I think it most unlikely that we shall make Unitas a condition of acceptance, but we are not yet in a position to tell you so officially.

Meanwhile the representatives of the Dominions and India have arrived, and we have been discussing with them the draft

/reached

*See letter of March 17, 1944 from Casaday*

reached by you and Opie. They have some interesting observations to make on these, which I hope we shall be transmitting to you shortly. Most of them are not much more than improvements in drafting, and, so far, no point of principle has been raised which is, in my opinion, likely to cause you difficulty. The most important proposal relates to the statement of quotas. Naturally the Dominions are not much inclined to leave this in a vague condition, and it has been widely felt - a view that we also have shared - that the smaller countries do not come off as well as one could wish.

As I say, I hope that we shall soon be telegraphing to you the suggestions of the Dominions. This will have the great advantage of having got over quite a considerable number of extra hurdles. We should, of course, like to have those suggestions, so far as you agree with them, embodied in the joint statement. In this case, there may not have been as serious a loss of time, in the final result, as appears on the surface. We should then be in a position to present Ministers with a final revised text, embodying, as I hope, the further suggestions emerging from these talks.

Assuming that all this goes according to programme - and you will appreciate that this is no more than a personal letter from me to put you wise as to what is going on behind the

scenes

scenes - I do not anticipate that any objection will be felt to the course of procedure which you indicated to Opie some two or three weeks ago. If and when, that is to say, Ministers have agreed in principle to the early publication of the currency proposals, I should not expect that there would be any objection to the general line of procedure you indicate, namely, that you should be free to communicate the agreed draft forthwith to Brazil, Mexico and Cuba, and we to Holland, Belgium, Poland and Greece, and that, after about a fortnight, copies should go out to all the United Nations and be published on an agreed date, not much later. We may perhaps wish in our White Paper to precede the agreed text with some explanatory statement of our own.

No-one could agree more than I do with the point you make in the message you sent through Casaday that the inability to answer enquiries is an increasing handicap and that the effectiveness of a joint statement will be enhanced by prompt publication. On this side the Chancellor of the Exchequer is being constantly pestered by Members of Parliament with questions as to when they can hear more. There is obviously a good deal of restiveness, which can be largely explained, I think, by the lack of news. It is obvious that the proposals are most likely to be attacked on this side on the ground that, however we dress them up, they are no better than a revised gold standard,

and

and they will be charged with submitting this country on the same yoke, from which it had escaped with so much difficulty but with so much ultimate relief in 1931. I hope that you will now get this part of the proposals in a form in which they can be adequately defended from this charge. But it is true that I am convinced, that the attack is likely to come.

Ever yours sincerely,

*Keynes*

RECEIVED  
Treasury Department  
MAR 23 1944  
Division of  
Monetary Research

March 16, 1944  
3:50 p.m.

### JEWISH EVACUATION

Present: Mr. Luxford  
Mr. DuBois  
Mrs. Klotz

H.M.JR: I want to start with this interview with Mr. Myron Taylor first.

Just before he got up to go, he said, "Now I want to tell you one thing, Mr. Morgenthau. We had a meeting - Berle, Pehle, Pell, and a few others. Mr. Pell tried his best, in his emphatic manner to point out certain things which he thought were wrong. Next day Mr. Stettinius called me up and told me to order Pell not to have anything to do with the Refugee Committee; whereupon, Pell resigned."

He said, "I have been holding his resignation, because he knows all about this thing. He has been my assistant, and it is more or less ruinous to his career and his standing, and very humiliating to him before everybody else."

So I said, "Well, Mr. Taylor, you have got to give me a chance to look into this thing, because there is something wrong somewhere. I have got to talk to Mr. Stettinius about this."

Now why Stettinius quoted me to this man - because, as you men know, it never took place; I mean, I never told this to Stettinius. You know, Stettinius has been so worried about something that - and why he should say I was mad! And this fellow necessarily is going to protect his assistant. It is a dirty piece of business. I mean, I just don't understand it. But you fellows can talk to me later.

Now, he came in here very cold and very cool - very United States Steelish - and he said, "Here this Committee has been set up in London. Besides that, the President

- 2 -

has an Advisory Committee of twelve" - and he started out to tell me about this Committee.

So in a very nice way I started to take the Intergovernmental Committee apart, and I had this memorandum for Stettinius which starts out with, "(3) Relations with the Intergovernmental Committee." (Refers to Memorandum of March 10, 1944) And I started to read from there on, which I had been saving for two or three days.

I said, "After all, what we are trying to do in the United States Government is to get something done. I know, Mr. Taylor, what a great humanitarian you are; I know your heart is in this thing. While nobody has told me, I take it your pocketbook is, too."

He said, "That is right. Every cent of this thing so far I have paid for out of my own pocket."

This may not be all in order, but he said, "Mr. Morgenthau, up until this morning I have practically never seen a telegram. They never would let me see a telegram. This morning was the first time I have practically ever seen anything. Mr. Pell would tell me a little bit of what has been going on, but that is all. Breckinridge Long ran this whole thing - he and one other man."

MR. LUXFORD: Travers?

H.M.JR: I don't think that is it. He said, "I never wanted the Bermuda Conference. The Bermuda Conference was called at the insistence of the English so the English could say they were doing something. The Evian Conference was no good. I am not a free agent; I am part of the State Department. I have not been able to do anything. The figures I have been given on the number of refugees in certain locations have always been wrong. I have not been able to do anything in Spain, thanks to Mr. Hayes."

I said, "We are having the same trouble."

- 3 -

"But," he said, "what are we going to do with this Intergovernmental Committee? Do you want it to fold up?"

I said, "No, we need everybody of good will and good heart to help us. We desperately need people." I said, "Here is a group which in five weeks has really accomplished something, and they are getting somewhere."

I said, "It is not easy. We have got six important cables lying over there now somewhere in the State Department."

Well, he said he was interested. So I told him about Breckinridge Long. I told him my story about Breck Long and myself - about how he said he wasn't an anti-Semite. "I told Breck, 'that is your record in the last year and a half; nothing I can say can cure it. They will have to take your actions, not my words.'"

I said, "Let's call a spade a spade. I don't think Mr. Hull has known anything about this thing, but at the lower level, our State Department and the British Foreign Office just weren't interested. Now we have a group together, and we are a little bit more frank, if you know about the Resolution in the House and in the Senate by which we forced the President to appoint a Committee."

I said, "A part of the thing was in order not to have the President's hand forced where he has shown so much interest in this thing and getting it started under his own free will - not to have him forced by Congress to do this."

He said, "That is right."

I said, "Now, look, Mr. Taylor, we need your help. You are one of a half dozen men in the United States who are really interested."

He said, "That is fine. I have been interested, and haven't been able to do anything. I have seen the cables for the first time this morning. I have never been shown them."

- 4 -

So I said, "What would you think of bringing Sir Herbert Emerson over here to see us? Mr. Pehle is too busy to go over there." I said, "This is a young crowd that is working in split seconds."

I said, "Read your own cable." I showed him this. (Refers to Winant cable, ECC-433, dated March 11, 1944)

I said, "A matter of a month or two months doesn't make any difference." I told him the case of Admiral Leahy - forty-five days to make up their mind to ask the Commanding General whether they should or shouldn't. In the meantime all those thousands of people are dead.

I said, "Sure, I am interested in this thing. I am interested as a human being and personally I am interested. I have told that to Mr. Hull. I am interested in the individual in this thing."

He says, "That is right." So I said, "There is no misunderstanding. I want your help and your sympathy. He said, "You have got it. I'll have Sir Herbert Emerson come over here, plus Mr. --"

MR. LUXFORD: Malin . That is our Assistant Director.

H.M.JR: He says he is very good. "I'll try to get both of them over here."

I told him how we were financing this thing. He said, "Up to now it has cost practically nothing."

I said, "I get a weekly report of what this Committee does. I'd like for you to get a copy of it. I'd like Pehle to see you once a week."

So he says, "Well, if you will let me have the report, I'll read it."

I said, "Well, I'll have Pehle call you up, or you can call him if you need explanation. I want your help. I want you to help me on this thing."

- 5 -

He says, "You have got my help. When Sir Herbert comes over, can he meet with the full Committee?"

I said, "Sure."

I said, "Mr. Stimson is vitally interested in this thing. Mr. Hull has given this thing his hearty approval. We are going to go places for the first time - Bulgarian children coming out," and so forth, and so on. I kept telling him about being a great humanitarian, and so forth, and so on.

The upshot is, he finally got through and he brought up this little thing about Pell and his men.

I said, "Look, Mr. Taylor, will you do me a favor? When you go back, will you write me a personal memorandum of what you think I can do to bring together these various organizations so that we can get the help of everybody who wants to help?"

He said, "Well, that was the purpose of my memorandum to the President."

I said, "In the light of our conversation, will you write me another letter direct to me?"

He said, "I'll go back and do it."

I think <sup>it</sup> it was pretty good, don't you?

MR. DuBOIS: Sounds like it.

H.M.JR: Stettinius called him up and said that this man, at my insistence, was to have nothing else to do with it.

MR. LUXFORD: Did you correct Taylor on that point?

H.M.JR: I couldn't. What I said was this - which was as far as I could go: "I don't understand this, Mr. Taylor, and you will have to give me a chance to talk to Mr. Stettinius," because, after all, I couldn't call Stettinius a liar. Stettinius particularly called me to

- 6 -

say that when Taylor said to me or to the President, or the President said to me that I had asked Taylor to do this, I should say, "Yes."

MR. LUXFORD: My own reaction is that Mr. Stettinius did a very admirable thing in a very unadmirable way. The resulting achievement was wonderful; his technique was unfortunate. But don't let this get back so we are going to get dragged back into this.

H.M.JR: I can't discuss it now. I have very important people coming - the Library of Congress. I have told them I'll meet them on time. That is why I am under such terrific pressure here. Mrs. Dickinson will write this; you can read it.

Now, here are these things: Herbert Emerson is High Commissioner for the League of Nations for Refugees. In the old days, Nansen was that. Nansen played a very important role.

MR. LUXFORD: Hansen or Nansen?

H.M.JR: Nansen.

There is no sense in slapping these people in the face. If you looked at Myron Taylor you would most likely find he is Director of the International Red Cross, most likely Director of this and that and that; and you will find him wherever you go. He would go around to everybody and say, "Morgenthau is an s.o.b."

MR. LUXFORD: Do you think he is really sincere? If you do, we have been looking for a man really to go to town on State, big enough really to tackle State from within. But it is a big, important evaluation: is he sincere? Would he do anything if we brought these cases to him, or would he sit on them?

H.M.JR: Well, I'll tell you this: I am not answering your question, but I think he is the best bet, given the proper backing. He has no axe to grind.

MR. LUXFORD: Would he fight State the way he tackled you today?

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H.M.JR: I don't know.

I again repeat: I think he is the best bet that I have seen. The fellow was very frank.

MAR 10 1944

MEMORANDUM FOR MR. STETTINIUS

Pursuant to your suggestion, there follows a brief summary of those problems relating to the work of the War Refugee Board, in connection with which I feel that you can, while you are in London, help our cause a great deal.

As you will note these problems are of major importance and are directly related to the question as to the extent to which the British Government is prepared to give us its wholehearted cooperation in this task. For this reason, may I suggest that a frank discussion of the whole matter by you with Mr. Eden might well result in a tremendous contribution to our efforts.

(1) Convincing the British that we really mean business.

There is good reason to believe that the British are not yet convinced that there has been a real change in this Government's attitude toward this matter - rather that they feel that the creation of the War Refugee Board was primarily a political move in an election year.

It is most important that we convince the British Government, as well as other governments, of our sincerity. In this connection, a citation of some of the significant steps which we have actually taken may be most helpful. I am attaching a resume of the highlights of our action to date, and we are keeping our Embassy in London informed of developments.

(2) Cooperation with the British.

Our position on this was best expressed in our cable to Winant of February 29 (1503). As we pointed

- 2 -

out, it is our policy to encourage and participate in effective cooperative efforts with other governments in taking all possible measures for the speedy rescue and relief of the Jews of Europe and other victims of Hitler's persecution. We hope that our actions will not be unilateral and that the British Government will actively cooperate in concrete measures designed to carry out this policy.

Whether there will be wholehearted cooperation between this Government and the British Government is not dependent as much upon the expressions of policy made by each Government as it is upon the actual steps which are taken by each Government to put these policies into effect.

In brief, are the British prepared to take the same kind of measures we have taken?

(3) Relations with the Intergovernmental Committee.

As in the case of our relations with the British, I think that it is most important to convince the Intergovernmental Committee that we really mean business. Once they realize that our purpose is not to outshine them, or to cast aspersions on what they are doing, but to get the job done and get it done quickly, there will be a better basis for cooperation.

In connection with your discussions on the relationship between the War Refugee Board and the Intergovernmental Committee, I would like to make the following points:

(a) The War Refugee Board is an American organization set up to carry out the policy of the American Government. The Intergovernmental Committee is an international organization, representative of over thirty nations, and therefore obviously in no position to carry out effectively and promptly the policy of any one individual nation.

- 3 -

(b) The War Refugee Board is prepared to lend every assistance to any and all projects which the Intergovernmental Committee has undertaken or undertakes in the future, designed to bring about the speedy rescue of victims of enemy oppression. In so far as financing such projects is concerned, the Board has already paid out \$200,000 towards operating expenses of the Committee.

(c) The War Refugee Board is determined to carry out the policy of this Government as announced by the President. In doing this the Board is not anxious to take on any job which can be done just as quickly and effectively by any other organization, whether such organization be domestic, foreign or international. If the Intergovernmental Committee is in a better position than the Board to carry out with speed any particular project designed to save the lives of refugees, the Board will gladly look to and support the Committee in the execution of such project.

(d) On the other hand, the Board has no intention of referring to or clearing with the Intergovernmental Committee any project which is necessary to carry out this Government's policy, unless such action would facilitate the speedy effectuation of such project. In the less than two months it has been in existence, the Board has already taken many steps designed to save people from death. A mere examination of these steps, in the light of the record of the Intergovernmental Committee to date, will reveal that most of these steps would not have been taken in this short time had they been referred to that Committee.

(4) Palastine issue.

The War Refugee Board has not taken and has no intention of taking a position supporting the establishment of a Jewish national state in Palastine.

The Board's sole interest in Palastine lies simply in the question as to what extent Jewish refugees can be brought into Palastine, even if only on a temporary basis.

- 4 -

From the standpoint, with which we are concerned, of saving the Jews in Europe from death, bringing them into Palestine and placing them in camps, to be returned to their homelands at the end of the war, is just as effective as admitting them to Palestine on a permanent basis.

(5) Cyrenaica and Tripolitania.

We have no intention of turning down any project for the rescue of refugees facing death solely because of the problems which may be involved in finding a temporary place to put these people once they escape from Hitler.

However, the fact that we do not now have a place where we can assure that these people can go, at least temporarily, in as large numbers as possible is actually interfering to a great extent with our efforts to bring these people out of enemy territory.

As you know, one of the specific recommendations made at the Bermuda Conference was that the British Government consider the question of admitting refugees to Cyrenaica. Moreover, in July 1943, at the time the President and Prime Minister Churchill agreed to the establishment of a refugee camp in North Africa, the President expressed a definite interest in the possibility of establishing refugee havens in Cyrenaica and Tripolitania. As recently as January of this year, Mr. Long informally presented the matter to Sir Ronald Campbell. Despite this long standing interest in the matter, no agreement has been reached between the two Governments.

In my letter to you of March 2 it was recommended that a definite proposal be made at once to the British Government. We pointed out that once an agreement has been concluded with the British the matter can then be cleared with the Combined Chiefs of Staff.

In discussing this urgent matter with the British they might be advised that this Government is prepared to share with the British Government the responsibility for

- 5 -

arranging to finance the establishment and maintenance of refugee camps in Tripolitania and Cyrenaica, including the costs of transferring refugees to such camps; and that this Government is also prepared to handle the transportation problem on a cooperative basis with the British. Thus, a division of obligations and responsibilities between the two Governments could be made in this case as in the case of the transfer of refugees from Spain to Camp Lyautey in French North Africa.

The importance of establishing refugee camps in Tripolitania and Cyrenaica can not be overestimated. The War Refugee Board is convinced that there is a real opportunity for actually bringing many people out of German controlled territory, particularly from areas adjacent to Turkey and the Black Sea. The Board is determined to do what it can to bring these people out in as large numbers as possible. Once these people are evacuated to Turkey, it is essential that areas be found to which they can be removed without delay. Camps in Tripolitania and Cyrenaica could be used for this purpose.

(Signed) J. S. Fobio

Attachment.

JEDuBois:ecr  
2/10/44

MAY 10 1944

Memorandum for the File:

While we all realize that the War Refugee Board in its five weeks of operation has barely scratched the surface of the problem, the following are a few of its more outstanding accomplishments:

1. The Bulgarian bottleneck has been broken by our arrangements for the rail transportation of 150 children every 10 days from Bulgaria to Palestine via Turkey. This small step may have important implications in the whole Balkan refugee situation.
2. To open the way for a flow of refugees from occupied areas into Turkey and Spain, we have asked our ambassadors to request the Turkish and Spanish Governments to relax their border and other controls and publicly to announce their willingness to accept refugees. We have indicated that we will arrange for the maintenance of refugees in Turkey and Spain and for their transportation to other temporary havens.
3. To induce the Spanish Government to accept more refugees, we are taking steps to expedite the removal on a compulsory basis, if necessary, of refugees now in Spain to Camp Marechal Lyautey near Casablanca which is ready to receive them, but still empty.
4. We received word that it might be possible to evacuate 1,000 refugees from Constanza, Rumania, across the Black Sea to Turkey, if a guarantee could be made to the Turkish Government to replace an available boat, in case of its loss. Within 24 hours the War Refugee Board obtained commitments from War Shipping and Lend-Lease and our representative in Turkey was authorized to give the necessary assurances to the Turkish Government.

Admiral Land has ordered Myron Black, Field Director of War Shipping, from Cairo to Ankara to assist Ira Hirschmann, our representative in Turkey, on the Black Sea shipping problem.

- 2 -

5. Several actual evacuation operations within occupied Europe are now under way as the result of our facilitating the speedy transfer of funds, the use of free exchange in enemy territory and the necessary communications with enemy territory. Specifically, projects under the auspices of private organizations have been commenced to bring refugees from Poland and Slovakia, where they face imminent death, into Hungary, a place of relative safety, and to transfer persecuted people from France and Rumania into Switzerland.

6. C.W.I., at our request, has started a program to bring home to the people in Germany and the satellite countries our determination to forestall further exterminations of the Jews and other persecuted minorities and to facilitate their escape.

7. For the first time, this Government now has 25 professional employees working full time on this problem.

8. At our request the State Department is making appropriate representations through neutral channels to the Bulgarian, Hungarian, and Rumanian Governments to desist from deporting Jews to Poland and to assist in their escape. Similar representations are being made through the Vatican to the President of Slovakia.

March 16, 1944

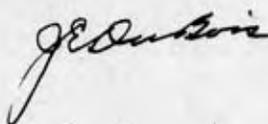
MEMORANDUM FOR THE SECRETARY

On March 9, 1944 we transferred £51,998 from the War Refugee Board's allotment from the President's Emergency Fund to the Intergovernmental Committee on Refugees.

This was pursuant to a request from Stettinius that this money be transferred. This payment included £1,998 for administrative expenses for the period September 1, 1943, to December 31, 1944, and £50,000 for operational expenses for the first quarter of 1944.

We were not supplied with any breakdown as to the nature of these administrative expenses and operational expenses.

The request from Stettinius of February 7 and our reply of February 26 are attached.



Attachment

THE UNDER SECRETARY OF STATE  
WASHINGTON

February 7, 1944

Dear Mr. Fehle:

As the proposed appropriation request of the Department in the amount of \$5,000,000 to cover this Government's share of the estimated administrative and operational expenses of the Intergovernmental Committee has been held in abeyance, which means it cannot be made a part of the deficiency appropriation of the Department which will go to Congress this week, I feel you will want to have for the consideration of the Board the complete details on this matter which are contained in the attached writeup. In addition, I enclose a copy of a despatch indicating that 50,000 pounds of the portion for administrative expenses is desired by the Intergovernmental Committee in February.

It is our feeling, to avoid any possible misunderstanding and possible consequent weakening of the status of the Intergovernmental Committee, that this payment should be made in February without fail. I presume, therefore, that the Board will wish to consider promptly appropriating funds for this purpose out of funds available to the Board. We should appreciate hearing from you on this as soon as possible as there is some urgency to the matter in view of the February payment.

With best wishes,

Sincerely yours,

E. K. Stettinius, Jr.

Encs.

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

FEB 26 1944

My dear Mr. Stettinius:

This is in response to your letter of February 7 concerning funds for the Intergovernmental Committee.

I understand that this Government is committed to supplying the Intergovernmental Committee with \$51,998 (including \$1,998 for administrative expenses for the period September 1, 1943, to December 31, 1943, and \$50,000 for operational expenses for the first quarter of 1944) and that in order "to avoid any possible misunderstanding and possible consequent weakening of the status of the Intergovernmental Committee" it is very desirable that this payment be forthcoming before the end of February.

On the basis of this understanding I am in agreement that the payment of \$51,998 should be made from the War Refugee Board's allotment from the President's Emergency Fund and a transfer of funds in this amount is being arranged at once.

I assume that all projects financed from the operational expenses of the Intergovernmental Committee, which are submitted to this Government for approval, will be undertaken only after clearance with the War Refugee Board. In addition it is my suggestion that the Intergovernmental Committee be advised that the current payment is being made from War Refugee Board funds.

It should be clearly understood that this payment implies no commitment that War Refugee Board funds will be available for this purpose after the present quarter. Any subsequent requests will be reviewed in the light of the use of the funds presently being transferred and the prospects for effective use in the future.

Yours very truly,

(signed) J. W. Pehle

J. W. Pehle  
Acting Executive Director

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

WStewart; pdk 2/25/44

March 16, 1944

John L. Sullivan.  
The Secretary.

You remember Robert Doughton told us he would ask Congressman McCormack of Massachusetts to attack the Republicans for being political. I don't know just what McCormack said but I'm sure you can find it in the Congressional Record and if you agree, I would like to write a friendly note to John McCormack congratulating him on the stand that he took and pat him on the back with the hope that it will do some good. If I could have that letter from you with my two o'clock mail, I would appreciate it. - *Decided not to send. Hope phoned*

*McCormack -*

March 16, 1944<sup>201</sup>  
4:15 p.m.

HMJr: Hello.

John  
McCormack: Hello.

HMJr: John?

M: Yeah.

HMJr: This is Henry.

M: Yes, Henry.

HMJr: I called you up to tell you I thought you did  
a swell job when you went after the Republicans  
the other day on that Tax Committee of twenty-six.

M: Did you like it?

HMJr: Loved it.

M: Uh huh. They didn't like it.

HMJr: No. That's why I liked it.

M: (Laughs)

HMJr: I mean....

M: Well, I thought it was an insane -- well, it's  
just cheap politics.

HMJr: Well, it's about time that fellows like you  
called them.

M: Well, I -- I -- I wanted -- I thought it was --  
I thought it was a -- tried to break them down  
and called them a rough Committee....

HMJr: Yeah.

M: ....and giving the other reasons, which I did,  
which I thought was very pertinent.

HMJr: Well, I just wanted to call you up and say I  
thought you were swell.

M: Well, thank you, Henry. How are you feeling?

HMJr: Fine.

M: That's good. Did you have a good rest?

HMJr: Very good rest.

M: That's good.

HMJr: Hope to see you soon.

M: All right, Henry.

HMJr: Thank you.

M: Bye.

March 16, 1944  
4:19 p.m.

203

HMJr: Hello.

Operator: Mr. Hoover.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

J. Edgar Hoover: Hello.

HMJr: Morgenthau speaking.

H: This is Hoover talking.

HMJr: I haven't talked to you in a year.

H: No, indeed, Mr. Secretary. How are you -- how do you feel?

HMJr: Fine.

H: That's good.

HMJr: Look, Mr. Hoover, between you and the War Department, this fellow is going to go on impersonating my son forever.

H: Well, if I -- as to the War Department, of course, I can't say.

HMJr: Yeah.

H: I -- the U.S. Attorney down there has asked for -- the War Department to release him.

HMJr: Yeah.

H: And we -- whether they will or not I don't know. I, of course, think that he should be prosecuted in the civil courts.

HMJr: Yeah.

H: If they go into a court martial, they'll probably just reprimand him and probably send him on overseas. That's what's happening in so many of those cases.

HMJr: Well, look, this happens to be my oldest son.

H: Yeah.

HMJr: Now, this has been going on since last August. See?

H: Yes.

HMJr: And it's got bogged down in red tape.

H: Yeah.

HMJr: Now, I'll tell you who has interested himself in this is Mr. Patterson's executive officer, General Greenbaum.

H: Oh, yes.

HMJr: And he knows all about this.

H: Yes.

HMJr: And would you mind calling him up and let's do this at the top level instead of at the bottom level?

H: Fine.

HMJr: And if you'd just give General Greenbaum a ring....

H: I will because all that's needed is an order from the War Department....

HMJr: Yeah.

H: ....to Camp -- to Camp Shelby....

HMJr: Yeah.

H: ....to instruct them to release this man to prosecution in that District.

HMJr: Well, if you'll call General Greenbaum, I'm sure you'd get instantaneous results.

H: All right. We'll -- we'll take care of that.

- 3 -

HMJr: Thank you.

H: Do it right away.

HMJr: And will you keep me posted?

H: I will -- certainly will.

HMJr: Thanks.

H: Fine. Thank you.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

March 16, 1944

TO

Mrs. Klotz

FROM

Mr. Shaeffer *C.P.S.*

I have some pleasant information to relay to you for whatever disposition you see fit.

Cecil Dickson, new head of the Gannett chain of newspapers, while discussing other matters, remarked that our boss was "certainly in solid on Capitol Hill."

He informed me that he had held recent conversations with Senator George, Congressman Doughton and Speaker Rayburn, all of whom were most laudatory concerning Mr. Morgenthau. Speaker Rayburn's exact comment was "When you ask something from that fellow he surely gets it done, and 'does a job'".

~~Dear Bill~~

THE INSTITUTE FOR ADVANCED STUDY  
PRINCETON, NEW JERSEY

B. ...  
AWT  
3/16/44 207

Dear Henry -

In our telephone conversation yesterday I agreed to come to Washington next week and after so long a lapse I was looking forward to seeing you and discussing Treasury problems.

It turns out, however, that I am not yet up to taking on such a trip. I'm really much better, but I'm told my improvement is the outcome of my limited rest, and the doctors do not approve extending my activities.

I'm genuinely sorry - Walter



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

March 16, 1944

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TO THE SECRETARY:

Over the past two years there has been quite a lot of discussion about taxing the income from partially tax-exempt Federal securities. This started in the main, right after your Cleveland speech (January, 1942) in which you proposed that the Government tax the income from all outstanding State and local securities. The rumor got around Wall Street that the Treasury was also considering taxing the income from Federal securities. Up to the time of your Cleveland speech you had stated that any action taken by the Federal Government on taxing State and local securities should be with respect to future issues and not on outstanding issues, but in the Cleveland speech for the first time you recommended taxing past issues. At a press conference on January 26, 1942, you were asked the reasons you had changed your policy regarding the taxation of local Government issues and you replied "Yes - in one word - War."

You were also asked at this press conference as to whether your proposal for taxing income from outstanding State and local Government securities meant the Treasury also had in mind taxing income from those outstanding Federal securities now exempt either in whole or in part. You said:

"I feel that there is a contract standing between the Federal Government and the holders of these tax-exempt securities. I do not intend directly or indirectly to break that contract or circumvent it."

Assistant Secretary Sullivan attended this press conference and he was asked if he could say whether the Treasury had any intention of indirectly reaching some of the partially exempt Federal securities by lowering the normal tax. He replied:



- 2 -

"We have not considered lowering the normal tax on individuals or corporations. On the other hand we are opposed to any increases in the normal tax and we think that any increase that Congress considers should be increases in surtaxes rather than the normal taxes. The reason why we are not considering a reduction in the normal tax is, as the Secretary said, we do not wish to attempt to do by indirection what we think we cannot openly accomplish directly."

This statement at your press conference was directed to the question of a deliberate attempt to reach the income from outstanding securities. While the present simplification legislation is far removed from that purpose, some persons may claim that any proposal to reduce the normal tax rate clearly is in the scope of your statement that you would not do anything "directly or indirectly" to disturb the tax status of these securities. In my opinion that is not a fair interpretation because it is not consistent with the legislative history of normal tax rates. They have been increased and decreased several times since World War I. It seems to me the logical course to follow would be that since the rates can be increased, thus enlarging the value of the exemption they certainly can be decreased, thus diminishing the value of the exemption. As a matter of fact, in 1934 Congress reduced the normal tax from 8 per cent to 4 per cent on income above \$4,000, and in the Ways and Means Committee report it was stated that one of the reasons was to impose a heavier burden on partially tax-exempt income. Since your statement of January, 1942, the normal rates have been increased from 4 to 6 per cent, and the Victory tax of approximately 3 per cent was added.

The same history applies to the corporation normal tax. It has been increased and decreased many times since the last war. As a matter of fact, the corporate rates were once since the last war as low

- 3 -

as 10 per cent. They have now been increased to 24 per cent. It certainly would be illogical to assume that because the corporations now have a tax exemption on a normal rate of 24 per cent, Congress cannot reduce the rate without impairing the contract. These rates are subject to change every time Congress passes a tax bill. That should be definitely understood by every one who holds partially tax-exempt securities.

It seems to me that the Treasury should interpose no objection to lowering the individual normal tax rate if the Ways and Means Committee should decide to adopt a lower rate. If you are questioned in your press conference, as you undoubtedly will be, as to whether this is contrary to your previous stand, I think you should make a statement along the following lines:

"That the objective of the Committee was simplification; that the new normal tax was adopted as part of a comprehensive simplification scheme; that holders of partially exempt Federal securities shouldn't feel that there cannot be any changes in rates after those securities are once issued. This has not been the history of normal tax rates. They have been up and down many times since World War I. As a matter of fact they were specifically reduced in 1934 from 8 per cent to 4 per cent and the Ways and Means Committee expressly stated that one of the purposes in reducing them was to get at some of this tax-exempt income. That played no part in the purpose here."

I am sure there is not much question but what you will get some criticism from the press, but it seems to me that it is a good time to clear up this matter. According to Mr. Haas' estimate, there will only be approximately \$5,500 million of partially tax-exempt securities in the hands of individuals by the

- 4 -

end of this fiscal year. \$3 billion of these will be United States Savings Bonds, Series A to D, and only \$2-1/2 billion will be marketable issues. The Savings Bonds are for all practical purposes tax exempt anyway, in view of the manner in which they are permitted to be handled under revenue regulations.

*WUB*

March 16, 1944

MEMORANDUM FOR THE PRESIDENT:

In accordance with the request contained in your memorandum of March 13, I am returning herewith Dave Stern's letter to you.

(Signed) H. Morgenthau, Jr.

**THE WHITE HOUSE  
WASHINGTON**

March 13, 1944.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

I wish you would read this  
letter from Dave Stern. Please  
return it to me.

→ F. D. R.

Return to  
WVZ

THE WHITE HOUSE  
Mar 9 4 17 PM '44  
RECEIVED



March 7, 1944

The President  
The White House  
Washington, D.C.

Dear Mr. President:

Your letter of February 26th was forwarded here where I am recuperating from a recent attack of pneumonia.

I appreciate the careful consideration given my suggestion that the Government discontinue the issuance of and recall bills of large denominations. I hesitate to pursue the subject further lest I divert your attention from more urgent problems.

Nevertheless it would be fair neither to you nor to myself if I did not present the realistic side of my suggestion, which may have been overlooked by those of the Treasury who advised with you.

How many citizens hold in quantity these five billions of large denomination bills?

I doubt if 50,000 citizens are involved, less than one sixth of one per cent of the 13,000,000 heads of families.

Would the rest of us, who seldom if ever handle large denominations be more than mildly interested in the Government's decision not to issue any more? Would we fear "impending confiscation of currency holding?" Would we be apprehensive about an order that did not affect us?



## Hotel Rellim

PASS-A-GRILLE BEACH • ST. PETERSBURG, FLORIDA

NEW YORK OFFICE - FRANKLIN SQUARE - 1010 101st - 532 WEST 54th STREET - TR 7-4324

The President

March 7, 1944

From J.D. Stern

Would we be worried by the further provision of the order that, after three months, holders of large denominations must apply to the Treasury or Federal Reserve Branch Bank to make the exchange into smaller denominations?

The overwhelming mass of us would not be affected and therefor, not be frightened.

What of the 50,000 who would be affected?

Those who are legitimate users or holders of large bills, and who had nothing to conceal, would be slightly inconvenienced, certainly not subjected to undue hardship.

The remainder, who had something to conceal, would be properly and justly embarrassed. The Black Market operator, the tax evader, and the non-bond-buying hoarder do not want to reveal themselves by presenting, for exchange, large bills in quantity, at their own banks.

The holder of 500 \$100.00 bills could not make the exchange at a bank where he was not known without identifying himself. I'm sure the bank fraternity would cooperate to that extent. They are already notifying the Treasury when big bills are presented for deposit. For Mr. Hot Money to shove big bills out in daily transactions or through the third party, would subject him to many obvious complications, and suspicions, and inquiries.



PASS-A-MEUILLE BEACH - ST. PETERSBURG, FLORIDA

MAIN PHONE NUMBER - PLAZA 1000 - ROOM 1001 - 424 WEST BAY STREET - ST. PETERSBURG

The President

March 7, 1944

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From J.D. Stern

You say "discontinuance of large denomination currency would be unlikely to deter those who are determined on hoarding currency or using it for the purpose of concealing transactions."

But the Government would find out who were hoarding, and the illegal hoarder would have to answer to the Internal Revenue Bureau if not to the Department of Justice. At the same time, many legal hoarders would be shamed into buying war bonds.

You say you "doubt that the inflationary threat is as serious as" I suggest.

The moment inflation would threaten the value of hoarded bills, this hot money would *rush* to transform itself into commodities, securities, real estate. It would be most difficult to control this "hot money" by heavy sales tax or any other of the usual restraining measures against a runaway inflation.

Mr. President, it's "mad money", this five billion of big bills.

Did you ever hear the <sup>slang</sup> expression "mad money?"

My daughter going out for the evening with a new escort used to equip herself with "mad money" - taxi fare to come home alone if she got "mad" and decided to leave her escort.



PASS-A-GRILLE BEACH - ST. PETERSBURG, FLORIDA  
NEW YORK OFFICE - FRANKLIN SQUARE - 1010 1001 - 222 WEST 54th STREET - TR 7-1224

The President

March 7, 1944

4  
From J.D. Stern

The few thousand who hold most of those big bills will use them to leave you and the national economy, if they get "mad" at you or the war effort. Already most of that crowd is pretty much against you and will use some of their "mad money" to defeat the liberal cause at the next election.

As to the mechanical cost of the operation, that is too trivial to merit consideration. To replace all \$100.00 bills in circulation (\$2,991,000,000 as of December 31, 1943) with \$20.00 notes would cost \$1,060,000, - \$123,240 for paper plus 799,000 hours of labor. This is making no allowance for any hoardings being changed into war bonds or bank deposits. The entire cost of changing all higher denominations into \$20.00 bills would be less than \$3,000,000, which is trivial for a project which should result in at least three billion of bond purchases and additional taxes.

I have heard the Treasury's theory that hoarded money is out of circulation, and therefore, non-inflationary.

Letting sleeping dogs lie is a dangerous expedient if the dogs are dangerous dogs, and this "mad money" is dangerous in more ways than one.



PASS-A-GRILLE BEACH - ST. PETERSBURG, FLORIDA

NEW YORK OFFICE - FRANKLIN SQUARE - SUITE 1202 - 222 WEST 24th STREET - NY 7-4224

The President  
5  
From J.D. Stern

March 7, 1944

As I said at the beginning of this letter, I do not wish to take your time and attention from more pressing problems, but felt it my duty to give you the facts gathered in a short investigation of the subject. Frankly, the Treasury argument that it would cost too much indicates a lack of appreciation of the fiscal, social and political factors involved.

Weighing the relative values of the factors involved in any problem is essential to arriving at a realistic solution. It is my thought that your technical advisers have informed you truthfully, but unrealistically, - in short, have failed to weigh the relative values.

By the same token, I will understand if you must lay this problem aside for more urgent matters. I do not expect you to answer this letter, which I would ask you to hold in confidence. |||

It is sufficient that you appreciate my "interest in the success of the war finance," as well as in the success of your administration.

With kind regards,

Yours very sincerely,

*David Stern*  
David Stern

JDS/mlg

○ Annual report for fiscal yr ending  
June 30, 1943 of Exchange Stabilization  
Fund was transmitted.

Report too voluminous for Diary.

MAR 16 1944

Sirs:

Pursuant to section 10(a) of the Gold Reserve Act of 1934, approved January 30, 1934, as amended by the Act of April 29, 1943, I have the honor to submit the annual report for the fiscal year ending June 30, 1943, of the Exchange Stabilization Fund created by section 10(b) of the Act, including a summary of operations of the Fund from its establishment to June 30, 1943.

By section 10(b) of the Gold Reserve Act of 1934, there was appropriated the sum of \$2,000,000,000 for the establishment of the Exchange Stabilization Fund. This sum was appropriated out of the amount resulting from the reduction in the weight of the gold dollar, which was covered into the Treasury as a miscellaneous receipt in accordance with section 7 of the Act. Section 10(a) of the Gold Reserve Act of 1934 authorized the Secretary of the Treasury, with the approval of the President, to deal in gold and foreign exchange and such other instruments of credit and securities as he might deem necessary for the purpose of stabilizing the exchange value of the dollar.

On March 9, 1934, the Fund was set up on the books of the Treasury, and on April 27, 1934, \$2,000,000,000 in gold from the treatment resulting from the reduction in the weight of the gold dollar was transferred to the Fund which, in turn, transferred \$200,000,000 to accounts with the Treasurer of the United States and the Federal Reserve Bank of New York to be used for the Fund's immediate operations.

As originally provided, the Fund was to have a life of two years from January 30, 1934, unless sooner terminated by the President. However, the President was authorized to extend such period for not more than one additional year. On January 10, 1936, the President issued a Proclamation extending the Fund for one additional year from January 30, 1936. By renewals in 1937, 1939, 1941, and 1943 (Public No. 42, 78th Congress, approved April 29, 1943) Congress extended the life of the Fund to June 30, 1945, unless sooner terminated by the President.

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The Gold Reserve Act of 1934, as originally enacted, required that an annual audit of the operations of the Fund be made and a report thereof be submitted to the President. The Act of July 6, 1939 amended this requirement to provide that a report should also be made to the Congress.

In view of the confidential nature of the transactions of the Fund, it was not deemed advisable to permit documents covering these transactions to leave the Treasury or to permit any outside auditors to come into the Treasury to review the records. It was decided, therefore, that the audit should be made by a committee composed of three Treasury officials, thoroughly conversant with Treasury fiscal operations and not in any way connected with the operations of the Fund, who have served in the Treasury for periods ranging from twenty-five to thirty years. Each year this committee, together with employees working under its immediate jurisdiction, has audited every transaction of the Fund, and the committee's reports and accompanying certifications have been submitted to the President and to the Congress as required by the Gold Reserve Act of 1934 as amended.

No statements showing the position of the Fund were published prior to March, 1939. Since that date the quarterly balance sheets of the Fund have been published regularly.

In the attached report of the auditors, there are presented the following tables showing the condition of the Exchange Stabilization Fund as of June 30, 1943, and giving summaries of transactions in all of its accounts for each fiscal year from its establishment to June 30, 1943:

- Exhibit A - Statement of condition as of June 30, 1943.
- Exhibit B - Recapitulation of profit from April 26, 1934 to June 30, 1943.
- Exhibit B-1 - Analysis of profit from April 26, 1934 to June 30, 1943.
- Exhibit C - Transactions in gold from April 26, 1934 to June 30, 1943.
- Exhibit D - Transactions in silver from April 26, 1934 to June 30, 1943.

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- Exhibit E - Transactions in British sterling from April 26, 1934 to June 30, 1943.
- Exhibit F - Transactions in French francs from April 26, 1934 to June 30, 1943.
- Exhibit G - Transactions in Mexican pesos from April 26, 1934 to June 30, 1943.
- Exhibit H - Transactions in Chinese yuan from April 26, 1934 to June 30, 1943.
- Exhibit I - Transactions in Netherlands guilders from April 26, 1934 to June 30, 1943.
- Exhibit J - Transactions in Belgian belgas from April 26, 1934 to June 30, 1943.
- Exhibit K - Transactions in Swiss francs from April 26, 1934 to June 30, 1943.
- Exhibit L - Transactions in Brazilian milreis (cruseiros) from April 26, 1934 to June 30, 1943.
- Exhibit M - Transactions in investments in United States securities from April 26, 1934 to June 30, 1943.
- Exhibits N, O and P - Transactions conducted by the Federal Reserve Bank of New York as fiscal Agent of the United States on behalf of and for account of Bank of France, Bank of England, and Bank of Netherlands, respectively, under the Tripartite arrangement.

Exhibit A shows the condition of the Fund as of June 30, 1943. Exhibits B and B-1 are a recapitulation and analysis of the profits of the Fund from April 26, 1934 to June 30, 1943. These two exhibits show that the operations of the Fund since its establishment have resulted in a net profit of \$30,625,708.05. The net profit for the fiscal year 1943 was \$1,468,056.45.

As shown by Exhibit C, the Stabilization Fund acquired 15,075,809.042 ounces of gold for which it paid \$527,584,799.08 and disposed of 15,002,538.067 ounces of gold for which it received \$526,401,554.37 during the fiscal year 1943. The gold holdings of the Fund increased from 226,744.155 ounces, valued at \$7,936,045.47, on June 30, 1942 to 300,015.130 ounces, valued at \$10,500,529.80, on June 30, 1943.

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As shown by Exhibit D, the Fund engaged in no silver transactions during the fiscal year 1943.

Exhibits E to L inclusive summarize the transactions of the Stabilisation Fund in foreign currencies from the establishment of the Fund to June 30, 1943. The foreign currency holdings of the Fund valued at \$19,615,148.43 on June 30, 1942 were reduced to \$1,411,386.29 by June 30, 1943. During the fiscal year ending June 30, 1943, the foreign currencies acquired by the Fund amounted to \$14,625,895.63 and those sold amounted to \$32,571,466.99.

As shown by Exhibit M, there were no transactions in investments in United States securities during the fiscal year 1943.

Exhibits N, O, and P summarize the transactions under the Tripartite arrangement of September, 1936, conducted by the Federal Reserve Bank of New York as fiscal agent of the United States on behalf of and for the account of the Bank of France, the Bank of England and the Bank of the Netherlands, respectively. All transactions under this arrangement were suspended following the outbreak of war in 1939.

Many of the transactions in gold, summarized in Exhibit C, and in foreign exchange, summarized in Exhibits E to L, were undertaken in accordance with special agreements entered into by the Fund.

During the fiscal year 1943, the Government of the Union of Soviet Socialist Republics completed its gold deliveries under the special gold purchase agreement of January 3, 1942, as amended, which provided for the purchase of gold from the Soviet Union up to an amount of 602,000 fine ounces, valued at \$21,070,000, and for an advance payment of \$20,000,000 against delivery of gold by December 29, 1942. Against the outstanding obligation on account of the advance payment, amounting to \$11,886,732.26 on June 30, 1942, \$11,248,561.66 in gold was delivered during the fiscal year and the remainder of \$638,170.60 was settled on October 28, 1942, by a payment in dollars from the Soviet Government.

Under the stabilisation agreement between the Government of Brazil and the Secretary of the Treasury of July 15, 1937, as subsequently renewed and amended, the Fund sold to Brazil \$61,844,567.41 of gold during the fiscal year 1943 making a total of \$96,297,868.45 sold since the inception of the agreement.

In accordance with the special monetary agreement of July 6, 1942, with the Republic of Cuba, the fund sold during the fiscal year a total of \$30,000, \$10.29 of gold to the Government of the Republic of Cuba. Of this amount, \$5,000,000.07 of gold was unpaid for as of the close of the fiscal year.

Under the special monetary agreement confirmed September 26, 1942, with the Government of Liberia, a total of 113,700 pounds sterling in British coins valued at \$454,800 were acquired by the Fund during the fiscal year. At the close of the fiscal year, the Fund held all of the coin purchased under the agreement.

Transactions in Chinese yuan, under the agreements of July 14, 1937 and April 25, 1941 with the Government of China, during the fiscal year, comprised the acquisition by the Fund of 198,884, \$18.46 yuan valued at \$10,133,979.75 and the resale to China of the Fund's entire holdings of this currency, 263,884, \$18.46 yuan, valued at \$29,246,479.75.

During the fiscal year, new agreements were entered into with Cuba and Liberia, the agreement with Brazil was amended and extended, agreements previously concluded with Iceland, Ecuador, and Mexico were extended, and the agreements with China and the Union of Soviet Socialist Republics expired.

A special monetary agreement signed on July 6, 1942, by the Secretary of the Treasury and by the Cuban Ambassador provided that the Stabilization Fund would undertake to sell gold to the Government of the Republic of Cuba from time to time with payment to be made in dollars within 120 days after delivery of the gold, provided that the unpaid-for amount should not at any time exceed \$5,000,000. This agreement was designed to facilitate the accumulation and maintenance of a gold reserve against Cuban currency as provided by Cuban law, and to enable the Cuban Treasury to carry out operations for stabilizing the Cuban peso-United States dollar rate of exchange. As of June 30, 1943, this agreement was extended to June 30, 1948.

The agreement made by the Secretary of the Treasury with the Government of Liberia, confirmed on September 26, 1942, was designed to facilitate the conversion of the currency system of that country to one based on dollars. Through the United States Stabilization Fund, British coins in Liberia were to be withdrawn from circulation and purchased with United States currency.

- 6 -

Arrangements were made with the British Treasury to dispose of these coins at the official rate of exchange. This agreement was extended to June 30, 1944.

The stabilization agreement of July 15, 1937, with the Government of Brazil providing for the purchase of milreis from Brazil and the sale of gold to Brazil was amended and extended for a period of five years from July 15, 1942 by an agreement dated July 6, 1942. The amount of dollar exchange that could be made available to the Government of Brazil by the purchase of milreis was increased from \$60,000,000 to \$100,000,000 and the amount of gold to be sold to Brazil was increased also from \$60,000,000 to \$100,000,000. On June 4, 1943, the agreement was further amended to increase the amount of gold made available for sale to \$200,000,000 and to substitute the word "cruseiro" (or "cruseiros" as appropriate) for the word "milreis" throughout the text of the agreement.

The stabilization agreement of May 5, 1942, providing for the purchase of Icelandic kronur by the United States Stabilization Fund up to the equivalent of \$2,000,000 was extended to June 30, 1944.

The stabilization agreement of March 1, 1942, providing for the purchase of Ecuadoran sucres by the United States Stabilization Fund up to the equivalent of \$5,000,000 was also extended to June 30, 1944.

The stabilization agreement of November 19, 1941, providing for the purchase of Mexican pesos up to the equivalent of \$40,000,000 was extended for a period of two years from June 30, 1943. The agreement was not operative at the end of the fiscal year as it still required ratification by Mexico.

The stabilization agreements of July 14, 1937 and of April 25, 1941, with the Government of China expired on June 30, 1943. The gold purchase agreement of January 3, 1942, with the Union of Soviet Socialist Republics was held to have been fulfilled on October 28, 1942, with the Soviet Union's payment in dollars of the residual amount due to the Fund.

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In accordance with the Act of January 30, 1934, as amended, this report is also being submitted to the President and the House of Representatives.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Henry A. Wallace,  
President of the Senate,  
Washington, D. C.

Enclosures.

SDS:CDG:lr  
m/ll

M. J. MACNAMARA  
VICE PRESIDENT

FRANK R. SCHWENDEL  
VICE PRESIDENT

WARREN OAKES  
TREASURER

# DISTILLED SPIRITS INSTITUTE

INCORPORATED

1137 NATIONAL PRESS BUILDING  
WASHINGTON 4, D. C.

March 16, 1944

HOWARD T. JONES  
EXECUTIVE SECRETARY

TELEPHONES:  
NATIONAL 3544-3545-3546



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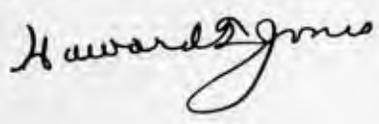
## MEMORANDUM FOR MR. SMITH:

The following persons have agreed to be present at 10:00 a.m., Friday morning in the Office of the Secretary:

- Frank R. Schwengel, President, Seagram Distillers Corporation.
- Howard Walton, Vice President and General Manager, Hiram Walker and Company.
- Thomas Balfe, Vice President and General Sales Manager, National Distillers Products Company.
- L. D. Gunson, President, Continental Distilling Company.
- E. D. Slater, President, Frankfort Distillers Corporation.
- Frank Handren, President, Park & Tilford Distiller, Inc.
- Kenneth Baxter, Executive Director, Conference of Alcoholic Beverage Industries.
- Howard T. Jones, Executive Secretary, Distilled Spirits Institute.
- Owsley Brown, President of Brown-Forman Company and President of Distilled Spirits Institute, and
- Julian Van Winkle, President, Stitzel Weller & Company, both of Louisville were invited but were unable to attend.

Schenley Distillers Corporation have advised it would have a representative present.

Mr. Seton Porter and Mr. Lewis Rosenstiel were notified through their offices but are unable to attend, Mr. Porter on account of previous engagement and Mr. Rosenstiel because of absence from the city.



### MEMBERS

ATWINE PURE RYE DISTILLING CO.  
 BEEB BARCLAY & CO., LTD.  
 BOSTON DISTILLERY, INC.  
 BELLE MEADE DISTILLING CO.  
 BELLING AND CO. - INC.  
 BURN DIST  
 BURN-TO  
 BURNING  
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THE CRAB ORCHARD DISTILLERY CO.  
 DANT & DANT DISTILLING CO.  
 DAVIESS COUNTY DISTILLING CORPORATION  
 DILLINGER DISTILLERIES, INC.  
 EARLY TIMES DISTILLING CO.

HUNTER DISTILLERIES CO., INC.  
 JAMES DISTILLERY, INC.  
 JULIUS KESSLER DISTILLING CO., INC.  
 LANG AND CO.  
 LARGE DISTILLING CO.

OLD KENTUCKY DISTILLERY  
 OLD TAYLOR DISTILLERY CO.  
 A. OVERMOLT & CO. LTD.  
 PARK & TILFORD DISTILLERS, INC.  
 JOSEPH E. SEAGRAM & SONS, INC.

**SECRET**

WAR DEPARTMENT  
THE CHIEF OF STAFF  
WASHINGTON

*one* ✓  
228

March 16, 1944

Dear Mr. Secretary:

Upon receipt of your note requesting information on the activities of the Spanish Falange in South America, I asked General Bissell, the Assistant Chief of Staff for Intelligence, to prepare the attached memorandum on the subject. I hope this will supply the information you seek.

Faithfully yours,



The Honorable,

The Secretary of the Treasury.

~~SECRET~~  
**SECRET**

SECRET

229

16 March 1944

MEMORANDUM:

Subject: Extent of ties between Spanish Falange,  
the Government of Argentina and other  
South American countries.

1. Extent of the tie between the Spanish Falange and the present Argentine Government. a. An official declaration of the Argentine Government on about 18 December 1943 reflected sympathy with the Franco Government of Spain when the closing of four Spanish Republican newspapers was ordered. One of the reasons given for this action was that Argentina could not tolerate "insults and offenses directed against nations and governing powers with which it is closely bound by ties of origin, race, religion and friendship."

b. The Argentine Government is passively cooperating with the Franco Government in continuing to allow Spanish shipping to utilize the Spanish Seamen's Falange in espionage, smuggling, courier movement and communications for the benefit of the Nazi Government. No move, furthermore, has been taken by the Argentine Government against the continuing Falangist propaganda in Argentina which is directed against the United States and in favor of the Hispanidad movement.

c. A report dated 13 November 1943, from Santiago, Chili, states that a Spaniard, Arturo Zapatero, important Chilean Falangist, reportedly residing in Buenos Aires, was acting for the Spanish Falange in supporting the Argentine Government and assisting in financing various Argentine nationalist politicians. This has not been confirmed.

d. Domestically, the governing principles of the Falange and the Argentine Government are working toward the same goal -- application of totalitarian principles and destruction of democratic institutions.

2. Extent to which the Falange and the Argentine Government are working together in other South American countries. a. The Argentine Government, then dominated by Colonel Peron and the military junta, cooperated with German agents and the Falange diplomats to overthrow the Bolivian Government on 20 December 1943. It was reported by previously reliable sources that through Jose Luis Aranguran, Chief Clerk of the Spanish Legation and leader of the Spanish Falange in La Paz, Bolivia, German and Argentine agents contributed 3,000,000 Bolivianos to the expenses of the Bolivia coup d'etat. Immediate recognition of the Bolivia junta and later diplomatic exchanges, including a communication from Colonel Peron to the new revolutionary regime, confirmed the cooperation of Argentine Government officials.

SECRET

**SECRET**

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b. The Falange is active in other Spanish American countries in the furtherance of propaganda and generally endeavoring to further anti-United States sentiment. Argentine diplomats and citizens are active in other Spanish American countries attempting to create anti-United States sentiment and an anti-United States bloc, and thereby duplicating and reinforcing the Falangist movement and desires. However, there has been no reported instance except in Bolivia of any Argentine diplomats or citizens working with the Falange in other Spanish American countries, though as pointed out above their objectives are the same.

3. Most of the above information comes from reports submitted prior to the time of the most recent turnover in the presidency. However, Colonel Juan Peron and President Edelmiro Farrell are and have been since the June 1943 revolution ousting Castillo, the dominant influences in the Argentine Government and policies. While there is no information that Peron or Farrell have been members of the Argentine Falange organization, their pro-Axis sentiments and pro-totalitarian ideologies and associations are well known.

**SECRET**

Treasury Department  
Division of Monetary Research

231

Date March 23, 1944

To: Miss Chauncey

Discussed orally with the Secretary yesterday. In this connection, I also handed him copies of the following cables:

No. 506, dated Feb. 14, 1944, from Moscow (Harriman)

No. 889, dated March 17, 1944, from Moscow (Harriman)

Copies of above are appended.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½

# TREASURY DEPARTMENT

232 ✓

## INTER OFFICE COMMUNICATION

DATE March 16, 1944

TO Secretary Morgenthau

FROM Mr. White

Subject: Amendments to our Master Lend Lease Agreement with Russia and Preliminary Discussions re Reconstruction Loans to Russia.

1. On March 14, Mr. Collado of the State Department called me and said that he was anxious to get together with the Treasury Department concerning some financial discussions that were currently going forward involving Lend Lease and reconstruction loans to Russia. It was arranged to have a meeting in my office on March 15. Present at the meeting, besides myself, were Mr. Collado of the State Department, Mr. Arey of the Export-Import Bank, Mr. Angell of Foreign Economic Administration, Mr. Gardner of the Federal Reserve Bank and Messrs. Luxford, Aarons and Taylor of the Treasury.

2. At the outset, Mr. Collado stated that the specific purpose of the meeting was to obtain expert advice from the Treasury as to rates of interest and terms of amortization in connection with amendments of our Lend Lease arrangement with Russia, now under consideration.

3. I informed Mr. Collado that his conversation of yesterday was the first that the Treasury had heard of any financial discussions that might be going forward concerning Russia. I asked him if he would give us some of the background concerning this picture.

Mr. Collado stated that following Donald Nelson's visit to Russia in 1943, considerable interest had been manifested in making credits available to Russia for the importation of American commodities. Donald Nelson on numerous occasions had painted glowing pictures of the tremendous possibilities of exports from the U. S. to the Soviet Union because the reconstruction and continued industrialization that would take place

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Division of Monetary  
Research

in that area in the post-war years. Sometime around January 1, 1944, Ambassador Harriman had begun discussions with the Russians in respect to financial assistance and reconstruction loans. Mr. Collado said that he understood that at one point, the Russians had proposed to Harriman that they be granted a \$1 billion reconstruction loan at 1/2 percent interest with no amortization for a fifteen-year period. Mr. Collado stated further that he felt that Ambassador Harriman may possibly have been proceeding a little too rapidly in his conversations with the Russians in respect to these loans.

At the end of January, Mr. Collado said that a cable had been submitted to the Cabinet, authorizing the State Department to go forward in conversations with the Russians concerning reconstruction loans, and that the cable had been dispatched after having been approved by the Cabinet. Following subsequent discussions within the State Department, a "Memorandum for the President", (Annex A) had been drawn up to which was attached a proposed cable, (Annex B) to the American Ambassador in Moscow. The memorandum was submitted to the President on March 6, after having been cleared with Mr. Hopkins and F.E.A. officials. On March 7, the cable was dispatched. The memorandum and cable make no reference to post-war reconstruction loans to Russia, but concentrated entirely upon the lines of policy to be followed with reference to a Fourth Protocol on Lend Lease supplies to Russia. It is stated in the Memorandum for the President that "in these negotiations we shall, of course, consult with officials of the Treasury Department". Mr. Collado further stated that in recent appearances before Congress, Mr. Acheson of State had indicated in rather broad terms the State Department proposals for modifications in our Lend Lease policy to Russia, and that the Congressional Committee before which his testimony was given, seemed to be very favorably impressed.

It appears that within the past few days, General Wesson, Mr. Acheson, Mr. Oscar Cox and Mr. John Howard (Lend Lease) have been discussing amongst themselves the matters raised in the Memorandum for the President. This group concluded that

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Division of Monetary  
Research

the time had come to request the views of the financial experts of this Government and Mr. Collado stated that that was the specific reason for this meeting. Mr. Collado added that he had taken the opportunity of inviting representatives from F.E.A., the Export-Import Bank and the Federal Reserve Board to be present at this meeting with Mr. White.

4. Following the statement of the background, Mr. Collado handed to me copies of the Memorandum for the President, a copy of the telegram of March 7 to the American Ambassador in Moscow, and a draft cable to Harriman (Annex C) that it was now proposed to send forward from State and F.E.A. Mr. Collado stated that the issue raised in the Memorandum for the President, that is, the orderly liquidation of our Lend Lease program with Russia, needed further clarification from the Treasury Department in respect to interest rates and terms of amortization. These matters had been discussed in the cable of March 7, but were further developed in the draft cable (Annex C). The draft cable that it is now proposed to send to Mr. Harriman contains a supplementary agreement to our Mutual Aid Agreement with Russia.

ANNEX I

March 6, 1944

MEMORANDUM FOR THE PRESIDENT

We enclose for your consideration a draft of telegram proposing a general line of policy with reference to the Fourth Protocol on Soviet supplies, applicable also to uncompleted parts of the Third Protocol. We may wish to apply this policy in the case of our plans with certain other countries receiving lend-lease aid. At this stage of the war, we cannot assume that the war will stop at any fixed time. We believe, therefore, that we must act and plan as if the war were going on indefinitely, so as to assure the uninterrupted flow of supplies needed for the war. We believe that there should be maintained, however, the present limit (with its exceptions) of eighteen months from the time of presenting a request as the period within which the materials can be delivered and installed.

We propose also, in the crest of an orderly liquidation of the lend-lease program, to enter into separate payment contracts with the lend-lease governments permitting the delivery of the uncompleted parts of such programs on non-lend-lease terms after the termination of hostilities. When regular facilities for post-war credits have been established, it may be that these demobilization contracts could be taken over and refinanced. Certainly these arrangements are not conceived of as in any way a substitute for methods of helping to finance the main job of reconstruction.

If you agree with the purport of this message, we suggest that it be sent to Mr. Harriman in Moscow for his guidance, and given to the Protocol Committee as a policy directive for its immediate use in preparing appropriate schedules of supplies. At the same time, we propose to proceed at once to the negotiation with Soviet representatives in Washington of an appropriate payment-contract under the authority of Section 3(c) of the Lend-Lease Act, supplementing the Master Agreement, to cover the period of possible deliveries on certain categories of the Protocol schedules after the termination of hostilities. In these negotiations we shall, of course, consult with officials of the Treasury Department and keep in close touch with the new Committee on the financing of reconstruction plans as to appropriate credit terms in the contracts.

As soon as these negotiations with the Soviet have taken suitable preliminary shape, we may wish to obtain the advice of the Foreign Affairs Committee of the House of Representatives and the Foreign Relations Committee of the Senate on the matter. We hope that enough progress can be made to permit a consideration of these problems during the hearings on the extension of the Lend-Lease Act or the appropriations under that Act.

Acting Secretary of StateForeign Economic Administrator

Enclosure:

Draft cable to Moscow.

A N N E X B

236

PARAPHRASE OF TELEGRAM SENT

TO:           Ambassy, Moscow  
DATED:       March 7, 1944  
NUMBER:      510

STRICTLY CONFIDENTIAL

The following policy and procedure conclusions with respect to the problems of war and post-war reconstruction needs of the U.S.S.R. (your 506 of February 14, 12 p.m., and other telegrams) have been arrived at by the Foreign Economic Administrator and the Department:

1. Requests for transfer under the master Lend-Lease agreements of considerable amounts of capital goods needed - in liberated areas as in other parts of the Soviet Union - for the reconstruction, improvement or rehabilitation of production, transportation and other facilities for the most vigorous and fullest prosecution of the war will continue to be accepted by this Government so long as hostilities continue. The regular mechanism involving the President's Soviet Protocol Committee will continue to handle and screen requests for such purposes, and the limit (with its exceptions) of time between the presentation of a request until the materials involved can be delivered and installed will be maintained as at present at eighteen months.
2. We are considering requesting Congressional authority to use the Export-Import Bank for the United States share of the financing of reconstruction activities not definable as war essentials, at least

until a United Nations Bank for Reconstruction and Development may be established. For this purpose it would be necessary to modify the Export-Import Bank statute to eliminate default (similar to the Johnson Act) limitations which would stand in the way of extension of credits to certain European countries including the U.S.S.R. and to increase the lending power of the institution.

3. The program of Lend-Lease deliveries must obviously assure an uninterrupted flow of supplies needed for the war until hostilities are actually ended, and consequently some of the material mentioned in (1) above may not have been delivered at the conclusion of hostilities. We propose to request the Russians to agree to take any equipment in certain categories not delivered at the conclusion of hostilities under a separate contract calling for full payment with appropriate terms of interest and amortization in order to assure the orderly liquidation of these war programs. Such contracts will be executed under Section 5-C of the Lend-Lease Act although it may be desirable for the Export-Import Bank, if its powers are appropriately extended, to take over this part of the operation.

4. The President's Soviet Protocol Committee is being informed of the above policy and directed to establish current protocol programs, authorizing the fullest transfer under Lend-Lease of supplies needed to assure in and from the Soviet Union the most vigorous prosecution of the war, with these considerations in mind.

5. We are considering requesting Congress to repeal the Johnson Act in order to permit private participation in the extension of credits to certain European countries including the U.S.S.R. Such credits might be extended by private financing institutions and by manufacturers of heavy equipment.

6. The question of timing requests to the Congress for legislation relating to the repeal of the Johnson Act and to the Export-Import Bank is now being considered by the Department and other interested agencies with the President. If these arrangements with the Soviet reach sufficiently tangible form in time it is proposed in addition to discuss in connection with hearings on the extension of the Lend-Lease Act, or the appropriations under it, the use of Section 3-C for the purposes mentioned in item 3 above. If the Soviet arrangements do not proceed sufficiently rapidly for discussion in the current hearings before agreements are finally concluded the policy probably will have to be discussed separately with the appropriate Congressional committee.

7. Your further views on this subject, as well as the results of any exploratory discussions along this line with Mikoyan you might have, would be appreciated. Also please ask Mikoyan promptly to furnish in all possible detail a list showing as a minimum the billion dollars of items mentioned in your 334 of February 1, midnight, and a broader list of the projects involved in the fifteen years reconstruction

-4-

mentioned in your 506. The latter will provide this Government with material for considering from the point of view of our productive capacity, the general economic and commercial policy implications of such a program, and of finance, the amount and types of equipment involved. The former list, if presented with careful explanation, will enable a determination of how much of the list may be handled by the straight Lend-Lease procedure suggested above by the President's Soviet Protocol Committee.

FMA:EGC:ja  
3/11/44

Copy  
hgb  
3/16/44

A N N E X C

AMEMBASSY

MOSCOW

FROM DEPARTMENT AND FOREIGN ECONOMIC ADMINISTRATION  
FOR AVERELL HARRIMAN

Referring to previous cables about the Russian war aid and reconstruction programs, particularly our 510 of March 7, we should like after receiving your views and the results of any exploratory talks you may wish to have with Mikoyan on the subject to present to the Russian representatives in Washington substantially the following draft agreements:

Agreement Supplementary to the Mutual Aid

Agreement between the Governments of the United  
States and the Union of Soviet Socialist Republics

RECITALS

1. The Government of the United States has provided, and is continuing to provide, vital war supplies, services and information to the Government of the Union of Soviet Socialist Republics under the Act of Congress of the United States of March 11, 1941, as amended, and pursuant to the Mutual Aid Agreement of June 11, 1942 between these two Governments.

2. The Governments of the United States and the Union of Soviet Socialist Republics desire to insure the flow of such supplies, services and information required for the war program of the Union of

- 2 -

Soviet Socialist Republics without interruption due to uncertainty as to the date when active military operations against the common enemy will cease; and desire to insure further, that supplies maintained in inventory or procurement in the United States for the purpose of providing war aid to the Government of the Union of Soviet Socialist Republics shall be disposed of, following the cessation of active military operations against the common enemy, in an orderly manner which will best promote their mutual interests.

For the purpose of attaining the above stated objectives, the Government of United States and Government of the Union of Soviet Socialist Republics agree as follows:

AGREEMENT

ARTICLE I

The Government of the United States undertakes to make available for dispatch to the Government of the Union of Soviet Socialist Republics, after a determination by the President of the United States that active military operations against the common enemy have ceased, and the Government of the Union of Soviet Socialist Republics undertakes to accept, those supplies included in the categories set forth in Schedule I annexed to this Agreement which the United States shall, prior to said determination of the President, have contracted for, or agreed to make available, in order to provide aid to the Government of the Union of Soviet Socialist Republics and which shall not have been exported to the Union of Soviet Socialist Republics prior to said determination.

- 3 -

The Government of the Union of Soviet Socialist Republics undertakes to pay the Government of the United States the full cost of the supplies made available under the provisions of this Article, and interest thereon at the rate of \_\_\_\_\_ percent per annum from the date of said determination by the President, in dollars [ or in commodities to be mutually agreed upon, or in such proportions of cash and commodities as may be mutually agreed upon. ] Payment of \_\_\_\_\_ % of the principal due shall be made by the Government of the Union of Soviet Socialist Republics \_\_\_\_\_ years from the date of said determination by the President, and payment of the balance of the principal shall be made within the succeeding \_\_\_\_\_ years in accordance with a schedule of percentages for annual payments to be agreed upon. Payment of interest due shall be made annually from the date of said determination by the President.

Additional categories may be added to the categories in Schedule I from time to time by the mutual agreement of the parties. When so added, the financial arrangements set forth in this Article I shall apply.

The Government of the Union of Soviet Socialist Republics shall be released from its obligation to accept supplies under the provisions of this Article upon the payment to the Government of the United States of all contract cancellation charges and other costs to the United States resulting from the desire of the Government of the Union of Soviet Socialist Republics not to accept such supplies.

ARTICLE II

The Government of the United States undertakes to make available for dispatch to the Union of Soviet Socialist Republics and the Government of the Union of Soviet Socialist Republics agrees to accept, such items of industrial equipment required in its programs of war production as have a lengthy production cycle and a long period of useful life as may be mutually agreed upon from time to time.

The Government of the Union of Soviet Socialist Republics undertakes to pay the Government of the United States the full cost of the supplies made available under the provisions of this Article, and interest thereon at the rate of \_\_\_\_\_ percent per annum from the date of the determination by the President that active military operations against the common enemy have ceased, in dollars [or in commodities to be mutually agreed upon, or in such proportions of cash and commodities as may be mutually agreed upon.] Payment shall be made by the Government of the Union of Soviet Socialist Republics upon the terms set forth in Article I.

ARTICLE III

The Government of the United States, in a Protocol signed on October 19, 1943 by that Government and the Governments of Soviet Socialist Republics, the United Kingdom and Canada, undertook to make available certain war supplies for dispatch to the Government of the Union of Soviet Socialist Republics during the period from July 1, 1943 to June 30, 1944.

The Government of the United States agrees to continue to make available for dispatch to the Government of the Union of Soviet Socialist Republics, under the financial arrangements provided for in said Protocol, after July 1, 1944, but prior to a determination by the President of the United States that active military operations against the common enemy have ceased, those supplies which the United States shall have contracted for, or shall agree to make available, prior to July 1, 1944, in order to provide aid to the Government of the Union of Soviet Socialist Republics and which shall not have been exported to the Union of Soviet Socialist Republics before July 1, 1944.

The provisions of this Article shall be effective unless and until it is superseded by a Fourth Protocol or another Agreement.

ARTICLE IV

Delivery of any supplies under the provisions of Articles I, II and III may be cancelled without cost to the Union of Soviet Socialist Republics if the President of the United States shall determine that the security of the United States so requires.

ARTICLE I

The Government of the United States agrees that the provisions of Article V of the Mutual Aid Agreement of June 11, 1942 -- dealing with the recapture rights of the United States -- shall not apply to supplies made available to the Government of the Union of Soviet Socialist Republics under the provisions of Article I or II of this Agreement.

ARTICLE VI

Nothing in this Agreement shall modify or otherwise affect the final determination, under the Act of March 11, 1941, as amended, and the Mutual

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Aid Agreement of June 11, 1942, of the terms and conditions under which the Government of the Union of Soviet Socialist Republics receives aid, except for the aid made available under the provisions of Article I and II of this Agreement. END OF AGREEMENT

(1) This proposed agreement does not involve any modification of the Third Protocol provisions. In fact, Article III specifically states that the U.S. will continue shipments under the Third Protocol after June 30, 1944, so long as the war continues.

(2) This proposed agreement would permit us to continue with a full scale procurement program of industrial equipment and supplies for the Russian war program and would reduce the danger of being caught with a large quantity of such supplies in procurement or inventory at the end of the war. It is not intended, of course, to propose that the Russians buy munitions or even food from us after the war is over unless they should possibly want to and we felt that munitions or food should be supplied. Schedule I mentioned in Article I of the agreement is intended to include only agreed types of equipment and supplies which may have both a war and a post-war use. Except for certain types of long-range industrial plant facilities, which are covered in Article II, we intend to maintain and use the present 18 months rule for industrial equipment required in the war. This list can be added to from time to time if and when additional supplies become available and the Russians want them on the same principle. It is possible that as the supply becomes less short on particular items procured under Lend-Lease that such additions may be made. It is also possible that motor vehicles and industrial items procured by the War

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Department for its own use may, because of changes in the war or supply situation, be available for such additions. As you know such items procured from direct appropriations to the War and Navy Departments can be transferred under the Lend-Lease Act and the transfer of such items as may be agreed upon is provided for in the proposed agreement.

(3) Article II concerns certain classes of long-range industrial equipment with a long potential post-war use as well as a war use. We have already received extensive requests from the Soviet representatives for such equipment, but approval is being delayed on some of them until the financial arrangements are determined under which they are to be supplied. The types of equipment to be furnished under this Article will, of course, depend upon questions of policy to be decided within the U.S. Government and upon negotiations with the Russians. For example, if it is decided that Russia needs certain equipment which takes longer than 18 months to manufacture, ship and install, we may want to use the arrangement under Article II to supply it. As a matter of fact, items such as refinery equipment, and plant equipment generally, have in the past usually required more than 18 months to manufacture, ship and install. Also, in the case of equipment which takes less than 18 months but which has a relatively long potential post-war life, we may want to supply this to the Russians under Article II instead of under Article I. Although this equipment has a war use if it arrives before the war is over, its peace time use is likely to be so extensive that we think it fair to propose that the Soviet agree to pay us for it regardless of the date of shipment.

(4) We would appreciate your detailed views on the draft agreements.

## PARAPHRASE OF TELEGRAM RECEIVED

247

FROM: American Embassy, Moscow  
TO: Secretary of State, Washington  
DATED: February 14, 1944  
NUMBER: 506

## SECRET

Following is for the attention of the Secretary and Under-Secretary.

We refer to your telegram of February 8, 1944, no. 246.

Hopkins has sent me a long cable concerning the Soviet's requirements of capital goods under Lend-Lease and a reply has been made by me. With respect to these cables certain aspects have an important bearing on the Soviet reconstruction program, since it would seem that Lend-Lease can properly assist in this connection. It is not possible to draw a clear cut line between war and postwar capital requirements. It is certainly difficult to appraise requirements for reconstruction of devastated areas, not only for agricultural and industrial production but also for public services, et cetera, for the civilian population, and requirements for the expansion of transportation and production facilities elsewhere as between war and postwar needs, especially since the length of the war is such an uncertainty. Furthermore, the general morale factor is one that cannot be overlooked nor calculated.

However, it seems clear that while Lend-Lease can properly plan an important role in caring for the most pressing requirements of Russia, it cannot be used to meet what the Soviet Government has in mind. I am informed by Mikoyan that at the present time they are planning a fifteen year program of reconstruction. It would seem

that a knowledge of what they can expect from us in the way of credits and equipment is an element of some importance. Furthermore, it would seem of great advantage in many directions to the United States to have a chance to study their program with them at the present time insofar as it relates to possible purchases from the United States.

I am afraid that the Soviet Government will not be willing to expose its hands unless we are able to offer a definite credit program. A competitive advantage in obtaining business at the time when it is most needed for the readjustment of our war production program would then be lost by us. The developing of plans and detailed designs will require many months. Possibly it may prove of advantage to take some of this business even before hostilities completely stop. If we are prepared to put Russian orders into production as soon as hostilities stop, it will certainly be of enormous value in cushioning the shock from war to peace.

It is my belief that an agreement on a program for reconstruction will have a major effect on the successful prosecution of the war in Russia. Such an agreement would permit release in Russia of reserves of manpower and material for the direct war effort. Also it will give new hope to the people generally and in the areas which have been devastated and enable the nation to give the war its undivided attention. We are inclined to get into the habit of thinking that the Russian nation under Stalin and the Communist Party can be forced to take the road that leads to the desired goal. There has, however,

- 3 -

been great loss of life and untold suffering and we see evidence every-day that it takes the most ingenious political planning and the most skillful leadership to keep the people at their maximum effectiveness for carrying on the war effort.

Moreover, we must have a well forged instrument to offer them if aid for reconstruction is to be of real value in our overall relations with the Soviets as a benefit which they can obtain from us if they work with us cooperatively on international problems in accordance with our standards. In my judgment as precise program offered to them (but always kept within our control thru the approval of each transaction) will be of definite value whereas vague promises excite Soviet suspicions.

Consequently, it is recommended by me that Lend-Lease be used for this reconstruction to the fullest extent possible and, in addition, that there be pursued energetically and expeditiously the study you indicate is being made for financing projects which cannot properly be made under Lend-Lease.

The foregoing cable has been sent by me in the hope that the triple barrelled advantages to us which have been described by me may furnish ideas and ammunition for dealing with political problems at home in obtaining legislation which will be effective.

If information regarding the progress of the study referred to and the developments of the Lend-Lease policy as applied to this problem could be sent to me it would be most helpful.

HARRIMAN

## PARAPHRASE OF TELEGRAM RECEIVED

250

Regraded Unclassified

FROM: The American Embassy, Moscow  
TO: The Secretary of State, Washington  
DATE: March 17, 1944  
FROM: 609  
SUBJECT: RUSSIA

A few days ago I saw Kilbrym and in general terms outlined the program described in your number 510 dated 9 p.m., March 7 for the use of Lend-Lease for reconstruction projects definable as essential for the war, with an agreement for the Government of the U.S.S.R. to accept under a separate reimbursable contract the undelivered equipment at the conclusion of hostilities. The possibility of the Export and Import Bank obtaining from Congress the authority to carry on into post war was also described by me. However I did not (repeat not) mention the possibility of a United Nations' Bank for participating in this field since sufficient information on this subject is not in my possession.

Mr. Kilbrym stated that he would discuss the program again with me since he wanted to give it further consideration. As soon as it is finished Kilbrym said he would gladly give me the billion dollar list he is preparing but that he was not in position to give me anything on the longer range program as yet. It was explained by Kilbrym that the billion dollar list included what was needed urgently for delivery up to the end of 1945 and included only items important for the war's presentation, and he added that it would have been a very much longer list if he had accepted all of the requests of the different Comissarsiate.

Mr. Kilbrym inquired whether he correctly understood from what I had said that Requests for plant equipment should be submitted through the protocol machinery, to which I gave him an affirmative reply. Kilbrym also asked why the acceptance of the balance of the three hundred million dollar requests previously submitted had been delayed. I answered this by saying that I knew there were considerations of acute labor shortage and productive capacity to carry on our immediate war program but that I had no specific information.

An immediate telegram commenting on this conversation and giving any supplementary information I should have for the next conversation would be appreciated.

It is my belief that you should bear in mind that Kilbrym probably will submit his billion dollar program for consideration in the Fourth protocol and at present I do not see how we can foresee how much of it we may find it advisable to put into production and deliver before next year's (1945) end. Regarding the amount we will accept for production under the Fourth protocol, I suggest for your consideration that we do not take a definite stand one way or the other. Whether we would be ready to take substantially more or perhaps

-3- #889 from Moscow. March 17, 1944

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Less than would appear at the moment depends upon the war's developments. If we took any sentiment at present it would have to be a minimum one which would therefore cause misunderstanding by and useless argument with the authorities of the USSR. Therefore the wise policy would appear to be to screen the list as soon as feasible after it is received and to indicate to the Russians that at the earliest time compatible with our interests we would accept the approved items for delivery. However, engineering and other preparatory work on the approved items should be started immediately by us so that when we request our program to conform to our own changed requirements we can fit these approved items quickly into our production program. It is my thought that these Soviet orders may be of value to us in relieving discussions when Germany collapses and we concentrate on the war in the Pacific.

In stressing the value that these orders might have in keeping (\*) even for some items the production of which may not have been actually begun when hostilities cease. For my information kindly confirm.

In my next talk with Hilbman he may ask me what terms we expect for repayment for the items which have not been delivered at the time hostilities end. If you would confirm my assumption that those terms would be negotiated in Washington, I would appreciate it.

Answering your inquiry, I believe the suggested program is sensibly conceived and will competently deal with the problem to the mutual advantage of both countries if it is implemented by reasonably early legislation expanding the authority of the Export and Import Bank as suggested. However, with reference to the International Bank for Reconstruction in this connection, I am not clear and I will send you another message on this subject.

HARRIMAN

(\*) Omission revised

DDG:MPZ  
3/20/44

ah:evry  
3-21-44

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

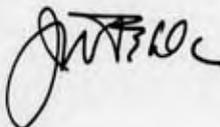
INTER-OFFICE COMMUNICATION

DATE Mar. 16, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

When you talk to the White House about the issuance of the statement you might want to stress the following points:

1. The statement is badly needed as a base on which we can build the whole OWI campaign on the psychological warfare side.
2. Although some of us would have preferred the statement in its earlier form we are all agreed that even as amended it will be helpful and are anxious to get it out promptly.



AMHERST COLLEGE  
AMHERST, MASSACHUSETTS

March 16, 1944

Mr. John W. Pehle,  
Executive Director  
The War Refugee Board  
The Treasury Building  
Washington 15, D. C.

Dear John:

Thank you for your note of March 13th and for sending the enclosed memoranda and releases. Since I returned to Amherst yesterday I have been up to my ears meeting classes, giving examinations and trying to finish an article for Transatlantic Magazine. I have not, therefore, had much time to think about the problems raised in your memorandum. I do hope to write you more fully when I have had a better chance to think about it. It seems to me, however, offhand that one of your major problems, in addition to those listed, may be the attitude of people in the United Nations, including those in the United States. The effectiveness of your Board can be greatly increased by the whole-hearted support, not only of the President and other leaders of the Administration, but of the American people. I should not, in a brief note, attempt to get hold even of a tiny fragment of the tangled skein of prejudice, self-interest, prestige hunger and downright sadism that contribute to anti-semitism here and abroad. But it does seem to me that perhaps the most desperately in need of all the refugees are the Jews. The problem of anti-semitism and the rescue of these people are not, therefore, unrelated.

But I should like to write you more fully when I have had more time to think about the problem.

Cordially,

(signed) Peter  
Peter H. Odegard

Forgive the chaotic character of this note. Our joint departmental secretary has too much to do to waste time on impeccable transcription.

TELEGRAM SENT

PLAIN

PLAIN  
March 16, 1944

AMEMBASSY,

LONDON.

1980, sixteenth

FOR CASSODAY FROM J. W. PEHLE, ACTING EXECUTIVE DIRECTOR,  
WAR REFUGEE BOARD.

QUOTE Please mail me copies of excerpts relating to War  
Refugee Board from recent debate in Parliament on funds for  
Intergovernmental Committee. Would also appreciate receiving  
British newspaper comments on War Refugee Board and its programs.  
UNQUOTE.

HULL  
(GLW)WRB:GLW:KG  
3/13/44

BC

CAM - 154

PLAIN

London

Dated March 16, 1944

Rec'd 11:10 p.m.

Secretary of State  
Washington

2162, Sixteenth

FOR FEHLE WAR REFUGEE BOARD FROM SCHWARTZ

Department's 1843, eleventh.

Position Danish refugees now Sweden satisfactory with Governments participating large scale relief program and also furnishing work opportunities. Believe rescue possibilities northern Europe limited but Swedish Government had indicated willingness approach Axis and satellite governments for release up to 20 thousand children of all nationalities to Sweden provided guaranties for evacuation forthcoming. Believe it most worthwhile encourage Swedish Government every way to undertake these steps behalf children occupied territories.

WINANT

EJH

## TELEGRAM SENT

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

March 16, 1944

8 p.m.

AMERICAN CONSULATE GENERAL,

JERUSALEM.

46

FROM WAR REFUGEE BOARD

Kindly transmit following from Israel Mereminski, New York City to David Remez (Histadrut) 115 Allenby, Tel-Aviv.

QUOTE Your February 9 cabled suggestion special envoys partly accomplished partly preparing. Impressed by discussion USA WRB first time rescue work in hands people who anxious get immediate results. My conclusion discussion your proposal include Histadrut representatives Board envoys this stage impractical. Real cooperation here and neutral countries more important than representation. Full collaboration and cooperation assured and Shaul Meyerow accordingly informed. Cable names your representatives Portugal Sweden. Awaiting Shaul Meyerow's answer urgent problems. Please airmail my address only immediately all new letters reports received by or thru Meyerow since my contacts direct your behalf. UNQUOTE

HULL  
(GLW)

WRB:GLW:KG    NE    NOE    SWP  
3/11/44

EMBASSY OF THE  
UNITED STATES OF AMERICA

SPECIAL ADVISER ON  
Supply and Resources  
MAR 30 1944  
Department of State

Lima, March 16, 1944.

No. 9243

Subject: Expression of view concerning attitude in south  
Peru regarding war refugees.

STRICTLY CONFIDENTIAL

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

Sir:

I have the honor to refer to my despatch no. 9203 of March 10, 1944, and to the Embassy's despatch no. 9017 of February 11, last, responsive to the Department's circular airgrams of January 26 and February 29, 1944, concerning the situation of war refugees, actual and potential, in respect of Peru.

Supplementing and in essence confirming the data already submitted, there follows an excerpt from a letter of March 7, received from the American Vice Consul at Arequipa, Jack G. Dwyre. This text indicates a feeling of remoteness on the part of the population of south Peru to questions relating to victims of Axis oppression, coupled with apprehension over the extension of refugees, especially Jewish, economic influence in Peru:

"Reference is made to the Embassy's letter dated February 1, 1944, asking for any comment there might be regarding the contents of the Department's airgram of January 26, 1944 with respect to the Government's policy in the rescue of the victims of enemy oppression.

"In the above connection it is believed that the contents of the Department's airgram has little application in southern Peru since any action that may be

- 2 -

taken in regard to the admission of victims of Axis persecution will stem from Lima, and not be subject to any direct control upon the part of local officials.

"However, in an effort to determine what might be the reaction of the public in general locally to the possible admission into this region of Jewish refugees, the subject has been broached casually to various Peruvians. The consensus of opinion would seem to be that locally commercial circles would not favor any general influx of Jewish refugees into commerce in southern Peru. One person attributed the disproportionately high cost of living in Bolivia to the influx there of so many European Jewish refugees.

"When it was remarked that there seemed to be vast regions on the eastern slopes in southern Peru, it was pointed out to me that Europeans could not survive the conditions of living in those regions in their present undeveloped state, and that nothing could be done to keep European refugees from drifting into Arequipa and other commercial centers as long as the 'montana' regions were so completely undeveloped in respect to transportation, communications and other means of deriving a livelihood from the admittedly abundant natural resources which they contain.

"It was also pointed out that the western slopes of southern Peru were already highly overcrowded and could not possibly sustain any large influx of colonists until vast irrigation projects opened up more thousands of hectares of cultivable soil. Frankly, the attitude locally seems to be quite indifferent to the fate of victims of Axis oppression, and the implication is that if the region is to be opened up to any appreciable number of European refugees, money must come from outside sources to develop the country's natural resources with which to sustain such colonists.

"Since persons in southern Peru have apparently thus far given little thought to the possibility of the admission of European refugees, it is not known what influence the reaction of Surenos might have upon legislation in Lima."

Respectfully yours,

Jefferson Patterson  
Charge d'Affaires a.i.

711  
JP bw

March 16, 1944

2:35 p.m.

M E M O R A N D U M

TO: Mr. Warren  
FROM: Mr. Friedman

It will be appreciated if you will have the two attached cables dispatched at once to Dr. Joseph Schwartz, one to 242 Rua Aerea, Lisbon, Portugal, and the other to 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 messages and any answers thereto.

Attachments

JEF:bbk - 3/16/44

cc: Miss

CABLE TO LISBON, PORTUGAL  
FROM WAR REFUGEE BOARD TO MINISTER NORWEB

Please deliver the following message to Joseph Schwartz, 242  
Rua Auresa, Lisbon, Portugal, from the American Jewish Joint Distribution  
Committee.

QUOTE Can you cable us estimate number Jewish refugees  
remaining Spain after Canadian group departs also how many of them  
likely be moved Casablanca camp and how many refusing to go latter  
divided two categories those on relief and those having independent  
means Stop Believe important from every viewpoint that refugees on  
relief particularly be urged proceed Casablanca camp and moral sunsion  
should be used utmost this purpose Stop Also cable same information  
regarding stateless refugees Portugal Stop Leavitt UNQUOTE

3/16/44  
2:35 p.m.

JBF:bbk

CABLE TO LONDON

FROM PEHLE TO WINANT FOR CASSADAY

Please deliver the following message to Joseph Schwartz, <sup>of</sup>  
Central Council for Jewish Refugees, Upper Woburn Place, London,  
from the American Jewish Joint Distribution Committee:

Message begins. Please contact finance officer British Foreign  
Office London for return of twenty thousand dollars remitted by us on  
behalf Jewish community Rome Stop Suggest you arrange open account in  
name Joint Distribution Committee at Barclays Bank subject to drawings  
by officers whose signatures will be filed Barclays Bank New York Stop  
It is expected funds will remain in London until possible repay individuals  
who now advancing funds Rome against this account Stop Leavitt End of  
message.

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Embassy, Madrid  
DATED: March 16, 1944  
NUMBER: 726

## CONFIDENTIAL

With reference to your telegram of March 3, 1944 No. 378, you are informed that the expression of your views with respect to the designation of David Blickenstaff as representative for the Board in Spain is greatly appreciated by the War Refugee Board.

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

At the present time the Board is considering the designation of James J. Saxon, Representative of the United States Treasury in French North Africa, as acting representative of the War Refugee Board in Spain in lieu of the appointment of Blickenstaff. James J. Saxon has been representative for the United States Treasury in French Africa for about 13 months, the first 7 months of which consisted of duty in Dakar. Since that time he has been stationed in Algiers. Before then he was a representative of United States Treasury in Hawaii and the Philippines where he served under High Commissioner Sayre. It is felt by the Board that Saxon is well qualified for any duties to which he may be assigned in connection with the War Refugee Board and that in this most important work he will be of real aid to you. We have discussed this assignment with the Treasury which is willing to allow him to be assigned to this duty.

Your views with respect to the designation of Saxon should be sent to the Department promptly.

The foregoing telegram has been repeated to Algiers to Wilson for Saxon as the Department's telegram No. 788.

HULL

VMT-409

PLAIN

Stockholm via London  
Dated March 16, 1944  
Rec'd 7:30 p.m., 17th.

Secretary of State,

Washington.

906, Sixteenth.

Swedish comment Finland local press quotes Finnish communique declaring Diet gave Government unanimous vote confidence. TIDNINGEN sixteenth says this means Diet as February 29 acceded Government's standpoint though with distinction Diet then approved certain political line Government suggested while yesterday gave Government free hand continue peace contact. Government and Diet reportedly agree some Russian terms unacceptable in present form but Finland unwishes break indirect negotiations and Diet authorizes Government maintain contact trying obtain certain definitions from Russia. Point regarding restoration 1940 boundaries now reportedly means Finnish army must withdraw before Moscow negotiations. Point most troubling Finns concerns internment German troops where considerations military honor play role. Diet's unanimous resolution grant Government full powers reportedly result compromise with majority Swedish group minority social democrats and certain others favoring settlement on terms offered. This opposition - if permissible use term - unexpressed itself yesterday's secret peace activists finding Government's firm intention seek maintain negotiation contact so satisfactory they unpreferred break Diet unity. Reliable source says respite given Finland expires Saturday and assumed Finnish circles Government has answer ready today for delivery Soviet Legation Stockholm Friday so will reach Moscow Saturday. Exhaustive Finnish communique expected soon as Moscow has Finnish reply. Increasingly apparent Marshal Mannerheim man Finland must rely upon in hour need. Hitherto remained outside peace discussions but self-evident chief commander and Government bound have same opinion on peace question. Mannerheim consequently regarded as standing behind Government ready intervene with authority if needed. Finnish circles believe Mannerheim will assume Government in event armistice pilot Finland out of peace crisis inevitably result-

-2- 906, Sixteenth, from Stockholm via London

ing from settlement with Russia. Kollontay yesterday paid one of rare visits Stockholm canceling dinner party since important official matters required presence Soviet Legation.

DAGENS sixteenth Finnish Government report to Diet included several remarks against Russian terms and information Swedish Government believed Finland should utilize every possibility inherent in negotiations. Swedish Foreign Office during past weeks has many ways sought promote positive solution and known Finland several times notified of official Swedish opinion. Considered resettlement problem which again topical in event new Karelian mass evacuation from other side 1940 frontier affects Finnish peasant opinion much more than talk about failing German arms comrades. Russians apparently disposed cancel Hango lease presumably against Petsamo compensation. Rumor reportedly false Russians would demand return Ingrians evacuated Finland.

Helsinki correspondents leading Stockholm papers attach considerable significance to declaration Finnish Labor Federation yesterday prominently published Finnish social democratic press stressing significance maintaining good relations United States and Scandinavian countries congratulating Government on exploring possibilities releasing Finland from war and viewing with alarm activities extremist rightist elements. Correspondents also quote Finnish ARBETAREBLADET condemning dangerous right wing agitation on VASAREBLADET attacking certain category Finnish journalism suggesting Finland unwants leave war. SVENSKA PRESSEN emphasizing diplomatics purpose is find practical means preserve nation not arrange people perish heroically. HELSINGIN SANOMAT stressing SASH Diet member personally responsible Finland's present future existence but Government apparently ungiven Diet all information. SOSIALI DEMOKRAATTI saying some situations require statesmen save nation by acting in way seemingly dictated by cowardice.

MORGONBLADET sixteenth considers Finland's prospects much gloomier even though Finnish reply which probably again emphasizes difficulty accepting hard terms surely unshuts door definitely negotiations. Decision again rests Moscow and whatever thought about Russian terms they clearly indicate Moscow actually wishes settlement. Finnish situation hard and tragic and Finnish Government's hesitation comprehensible since Finns feel demands based might not right. Finland must choose lesser two evils and

must

-3- 906, Sixteenth, from Stockholm via London

must be hoped to last result yesterday's plenum won't be categorical negative. Surprising Russian terms incorrectly reported Finnish press and according SANOMAT Government ungiven Diet men all facts. This serious intimation in present situation with conceivable political consequences. DAGENS sixteenth considers Mannerheim Finland's last unused reserves and considering great personal authority in present critical situation better qualified be leader Finnish nation than head Finnish delegation at eventual Finnish Russian negotiations. While reported stiffening Russian attitude decreased chances compromise concerning Diet's division which Finns would try persuade withdraw voluntarily - idea which Russians allegedly rejected - should still be possible discuss matter if Finland should adopt principle attitude making it possible send authoritative delegation Moscow negotiate. Chances for this unfortunately small since opposition too strong public opinion too unprepared and wishful thinking too predominant. Too bad Mannerheim and Paasikivi stood aside during Parliamentary stage just concluded. Their judgment doubtless differs considerably from prevalent arguments. Paasikivi presumably refused Stockholm mission if knew works result to bungled by Government. If contact Moscow now broken - signal in such case will come from Russia - Finland won't be able return position month ago. Even if immediate Russian offensive unoccurs shall be threatened with serious isolation. English and American opinion of Russia terms well known and maybe diplomatic relations with America breaks. Swedish Government's opinion should be clear to Finnish Government and Diet. Stockholm Foreign Office worked energetically achieve favorable conditions for settlement but unfortunately Helsinki judged things differently even looking through fingers at press propoganda against negotiations allowing it misinterpreted Russian terms saying Russian demand withdrawal Finnish troops 1940 frontier before Moscow negotiations. This and many other observations indicate weakness and fumbling hesitation Government's part and firm resolution by opposition frustrate peace efforts. Finnish public opinion possibly more influenced by public announcement official Swedish standpoint which DAGENS considers justified and certainly effective. All parties should know where Sweden stands. Sweden has tried extricate brother nation from war and great disappointment Swedish foreign political leaders suggestions fail make impression though supported by Finland's two foremost foreign political and military experts. Finland's prospects for immediate future seem

-4- 906, Sixteenth, from Stockholm via London

very dark. TIDNINGEN sixteenth refers misinterpretation Finnish press concerning withdrawal Finnish troops observing Russia wants Finland accept Moscow peace terms in principle as indispensable condition negotiations. Finnish opinion stiffened during two weeks elapsed since terms publication. Comprehensible Finnish opinion reacts now as in 1940 against considered ruthless violation historic frontiers but important question concerns Finland's prospect getting through present war alive. Changes preserving independent Finland even within framework 1940 frontiers lessens longer Finland maintained belligerent status. No longer secret Government advised Finland take chance Russia offers and do best restore peace and neutrality. Finnish opinion considers some terms unacceptable. In order effect change internal situation Government needs time engage systematic information give Finnish people realistic view. Risk exists however no time available if true Finland must by weeks end accept reject Russian proposals. Must assumed Finnish Government anxious keep negotiations open and while situation extremely critical still hopeful long as fragile thread holding negotiations door open unsevered. Out come unonly depends Finland as Soviet and Allies also responsible. Great Allied advantage get Finland out of war at present stage military operations against Germany. This circumstance should be enough cause Russia give Finland time for reorientation without which positive result appears inconceivable. Finnish peace question also psychological. Russia desires and asks above all world have confidence announced aims. Stalin declares Soviet war aim is restoration 1941 Russian frontiers. If Finland to remain free she must live in good neighbourly relations with Russia which demands mutual confidence without which situation hopeless. To leave war Finland must risk trusting Russian word. This perhaps worst problem and one whose solution will decide Finland's way. SVENSKA sixteenth thinks Finland has good reasons request definition certain points Russian proposals and apparently such definition made in Soviet reply mentioning Hango's exchange for Petsamo and internment Dietl's divisions could be some kind isolation. Return Ingrian Estonian refugees undemanded. Considering these facts and knowing hopes for early peace rapidly gaining ground among Finnish people reason expect positive attitude from Finnish Government and Diet concerning continuation negotiations. No reasonable person Sweden considers Russian terms moderate mild but principal question is whether Finland if present peace contact breaks can reckon on better terms future. Censorship chiefly responsible keeping Finnish public opinion ignorant situations gravity and allowing certain newspapers

encourage...

-5- 906, Sixteenth, from Stockholm via London

encourage misconception is embarrassing Government striving effect peaceful settlement. SVENSKA also mentions SANOMATS statement Diet members uninformed saying even these circumstances insufficient explain negative attitude Finnish Government and Diet majority. Apparently only 40 members including ten of eighteen men Swedish group favored continuing negotiations. Such situation can only result from incurable distrust and distrust and deficient political skill. With warm sympathy for Finland and clearly realising own position Swedes refused consider Finland's peace road definitely closed. Finland's answer unformulated undelivered and respite unexpires before this Saturday. Wednesday March 15, 1944 must not become Finland's Ides March. Nazi DAGSPOSTEN describes Finland marvelous military position saying circumstance Finland's military strength every respect many times better than during winter war should not be underrated in judging Finnish situation today. Finland knows what she's fighting for. Surrender and treason against arms comrades remote from Finnish people army and government. Finland is civilized country.

JOHNSON

CSB

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm  
TO: The Secretary of State, Washington  
DATE: March 16, 1944  
NUMBER: 908

## SECRET

This morning a member of the Legation staff received a visit from a Finnish lady who was interested in the welfare of one hundred and thirteen Jewish refugees who in 1938 and 1939 had come to Finland from central Europe. It was claimed by the informant that permission for these refugees to enter Sweden had been refused by the Swedish Foreign Ministry and in view of the establishment of the War Refugee Board she requested my aid in urging the Government of Sweden to admit these people at once so that they would be saved from what she fears will be domination of Finnish pro-Nazi elements when the Finns make a final decision to continue the war against the U.S.S.R.

This refers to Department's number 131 dated midnight January 25 and to Legation's number 481 dated 6:00 p.m., February 13, 1944.

I mentioned the Lady's visit to Boheman this afternoon and also told him what she talked about. Boheman was fully informed about it and said that the Government of Finland had made application for the admission of these Jewish refugees. The Swedish Cabinet has considered this application twice and has made an adverse decision. The Government of Finland was advised that denying admittance to these refugees at present was not because they were Jews or because of any unwillingness on Sweden's part to admit refugees who were in need or in danger but that their being Jews and leaving Finland at this time the Government of Sweden believed would be very bad propaganda for Finland abroad especially since in fact no urgent necessity for their leaving Finland existed. Confidentially Boheman added that Sweden would admit them immediately if this group of refugees should in fact be placed in any danger in Finland due to the situation which my Finnish caller feared.

JOHNSON

DCR:MP  
3/18/44

PROPOSED CABLE TO MINISTER HARRISON AT BERN

The Department has received from London Kullman's report of his discussions with you, the Swiss authorities, the Polish Minister, the International Red Cross and representatives of voluntary agencies concerning the attitude of Switzerland towards those who assisted Polish citizens, including Polish Jews, in France to obtain passports issued in the names of Latin-American countries, and the attitude of the German authorities with respect to the persons in enemy-controlled areas holding such passports. This Government is approaching the Latin-American governments and is urging them on humanitarian grounds to take no action, at least until after the war, to revoke or cancel such passports or to indicate that they are or may be revoked or cancelled or may be considered ineffective or invalid. As you probably know, the government of Paraguay has already advised this Government and the Intergovernmental Committee that it has not cancelled and is not considering cancelling such passports issued in its name.

There is some hope that Polish citizens, including Polish Jews, holding such passports will continue to receive more favorable treatment than persons who do not. It is this Government's view that any action that might result in endangering their lives or subjecting them to transportation or other worsening of their condition should be avoided. It is also of the view that all appropriate action calculated to protect the lives and welfare of these persons should be taken.

Accordingly, you are requested to approach appropriate officials of the Swiss government and advise them of this Government's views. You should request appropriate officials of the Swiss government to approach the Germans in an effort to induce them to continue to recognize the validity of Latin-American passports held by persons in Vittel and elsewhere unless the government in whose name the passport has been issued takes affirmative action to cancel or revoke it or deny its validity. In this connection, Kullmann and others report that the Swiss government has taken legal action against the persons in Switzerland who were instrumental in securing these passports and that the Swiss government has also undertaken an inquiry regarding the authority of some of the persons who have issued such passports. It is this Government's view, and appropriate Swiss authorities should be so advised, that the validity of the passports in question is not in issue and should not be put in issue by Swiss authorities in the absence of affirmative renunciation by the Latin-American governments concerned. In any event, it would seem that such action and inquiry might, on humanitarian grounds, if no other, be postponed until after the war, and you should so inform the Swiss government.

- 2 -

For your information, Kullmann has reported that the Swiss authorities are definite that any approach to the Germans would not only be ineffectual but would do more harm than good. This Government cannot agree with that view. The Department and the War Refugee Board have reason to believe and are strongly of the view that it is of the utmost importance and can only help persons subject to enemy persecution that German authorities be kept continuously aware that the treatment of Jews and others in enemy controlled areas is being followed with the closest attention.

Please keep the Department advised of any developments in regard to this situation.

\*\*\*\*\*

March 16, 1944

5:35 p.m.

Herewith a proposed cable to Bern concerning the persons in France holding Latin-American passports. This is in substitution for the proposed cable attached to Mr. Pehle's memorandum to Mr. Stettinius dated February 21, 1944. As you know, this substitution is necessitated by the delay in transmitting the earlier message and the receipt in the interim of No. 1708, 2nd, from London, dated March 2, 1944. The latter was received by the War Refugee Board late in the afternoon of March 14, 1944. The urgency in connection with the attached cable, and the companion cable to various Missions in Latin-America submitted by Mr. Pehle to Mr. Stettinius on March 11 is apparent.

LSLessertals 3/16/44

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: March 16, 1944  
NUMBER: 864

## CONFIDENTIAL

The Apostolic Delegate, Washington, has informed the World Jewish Congress, New York, that the Vatican has received a promise from Dr. Tiso of Slovakia that facilities and opportunity to go to some other country will be given to the Jews and while in Slovakia they will be interned only and not persecuted.

HULL

NMC-998

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

Bern

Dated March 16, 1944

Rec'd 5:04 p.m.

Secretary of State,

Washington.

1613, March 16, 2 p.m.

Your 853, March 15.

One. Please see my telegram no. 1387, March 8 awaiting Swiss reply.

Two. Your 251 repeated as directed January 27.

HARRISON

MM

## TELEGRAM SENT

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

March 16, 1944

8 p.m.

RESTRICTED

AMEMBASSY,

ANKARA.

213

FROM WAR REFUGEE BOARD TO HIRSCHMANN

Following for Shaul Meyeroff at Istanbul from Israel Mereminski.

QUOTE Submitted yours February 2 to War Refugee Board. Contact immediately Ira Hirschmann, Ankara. Cable more details your proposal Swedish ships. Also if possible and advisable contact Swedish Transport Associations through their Palestine clients twenty years standing without or in addition Red Cross. Also cable further details most recent activities Hechalutz Lochem and your progress. Have you cabled Locker, London; your statement to me February 2. If so, what reaction British and other United Nations, London, and their representatives, Turkey. If advisable myself do same cable more information. Is it possible to repeat to same or larger extent letter to Spassof of June 19, 1943, photo copy of which I received in August from Bader. UNQUOTE

HULL  
(GLW)

WRB:GLW:KG  
3/11/44

NE NOE SWP

MFG-205

PLAIN

Ankara

Dated March 16, 1944

Rec'd 6:51 a.m. 17th

Secretary of State,

Washington.

417, Sixteenth.

FOR WAR REFUGEE BOARD

Department's 202 Fourteenth.

Hirschmann has received Schoff's telegram extending  
his leave of absence by six weeks.

STEINHARDT

RR

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: March 16, 1944  
NUMBER: 465

## CONFIDENTIAL

THE FOLLOWING CABLE FROM HIRSCHMANN FOR WRB.

Reference is made to Department's cable of March 13, 195

You are informed that pictures of evacuated refugees coming from the Balkans through Orinto, Turkey, are not available in Ankara to me. They could only be obtained, after some delay, in Istanbul and would require almost a month for transmission to Washington. Please advise, notwithstanding the foregoing delay, whether they are desired.

See my telegram of February 26, no. 345. I desire, in connection with the Board's request for such photographs for use in an article being prepared for VICTORY MAGAZINE, to again caution the Board against publicity in the United States at this time regarding our efforts here. These refugees are not regarded by the Turk authorities as Jews but as Rumanians and Bulgarians who may tomorrow be their enemies and among whom they assert Axis spies and agents have been and may readily be planted. In view of this attitude by the Turk authorities, their cooperation which the Ambassador has now succeeded in obtaining would easily be lost to us by premature publicity in the United States. I will so advise you as soon as the Ambassador and I feel that publicity in the United States praising the Turk Government or publicizing the extent of its cooperation will not do more harm to our efforts than good.

STEINHARDT

GEM-73

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

Ankara

Dated March 16, 1944

Rec'd 8:15 p.m.

Secretary of State,

Washington.

466, March 16, 1 p.m.

FOR WAR REFUGEE BOARD FROM HIRSCHMANN

Department's 194, March 13.

The Ambassador's despatch Nos. 574 of February 20 and 596 of March 13 the second of which incorporates (?) report and both of which are en route to the Department of State by pouch and telegram No. 440 of March 13.

STEINHARDT

EMB

PARAPHRASE OF TELEGRAM RECEIVED

277

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: March 16, 1944  
NUMBR: 472

SECRET

FROM HIRSCHMAN FOR ATTENTION OF WAR REFUGEE BOARD.

Reference my 455 March 15.

This morning the Ambassador was informed by Turk authorities that the passenger vessel SS TARI of 4000 tons, owned by the Turk Government and now at Istanbul, has been placed at our disposal for a trip to Constanza to evacuate Jewish refugees. A request has been made of the British naval authorities in Istanbul as to the maximum number of refugees this vessel can carry safely. In this connection an inspection will immediately be made of the life saving devices on this vessel.

A cable is being dispatched today to Geneva for Simond of the International Red Cross asking for safe conduct for the vessel from the belligerent powers excepting Russia. Today request was made by the Ambassador of the Russian Ambassador in Ankara to obtain safe conduct from his government and he has also telegraphed Harriman in Moscow asking him to give the Russian Ambassador's request support.

It is suggested by us that the Board concurrently request the German safe conduct through the Swiss.

Tomorrow I am leaving for Istanbul to make the necessary arrangements with Turk steamship authorities which will involve among other things the charter price, fuel, food, passenger accomodation, etc., and with the British naval authorities which will involve inspection of life saving devices, safe conduct, etc. In Istanbul I will be joined by Simond. Immediately upon arrival of Black (WSA) whose arrival in Ankara is expected shortly, he will be requested by the Ambassador to proceed to Istanbul to assist me.

We were astonished to learn from Barlas of the Jewish Agency, upon informing him that we anticipated the departure of the SS TARI for Constanza under safe conduct in the very near future to evacuate Jewish refugees, that in spite of his repeated assurances that a sufficient number of Jewish refugees would at any time be available for embarkation in 10 days notice, he now asserts that there will be required at least 5 or 6 weeks before a sufficient number will be ready to embark.

STEINHARDT

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O  
P  
Y

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: March 16, 1944  
NUMBER: 474

## CONFIDENTIAL

The following is for WRB's attention.

I refer herewith to my previous cable dated March 13, 1944, No. 440.

A meeting with Hirschmann was requested today by the Rumanian Minister through Simond, and Hirschmann was informed by the Rumanian Minister that he had received a reply from his Government the substance of which was as follows:

(1) It has been decided by the Government of Rumania to transfer to Rumania proper from Transnistria all Jews who are actually in Transnistria at the present time. This transfer from Transnistria has already started.

(2) The Government of Rumania pledges itself to facilitate in every possible manner the emigration of the Jews.

STEINHARDT

March 16, 1944

12:15 p.m.

M E M O R A N D U M

TO: Mr. Warren

FROM: Mr. Friedman

Please transmit the attached cable from the War Refugee Board to Ambassador Steinhardt and Hirschmann, Ankara, Turkey. Also attached for transmission is a related cable to Ambassador Harriman, Moscow, Russia.

JBF:bbk - 3/16/44

CABLE TO STEINHARDT AND HIRSCHMANN, ANKARA, TURKEY FROM WAR REFUGEE BOARD

WRB Cable Ankara No. 7

Informed by International Red Cross letter dated February 25 that in accordance with arrangement initiated by Rumanian Red Cross, Bulgarian boat "Bellacitta" available to transfer 150 refugees weekly presumably from Mangalia to Istanbul. Stop They also advise that two Bulgarian boats "Maritza" and "Milka" at disposal Jewish institutions for this purpose but presumably not useable since Turkey not permitting rail transit to Palestine more than 150 weekly and "Bellacitta" capable filling this limit. Stop Red Cross as intermediary will notify sailings to belligerents. While continuing efforts re Turkish and Swedish boats suggest you do everything possible to enable immediate refugee sailings all boats available. Stop

Understand Red Cross has requested safe conduct "Bellacitta". We cabling Harriman requesting prompt action by Russian Government for Russian safe conduct request.

CABLE TO AMBASSADOR HARRIMAN, MOSCOW, RUSSIA FROM WAR REFUGEE BOARD

Informed by International Red Cross that Bulgarian boats "Bellacitta," "Milka," "Maritza" immediately available for transportation Jewish refugees from Mangalia to Istanbul Stop Red Cross has requested safe conducts Stop Please try to obtain Soviet safe conducts and inform Red Cross Geneva and Ambassador Steinhardt as well as War Refugee Board

March 16, 1944  
12:15 p.m.

No. 5643

Caracas, March 16, 1944

Subject: Venezuelan Government supports establishment  
of War Refugee Board.

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

Sir:

I have the honor to refer to the Embassy's airgram No. 135, February 11, 1:05 p.m., reporting that the Acting Foreign Minister had informed the Embassy that the policy expressed in the President's Executive Order of January 22, 1944, communicated to the Embassy in the Department's circular airgram of January 26, 7:00 p.m., and communicated to the Foreign Minister in a note dated February 2, 1944, along with an oral explanation of the policy, was receiving the careful consideration of the Venezuelan Government. A copy of the Embassy's note No. 1600 of February 2, 1944, is enclosed.

At the time of the receipt of the Department's circular airgram of February 29, 7:30 p.m., sent at the request of the President's War Refugee Board, the Embassy again approached an appropriate official in the Foreign Office and at the time of making further explanation of our Government's desire for the cooperation of the Venezuelan Government left a memorandum (No. 1651, March 6, 1944), a copy of which is enclosed, and urged the declaration of a policy similar to that made by the President as well as action comparable to the instructions contained in the Department's circular airgram of January 26, 1944.

I am now in receipt of note No. 671 of March 14, 1944, from the Foreign Minister, a copy and translation of which are enclosed, expressing the support of the Government of Venezuela of the idea which inspired the establishment of the Board, recounting the cooperation of Venezuela along

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

- 2 -

similar lines at present and stating further that the appropriate official organizations are studying the possibility of giving concrete form to the cooperation which Venezuela could render to the task confided to the War Refugee Board.

I shall continue to follow this matter and transmit promptly to the Department further information on the extent of Venezuelan cooperation which I obtain from the Foreign Minister.

Respectfully yours,

Frank P. Corrigan

Enclosures:

- 1) Copy of note No. 1600, February 2, 1944, to Foreign Minister.
- 2) Copy of memorandum No. 1651, March 6, 1944.
- 3) Copy of Foreign Minister's note No. 671, March 14, 1944.
- 4) Translation of enclosure No. 3.

548

JF:er

To the Department in original and hectograph.

C O P Y

Enclosure No. 1  
Despatch No. 5643  
Embassy, Caracas  
March 16, 1944

No. 1600

Caracas, February 2, 1944

Excellency:

I have the honor, pursuant to instructions from the Department of State, to invite Your Excellency's kind attention to the following matter.

On January 22, 1944, the President of the United States of America issued an Executive Order in which he declared:

"It is the policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwise to afford such victims all possible relief and assistance consistent with the successful prosecution of the war."

The Executive Order establishes special governmental machinery in the United States for executing this policy. It creates a War Refugee Board consisting of the Secretaries of State, Treasury and War. The Board is charged with direct responsibility to the President in seeing that the announced policy is carried out.

The President indicated that while he would look directly to the Board for the execution of this policy, the Board would cooperate with the Inter-Governmental Committee, UNRRA, and other interested international organizations. The President stated that he expected the cooperation of all members of the United Nations and other Governments in carrying out this difficult task. He stated that the existing facilities of the State, Treasury and War Departments would be employed to the fullest extent possible. He stressed that it was urgent that action be taken to forestall the plot of the Nazis to exterminate Jews and other persecuted minorities in Europe.

- 2 -

In bringing the foregoing explanation of the policy referred to above to Your Excellency's attention, I would be very appreciative if I might be informed as soon as may be possible, for the information of my Government, the extent to which the Government of Venezuela is prepared to cooperate therein.

Please accept, etc.

L

Joseph Flack  
Charge d'Affaires ad Interim

His Excellency, Senor H. Gil-Portoul, Acting Minister for  
Foreign Affairs, Caracas.

Enclosure No. 2  
Despatch No. 5643  
Embassy, Caracas  
March 16, 1944

C O P Y

No. 1651

M E M O R A N D U M

The Department of State has recently invited the Embassy's renewed attention to the Executive Order issued on January 22, 1944, by the President of the United States concerning a policy of measures to rescue the victims of enemy oppression.

In this connection the Embassy has been requested to make clear that the establishment of the War Refugee Board represents the United States Government's determination effectively to carry out as promptly as possible the policy to take all possible measures for the speedy rescue and relief of the refugees of Europe.

Although the United States Government intends on its part to take all possible action with the great urgency, it feels that this effort will not be unilateral and it is the policy of the United States Government to encourage and participate in effective cooperative efforts with the other Governments.

As set forth in the Embassy's note No. 1600 of February 2, 1944, the United States Government is desirous of the cooperation of the Venezuelan Government in this matter and it is its hope that the consideration which is being given to this matter by the appropriate Venezuelan authorities indicated in the Ministry's note No. 379 of February 9, 1944, may contemplate also the possibility of implementing the cooperation which Venezuela may be prepared to give through (1) the issuance of a declaration of policy similar to that made by the President of the United States, and (2) the issuance by the Ministry for Foreign Affairs of instructions to its representatives in other countries comparable to the instructions issued to officials of the United States abroad, as set forth in the Embassy's note No. 1600 above cited.

Caracas, March 6, 1944.

UNITED STATES OF VENEZUELA  
MINISTRY FOR FOREIGN AFFAIRS  
Direction of International Policy  
Section of Inter-American Relations

Enclosure No. 4  
Despatch No. 5643  
Embassy, Caracas  
March 16, 1944

No. 671

TRANSLATION

Mr. Ambassador:

Caracas, March 14, 1944.

I have the honor to refer to Your Excellency's esteemed note No. 1600 of February 2 last, concerning the establishment in the United States of America of a War Refugee Board, and to the memorandum No. 1651 of March 6, concerning the same matter.

In connection with the said matters I inform Your Excellency that the idea which inspired the establishment of the Board mentioned merits the greatest sympathy of the Government of Venezuela, which has always given its moral support to initiatives of this kind.

At the present time my Government is cooperating in the same sense in the lofty humanitarian labor undertaken by the UNRRA and in the activities which, with identical objectives, the Inter-governmental Committee for Refugees which functions in London is performing.

The appropriate official organizations are studying the possibility of giving concrete form to the cooperation which Venezuela could render in the noble and generous task confided by the Government of the United States of America to the War Refugee Board.

I take this opportunity to reiterate to Your Excellency the assurances of my highest consideration.

/s/ G. PARRA-PEREZ

To His Excellency  
Frank P. Corrigan  
Ambassador, etc. of the United States of America  
Caracas.

TOP SECRET

OPTEL No. 87

Information received up to 10 a.m., 16th March, 1944.

1. NAVAL

On 14th/15th motor torpedo boats intercepted German west-bound convoy off DUNKIRK during short and fierce engagement in which enemy coastal batteries opened fire. 1 German coaster was sunk and 2 R-boats damaged. Later a second convoy was attacked and an R-boat set on fire. On 15th/16th motor torpedo boats again engaged a German convoy off CALAIS. 1 R-boat was sunk and 1 motor torpedo boat was lost. Two of H. M. Destroyers engaged and damaged 4 E-boats suspected of mine-laying off THE LIZARD.

At ANTIQ, 14th, strong winds and heavy swell hampered unloading. In spite of heavy shelling and air raids throughout the day no damage to shipping.

On 14th/15th about 30 enemy aircraft attacked shipping at NAPLES. A tug was sunk, a hospital ship was hit and sustained some casualties, and a Liberty ship was damaged. 2 enemy aircraft destroyed.

EAST INDIES. During March one of H.M. Submarines has sunk an 800 ton fuel lighter and a tug by gun fire off PADANG. Another of H.M. Submarines on 3rd shelled and left sinking a 700 ton river steamer off PENANG and on 5th attacked a Japanese convoy off MEDAN, torpedoing a 4,000 ton ship and probably another ship. On 6th she set on fire a 750 ton coaster.

2. MILITARY

ITALY. 15th. Large scale operation against CASSINO position opened at 8:30 a.m. in fine and sunny weather. After a heavy air bombardment, Infantry supported by tanks and artillery attacked at noon, and by 4 p.m. our forces were fighting their way through the streets of CASSINO.

ALLIED BRIDGEHEAD FORCE. U.S. forces captured two strong points west of CAPE CARANO and held them against violent German counter-attacks.

RUSSIA. Southwest of UMAN, Russians have advanced from 15 to 20 miles forcing RIVER BUG on 50 mile front and have captured OLGOPOL. East of NIKOLAEV they have captured SWEGIREVKA and are annihilating German forces surrounded in that area.

BURMA. ARAKAN. Our troops have made some progress south west of MAUNGDAW and BUTHIDAUNG.

CHIN HILLS. Two Japanese columns each about 1500 strong are reported to be operating about 15 miles southwest and northwest of TIDDIM. Our communications have been cut about 25 miles north of TIDDIM.

3. AIR OPERATIONS

WESTERN FRONT. 14th/15th. 13 German aircraft destroyed - 7 by night fighters, 4 by A/A and 2 over HOLLAND. 15th. 328 Fortresses and Liberators bombed BRUNSWICK through cloud dropping 662 tons. Enemy casualties by supporting fighters: 35, 3, 13. Ours - 3 bombers, 5 fighters missing. Bombers and fighter bombers dropped 89 tons on military constructions Northern FRANCE, and total 128 Marauders attacked AULNOYE Railway centre, an engineering factory and 2 airfields in FRANCE.

15th/16th. 1,100 aircraft despatched: STUTTGART 863 (37 missing and 5 crashed), AMIENS railway yards LAO (3 missing, 2 crashed), aero-engine factory near METZ 22, airfields and objectives in GERMANY 27, bomber long-range fighter support and Intruders 51 (1 missing), Leaflets 25, sea-mining 2.

At STUTTGART variable cloud and attack appeared scattered. Good concentration at AMIENS. 15 German aircraft operated over Southeast ENGLAND of which 5 penetrated LONDON area. A few bombs dropped at scattered points in LONDON and in South Eastern Counties. Damage by blast over large area at WESTHAM, elsewhere damage slight.

ITALY. 14th. 256 bombers and fighter-bombers attacked objectives near ROME and in the battle areas. 1 bomber missing.

4. HOME SECURITY

14th/15th. LONDON. Revised casualty figures - killed and missing 51, seriously wounded 147.

OFFICE  
SECRETARY OF TREASURY

1944 MAR 17 PM 2 00

TREASURY DEPARTMENT