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March 17, 1944
9:30 a.m.

TAX-EXEMPT SECURITIES

Present: Mr. Bell
Mrs. McHugh

MR. BELL: This is to you (indicating memorandum to the Secretary dated March 16, 1944, attached).

H.M.JR: You are going to do this?

MR. BELL: No, I was going to read this, and then I will tell you the plan I have in mind. You read this.

H.M.JR: Gee whiz, I am getting short on time.
(Reads memorandum)

I read it awfully fast, but it is all right with me if it is all right with you. I can't, in three minutes, absorb what you fellows have been fussing around with for three weeks. I will make you my conscience if you say--speaking for my conscience--that is all right.

MR. BELL: I think it is all right. I think it is unfortunate that we have kind of gotten out on a limb on this normal rate. This is a good time to clear it up. Although you may get some criticism in the paper, this is what I would like to do. This is sort of covered up in this report. I told Blough that I thought they ought to frankly tell the Committee what this does and the questions that it is going to raise, and tell them that you are going to be asked about this in your press conference and you intend to make this statement. If they are willing to go along on it and let you make this statement, then you won't interpose any objection to what they have worked out on a technical level.

H.M.JR: I am counting on you to be the conscience of the Treasury and Henry Morgenthau, Jr. If you say

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this is all right and everything is on the up-and-up, all right.

MR. BELL: I think it is all right, but I am not going to guarantee that you will not get some criticism.

H.M.JR: That is all right. If I didn't get some criticism, I wouldn't know I was Secretary of the Treasury.

All right. Is everybody happy?

MR. BELL: Yes, sir. Do you want me to keep this and give it to you when you have a press conference?

H.M.JR: Yes.

MR. BELL: Thank you.

March 16, 1944

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:

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"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

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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 such 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

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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.

DWB:NLE

March 17, 1944
9:40 a.m.

LIQUOR CONTROL

- Present: Mr. Bell
- Mr. Gaston
- Mr. Nunan
- Mr. Ireys
- Mr. O'Connell
- Mr. Smith
- Mr. Berkshire
- Mr. Emerson
- Mr. Baldrige
- Mr. Morgan
- Mr. Whitman

H.M.JR: Gentlemen, what we were trying to do here in the Treasury this morning was to - we have certain responsibilities on this alcohol thing. We are not trying to tread on anybody's toes, or take any credit that doesn't belong to us, or take any blame unnecessarily.

You know, I think - I don't know whether Berkshire was here or not - I inherited the tail-end of Prohibition in the Department of Justice in '33. It wasn't a very nice thing to receive. I mean, not from the Department of Justice - but it was a very-very difficult thing, the last war, and this Prohibition, and all that.

I think unless you combine everybody involved, who in any way touches the liquor business, and do something, I think we are headed right for a repetition of World War I. And for the Treasury, we are interested in the revenue, and as a private citizen, I like to drink in moderation, as about a hundred million other people do, too. I don't want to see this country go back again to Prohibition and all the evils that went with it.

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Therefore, I am calling this meeting with the industry and with you gentlemen to see what, if anything, we can do. As I say, when I got the tail-end of Prohibition, I want to say, in those days the industry was very helpful to the Treasury in the enforcement front. They really played ball.

In this meeting this morning, the reason I invited Senator McCarran - it is obvious he is doing his business and I didn't want him to think I was trying to run competition with him. But I am going to put it up to the industry, and undoubtedly they will make suggestions. I invited you gentlemen to keep me on the track. Please speak up at the meeting. If they say OPA did this or that, make misstatements, OPA is here to correct them. If they suggest something which is highly illegal, or would run across the Department of Justice indictments, I expect the Department of Justice to run up a red flag and say, "Well gentlemen, what you are suggesting is illegal, it can't be done."

What I think they are going to do is to hit for more production, and I don't know what the answer is, myself.

MR. WHITMAN: Would you like to have us give you briefly that story before you get through?

H.M.JR: One minute, please.

Berkshire, I thought, if you didn't mind, can you in ten minutes just tell them - not here, but at the other meeting - what we have been doing on enforcement?

MR. BERKSHIRE: Yes, sir.

H.M.JR: Take out your watch and confine yourself to ten minutes, will you? I don't want this meeting this morning to last more than an hour.

MR. BERKSHIRE: Very well.

H.M.JR: Now, if you people would go ahead, please.

MR. WHITMAN: The War Production Board needs are that we get the maximum production of industrial alcohol during this period when the demand is so great and the rubber program is almost entirely dependent upon alcohol for carrying it along.

We anticipate that when the time comes - the rubber program has eased up in its demand on alcohol - we will not then need the full facilities of the distilling industry, but we cannot see that in the immediate future ahead of us. Now, whether that will be next fall, or whether it will be a year from now, is uncertain, because we don't know. The Rubber Director doesn't know how well his petroleum plants will come through, or how firm his rubber requirements are going to be in the future. But I think that is the key to it from our angle; as long as the rubber program depends on alcohol, we have got to have it all. We all feel that the time will come when he can slacken off on his demands.

H.M.JR: Now, may I ask you, what is the situation on importation of alcohol?

MR. WHITMAN: The situation there is that the imports will be restricted from Cuba and other foreign countries to the 1943 importation. That is being done by a War Production Board order issued at the request of the Foreign Economic Administration after their Cuban negotiations, which have been running for the last few months. That will apply to other foreign countries, but will be restricted on--

H.M.JR: May I interrupt you a moment? Why did FEA make that request, as far as Cuba goes?

MR. WHITMAN: Because the Cubans propose not to sell us any black strap molasses. They stated that they would have plenty of use for all of their black strap molasses in making beverage, and we needed the black strap for the alcohol program, particularly because War Food says that the grain situation is getting so tight that they want molasses used to the maximum extent in order to save grain.

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As far as our own possessions, Puerto Rico and the Virgin Islands, are concerned, a somewhat similar limitation is being established, but that is a limitation of production in the Islands, not a limitation on imports directly. The issue of what that production limitation will be is being determined in Justice Byrnes' office at the present time, the opposing interests being represented by the Department of the Interior that doesn't want any control because of the revenue situation, and the State Department and FEA, which insist on pretty rigid control because of the agreement with the Cubans.

H.M.JR: Is it the production of alcohol or the production of cane sugar?

MR. WHITMAN: The production of cane beverage. In other words, rums, gins, and other neutral spirits which come from cane. It has no application at all to scotch whiskey or anything like that.

H.M.JR: 'hat much I know. But I meant it doesn't seem to make very much sense. I mean, why FEA should have to treat Puerto Rico the same as Cuba. We are not getting any alcohol out of Puerto Rico.

MR. WHITMAN: Molasses, which is alcohol. We bring it up here and make it into alcohol.

H.M.JR: I see. Well, you don't want them to distill the molasses into beverage?

MR. WHITMAN: To an excessive amount.

MR. MORGAN: May I add one point? In an article which appeared in the New York Times on Sunday, Senator McCarran suggested the construction of new facilities to take care of this situation, and that is not impossible if the policy hurdles - if manpower and critical materials, and so forth, can be overcome.

H.M.JR: It is not impossible?

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MR. MORGAN: It is certainly not. The facilities could be constructed that would use raw materials of non-food, or non-critical food source.

H.M.JR: Is that a good avenue to pursue?

MR. MORGAN: I think Dr. Whitman will bear me out that it is the only avenue to pursue.

H.M.JR: What would you use?

MR. MORGAN: If you wish to accomplish the goal--

MR. GASTON: That is for alcohol production?

MR. MORGAN: That is right.

H.M.JR: What would you use for raw material?

MR. WHITMAN: You might use petroleum gases, gases from oil refineries.

H.M.JR: For alcohol?

MR. WHITMAN: For making synthetic alcohol.

H.M.JR: But potable alcohol?

MR. WHITMAN: By doing that you would make a certain amount of industrial alcohol which would relieve the load on the distillers and perhaps allow them to make some whiskey.

H.M.JR: Oh, additional plant facilities for industrial alcohol. I didn't get that. And then relieve the distillers--

MR. WHITMAN: Yes. Of course those plans would take quite a little time.

H.M.JR: What is the time factor?

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MR. WHITMAN: I should say the minimum would be nine months.

MR. MORGAN: However, in that connection it should be pointed out that we have a fairly substantial stockpile and if we knew these plants were coming along, we could go further down into that stockpile.

H.M.JR: You have a pretty good stockpile of industrial alcohol?

MR. MORGAN: Yes.

H.M.JR: Does the industry know that?

MR. WHITMAN: Yes.

H.M.JR: Coming out of Mr. Nelson's organization, I mean, is there any likelihood at all of there being steel or manpower to build additional facilities?

MR. WHITMAN: I doubt it, if it is put up on that basis, that we are building it so the beverage industry can resume production--

MR. MORGAN: I ~~think~~ it would have to come from an order from a very high source. Certainly we can't say yes or no.

H.M.JR: Is there any very concise paper on that subject?

MR. MORGAN: On the supply and requirements picture of alcohol? Yes.

H.M.JR: Of industrial alcohol?

MR. MORGAN: Yes.

H.M.JR: I asked you, Joe, for that.

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MR. O'CONNELL: Smith asked me yesterday afternoon to get it, but I didn't have a chance.

MR. WHITMAN: I prepared a Progress Report on the 3rd of January. I think Mr. Berkshire received a copy. I have other copies. It is not quite up to date because this picture changes every week.

H.M.JR: Could it be brought up to date?

MR. WHITMAN: It is going to be brought up to date before the Gillette Committee this afternoon, sir.

H.M.JR: Can I have a copy? Is that a public hearing?

MR. WHITMAN: Yes.

H.M.JR: Supposing you send somebody there, Joe.

MR. O'CONNELL: I will. I will either go myself or have someone else go.

H.M.JR: At the Gillette Committee, what are they driving at?

MR. WHITMAN: That is the subcommittee which was formed when the President vetoed the bill for Congress to set up a rubber authority. Ever since then they have been watching like hawks to see what we did with the alcohol program.

MR. MORGAN: It is a subcommittee of the Committee on Agricultural and Forest Products. They are interested in seeing that agricultural and forest products are used in the manufacture of alcohol.

H.M.JR: Is there anything else you want to feed me before I go into the meeting that I ought to know?

MR. WHITMAN: I think you should recognize that the War Production Board stopped the making of whiskey back

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in October of 1942 - has not permitted any whiskey manufactured since then. And on the basis of continuing our policy, we can't see in the months right ahead, any chance for the resumption of whiskey production, but that we really believe that at some future period, which might be next fall or might be a year from today, the Rubber Director will have eased off his demands on alcohol. He won't admit it, but I think he will have.

MR. MORGAN: I think it would be very interesting to know how many million gallons of proof spirits would be required to relieve the situation, if the industry will express an opinion on that. I think it might not be a very large figure, and it might be possible to produce the equivalent in industrial alcohol with comparatively little disruption.

MR. BALDRIDGE: We have some tentative figures. The average annual consumption prior to the war was about one hundred and forty million proof gallons. Since the war, about two hundred million. At the time the stop order went in, I think there were four hundred and twenty-three million proof gallons in warehouses.

MR. MORGAN: Do you think it would require two hundred million proof gallons to ease this situation? Don't you think it is possible that fifty or sixty million proof gallons would make a very substantial effect?

MR. BALDRIDGE: Yes, as a matter of fact, we think that with no additional production at all, the situation with respect to available supplies can be eased by the industrialists.

H.M.JR: How?

MR. BALDRIDGE: By making available a larger supply than they are now allocating for beverage purposes.

H.M.JR: Do you agree with that, Berkshire?

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MR. BERKSHIRE: No, sir. I think we would have to have some blending spirits. I think if they had fifty or sixty million gallons of blending spirits they would; then they could use this mature spirits. These are all mature spirits in the warehouse today.

H.M.JR: You mean what?

MR. BERKSHIRE: I mean whiskey.

MR. GASTON: Whiskey in bonded storage.

H.M.JR: Fifty or sixty million gallons of alcohol?

MR. BERKSHIRE: Yes, sir, at least.

H.M.JR: To blend?

MR. BERKSHIRE: Yes, sir. I think seventy-five would come nearer.

H.M.JR: No chance of getting that outside of the U.S.?

MR. WHITMAN: Are you speaking in addition to the expected imports?

MR. BERKSHIRE: That is right.

MR. WHITMAN: Which will probably be in the order of magnitude of twenty-five million proof gallons that will come in - twenty to twenty-five.

MR. GASTON: In all forms, rum and gin, and everything.

MR. WHITMAN: Perhaps twenty-five million gallons from the Caribbean.

MR. BERKSHIRE: Would depend on how much was neutral spirits and how much gin, rum and other spirits.

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MR. WHITMAN: Yes, and it should perhaps be pointed out that if the Caribbeans elect to give us rum because of a better price situation which exists up here on rum, we wouldn't get the neutral spirits which are really needed to blend up with the whiskey, so that OPA has a good deal of possible power in connection with determining what type comes in.

H.M.JR: Were you through?

MR. WHITMAN: Certainly.

H.M.JR: Could I just ask OPA a question? As far as you are concerned, give me a very brief estimate of the enforcement angle on the prices on liquor. I mean what success you are meeting with from the OPA standpoint.

MR. EMERSON: I think your people probably know about as much about that as we do. We think it has eased off. It is a much better situation recently than it was some months ago. Our people are working very closely with the Alcohol Tax people on it.

H.M.JR: You don't mind if I disagree with you as to easing off?

MR. EMERSON: I don't know - Mr. Berkshire said in the New York Times the other day that he thought the situation was much better. Frankly, we have very little manpower to put on liquor. We have a very limited staff. From the OPA general economic point of view, it isn't worthwhile for us, we just can't put very much of our manpower on liquor.

H.M.JR: Just from my own and among the Government officials, isn't it true that you do very little of anything on that? Isn't about the only enforcement work done by us?

MR. EMERSON: We do some. We don't do very much. We have brought a number of trouble damage suits against distillers and brokers. It amounts to about twenty-five million dollars now.

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We have cases like the Kronheim case here, and various criminal cases we have developed mainly against wholesalers.

H.M.JR: That you have developed, or we have developed?

MR. EMERSON: Some that you have developed and some that we have. Those in South Carolina, for instance, were those that we developed. In the retail end of it we haven't done any too much. We just can't use the manpower on it.

H.M.JR: Does Senator McCarran know that? Have you ever testified before him?

MR. EMERSON: No, I haven't testified. We have told him pretty much what the situation is, yes.

H.M.JR: I don't know whether this is good or bad, but in our own office, have you ever considered taking the ceiling off liquor and just let her ride - from the standpoint of not enforcing it, and not being able to enforce it, that you are just breeding lawbreakers?

MR. EMERSON: I don't know how seriously they have considered that. It would certainly be a serious public relations problem there, because the American public gets more excited about gasoline and liquor than any other items.

H.M.JR: But we are breeding a very serious situation. Of course, the extreme case is the case of one of our inspectors who went into Georgia and asked for a bottle of whiskey. They charged sixteen dollars. This is a true story. He said, "That is too much. Haven't you got anything cheaper?" The man said, "Oh, no. This is strictly a black market store."

Well, I am not going to raise anything in here that is embarrassing - I will try not to. This is sort of a rehearsal to prepare myself. But I would like to put the

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burden on the industry this morning and see what they have to say, because I have read also in the papers, for whatever it is worth, that they had a plan of bringing stuff in from Cuba, fifty or sixty million gallons, and nobody would give them any support, or something.

MR. MORGAN: Mr. Secretary, may I make one point in connection with the discussion we have had?

H.M.JR: Please.

MR. MORGAN: I have tried to estimate in my head, and I hope Dr. Whitman will check me on this, but I think that sixty million proof gallons would be approximately thirty million gallons of one hundred and ninety proof alcohol. That is what we call industrial alcohol. And I think that we ought to be able to construct that sort of plan for certainly not more than five hundred thousand dollars per million gallons. Now, wait a minute - that must be multiplied by thirty, which I figure would be about fifteen million dollars at the very top for the total amount of construction that would be involved.

I mention that not because the dollars are important, but because it gives you an idea of the size of the undertaking.

H.M.JR: Any value after the war?

MR. MORGAN: I can't say. That is a very complicated situation, depending on what is done with regard to a number of different post-war situations.

H.M.JR: You can't get any help from Canada or Mexico?

MR. WHITMAN: We are getting imports from them to supposedly the maximum amount.

H.M.JR: Well, I think if we go in the other room - and Joe, if you know everybody's name, so you could announce who they are - I will be with you in there in a minute.

March 17, 1944
10:10 a.m.

LIQUOR CONTROL CONFERENCE

Present: Mr. Bell
Mr. Gaston
Mr. Nunan
Mr. Ireby
Mr. O'Connell
Mr. Smith
Mr. Berkshire
Mr. T. I. Emerson
Mr. Baldridge
Mr. D. P. Morgan
Mr. W. G. Whitman
Senator McCarran
Mr. J. G. Sourwine
Mr. George W. Moore
Mr. T. W. Balfe
Mr. Howard Jones
Mr. Walton
Mr. E. D. Slater
Mr. I. J. Ceskis
Mr. Thomas J. Casey
Mr. J. S. Baxter
Mr. F. D. Schwengel
Mr. L. J. Gunson

H.M.JR: What we are trying to do here, if we can, is be a little helpful. The Treasury is interested first in the revenue, and in the enforcement; and quite frankly as a citizen I don't want to see Prohibition again. I received the tag end of the last one, and I don't want it again. I think it is bad for the country; that is my position. I think there is a danger we might have it.

Now, we have representatives of the Department of Justice here; we have representatives of Mr. Nelson's organization; we have representatives of OPA; and I asked Senator McCarran whether he could come, so he

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wouldn't think I was trying to run competition with him, which I am not. He said he would come, but he isn't here.

As I say, I hope you will all relax, as far as the industry is concerned. Those of the industry who worked with me ten years ago on the bottle situation were very helpful, and also those on the enforcement were very helpful. I think they know that this meeting hasn't any purpose other than the ones on the surface.

I thought what we would do is this: I am going to try to keep it to an hour. I will ask Mr. Berkshire to make a statement, not to exceed ten minutes, as to what we have been trying to do. Then I would like to get suggestions from the industries as to what they can do to help the Government. Other people might make some suggestions. If some branch agency can't go along, they will say so. But out of this meeting, and successive sessions of meetings I hope we might together work out a program whereby we will defeat this present situation, which is not feasible from the standpoint of the Treasury, as I am sure it is from the standpoint of industry.

Berkshire, it is ten minutes past. I will give you until twenty after to tell what you have been doing on the enforcement front.

MR. BERKSHIRE: Mr. Secretary and gentlemen, up to about five minutes or ten minutes ago I didn't know I was to make any kind of a report here. I will tell you briefly about my contact with this situation during the past three or four months, and some few things we have been able to accomplish. I am very glad that our friends from over in the OPA are here. I want to say that they have cooperated with us, or should I say we are cooperating with them? Because it is, I believe, their venture.

We all know and appreciate the Secretary's motives in endeavoring to enforce these OPA laws, because he thinks, as we all do, that this situation has drifted into a bad one. We all realized that, and something had to be done about it.

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I know that they do not have an adequate force to take care of all these other black market situations, and, therefore, we threw, at the request or order of our Secretary, all of our available force into their black market program some three months ago.

Thompson and
We endeavored to attack the problem at the wholesale level or above. We realized that with three hundred and ~~seventy-five~~ retail dealers in the United States it was impossible to police all of them; that if we undertook to take retailers into the Federal Courts, we would find the Federal Courts clogged, and we would not be welcomed there; and that if we could--

(Senator McCarran, Mr. J. G. Sourwine, and Mr. George W. Moore enter the conference.)

MR. BERKSHIRE: The Alcohol Tax Unit investigated--

H.M. JR: I told them I was not trying to compete with you.

SENATOR McCARRAN: All right. Competition is the life of trade, you know.

MR. BERKSHIRE: This program was launched with the idea that we would first apprehend the violator, and then with a cooperative plan worked out with the industries we could direct the flow of tax-paid merchandise through, what we determined to be, as a result of our investigative program, legitimate channels.

Now, I may say that the industry has cooperated at least seventy-five percent, Mr. Secretary; at your suggestion, and after the program had been in effect all over the country some four or five weeks, we concentrated in certain areas. We went into Florida with a force of thirty-five men, went from one large center to another, canvassed every retail dealer in this section, took a statement from him after he had been found to be selling liquor in the black market at prices above the ceiling, and asked him where he got his merchandise. We traded the retailer for the wholesaler. Any time we could swap

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a canoe for a boat, we swapped, in an effort to get at the source of flow of the black market liquor.

In the State of Florida we found fifty percent of the wholesalers selling in the black market, taking anywhere from ten to twenty-five dollars a case side money before they would bill the retailer at the ceiling price. Fifty percent of the retailers in the State of Florida have been referred to the Department of Justice for prosecution. Most of them have been arrested, and most of them have been cited administratively on their permits.

MR. GASTON: Did you say retailers or wholesalers?

MR. BERKSHIRE: All wholesalers. Two, three, or four retailers in the black market who refused to cooperate were arrested and are being prosecuted. The balance are all wholesalers.

During this time we have submitted two hundred and eighty-nine cases to U. S. Attorneys, recommended indictment of five hundred and one persons. There have been forty-two indictments returned, one hundred and eighteen indicted, and already convicted, ten. Liquor seized, sixty-two thousand, five hundred and twenty-seven gallons, of an estimated value of seven hundred and fifty thousand dollars.

Suspension proceedings were instituted against ninety-nine wholesalers and rectifiers. Permits suspended were twelve; permits surrendered, thirty-four. In other words--

H.M.JR: May I interrupt you? Just take a minute and tell them they may know it--rather than the statistics, the general pattern which is followed today from the distillery to the retailer. There is a general pattern that is followed where they break the market. Tell them also the story about where they finally found a distillery.

MR. BERKSHIRE: As a general thing, the distiller has sold, and within the ceiling price--he goes to a wholesaler or rectifier, and the black market originates with him. He has a limited quantity of liquor. There is

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a supply sufficient to consume four and five times as much liquor as we have available.

SENATOR McCARRAN: Did you say supply?

MR. BERKSHIRE: Demand, Senator.

Consequently, this fellow who has this limited quantity of liquor and who holds the limited supply which is available can name his own price. Now, that is where we have concentrated our efforts.

Now, some of these wholesalers, not being able to buy under the allocation system of the distillers, the producers, in sufficient quantity to supply this demand, have gone out, banded together with some four or five--in one or two instances we know--and gone and bought distilleries. We find those brands being channeled through the black market.

Now, we have said in the Bureau, Mr. Secretary, that we think that we have the black market under control at the wholesale level or above. We say that for the reason that the wholesalers who are in the black market have been pretty well identified. Most of them have been arrested. They have been cited, and, consequently, with the cooperation of the industry, they are practically out of business. That is why we have said that the black market at the wholesale level or above is under control. I think that is pretty well conceded by everyone in the industry and everyone who has been in close contact. That doesn't mean that there is a bottle of liquor available for every citizen who wants to go out and buy one. We aren't going to see that.

Our plan here of defeating the black market is not going to help us one bit in procuring for ourselves the liquor that we all want at a price within the ceiling. There is going to be some black market out at the retail level, out there at the retail outlet, and we aren't going to be able to control that, because there are too many of them. But if the retailer buys within the ceiling, you

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are going to tend to bring those prices down somewhere very near the ceiling price. Then, when the supply comes along and by our efforts we have gotten this liquor flowing through legitimate channels, the new supply will continue to flow through those channels in larger quantities to the satisfaction of the purchasing public.

SENATOR McCARRAN: Do you mind a question as you go along?

MR. BERKSHIRE: Certainly not, sir.

SENATOR McCARRAN: I don't want to interrupt the continuity of your program, but now and then comes a question to my mind. I wondered if it would interrupt you.

MR. BERKSHIRE: No, sir.

SENATOR McCARRAN: In this flow of liquor, do you find illicitly distilled liquor?

MR. BERKSHIRE: No, sir.

SENATOR McCARRAN: None of that at all?

MR. BERKSHIRE: Not in these cases. The illicit liquor that is produced today--that is in very small quantities, for the very good reason that they can't get the materials to make it out of, Senator.

SENATOR McCARRAN: How much material is coming in from Cuba and other places, your black strap and other materials?

MR. BERKSHIRE: That is controlled. There is no illicit liquor coming in from Cuba.

H.M.JR: Do you think differently?

SENATOR McCARRAN: Yes, I think differently, but I haven't the facts right here.

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MR. BERKSHIRE: I say that, Senator, because with the program that we have in effect, the contact that we have with the liquor situation, we would make a discovery of some of that product some place, and we don't find it. When we don't find it, with all the enforcement organizations that we have at work in the field, we conclude that there isn't any; and knowing the situation, we just don't think that there is. That isn't saying that somebody isn't coming up from Cuba with some rum in his grip, you know, but we are talking about a flow now.

H.M.JR: You mean in a big way?

SENATOR McCARRAN: Oh, yes. I don't mean in a little way.

H.M.JR: There is still the mountaineer and the small still.

MR. BERKSHIRE: That is about all of the illicit liquor.

H.M.JR: Would anybody like to ask Mr. Berkshire any questions?

MR. O'CONNELL: You said that thirty-four permits had been surrendered. Does that mean thirty-four wholesalers or rectifiers?

MR. BERKSHIRE: That is right. When we cited them-- those are the ones we have the best cases against. They realized it was hopeless. They were arrested and indicted, and when we cited them to appear to show cause why their permits should not be revoked--

MR. O'CONNELL: Were they rectifiers or wholesalers?

MR. BERKSHIRE: Mostly wholesalers.

MR. O'CONNELL: Will the surrender of permits have any effect on indictments?

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MR. BERKSHIRE: None at all. They are out of business.

MR. O'CONNELL: It occurred to me in some situations a company with a fairly substantial supply of aged whisky might prefer to surrender his permit and keep his whisky.

MR. BERKSHIRE: That isn't it; it is the wholesalers.

MR. EMERSON: Is it your feeling that the principal problem now is the retailer?

MR. BERKSHIRE: Exactly, and that will more or less adjust itself with time. These fellows--a lot of them obtained those spirits in the black market; they will have to sell them in the black market or lose money. They won't do that. They can sell it. But after that is gone, and after we channel a legitimate flow through legitimate channels down to that retailer, then we will begin to feel the results, but we aren't going to get the quantity of supply until we find it somewhere.

MR. EMERSON: Do you think the retail situation is better now than before?

MR. BERKSHIRE: It is better, but it isn't going to be curbed entirely until we get some liquor.

MR. O'CONNELL: On that supply side, who determines, and in what quantity is liquor flowing through wholesalers and retailers at this time?

MR. BERKSHIRE: The quantity that is being tax paid.

MR. O'CONNELL: The quantity going into channels of distribution--how much is going?

MR. BERKSHIRE: The producer--

MR. O'CONNELL: I know the producer determines it, but what is the quantity at the present time?

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MR. BERKSHIRE: At the rate of about--I have the exact figures at the office--something near four million gallons a month.

MR. O'CONNELL: About a third.

MR. BERKSHIRE: That is about right.

H.M.JR: Are there any other questions?

MR. MORGAN: Any distillers among these cases?

MR. BERKSHIRE: Among those that I have referred to here?

MR. MORGAN: Any that have either been revoked or surrendered a permit?

MR. BERKSHIRE: No, there were a few rectifiers and many wholesalers.

MR. SOURWINE: Mr. Berkshire, the four million figure you mentioned is just whisky, isn't it? Or rather--

MR. BERKSHIRE: We are talking primarily about whisky.

MR. O'CONNELL: That would be about one-third?

MR. BERKSHIRE: About one-third, I think, is a fair figure. Of course, we have those exact figures, but from memory they run month by month something like one-third.

MR. SOURWINE: I think it is much more than a third of just whisky.

MR. BERKSHIRE: We had about twelve million in tax payments; that is what we ran in normal times, of whisky, not much more than a third. They were blending spirits in that. It is not a half; it is between one-third and one-half today.

MR. O'CONNELL: Of the pre-war?

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MR. BERKSHIRE: That is right.

MR. O'CONNELL: The demand is higher now than then so four thousand gallons a month would certainly not be more than a third of the amount that would be absorbed.

MR. BERKSHIRE: That is right.

MR. MORGAN: Normally there would be about eighty million gallons of whisky.

MR. BERKSHIRE: Eighty million normally.

MR. MORGAN: Of course, that four million is the lowest one we have hit.

MR. BERKSHIRE: That is right.

H.M.JR: Well, thank you, Mr. Berkshire.

Mr. Jones of the Distilled Spirits Institute will talk here for the industry. I hope you will offer any suggestions that you might like to make to solve this situation.

MR. JONES: At the moment, I think Mr. Baxter--these other gentlemen all have something they would like to say, but I believe Mr. Baxter would be the man for the moment, sir.

H.M.JR: Mr. Baxter.

MR. BAXTER: Mr. Secretary, first of all I think Mr. Berkshire confirmed the fact--if not, we would like to reiterate it--that we are probably more worried about this than you are.

MR. McCARRAN: Whom do you represent?

MR. BAXTER: The Conference of Alcoholic Beverage Industries. We have done at least a great deal to try to make the best of a very difficult situation, admittedly, as far as the retailers go, largely through educational means, cooperating with the OPA, getting out price lists,

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putting those up in stores, advising the public to look for those, "Pay no more." Manufacturers, of course, in their own advertising have pressed that point, "Pay no more here than the ceiling price." They have done a great deal, also, in trying to see that the distribution gets down to the legitimate channels. But there are, of course, some very definite limitations, particularly when you get to the retail level. Most of our companies, of course, don't sell direct to the retailer. Therefore, it goes through the wholesaler. It is very difficult, indeed, to have the power to do anything other than to exercise an influence in an educational way and do what you can to keep that thing down.

H.M.JR: Have they got a plan or any suggestions as to what can be done, either in enforcement or production?

MR. BAXTER: I think, quite frankly, if you want to work this realistically, I don't see how there is any real solution until you get some partial production.

MR. McCARRAN: There is greater production than what you have now, greater production at the source.

MR. BAXTER: We have none now.

~~H.M.~~JR: Has the industry proposed any plan that has been knocked out which you think is good on the production front?

MR. BAXTER: Would anyone else like to talk on that?

Mr. Schwengel, President of the Seagram Company.

MR. SCHWENGEL: Mr. Secretary, several months ago in behalf of the industry, we proposed to purchase Cuban alcohol and endeavored to change it with American-produced spirits under a plan which would have provided roughly seventeen million new gallons of alcohol in stockpile and provided the industry with some thirty-three million gallons of neutral spirits for beverage purposes. That was a concrete plan submitted for consideration, and it was not acted upon.

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H.M.JR: Was there any reasons given?

MR. SCHWENGEL: No reason was given.

H.M.JR: That was placed before what agency?

MR. SCHWENGEL: Before FEA, and, of course, the written proposal was made to FEA. It had been discussed and submitted to the consideration of practically all of the Government agencies involved.

SENATOR McCARRAN: How much of a relief, if any, would that have?

MR. SCHWENGEL: Senator, it would have given us approximately thirty million gallons of spirits.

SENATOR McCARRAN: In what length of time?

MR. SCHWENGEL: In the course of a year, which would have provided a means of getting out probably fifty million gallons of blends.

SENATOR McCARRAN: Now, your plan was to bring the alcohol here? Or, how were you going to handle that?

MR. SCHWENGEL: Our plan was to purchase the Cuban commercial alcohol, turn it over to the Government in Cuba, and sell it to them at a price, the lowest price the Government was paying for alcohol at any point. The lowest price at that time was the purchase price from Mexico, about fifty cents.

Under our plan we would have been forced to pay around eighty cents to the Cubans. We were willing to absorb the difference in loss, which would have meant roughly fifteen million dollars. The industry felt that that loss was comparatively small taking into consideration that we were facing either a complete collapse of the industry--certainly our company is in that position--and it would do another thing. It would remove from the public a very aggravating situation which I can briefly

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sum up in this way. It is odd that spirits as made in modern stills in the United States, such as all of us have, go into commercial and industrial usage, while sub-standard Caribbean alcohol goes into the American stomach. We felt that our subsidizing the Cuban distillers to the extent of twenty cents a gallon didn't amount to anything compared to the benefit the industry might get in giving the American public potable blends and beverages to the extent that the Government was willing to exchange. Of course, the advantage to the Government was obvious. So far the Government hasn't received anything from Cuba for stockpile. I am talking about alcohol.

We felt that under that plan the Government, for the first time, would receive a substantial amount of commercial alcohol for its stockpile.

H.M.JR: How did you divide that, what you proposed to get from Cuba?

MR. SCHWENGEL: We proposed to give the Government one-third of it, and the stockpile one-third of it.

H.M.JR: How much all together?

MR. SCHWENGEL: There was involved fifty million gallons which meant we would give the stockpile seventeen million gallons, and the industry would retain thirty-three million gallons. It wasn't a question of the division, though, because I would have broken down and given the Government fifty percent if anybody had thought that the provision wasn't liberal enough.

SENATOR McCARRAN: To what agency was that submitted again, please?

MR. SCHWENGEL: FEA. The written proposal went to FEA.

SENATOR McCARRAN: That was some months ago?

MR. SCHWENGEL: That was back in January.

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SENATOR McCARRAN: There was no reply?

MR. SCHWENGEL: No, sir.

SENATOR McCARRAN: Have you followed it up, any?

MR. SCHWENGEL: It was a wearing down process, Senator.

SENATOR McCARRAN: That is what we are all up against, the wearing down process.

MR. SCHWENGEL: I have the average courage, but my courage failed there. I wanted to catch the first plane home.

H.M.JR: Does anyone from Mr. Nelson's organization know about that?

MR. WHITMAN: Yes, sir, because General Schwengel and others spoke to us about it. Of course, the Foreign Economic Administration was responsible for the negotiations for the purchase of molasses and alcohol from the Caribbean. General Schwengel very logically presented to them his scheme for securing alcohol. They apparently, as he says, did not feel that that was the best procedure. They went down to Cuba, and have actually negotiated with the Cubans for the purpose of molasses, which will be brought up here to make industrial alcohol, and for the purpose of industrial alcohol in Cuba. It is expected that the flow of that will start shortly.

The FEA scheme contains no features involving any-- the FEA program will not have any effect on the beverage alcohol program in relieving the situation. On the other hand, it should be emphasized that they were operating under the needs for maximum industrial alcohol, primarily to carry the rubber program as expressed to them by the War Production Board, and they were asked to secure the maximum amounts of molasses and of industrial alcohol from the Caribbeans for our war alcohol program here in the United States. I think that perhaps expresses the FEA point of view, although I wouldn't want to speak authoritatively on that.

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MR. SOURWINE: How many gallons are they getting?

MR. WHITMAN: They are expecting to get at least sixty-five million gallons of molasses, which would mean, roughly, twenty-five million gallons of alcohol made from it in the United States, plus twelve and a half million gallons of alcohol, that is, of one hundred and ninety proof. And the Cubans have the option of delivering eight million gallons more of industrial alcohol if they are able to make it.

MR. SOURWINE: What are they paying?

MR. WHITMAN: Sixty-five cents a gallon for the industrial alcohol, and thirteen point six cents a gallon for the black strap molasses.

MR. SOURWINE: As compared with the fifty cents a gallon they would have to pay under General Schwengel's plan?

MR. WHITMAN: I believe that is what General Schwengel said his proposal was.

SENATOR McCARRAN: My understanding was, Mr. Schwengel, there were thirty million gallons involved in the Cuban deal.

MR. SCHWENGEL: The total was fifty million gallons, of which we proposed to give the stockpile one-third, or seventeen million gallons.

SENATOR McCARRAN: The reason I asked a question is, there seems to be a discrepancy between the figures of what the Government is going to get and what you mentioned. It seems there is a holding back there. I am speaking of alcohol now.

MR. WHITMAN: Yes, the Cubans are reserving for the manufacture of beverage alcohol the equivalent of about eight million gallons, expressed as one hundred and ninety

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proof. Actually, it is about fourteen million gallons, which will presumably be imported into the United States, fourteen million proof gallons.

SENATOR McCARRAN: They will import it themselves, the Cubans?

MR. WHITMAN: Our own importers will import it from Cuba. It is an agreement between the two Governments, Cuba and the United States, to restrict the flow to the amount that came up in 1943.

MR. BAXTER: What was the pre-war--give some relation to the use of pre-war importation. Wasn't that only a few hundred thousand gallons?

MR. WHITMAN: It was practically negligible as far as Cuba was concerned. Pre-war it wasn't more than one percent of what they brought up.

MR. BAXTER: So the limit of fourteen million is actually thirty or forty times what was normally brought up before.

MR. WHITMAN: A hundred times, perhaps, what was normal for Cuba.

In the case of Puerto Rico, the situation isn't quite the same, because Puerto Rico normally did quite a lot of importing. It, of course, has increased under present conditions.

H.M.JR: Do you feel that you could tell this group what you think a solution would be, also provided there is the material and manpower?

MR. WHITMAN: That is a difficult one, Mr. Secretary. After all, we are not responsible for the beverage production, but I suppose we have the indirect responsibility in that we are the ones who stop the distillers from producing beverage, and you can't get away from that. We stopped them, because the rubber program, which was inaugurated,

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was going to make tremendous demands for industrial alcohol. This year those demands are four times as great as pre-war. The rubber program takes more than half of the alcohol, and the way things have worked out, the rubber program today is dependent more upon alcohol than upon anything else.

Now, as long as that condition exists, and as long as we are being hard-put to it to make enough industrial alcohol to carry the rubber program, I frankly don't see how the distillers can be released for a part-time production of beverage. I say very frankly, the beverage distilling industry has done a marvelous job on war alcohol. In October of 1942 they were required to go a hundred percent to war alcohol. Since that time they have contributed more than half of all the alcohol made in the country, industrial alcohol. They have contributed enough alcohol to take care of everything that the rubber program has used to date, all that the military have used, and all the lend-lease shipments to our allies.

If it had not been for the existence of a beverage distilling industry which could be turned over into industrial alcohol, our rubber program would be nine months behind what it is now. I think there is no question about that. We would not be able to make the synthetic rubber. Unfortunately, the pressure is still on; it is so great that from the War Production Board standpoint we do not see how the distillers can be released from the continued necessity of making this war alcohol.

When the time comes that the rubber program no longer is primarily carried by alcohol, we will have a situation where a relaxation can occur. We had a little feeling last fall that maybe that situation was going to come, and we developed plans whereby the distillers would be released about two weeks in the fourth quarter for production of beverage. Just about that time the situation on industrial alcohol took a turn for the worse, and we had to forego those plans. The plans are worked out to be put into effect at such time as the war program will permit.

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MR. SOURWINE: Do I understand the initiative came from the WPB?

MR. WHITMAN: It came from the War Production Board, yes, sir.

H.M.JR: Do you want to say anything? We are just talking here trying to find out about what you said earlier of the possibility of increasing the production of industrial alcohol, and that might ease up the situation.

MR. WHITMAN: Yes, sir. We might go ahead and deliberately try to construct new industrial alcohol plants for the purpose of getting more of our industrial alcohol from some other source, not from the distillers. It might be industrial alcohol made from petroleum gases or something like that. The net effect of that, when that plant came into operation, would be to relieve some of this load on the distillers, whereby some of their facilities could be used for beverage alcohol, unless the grain situation is so bad that War Food wouldn't let them have the grain.

H.M.JR: But this thing of making industrial alcohol from gases--I mean, how much is involved in dollars in the plants?

MR. WHITMAN: If we assumed that we wanted to make, say, thirty million proof gallons of beverage a year, which would be about sixteen million gallons expressed as one hundred and ninety proof, and we were going to build petroleum plants to do that, it would probably cost around eight million dollars. It would probably take nearly a year to do it, but we could take advantage of the fact that those plants were going to be built and let our stock drop a little lower than otherwise would be justified if we knew that new production was coming in.

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H.M.JR: About eight million dollars.

MR. WHITMAN: Yes. Of course, that is on the assumption that what you wanted to do is get the equivalent of thirty million proof gallons of blending spirits.

H.M.JR: The point that I want to make is this - I am thinking out loud--

MR. WHITMAN: I would rather call that ten million dollars.

H.M.JR: After all, the Government interest in this is nine hundred million dollars' worth of revenue. That is our stake in this business. That is why I was asking about the problem. I think they ought to make it clear that you couldn't have both the distilling industry's plan from Cuba, and also get what we are getting. I think you ought to re-state that to make it clear that if they had gotten what they wanted, then you couldn't get what you want for industrial alcohol. You can't have both.

MR. WHITMAN: That is right.

H.M.JR: I would like you to start here: So much can come out in the calendar year from Cuba - the pie is so big - now it could go the distiller's way, or it could go the way of what has happened. How big is the pie for the calendar year '44?

MR. WHITMAN: I don't know that I can quote exact figures, but the principle is that FEA finally negotiated with the Cubans to take all of the black strap molasses, to restrict the Cubans to a fairly small beverage importation, and to get industrial alcohol from Cuba. Now that, in general, takes care of all of the exportable material in Cuba. There is a certain amount that has to be used in Cuba itself.

Now, General Schwengel's plan, as I understand it, would be to get the same total amount of exportable material, one way or another, but of all the exportable material, the

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same total amount, two-thirds of it would have to go into beverage alcohol finally; whereas, on the FEA plan, none of it goes into beverage alcohol. It all becomes available to the War Alcohol Program, either as industrial alcohol from Cuba or as black strap molasses which we will process into industrial alcohol in the U.S.

H.M.JR: What about the fourteen million gallons which Cuba is going to import into the U.S.? Would they have done it in either case?

MR. WHITMAN: I think that is not quite true. I believe that in General Schwengel's plan he would not have imported for consumption - you had better correct me on this if I am wrong - he would not have imported any Cuban beverage for consumption. He would have left that as alcohol down in the Islands now belonging in part to the U.S., and we in turn would have released in the U.S. a certain amount of our industrial alcohol stockpile to go into beverage. Am I correct, General?

MR. SCHWENGEL: We would have stopped the disgraceful infiltration of commercial alcohol into the beverage market here, which in 1943 rose to fourteen million three hundred thousand gallons. We would have stopped that, and in its place would have requested them to have for the American industry the equivalent of what we brought in from Cuba in relation to two gallons out of three of domestic-produced spirits.

I will answer it another way. The presently contemplated importation of fourteen million three hundred thousand gallons of Cuban alcohol would have stopped under our plan.

H.M.JR: That is not industrial, is it?

MR. SCHWENGEL: Industrial alcohol for beverage use. It would have been stopped.

MR. CESKIS: Cuba is expected to produce about one hundred and seventy to one hundred and eighty million gallons of molasses.

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Now, you can convert the entire quantity into alcohol down there, if you believe they have the capacity, or you can convert part of it down there and bring up the rest of the molasses into this country for conversion.

Roughly, they could produce, out of the one hundred and eighty million gallons of molasses, about seventy-two million gallons of alcohol. Now, the Cubans claim - and I think that the FEA has agreed to it - that they need the equivalent of about thirty-four to thirty-five million gallons of that for domestic motor fuel in Cuba. That therefore leaves somewhere around thirty-eight million gallons of alcohol equivalent for industrial purposes for export to the U.S. and beverage purposes.

Now, the American Government has bought twelve and a half million gallons of alcohol, with an option to take another eight if the Cubans offer it to them. So you have twenty million and a half; deducting that from thirty-eight, leaves you approximately eighteen million gallons.

Now, of the eighteen million gallons, Cuba is setting aside for export for beverage purposes about eight million gallons, or fourteen million proof gallons, so there is the equivalent of about ten million gallons to play with. That is due to the fact that neither the Cubans nor the Americans know just what the crop will turn out to be in the form of molasses.

Now, whether you import one hundred and eighty million gallons of molasses or the equivalent in alcohol, you still have the same end result. You can either use it for industrial purposes or for beverage purposes.

Now, under the plan General Schwengel proposed, the alcohol supplies for either industrial purposes or for potable purposes would not be increased by taking some alcohol and delivering it to the U.S. Government to be added to its stockpile and so to be exchanged with the American products for grain spirits. We would still have the same total.

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So the position as it is today leaves us as follows: The War Production Board needs all the alcohol it can lay its hands on, including importations from Cuba, Mexico, and Canada. The industry is woefully short of alcohol and we are all looking for a solution.

Now, the General keeps referring to the disgraceful stuff that goes into the stomachs of the Americans. The Cubans have exported rum to America for many, many years, and I haven't heard of anybody dying of Cuban rum.

H.M.JR: I wondered how long you were going to take that!

MR. SCHWENGEL: May I say in explanation, I am not referring to the fine labels and products. Those ran about a hundred and eighty-five thousand gallons, I believe. I am referring to the "gold rush." I am not referring to any of the recognized labels that have come out of the Caribbean.

MR. CESKIS: When the distillers found themselves in the position of being unable to supply the demand which I assume - I am not too familiar with the sales statistics - perhaps four hundred percent of what the available supply is - ~~these~~ were those who looked around to see what they could find other places to satisfy the consuming demand. Others felt differently.

Now all of the Cuban spirits brought up here that is used for potable purposes is not as bad as it is said to be, because there are ways and means of processing it and making it satisfactory. As a matter of fact, the Alcohol Tax Unit has seen to that, so that all the spirits that come in from Cuba today has to be either processed or redistilled to make it fit for blending purposes or satisfactory from the standpoint of Mr. Berkshire's department. We can keep on saying it is no good and decide we don't want it. I think if somebody would say that, Dr. Whitman's department would be delighted to have the additional eight million gallons to alleviate his shortage.

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The result would be that Senator McCarran would be eight million more short to satisfy the public with.

H.M.JR: You have been very patient.

MR. WALTON: I don't believe any of us will agree that the spirits that are coming in from Cuba will remedy the situation that we are trying to find a solution for today.

In other words, as I understand it, there are fourteen million three hundred thousand gallons of beverage spirits that can come in from Cuba this year, which is equivalent to the quantity that did come in last year. I believe that somewhere between five and seven million gallons of those spirits have already come in, so that we have another seven to nine million gallons, possibly, yet to come in. That is not going to help us solve this black market problem, that is certain. I am wondering if Dr. Whitman's department have explored the possibility of saving a part of the stockpile, which I believe now amounts to around eighty million high-proof gallons, until such time as these new plants could be placed in operation to take care of additional industrial alcohol production.

SENATOR McCARRAN: You say saving part of the stockpile?

MR. WALTON: Saving part of the stockpile, possibly, for beverage production until - or for beverage purposes, let's say - until additional plants could be built to make up what you figure you require.

Now, I believe in your figures of requirements you have some two hundred million gallons of high proof that are required for anti-freeze and so-called indirect military and civilian requirements. That two hundred million gallon figure, I believe, roughly compares with approximately one hundred and sixty million gallons that were actually used for those same purposes in 1942, or about forty million gallons of high-proof alcohol required in 1944 for those same requirements over and above what was used in 1942.

MR. WHITMAN: That is roughly correct, sir. Would you like just a little explanation on that?

MR. WALTON: That bothers me a little.

MR. WHITMAN: All right. Let me say that both anti-freeze and industrial alcohol are under very rigid allocation control. We are controlling it to such a degree that we are deluged with complaints all the time about how stingy we are on letting out our alcohol. And I have told the people who are operating that order that unless they are always in trouble due to complaints on not getting alcohol, they are not doing their job properly.

We recognize the absolute essentiality of not letting this alcohol go into non-essential use in the economy. But let me point out that some twenty percent of that alcohol goes into the production of clothing, in one way or another; that over ten percent of it - if I remember correctly - goes into the manufacture of tetra-ethyl lead, which is needed for the high octane gasoline, as well as the military gasoline; that we have very carefully screened what we are doing, and we are continuously trying to prevent the diversion or the usage of industrial alcohol for unwarranted purposes.

Now, I'll admit right off that we have not shut down the cosmetics and toiletries industry. They are operating on a basis of fifty percent of the amount of alcohol which they used in 1941. We have cut rubbing alcohol down to fifteen percent of what was used in 1941, and we feel that our position must be like Caesar's wife - we must be spotless as far as attempting to restrict industrial alcohol to essential purposes, because if we are letting it get out unwarrantedly we are contributing to the situation.

Now, perhaps we are slipping somewhere. I don't doubt but what we are, but we are trying to do our best.

MR. WALTON: To continue my trend of thought - it won't take but a moment. Dr. Whitman has said that it might be possible to provide thirty million proof gallons.

MR. WHITMAN: Yes - or new capacity.

MR. WALTON: It seems to me that in the study that

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I have made of this situation, it will require in the neighborhood of about fifty million proof gallons or twenty-five million high-proof gallons a year to correct this black market situation.

Now, that is approximately one month's production from beverage distillers; in other words, twenty-five million gallons of alcohol - which I think all of us who are connected with the industry will agree - will all agree - would be required a year to correct this black market situation at the retail channel. That figure of twenty-five million gallons represents about one month's production of the beverage people - just about one month.

It would require about ten million bushels of corn, or bushels of some kind of grain - not necessarily corn, but some kind of grain - which is not a great deal of grain. Certainly, ten million bushels is not going to strap the country.

H.M.JR: Not the way he was going to make the alcohol.

MR. WALTON: It would take grain for our purposes. He would save the grain by making his from gases or synthetic matter.

H.M.JR: Where would you need the grain?

MR. WALTON: If we were making alcohol for beverage purposes, we would need the grain.

H.M.JR: Yes, but I understood - I may be wrong - that if you could get thirty million gallons of pure alcohol you would blend that with stuff you have in stock and release it to the public. I mean, what you are short of is pure alcohol for blending purposes.

MR. WALTON: That is right.

H.M.JR: So I don't see where you need grain.

MR. WALTON: Then his plan would anticipate releasing that from the stockpile. Is that right?

MR. WHITMAN. Well, I would assume that if we built

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some new capacity, it would correspond to releasing certain distillers' capacity, and they would then proceed to get corn, if they could.

However, in the face of a situation where today the corn processes are being shut down because they can't get corn --

MR. WALTON: That is another problem, of course.

MR. GASTON: What are you using now in making the alcohol that you are using for industrial purposes?

MR. WALTON: Wheat, corn, rye.

MR. GASTON: You are using grain?

MR. WALTON: Oh, yes.

MR. GASTON: Would it add to the grain demand at all if you were to divert it?

MR. WALTON: No, sir. That is the point I am making.

H.M.JR: That isn't what you and I were talking about (to Dr. Whitman).

MR. WALTON: It wouldn't add to the grain demands if he is going to substitute synthetically what we would require.

H.M.JR: There is something wrong here.

MR. WHITMAN: May I try it this way? If we built some synthetic alcohol plants and therefore didn't have to take so much alcohol from the whisky plants, we would not use as much grain for our industrial alcohol program. But supposedly the distillers would then go right back and use that grain that had been saved for the production of beverage.

H.M.JR: But there is an alternative program; I mean, a very rare possibility that you might release some of it; knowing that this additional production was coming you might release some pure alcohol from your stock.

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MR. WHITMAN: That is true. We might advance the date by letting our stockpile slip to a level that would be perilously low, except for the fact that new production was ahead of us.

H.M.JR: Because if the distillers said, "We want ..."
--I don't know how many bushels it takes to make an additional thirty million gallons of alcohol.

MR. WALTON: About ten million.

H.M.JR: The War Food Administration might say, "Sorry, but you can't have it."

MR. WALTON: Not thirty million proof gallons.

H.M.JR: They might perfectly well say, "We are sorry, but you can't have it."

MR. O'CONNELL: May I ask a question? I am not clear why, if you anticipated additional capacity to produce industrial alcohol, you could release a part of your stockpile.

MR. WHITMAN: I hadn't intended that we would release part of the stockpile. What I meant was that there is a certain safe stockpile level. If we see that new production is being planned and going to come in, we could let that stockpile level drop off by letting some of the distillers stop making industrial alcohol. Then if they could get the grain, they could make whisky.

MR. GASTON: That is on the theory that additional production capacity is in itself a stockpile.

MR. WHITMAN: That is right. It is an insurance.

MR. O'CONNELL: Isn't your additional capacity going to be in effect a substitution for present capacity that is going to be diverted to the making of potable whiskies?

MR. WHITMAN: That is the net result.

MR. O'CONNELL: You are going to have the same capacity available for industrial alcohol as you have now.

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MR. GASTON: Well, the stockpile feature is that having added to your capacity you can shut off the beverage supply at any moment you want. You have adequate production capacity which in a sense adds to your stockpile.

MR. O'CONNELL: Yes.

MR. SCHWENGEL: What difference does it make whether this alcohol is in the hands of distillers or in storage and aging, or whether it is in publicly-owned tanks? It seems to me that the industry has demonstrated from the beginning its desire to serve. Many volunteered way back in 1941. Today is the first time that I have heard from any public official that the distilling industry has done a good job. There has been no public recognition of it so far. I am very glad to hear that.

H.M.JR: We move very slowly. (Laughter)

MR. SCHWENGEL: Now if in the public interest liquor control is of any concern during the war effort, if it is a part of the war effort - I mean a question of public morale and liquor control - then it seems to me the beverage distilling industry should be considered collaterally from the standpoint of cosmetics. I am told the reason women should have cosmetics is from a morale standpoint. You state that the cosmetic industry gets fifty percent of its 1942 purchases. Bear in mind, we have had none since November 1941. That is a long time.

SENATOR McCARRAN: None of what?

MR. SCHWENGEL: No income; nothing coming into our barrel. We are living on our fat. We are in a process of liquidation since November, 1941.

SENATOR McCARRAN: Do I understand by that that you have not added to your stored alcohol in any sense; that you have been living on your stored alcohol entirely?

MR. SCHWENGEL: Except for a very small production within the five months' period, I think, ending October 8, which amounted to 806,000 proof gallons, our company has had no production - nothing can go into the barrel.

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We are living on our fat by reason of the fact that the whisky business in itself requires thinking ahead five or six years. Our portfolio has been interrupted.

It does seem to me that some recognition should be taken of the position of the industry from the standpoint of public morale and control. If that is true and if lesser industries have the right to buy, say, fifteen or fifty percent of the 1942 requirements, give us five percent.

You know this whole public situation, Mr. Secretary. As a result of an artificially created vacuum that some clever gentlemen are filling, all liquor industries are undergoing a change. New people are coming into it. They have had preferential treatment. They go down and buy things that maybe established companies wouldn't buy.

H.M.JR: I had an exhibit here. I wish you could have seen it - liquor and counterfeit labels that really shocked me. I haven't seen anything like that for ten years.

I am disturbed. As I say, I frankly don't want to see Prohibition come back again.

SENATOR McCARRAN: I am wondering why that counterfeit label business is permitted to go on.

H.M.JR: We have killed it.

SENATOR McCARRAN: I don't know. It may be killed, but it comes to life every now and then!

H.M.JR: It is a constant; between Alcohol Tax and Secret Service, they are at it all the time. We are constantly at it to find the place and find the plants, and then we kill it. But, like everything else, somebody gets a bright idea and he thinks he can do it, and for a while he gets away with it and we catch up with it.

MR. BERKSHIRE: We haven't had any instance of counterfeiting in the neighborhood of two years. Within the last three or four or five months we have found a little plant in Philadelphia and another one in New York. We got it

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right soon after they started. That is what the Secretary is mentioning here.

SENATOR McCARRAN: Isn't it true that you are having a lot of new brands come in? Now, how do they come into existence as against the old brands? Why should they have leeways against the others? They seem to have; that is all we know.

MR. BERKSHIRE: Well, Senator, I think the answer to that is that the man can sell his product under any brand he sees fit. Frankly speaking, we think that they have changed a lot of the brands in order that they might get a little advantage on the ceiling price. But so far as our regulation is concerned, they can sell a product after it has been tax-paid and beyond our control and under any brand name they see fit.

Now, if we catch them in connection with that transaction, selling above the ceiling price - or our friends from the OPA do - that would be handled differently. That is a different thing.

SENATOR McCARRAN: I want to ask a question, if I may. What is the condition in Canada? What is Canada doing in this subject? My reading of the subject is that they are about to have what they call a "vacation," or suspension of the taking of alcohol for commercial purposes.

MR. WALTON: Senator McCarran, we have a Canadian plant, so I think I could answer that; General Schwengel could, too. We were permitted to produce beverage spirits for about a three weeks' period last fall. Our production period, I think, was in December. I believe yours was in November.

MR. SCHWENDEL: Yes.

MR. WALTON: But all the distillers in Canada were given about a three weeks' period.

SENATOR McCARRAN: Did that relieve the situation any?

MR. WALTON: Canada has a regulation that will permit the withdrawal of only seventy percent of the distilled

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spirits during this year that were withdrawn during the fiscal year 1942. Now that was a government restriction that was imposed. They had a similar restriction on beer, which they just withdrew last week. The beer restriction was ninety percent. Now they are leaving it entirely to the brewers to release whatever they see fit. But this restriction is still seventy percent on distilled spirits.

MR. BALFE: Perhaps it hasn't been made clear to you the extent to which they have distilled spirits in Canada. The Canadian Government has had a better situation than we in America have.

SENATOR McCARRAN: It is my thought, gentlemen, and I haven't completed the study, that you have in this country a great quantity of liquor in seclusion that has been bought up and is being hoarded. That is another term that may be used: held back. It is my thought that if you will release these distillers and let them go forward with a vacation for a reasonable period of time, you will bring that liquor out, because it is being held now for a fancy price, and that being true, you just let these distillers cut loose for a while - I mean, the legitimate distillers, not the bootleggers - for ever so short a period, and you will bring it out of seclusion and it will relieve your situation. It won't solve the problem, but it will relieve your situation at least momentarily.

The demand seems to be so great that it goes on constantly. But I am looking for a momentary relief, at least, because I think that as time goes on we are going to need a permanent relief for the situation within a reasonable time.

Is there anything in my thought?

MR. SCHWENGEL: Very definitely.

SENATOR McCARRAN: I am very glad to hear that, because my study up to date prompts me in making that statement.

MR. SCHWENGEL: Senator, the very fact that there are repeated statements, "There ain't going to be no more," accelerates and aggravates the situation. We can feel

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it. In other words, there is a great deal of liquor stored in the basements, let's say, of tavern-keepers, and so forth.

MR. BALFE: I don't believe it.

MR. SCHWENGEL: There must be, in the aggregate.

SENATOR McCARRAN: There isn't any doubt about it in my mind, at all. You take the market woman who probably wouldn't have but one bottle in liquor in her home in a year. She listens to this proposition and buys up ten bottles. She wants it because she thinks she ought to have it. So she buys it. What is true in that instance is true in thousands and thousands of instances. There is no question in my mind about the answer to this thing, no matter how you meet it.

MR. BAXTER: Perhaps it is like coffee. When coffee went off rationing, it took two months for the sales to get back to present rationing levels; whereas, you'd think that immediately the starved public would step in and buy. But they didn't.

SENATOR McCARRAN: Here is one thought I want to leave here. We can't be here too long. One thought I want to leave here; it is a serious thought. I don't know how many there are here who are Prohibitionists, but I am one who is very much opposed to going into the "noble experiment" again. I think we made one failure, and shouldn't go into another one. But if this thing isn't remedied, it is a condition not a theory that confronts us, because those who are seeking to take advantage of Prohibition are fortifying themselves with this proposition right now.

MR. BERKSHIRE: Mr. Secretary, I think there is one other thing, while the distillers are here, which we should not overlook. If we assume they are not going to get any more production, and we only may expect something like fifty percent of the flow from the distilleries, assuming that is correct - and I think that is the impression we get very definitely - I believe that the Treasury Department has certainly by this program just well under way at least identified black market channels.

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I think that the industry knows pretty well by this time and can find out where those channels are and where they lead. They have cooperated to the extent that when we have pointed these out, they have veered away to a large extent. That is what I meant by the cooperation we have received. We can get that still to a greater degree in the future, and this other one thing is definite, that there does appear to be an unequal distribution, an unequal allocation of this fifty percent of the whisky that is flowing out.

I say this for this reason: We found out very definitely that the greater part of the black market operation was in the South. That is, no doubt, the result of the fact that the South was not getting its part of this flow of liquor.

In Georgia, since our program down there--and we have practically put out of business ten of the twenty-four wholesalers in the State of Georgia--during the months of October, November, and December, when they were paying taxes--and I am talking about Georgia tax payments now--on two hundred and seventy-five thousand gallons a month as a result of the program, and as a result of putting out of the way ten wholesale liquor dealers in the State of Georgia and drying up that black market so far as the State of Georgia is concerned, tax payments in the State have dropped to eighty thousand gallons. Now, that indicates that more than fifty percent of Georgia's liquor was black market. When you take it away, they have merely a dribble of whisky. That stands as an invitation for these fellows who are persistent and who are still going to deal in the black market operations. There is a fertile field for them.

It just looks like Georgia, Florida, and a number of those southern states aren't getting a fair distribution of this flow. I think that is a very important thing.

SENATOR McCARRAN: That is true in other sections of the country, too.

MR. BERKSHIRE: It undoubtedly is, Senator.

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H.M.JR: Now, gentlemen, unless the Senator has something else to say, I personally have learned a lot out of this meeting. Without trying to pun on the word, I think we have a very fine spirit here. I think it is a good example of what the Government, represented by Congress and the executive departments, can do when sitting down with industry and trying to work out a program. I am not discouraged. I realize it is very, very difficult, but I am going to pursue certain suggestions which have been raised here, and I am going to cooperate with Senator McCarran, if he will let me.

SENATOR McCARRAN: I will be very glad to have you.

H.M.JR: I am not discouraged. I think there are possibilities of solving this situation. As I said earlier, besides the moral issue, we have a stake of nine hundred million dollars in this thing, and I don't want to see it lessened. We need all the revenue we can get.

Thank you all very much.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 17, 1944

TO Secretary Morgenthau

FROM Mr. O'Connell

Dr. Whitman's testimony yesterday afternoon before the Gillette Subcommittee brought forth a few facts as to our estimated industrial alcohol supply for 1944 in addition to the data contained in the Progress Report of January 3, 1944, which he mentioned to you yesterday morning. A copy of the report is attached. In his testimony Dr. Whitman referred to the recent agreement with Cuba effected by the Federal Economic Administration with respect to the importation of blackstrap molasses and sugar. Largely as a result of that agreement the estimate of supplies for 1944 has been increased from 593 million gallons, as shown on page 2 of the report, to 609 million gallons. Also, the agreement has resulted in changing the percentages of the total supply attributable to grain, molasses, and imports from 69%, 18% and 3%, respectively, as shown on page 2 of the report, to 57%, 29%, and 4%, respectively. Another change is in the estimate of Government stocks at the end of the year which has been increased from 41 million gallons to 55 or 60 million gallons. As to this Dr. Whitman testified that there would be only a very scant reserve of 25 to 30 million gallons because of the necessity of allowing about 30 million gallons as operational stock.

The figure of 638 million gallons as against 632, appearing on page 2 of the report, was given as the estimate of 1944 requirements.

Dr. Whitman had no prepared statement and was given no opportunity to present a consecutive statement, being questioned at length by Senators Gillette and Aiken and also by the Subcommittee counsel, Paul Hadlick. At the outset of the hearing Mr. Hadlick questioned Dr. Whitman concerning his professional background, apparently with the purpose of identifying him as a chemical engineer with experience largely in the petroleum industry and lacking in qualifications with respect to the use of grains in manufacturing industrial alcohol. Other questions which were stressed

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concerned the reasons behind the WPB's curtailment last year of its industrial alcohol plant program, particularly with respect to proposed plants in Iowa (Dubuque and Keokuk), Illinois and Wisconsin, and the scope of the present program of the WPB and the War Food Administration for feed recovery facilities in connection with industrial alcohol plants.

The hearings will be continued next Wednesday morning and Dr. Whitman will return to complete his statement as to supplies and requirements and to be questioned further.

Jacques J. O'Connell

Attachment.

Mr Morgenthau 55

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PROGRESS REPORT
ON
INDUSTRIAL ALCOHOL

January 3, 1944

PROGRESS REPORT ON INDUSTRIAL ALCOHOLFOREWORD

The war needs for industrial alcohol have made demands upon processing facilities, notably those of the beverage distilling industry, upon raw materials such as corn, wheat and sugar, and to a minor extent upon materials for the construction of additional plants. These demands will continue because alcohol is of prime importance in the war program as a chemical raw material.

It is the object of this progress report to explain the industrial alcohol plans so that other agencies of government whose interests are affected may be cognizant of the major problems and policies involved and of their significance to other programs. Accordingly, consideration of the nature and magnitude of the alcohol requirements and supplies constitutes a major part of the report. Sections on the status of government stocks, on raw material requirements, on new plants and on feed recovery are included.

SUMMARY

Industrial alcohol has become somewhat tighter in the past few months due to unanticipated Lend-Lease shipments coupled with the expected increase in demands for the synthetic rubber plants. At the same time, production has been hampered by the unavailability of corn for grain alcohol plants and the inadequacy of molasses supplies from the Caribbean. Government stocks have dropped from a peak of 138 million gallons as of last July to a figure of 80 million gallons at the end of 1943. Since about 30 million gallons of stocks are regarded as the minimum necessary working inventory at the synthetic rubber plants, the arsenals, the powder plants and the tankport terminals for Lend-Lease shipment, present reserves for contingencies are not excessive and cannot with safety be allowed to decrease much further.

The position on requirements, supplies, and government stocks is summarized in Table I and in Figure I.

TABLE I
 REQUIREMENTS, SUPPLIES AND STOCKS
 (In millions of gallons of 190 proof alcohol)

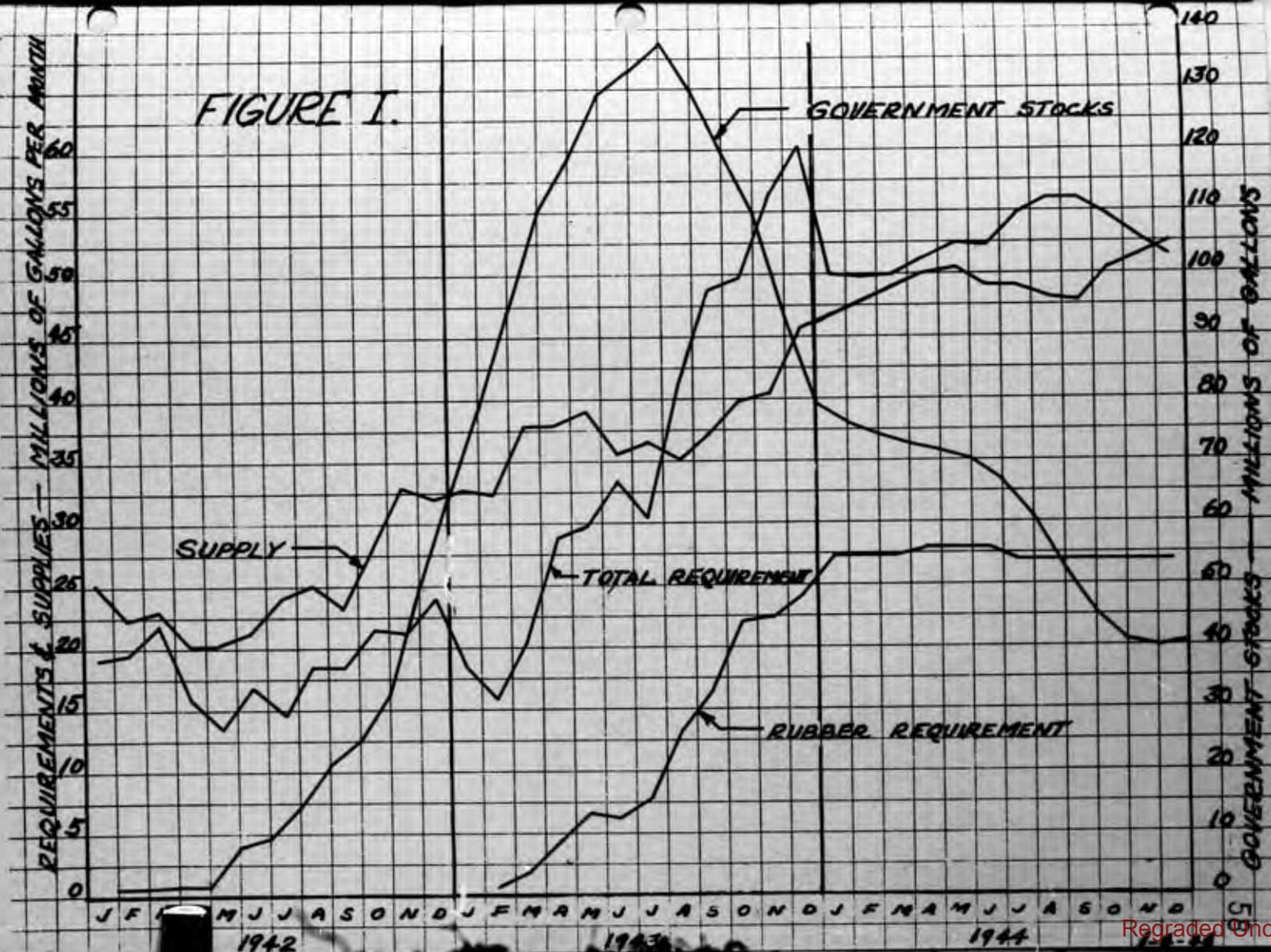
	<u>1942</u>	<u>1943</u>	<u>1944</u> (estimated)
Requirements	226	433	632 <i>638</i>
Supplies	298	451	593
Government Stocks at end of year	64	80	41 <i>55-60</i>

Figure I presents monthly requirements, supplies and government stocks from January 1942 to date, and the predictions of these figures through 1944. The specific requirement for synthetic rubber, which became the major claimant when the plants which make butadiene from alcohol came into operation in 1943, is shown separately. The monthly data on which this figure is based are given in Appendix A.

The estimates for 1944 on requirements, supplies and raw material for alcohol production show, in round numbers:

<u>REQUIREMENTS</u>		<u>%</u>
Direct Military		8
Lend-Lease		9
Synthetic Rubber		52
Indirect Military and Civilian		26
Anti-Freeze		5
		100%
<u>SUPPLIES</u>		
Synthetic		10
Industrial-fermentation		40
New plants		10
Beverage alcohol plants		37
Imports		3
		100%
<u>RAW MATERIALS</u>		
Hydrocarbons		10
Grain		49 57
Molasses		18 29
Imports		3 4
		100%

FIGURE I.



To meet the goals in 1944 will require full usage of all facilities for industrial alcohol production, including beverage alcohol plants, unless requirements prove to be less than or production to be more than now estimated. In a program of this magnitude there are so many uncertainties that long-time commitments and conclusions can be only tentative. Assurance that adequate stock reserves are being maintained against contingencies is a primary consideration. The steps which are being taken to ensure availability of alcohol for all essential war purposes include:

1. Attempting to secure suitable and sufficient raw materials for alcohol producing plants, notably molasses from the Caribbean for the Gulf Coast and East Coast industrial plants and corn for the grain alcohol plants.
2. Expediting the completion of new grain alcohol plants which are now under construction.
3. Securing maximum production from present facilities by means other than those listed above in 1.
4. Having the British resume the production of alcohol, using Caribbean molasses which would be shipped in place of the present Lend-Lease alcohol commitments to Britain.
5. Attempting to secure imports of alcohol from the Caribbean if it proves impracticable to obtain proper amounts of blackstrap molasses because of its consumption in new Caribbean distilleries.
6. Tightening the allocation of alcohol.
7. Preparing against the contingency of grain shortages in the United States in 1945 by developing suitable projects to produce alcohol from non-grain materials such as petroleum gases and wood wastes or from Canadian wheat supplies or projects to produce from other sources certain materials which now require alcohol.

It is anticipated that the alcohol situation will remain tight as long as the rubber program needs all-out production from the plants which make butadiene from alcohol. These plants are expected to operate at at least 150% of rated capacity during much of 1944. The most recent estimates of the Rubber Director call for 50% more alcohol in the first half of 1944 than had been envisaged in the original program. The pressure on alcohol would be lessened late in 1944 if and when the remaining plants of the petroleum butadiene program come into successful production and petroleum assumes the major burden of the load as was intended. It must be recognized, however, that even when the petroleum-butadiene plants are completed and capable of full operation there is a possibility that they will not have a full supply of raw materials because of competing demands for the same raw materials by the aviation gasoline program.

Careful control and planning of the alcohol program must be continued to ensure against a potentially critical situation ahead.

REQUIREMENTS

Requirements of industrial alcohol increased from 226 million gallons in 1942 to 433 million gallons in 1943, and are predicted to be about 632 million gallons in 1944. The uses are classified in Table II.

TABLE II

INDUSTRIAL ALCOHOL REQUIREMENTS
(In millions of gallons of 190 proof alcohol)

	1942	1943	1944
Direct Military	52	43	48
Lend Lease	25	68	59
Synthetic Rubber	—	127	328
Indirect Military and Civilian	120	146	165
Anti-Freeze	29	49	32
Total	226	433	632

These requirements are presented by months in Appendix A, and the detailed breakdown of uses in the Indirect Military and Civilian category is given in Appendix B. The major requirements are discussed as follows:

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Direct Military. In 1942 the direct military use (52 million gallons) was about 63% for smokeless powder, and smaller amounts for the Chemical Warfare Service, the Medical Corps and others. In 1943 the overall military demand did not increase as had been anticipated and consumption was only 43 million gallons; the smokeless powder program was cut and also the Chemical warfare operations which require alcohol were markedly curtailed. The 1944 estimate of 48,000,000 gallons is based on advices from the services and includes a small amount for moisture injection in aircraft engines. The main item of the 1944 program is 37,000,000 gallons for explosives.

It should be recognized that the Chemical Warfare Service would need considerable additional amounts of alcohol if gas warfare were initiated.

Lend-Lease. In 1942 the 25 million gallons for Lend-Lease went almost entirely to Great Britain, which shut down its own alcohol production from Caribbean molasses to conserve tanker tonnage. In 1943, Russia took 53% of the 68 million gallon total for the production of synthetic rubber and explosives, and Great Britain took the rest.

No firm commitments have been made for alcohol to be shipped in 1944. The British have presented a requirement for 24 million gallons, but there are good prospects that this will be replaced by shipments of invert molasses from the Caribbean to England which will be run in British plants, now idle, to produce the same amount of alcohol. The British are proposing that 9 million gallons of alcohol be supplied, to be made into acetone in England and to reduce Lend-Lease acetone commitments. It is here assumed that net shipments of alcohol to Britain will total only 9 million gallons in 1944.

The Russian protocol for the fiscal year July 1943-July 1944 is 32 million gallons, substantially all of which has been shipped in the first six months. The Russians are now requesting another 18 million gallons in the first six months of 1944 for their rubber and explosives program. If this is granted, the 12-month total would be 50 million gallons. It is assumed that total Russian shipments for the 12 months of 1944 will be 50 million gallons.

The total estimated shipments for 1944 are, therefore, 59 million gallons. If the British plants cannot be given enough molasses to produce 24 million gallons of alcohol, the total will be correspondingly greater. Furthermore, if gas warfare starts, the British need would be increased by about 7 million gallons.

Synthetic Rubber. No appreciable amount of alcohol went into synthetic rubber in 1942. However, when the question of building a number of units to produce butadiene from alcohol was under consideration by Rubber Reserve in the spring of 1942 the Chemicals Division guaranteed enough alcohol to operate butadiene units which would produce 220,000 short tons of butadiene per year (approximately 200 million gallons of alcohol annually), and immediately started a stockpile of alcohol against this future requirement. As subsequent estimates have indicated greater needs for alcohol, the production program has been correspondingly adjusted and the Rubber Director has been assured of enough alcohol to meet the new figures.

The plants which make butadiene from alcohol began operation early in 1943 and have proved to be unusually successful. In December 1943 the total production from these plants corresponded to about 14% of rated capacity, and required over 24 million gallons of alcohol, including 1 million gallons for styrene.

In 1944 the alcohol-butadiene plants will presumably be pushed to maximum capacity during most of the year, due to delays in securing production of butadiene from petroleum. Alcohol was originally supposed to carry only about one-third of the butadiene production envisaged in the completed plans. It is now carrying three-quarters of the load and will probably carry about one-half the load during much of 1944. It can fairly be anticipated that alcohol requirements for butadiene will slacken somewhat when and as petroleum butadiene becomes plentiful.

The allowance of 328 million gallons for 1944, including 12 million gallons for styrene, represents a recent estimate by the Rubber Director. He states that there is at present a 35,000 ton deficit in Buna S production and that it will be necessary to run the alcohol-butadiene plants full blast - as much over 150% rated capacity as possible - for at least the first half of 1944.

The Rubber Director states that his estimates of alcohol requirements should be regarded as subject to variations upward or downward of 10%. It is our best judgment that his essential requirements during the first six months will not be significantly lower than the figures shown, but that in the last quarter of 1944 they may be less. We feel, however, that it would be unwise to assume such a reduction in planning the alcohol program at this time.

The overall situation on rubber and the imperative need for maximum production of butadiene are covered in the Fourth Progress Report of the Rubber Director, dated November 10, 1943.

Indirect Military and Civilian. The essential requirements of this category have been increasing steadily, from 120 million gallons in 1942 to 146 million in 1943 and to an estimated 165 million in 1944, despite the long-standing limitation Order M-30, which was changed to complete allocation in September 1943. Since this category of uses is not self-explanatory, the end uses are considered in some detail in Appendix B. Because of the increasing tightness in the alcohol situation and the demands which alcohol makes upon grain and sugar as raw materials, the Chemicals Division is allocating industrial alcohol in a restrictive manner.

Most of the uses are as a chemical raw material. The biggest single item is for acetaldehyde and acetic acid, both of which are controlled by independent allocation orders. A substantial part of these materials goes into the production of acetate rayon, and also into making military protective clothing. The next largest amount is ethyl chloride and ethylene dibromide for the tetraethyl lead program. Tetraethyl lead is currently so tight that an expansion program involving around \$10,000,000 is being authorized. Another considerable user of alcohol is solvents such as ethyl acetate, which are among the most critical products allocated by the Chemicals Division. The amount of alcohol which goes into civilian items like perfumes, cosmetics, oral antiseptics and mouth washes is very minor and is controlled by a 50% or 60% quota on usage based on the fiscal year 1940-41. A copy of the alcohol allocation order is included as Appendix C.

A fair idea of the end-use essentiality of alcohol in the category of Indirect Military and Essential Civilian is indicated in the following table, which is somewhat elaborated in Appendix B. Under each classification the major uses are listed in order of descending consumption. The percentages shown for each group are based on the total Indirect Military and Civilian. Since this total was approximately 34% of the overall alcohol consumption in 1943, the figures can be divided by 3 if it is desired to get a rough estimate of the fraction of all the alcohol in 1943 which is represented by any group. It may be assumed that essentially the same proportions will obtain in 1944, but since the total Indirect Military and Civilian is estimated to be only 26% in 1944, the percentages should be divided by 4 to give the rough fraction on total alcohol in 1944.

<u>Protective Coatings</u>	24.4%
Nitrocellulose	
Ethyl acetate	
Shellac	
Butyl alcohol and Butyl acetate	
Other Ethyl Esters	
<u>Plastics</u>	12.8%
Synthetic plastics and resins	
Cellulose Ester plastic and film	
Vinyl Acetate	
Plasticizers	

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<u>Textiles</u>	12.6%
Acetate rayon	
Military protective clothing	
Textile processing	
Dyes and intermediates	
<u>Tetraethyl Lead - Gasoline Anti-Knock</u>	11.8%
<u>Ethyl Chloride and Ethylene Dibromide</u>	
<u>Public Health</u>	7.5%
Drugs and pharmaceuticals	
Basic medicinal chemicals	
Biologicals, ether	
<u>Food</u>	4.6%
Vinegar	
Flavoring extracts	
<u>Explosives</u>	3.6%
(Private production of chemicals for explosives)	
<u>Other Uses</u>	22.7%
This grouping includes a variety of uses which are difficult to classify in any of the above categories. It includes such items as:	
Small orders certified by consumers as coming within quotas authorized by War Production Board	4.5%
Small orders exempt from use limitation	2.0%
Toiletries, cosmetics, oral anti-septics, mouth washes, tooth cleaners, cleaning and polishing preparations	2.0%
In descending order of magnitude, other smaller uses are butadiene pilot plant, denaturants, adhesives, ore flotation, inks, brake fluid, cutting oils and photographic materials.	
<u>TOTAL Indirect Military and Civilian Use</u>	100%

The steady increase in the requirements of the Indirect Military and Civilian group is partly explained by the fact that many essential chemicals which have been required in increasing volume can be made either from alcohol or from some other raw material. Frequently alcohol is not the preferred raw material because it is more expensive. However, when the demand for the chemical increases greatly and the product has an essentiality which cannot be denied, it becomes necessary to resort to alcohol, despite its high cost to-day, and to operate marginal facilities using alcohol to meet the needs. Growth of the overall war production program has therefore entailed increasing usage of industrial alcohol as a chemical raw material. The most striking example of this is the production of butadiene from alcohol, which was discussed earlier under Synthetic Rubber.

Anti-Freeze. Before the war alcohol was losing its position as an anti-freeze, due to the competition of methanol and of the permanent type anti-freezes. The demands of military vehicles and of essential trucks and buses have almost eliminated the permanent type anti-freeze from the passenger automobile. Methanol was not available in 1943 because it was required as a chemical raw material for formaldehyde, which goes into resins and into explosives. During 1943, therefore, ethyl alcohol was almost the only anti-freeze available to the civilian, and the 49 million gallons allocated were much greater than the 29 million used in 1942. Anti-freeze is under allocation, and a study is being made with the industry committee to determine whether the total allocation in 1944 can be somewhat reduced. It is also hoped that methanol can be made available to a significant degree, but there is little indication that the situation on the permanent type anti-freezes will improve. Taking cognizance of the possibilities on methanol and of a reduced number of passenger cars on the road, the estimate for anti-freeze in 1944 has been cut rather drastically to 32 million gallons.

SUPPLIES

Table III shows the estimated production of industrial alcohol from presently assured facilities in 1942, 1943, and 1944, classified by type of production and including expected imports from Canada and Mexico. Monthly production figures are given in Appendix A.

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TABLE III
INDUSTRIAL ALCOHOL PRODUCTION
(In millions of gallons of 190 proof alcohol)

	<u>1942</u>	<u>1943</u>	<u>1944</u>
Industrial Alcohol plants			
Synthetic	50	56	60
Gulf	51	51	55
West Coast (including wineries)	6	11	12
East Coast	64	75	150
Other areas	5	11	12
New plants	—	5	60
Beverage plants	121	228	228
Imports	<u>1</u>	<u>14</u>	<u>16</u>
Total	298	451	593

There are many uncertainties in the production estimates for 1944, largely centering around the availability of molasses and of corn for the industrial alcohol program. Because so much depends upon raw materials, this subject is treated separately in a later section of the report.

Synthetic Production. Synthetic production from petroleum gases shows only a moderate increase, from 50 million gallons in 1942 to 60 in 1944, because the construction of plants which would be required takes more critical material per unit output of alcohol than is the case with grain alcohol plants, and accordingly major expansions have not been permitted. However, because of reports from the War Food Administration that the grain situation may become very tight, it may soon prove necessary to sponsor expansion from hydrocarbons as a grain conservation measure in 1945.

Gulf Area. These plants, located around New Orleans, are all based upon molasses and have not been expanded. In 1943 their production was at less than full capacity because of a shortage of molasses. In 1944 they are expected to operate at nearly maximum capacity, producing 55 million gallons.

West Coast (including wineries). The West Coast plants operate on molasses from Hawaii. The industrial plants have a normal capacity of about 8,000,000 gallons of alcohol annually, which has been supplemented by conversion of about ten wineries to process a temporary surplus of molasses. The amount of production in this area is controlled by the amount of molasses which will be available, and is estimated at 12 million gallons in 1944.

East Coast. In pre-war years the East Coast plants, operating on molasses, produced over one-half the country's output of industrial alcohol. Submarine warfare early in 1942 cut off their supplies of molasses, and although plans were initiated and put into effect to convert them to operate on grain, their production during 1942 (64 million gallons) and 1943 (75 million) has been well below their potentialities on molasses. It is anticipated that in 1944 enough molasses will be available to supply those plants which are less effectively equipped to operate on grain, although it now appears that a considerable fraction of the East Coast production will still have to be based upon grain. The estimate of 150,000,000 gallons of alcohol in 1944 from East Coast industrial plants must be recognized as indefinite because of the raw material situation, and may be 10% high or low.

Other Areas. These represent miscellaneous industrial alcohol plants which operate on grain, mostly in the Midwest. They are counted upon for full capacity output of 12 million gallons in 1944.

New Plants. This grouping includes entirely new industrial alcohol plants and a number of expansions of existing distilleries, conversions of breweries and miscellaneous similar projects. Substantially all of this production is based upon grain as a raw material. The total authorizations comprise a capacity of about 80,000,000 gallons per year, of which one-half is concentrated in three new grain alcohol plants at Omaha, Nebraska; Kansas City, Missouri; and Muscatine, Iowa. Only a minor amount of production was obtained from these projects during 1943, but it is expected that they will all be completed before next summer and will contribute 60,000,000 gallons to the 1944 supply.

Beverage Plants. Production of industrial alcohol by the beverage alcohol distillers started late in 1941, and in February 1942 the industry was placed under Order M-69 which required partial usage of its facilities for industrial alcohol production. In October 1942 the control was tightened to require 100% production of industrial alcohol so that a reserve stock could be accumulated before the heavy demands of the synthetic rubber program were encountered. The beverage plants produced 228,000,000 gallons in 1943, or a little over one-half the total alcohol supply. They are being counted on for the same gallonage in 1944. (It should be noted that expansion projects in beverage distilleries are classified in the previous section under New Plants.)

The distilling industry was in some respects poorly adapted to engage in the full-time production of industrial alcohol. Many units had to be equipped, generally with secondhand materials, so that they could make 190 proof. Beverage distilleries normally operate only part of the year, shutting down at times of low water and high temperatures. Usual operations average five days a week, with repairs to steam plants and equipment over the week-end. The attempt on the part of the distillers to operate at maximum capacity throughout the week and throughout the year has resulted in considerable deterioration of equipment, which has been intensified by loss of personnel. Accordingly, it is feared that the 1944 estimates of production by the beverage plants may prove to be somewhat optimistic, unless it becomes possible to secure corn in sufficient amounts for the distillers. During the latter half of 1943, when corn was not available for the plants and wheat was the predominant grain, production was significantly lower than it had been in the previous six months.

Almost 90% of the beverage distilling industry is now able to make 190 proof alcohol, so the earlier problems involved in having to redistill a large amount of high wine production have been greatly reduced.

Imports. Imports were negligible in 1942. In 1943 about 9,000,000 gallons were secured from Canada and 5,000,000 gallons from Mexico. It is expected that this total will be only slightly increased in 1944. There is a distinct possibility that industrial alcohol imports can be secured from Cuba in 1944, but this is not yet assured. As a rough estimate, perhaps ten to fifteen million gallons might be made available to the United States from the heavy production of alcohol which the Cubans anticipate in 1944. However, much of the Cuban alcohol, which it has been contended will require the complete usage of all blackstrap molasses by the Cuban distilleries, is apparently scheduled for the production of beverage to be imported to the United States. This situation should be clarified when the current negotiations with Cuba for molasses and alcohol are concluded. Until then it seems unsafe to count on Cuban imports of alcohol of satisfactory quality.

REQUIREMENTS VS. SUPPLIES

Table IV compares total requirements with total production plus imports. The same comparison is shown by months in Appendix A.

TABLE IV

	<u>1942</u>	<u>1943</u>	<u>1944</u>
Requirements (from Table II)	226	433	632
Production (from Table III)	298	451	593
Surplus or Deficit (-)	72	18	-39

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In 1942 production exceeded consumption by 72 million gallons of which 64 million gallons went into government stocks. In 1943 production exceeded consumption by 18 million gallons. Government stocks increased about 16 million gallons, to a total of 80 million gallons. In 1944 the estimates of requirements and of supplies from presently assured facilities indicate a deficit of 39 million gallons, which would be made up by withdrawals from government stocks. The question of stocks and reserves is treated in the following section.

GOVERNMENT STOCKS

A government stockpile of industrial alcohol was started in the late spring of 1942, when the decision was made to build butadiene plants based upon alcohol. Government stocks had reached about 35 million gallons in October 1942, when the beverage distillers were started on the 100% industrial alcohol production program, and grew steadily to a peak of about 138,000,000 gallons at the end of July 1943. These stocks cover Defense Supplies Corporation alcohol in the United States and Canada, including tankpost terminals, and stocks at synthetic rubber plants, Ordnance Works, and Chemical Warfare Service arsenals. They have decreased since then at an average rate of over 10 million gallons per month, due to the heavy drains of the rubber program, supplemented by advanced shipments to Russia. At the end of 1943 the stocks stand at about 80 million gallons. Of this amount, at least 30 million gallons must be regarded as necessary working inventories at the synthetic rubber plants, the Ordnance and Chemical Warfare Service arsenals and the tankport terminals for foreign shipment. The balance, which is the true reserve stockpile, is therefore at the present time only 50 million gallons.

The total requirement for industrial alcohol will be slightly over 50 million gallons per month in 1944, and the direct government requirements for synthetic rubber, Lend-Lease and Direct Military are expected to average about 36 million gallons a month. It is thus evident that the present reserve of 50 million gallons is by no means excessive and that if stocks fall much below the present figure, the factor of safety against contingencies will be endangered. Since it seems likely that this may occur, it becomes imperative to secure maximum production from present facilities, to ensure against unnecessary usages of alcohol, and to approve new projects in an amount sufficient to protect against shortages which might impair the war effort.

RAW MATERIALS

The problem of production has become increasingly one of securing the proper raw materials. The curtailment of molasses imports from the Caribbean in the spring of 1942 was a serious blow to the production of the industrial plants on the East and Gulf Coasts. Surpluses of grain were in existence, and pressures were exerted to base extensive new production on grain. The Baruch Committee report states: "The Secretary of Agriculture has assured the Committee that no concern need be felt that the expansion of the butadiene from grain program will interfere with our food supplies." Within six months corn, the conventional and the most satisfactory grain for the distillers, was tight and by July 1943, it became necessary to forbid the use of corn for industrial alcohol. The losses in alcohol production, and also in the recovery of by-product feeds, which this prohibition entailed, have been serious. Some slight improvement has occurred recently when the concurrence of the War Food Administration was secured for using limited amounts of corn in December and in the first quarter of 1944. Meantime, however, the reports of War Food Administration on other grains have become increasingly pessimistic.

The raw material requirements for the industrial alcohol program are given in Table V, using assumptions as noted below.

TABLE V
RAW MATERIALS

	Raw Material			Alcohol Production		
	1942	1943	1944	1942	1943	1944
Synthetic	(Hydrocarbons)			50	56	60
Molasses - millions of gallons						
Pacific Coast	15	28	30	6	11	12
Caribbean	270	175	240	108	70	96
Grain - millions of bushels	53	120	170*	133	300	409

*May be 5% over or under, depending upon type of grain available.

Production from molasses could be proportionately greater if more molasses were available. The figures for 1944 are predicated on a total Caribbean molasses supply for industrial alcohol of 360 million gallons of blackstrap molasses and invert molasses, all expressed as blackstrap equivalent. Of this total, 60 million gallons will be needed for butyl alcohol, which is a critical commodity. It is now planned to start up the idle British alcohol plants, which use Caribbean molasses, because the tanker situation has become easier and because alcohol-producing facilities in the United States may prove inadequate to carry the full production load. When this is done, shipments of 24 million gallons of alcohol to Britain from the East Coast will be replaced by shipments of 40 million physical gallons of invert molasses from Cuba to Britain, equivalent to 50 million gallons of blackstrap molasses. The amount of Caribbean molasses left in the United States for alcohol production would therefore be 240 million gallons.

In the foregoing table on Raw Materials it is assumed that the British will be able to move the necessary invert molasses and produce 24 million gallons of alcohol in their plants which are now idle. If this proves to be impracticable, there will be 60 million additional gallons of blackstrap equivalent for United States plants, and grain usage would be about 10 million bushels less. However, in such an event it would probably be impossible to meet the Russian requests for additional alcohol because of inadequate plant capacity in the United States, or some domestic uses of high essentiality would have to suffer.

It had been hoped that much more molasses could be secured from the Caribbean in 1944 than the 360 million gallons of blackstrap equivalent estimated above. The primary reason for wanting more molasses is to save grain, since every 6 gallons of blackstrap or equivalent produces as much alcohol as can be secured from a bushel of grain. Secondary reasons are that the industrial alcohol plants on the Gulf Coast and East Coast are designed to use molasses and can operate at higher capacity and lower cost on molasses than they can on grain and that rail transportation of grain would be reduced.

Most of the molasses for alcohol is invert, which is produced by chemically "inverting" a concentrated solution containing all the sugar from the sugar cane. The War Production Board requested the production of invert from up to 1,500,000 short tons of sugar, but the War Food Administration felt that the interests of its sugar program would not permit this amount. Accordingly War Foods set a limit at 800,000 short tons. This was done with a full understanding that additional grain would be required for alcohol production. Eight hundred thousand short tons of sugar correspond to 200 million physical gallons of invert molasses or 300 million gallons of blackstrap equivalent.

True blackstrap molasses is a by-product of sugar manufacture. It is estimated that Cuba, Puerto Rico, and the Dominican Republic will produce about 230 million gallons in 1944, but that not more than 60 million will be available for importation to the United States because of the recent growth of the distilling industry in the Caribbean. How much of the product of these new distilleries will be satisfactory industrial alcohol and can be secured for our program is still very indefinite and alcohol from the Caribbean, therefore, is not included in the supply estimates.

The grain requirements for 1944, estimated at 170 million bushels, can easily vary 5% up or down with the type of raw material. The alcohol yields from a bushel of corn are over 10% greater than those from a bushel of wheat.

The importance of securing corn for the beverage distilling plants rests principally upon the greater capacity which can be secured. A 50-50 mixture of corn and wheat is conservatively estimated to permit 10% greater alcohol production than can be secured from wheat without corn in the average distillery. Incidentally, the production of high protein feed is at least 25% greater from a 50-50 mix than from wheat alone. These considerations explain our requests of the War Food Administration for the right to use more corn in view of the tightening alcohol situation.

It is pertinent to note that the alcohol reserves which were accumulated in 1942 and the first half of 1943 may fairly be regarded as a stockpile of grain, which had been processed in advance of alcohol needs in order to utilize existing processing facilities fully and reduce the necessity for immediate construction of much new plant capacity. If these reserves had not been accumulated, it would have been necessary to provide more new facilities, all of which would almost certainly have been grain-alcohol plants, to have insisted on high priorities for their construction against the competition of 100 octane and rubber, and to be using today more grain than is currently the case. In the long run, the early use of grain for alcohol may become a grain conservation measure if grain shortages are severe in the future, because the new facilities which may become necessary can be based on non-food materials.

NEW PLANTS

Some additional production facilities should be approved for the consummation of the alcohol program. If production develops as satisfactorily as estimated, and if requirements do not further expand, the amount of new facilities which are necessary merely to balance the program and to protect stock reserves against contingencies such as gas warfare should be small. It seems probable that the demands of the rubber program for alcohol in 1945 will be somewhat less than in 1944, if by that time the petroleum butadiene plants are able to carry the main burden of the rubber program.

It is evident, however, that even if requirements for alcohol are less in 1945 than in 1944, by far the largest share of the necessary alcohol must be derived from grain. The War Food Administration states that the livestock production program must be reduced if the alcohol program takes more than 120 million bushels of grain, and that such a reduction of livestock is not deemed to be advisable. The estimates of this report show that 170 million bushels of grain will be required for alcohol in 1944.

If the seriousness of the future grain situation warrants, new production facilities which do not require grain will be necessary for the primary purpose of conserving food. There are several types of production based upon non-food material which offer good prospects, although the plants will apparently be more expensive and will use more critical material than would grain alcohol plants of the same capacity.

Synthetic alcohol from petroleum gases appears to be the most certain method for securing considerable volumes of new production from non-food sources and will probably compare favorably in cost with any other method based upon a non-food raw material which offers any considerable opportunity for increased volume. Such production would probably be based on refinery gases or natural gases, which at present have only fuel value.

The practicability of producing alcohol from waste sulfite liquors from sulfite pulp mills has been demonstrated by the plant which was started at Thorold, Ontario last spring. Operations at this plant have been closely studied by our engineers and by our consultants in the Office of Production Research and Development, including Mr. J. A. Hall of the Forest Products Service of the Department of Agriculture. The potential production by this method is limited by the supplies of sulfite liquor at pulp mills, and it is variously estimated that not more than 30 to 40 million gallons annually could be secured if plants were erected at every location where a reasonable supply of waste liquor is available. One sulfite liquor project, for two million gallons annual capacity, has been recommended by the Chemicals Division, primarily as a hedge against grain shortages in 1945 and to secure additional experience in the event that further plants are required. The cost of this plant will be about 50% higher than that of a grain alcohol plant of the same capacity.

Alcohol can be produced from wood sugars which are secured by extraction from wood wastes of saw mills. Considerable pilot plant work has been carried out by the Office of Production Research and Development, and it is expected that a competent plant design and a specific project will be presented within a month. While the wood sugar process will probably require as much or more plant materials than the sulfite liquor process, it possesses the advantage that it could be developed to a much larger total production than is the case with sulfite liquor. More definite comment on this process should be reserved until the project is available for consideration, but it will probably be desirable to approve one plant in order that the process may be developed and demonstrated for future use if necessary.

A project for production of alcohol from inedible sweet potatoes grown in Florida is expected shortly. It is unlikely that any large amount of production can be secured in this way, but the particular proposal may prove attractive. Very minor projects are now under construction for producing small amounts of alcohol from a variety of cactus in Texas and from cull potatoes in Idaho. It does not appear that much expansion is practicable in either of these cases.

Another method for achieving the same result as could be obtained by new production is to lessen the alcohol requirements by constructing plants to make essential chemicals from other materials and to relieve thereby the burden on alcohol. Specifically, a plant which is being built in Texas for the manufacture of acetic acid from hydrocarbon gases should, when completed, reduce the requirement of alcohol for acetic acid. Several other projects which are designed to reduce alcohol requirements are under consideration. In the same category are proposals to improve the efficiency of operations which consume alcohol, such as the recovery of by-products from the alcohol-butadiene plants.

It will be noted that the prospects discussed above are designed to reduce demands on grain in 1945. If it should develop that grain will be plentiful, the quickest and most certain way for a marked increase in alcohol supply is from grain. Increases could be obtained by expansion of existing plants, and new plants could be constructed economically.

In general, it is anticipated that the cost of plants based on non-food raw materials can be kept below a figure of \$500,000 per million gallons of annual capacity, although this might be exceeded in the case of a trial plant on a new process. For comparison, the cost for a new grain alcohol plant with complete feed recovery is estimated at \$250,000 to \$300,000 per million annual gallons.

FEED RECOVERY PROGRAM

The shortage of high protein feeds for livestock, particularly in the East, makes it desirable to recover the feed values from distillery wastes. The Chemicals Division of the War Production Board sponsored a number of feed recovery facilities, and in June of 1943 the War Food Administration accepted the responsibility for sponsoring a large number of projects which were to be developed as a result of a joint investigation of the overall situation by War Foods and the Chemicals Division. A cooperative arrangement was worked out whereby the projects were subjected by the War Production Board to engineering appraisal and modification, were then passed to the War Food Administration for formal recommendation, and were finally returned to the Chemicals Division for processing and expediting through the War Production Board.

While this program is not strictly part of the alcohol production plans, it is so closely related to the alcohol problems that brief mention is included here. About 47 new projects have been approved at a cost of nearly \$15,000,000 and with an anticipated feed recovery of about 575,000 tons per year.

CONCLUSION

The alcohol program will be subject to heavy essential demands during most of 1944, which will practically liquidate the stocks reserved for contingencies unless production exceeds the present estimates or requirements do not materialize in full. Our predictions are necessarily uncertain because many factors are as yet not fully determined, such as Caribbean supplies, foreign commitments, availability of corn, completions of new plants and the possible maximum needs of the rubber program. A variation of only 10% in either total requirements or production would, over the course of a year, mean a deviation of 60 million gallons from our estimates of stocks at the end of 1944.

Some new facilities should be approved. The status of government stocks, changes in requirement and supply estimates, and the resolution of the above uncertainties must be followed closely to determine how much new plant construction should be authorized, either because of direct alcohol needs or because of prospective grain shortages in 1945.

The demands for alcohol may decrease late in 1944, allowing some reserves to be rebuilt in 1945, if then deemed necessary. However, if serious grain shortages are probable in 1945, it will be desirable to construct additional facilities designed specifically to reduce the grain requirements of the program.

Walter G. Whitman

January 3, 1944

PRODUCTION, REQUIREMENTS AND STOCKS
(Millions of gallons, as 190 proof)

-- 1942 --

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Total</u>
<u>PRODUCTION</u>													
Industrial alcohol plants													
Synthetic	4.3	3.8	4.2	4.2	4.5	4.3	4.4	4.1	3.9	4.0	4.0	4.0	49.7
Gulf	4.2	3.8	4.2	4.2	4.4	4.0	4.2	4.4	4.1	4.8	4.7	4.4	51.4
West Coast (Incl. wineries)	0.5	0.3	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.6	0.6	0.6	5.8
East Coast	10.9	9.3	8.6	5.0	3.1	3.8	5.5	6.0	3.9	2.7	2.9	2.6	64.3
Other Areas	0.1	0.2	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.6	0.7	0.5	4.6
Beverage Plants	5.1	4.8	5.5	6.3	7.4	8.6	8.7	9.7	10.4	14.8	19.7	19.5	120.5
Imports	-	-	-	-	-	-	-	-	0.1	0.2	0.4	0.5	1.2
Total	25.1	22.2	23.3	20.5	20.3	21.4	23.7	25.0	23.2	27.7	33.0	32.1	297.5
<u>REQUIREMENTS</u>													
Direct Military	2.8	3.2	3.3	3.3	3.5	4.4	4.6	5.4	5.4	5.5	5.2	4.9	51.5
Lend Lease	1.6	1.6	3.4	0.9	1.8	2.1	2.2	2.2	2.1	2.1	2.5	2.1	24.6
Indirect Military and Civilian	11.9	13.7	12.3	8.5	5.5	7.6	5.5	7.7	9.0	11.8	11.8	15.1	120.2
Anti-Freeze	2.9	1.9	3.0	3.0	2.7	2.7	2.6	3.2	2.0	2.2	2.1	1.7	29.5
Total	19.2	19.6	22.0	16.0	13.5	16.8	14.9	18.5	18.5	21.6	21.4	23.8	225.8
<u>GOVERNMENT STOCKS</u>													
Added this month		1.5	1.7	1.9	1.9	7.6	9.4	14.0	21.1	25.1	32.9	49.9	49.9
Balance end month	0.2	0.2			5.7	1.8	4.6	7.1	4.0	7.8	17.0	14.3	64.2
	1.5	1.7	1.9	7.6	9.4	14.0	21.1	25.1	32.9	49.9	64.2		

Appendix A - page 1

PRODUCTION, REQUIREMENTS AND STOCKS
(Millions of gallons, as 190 proof)

-- 1943 --

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
<u>PRODUCTION</u>													
Industrial alcohol plants													
Synthetic	4.1	3.9	4.1	4.7	4.9	5.3	5.0	4.2	4.8	5.2	4.9	5.1	56.2
Gulf	5.0	4.8	5.2	4.9	4.6	3.2	3.5	3.6	3.8	4.0	4.0	4.6	51.2
West Coast (Incl. wineries)	0.6	0.6	0.8	0.9	1.2	1.2	1.1	1.0	0.7	0.8	0.8	1.1	10.8
East Coast	3.2	3.0	4.3	4.7	5.0	4.8	5.6	6.2	7.5	8.4	9.5	12.5	74.7
Other areas	0.7	0.7	0.8	0.8	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.0	11.2
New plants	0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.9	1.0	5.2
Beverage plants	18.6	18.3	21.6	20.3	20.5	18.8	18.6	17.7	17.6	18.1	18.5	19.5	228.1
Imports	0.5	1.0	0.9	1.4	1.3	1.3	1.5	1.3	1.3	1.5	0.9	1.1	14.0
Total	32.8	32.4	37.9	38.0	38.8	35.9	36.7	35.4	37.3	39.7	40.6	45.9	451.4
<u>REQUIREMENTS</u>													
Direct Military	4.1	3.6	3.9	3.9	3.8	2.8	2.7	3.4	3.7	3.5	3.8	3.8	43.0
Lend Lease	1.9	0.1	2.4	8.1	3.6	7.6	2.6	5.7	7.5	3.5	11.1	13.8	67.9
Synthetic Rubber		0.8	1.9	4.3	6.9	6.6	7.9	13.6	16.4	22.0	22.4	24.2	127.0
Indirect Military and Civilian	11.2	10.7	11.4	11.4	12.6	11.6	12.6	12.4	13.6	12.5	13.0	13.4	146.4
Anti-Freeze	1.3	0.9	0.8	0.9	2.7	4.9	4.6	5.7	7.5	8.1	6.4	4.9	48.7
Total	18.5	16.1	20.4	28.6	29.6	33.5	30.4	40.8	48.7	49.6	56.7	60.1	433.0
<u>GOVERNMENT STOCKS</u>													
Added this month	64.2	78.2	94.0	110.4	118.8	128.4	132.7	137.5	129.9	119.7	110.0	93.9	
Balance end month	14.0	15.8	16.4	8.4	9.6	4.3	4.8	-7.6	-10.2	-9.7	-16.1	-14.2	
	78.2	94.0	110.4	118.8	128.4	132.7	137.5	129.9	119.7	110.0	93.9	79.7	

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PRODUCTION, REQUIREMENTS AND STOCKS
(Millions of gallons, as 190 proof)

-- 1944 --

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Total</u>
<u>PRODUCTION</u>													
Industrial alcohol plants													
Synthetic	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.0
Gulf	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	5.0	5.0	55.0
West Coast													
(Incl. wineries)	1.0	1.0	1.1	1.2	1.2	1.2	1.2	0.9	0.6	0.6	1.0	1.0	12.0
East Coast	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	150.0
Other areas	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0
New plants	1.5	2.5	3.5	4.5	5.0	5.5	5.5	6.0	6.0	6.7	6.7	6.7	60.1
Beverage plants	20.0	20.0	20.0	20.0	20.0	18.0	18.0	17.0	17.0	19.0	19.0	20.0	228.0
Imports	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	15.6
Total	46.8	47.8	48.9	50.0	50.5	49.0	49.0	48.2	47.9	50.6	51.5	52.5	592.7
<u>REQUIREMENTS</u>													
Direct Military	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	48.0
Lend Lease	3.8	3.8	3.8	3.8	3.9	3.9	6.0	6.0	6.0	6.0	6.0	6.0	59.0
Synthetic Rubber	27.4	27.4	27.4	27.8	27.8	27.8	27.0	27.0	27.0	27.0	27.0	27.0	327.6
Indirect Military and Civilian	13.8	13.7	13.8	13.7	13.8	13.7	13.8	13.7	13.8	13.7	13.8	13.7	165.0
Anti-Freeze	1.0	1.0	1.0	2.0	3.0	3.0	4.0	5.0	5.0	4.0	2.0	1.0	32.0
Total	50.0	49.9	50.0	51.3	52.5	52.4	54.8	55.7	55.8	54.7	52.8	51.7	631.6
<u>GOVERNMENT STOCKS</u>													
Added this month	79.7	76.5	74.4	73.3	72.0	70.0	66.6	60.8	53.3	45.4	41.3	40.0	
Balance end month	-3.2	-2.1	-1.1	-1.3	-2.0	-3.4	-5.8	-7.5	-7.9	-4.1	-1.3	0.8	
	76.5	74.4	73.3	72.0	70.0	66.6	60.8	53.3	45.4	41.3	40.0	40.8	

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Appendix B - page 1

END USE BREAKDOWN OF INDIRECT MILITARY AND CIVILIAN ALCOHOL CONSUMPTION
(Percentage of Total Indirect Military and Civilian)

	<u>%</u>
1. <u>PROTECTIVE COATINGS</u>	
Ethyl Acetate	5.9
Nitrocellulose (dissolving and diluent)	5.7
Shellac	3.6
Butyl Acetate	2.86
Other Ethyl Esters	1.65
Nitrocellulose (dehydration)	1.4
Butyl Alcohol	1.4
Miscellaneous Solvent Uses	1.25
Isopropyl Acetate	0.4
Amyl Acetate	0.2
Metallic Acetates	-----
Total	24.4
2. <u>PLASTICS</u>	
Synthetic Plastics and Resins	6.2
Cellulose Acetate and Butyrate Plastics	2.1
Vinyl Acetate	1.5
Diocetyl Phthalate Plasticizers	1.2
Nitrocellulose (dehydration)	0.6
Other Ethyl Esters	0.6
Miscellaneous Plasticizers	0.6
Propionate Plastics	-----
Total	12.8
3. <u>TEXTILES</u>	
Acetate Rayon	6.9
Military Protective Clothing	2.85
Textile Processing	1.65
Dyes and Intermediates	0.9
Hydrosulfites	0.25
Miscellaneous	<u>0.05</u>
Total	12.6
4. <u>TETRAETHYL LEAD</u>	
Ethyl Chloride	9.6
Ethylene Dibromide	<u>2.2</u>
Total	11.8

Appendix B - page 2

	<u>%</u>
5. <u>PUBLIC HEALTH</u>	
Drugs and Pharmaceuticals	2.4
Basic Medicinal Chemicals	1.7
Military Protective Salves	0.9
Ether	0.6
Sulfa Drugs	0.6
Aspirin	0.5
Atabrine	0.2
Other Pharmaceuticals	0.2
Rubbing Alcohol (Prescription Only)	0.2
Biologicals	<u>0.2</u>
Total	7.5
6. <u>FOOD</u>	
Vinegar	3.6
Flavoring Extracts	0.5
Mould Preservative	0.3
Food Products	0.1
Miscellaneous	0.1
Candy Glazes	<u>0.1</u>
Total	4.6
7. <u>EXPLOSIVES</u>	
Ether	1.75
Explosives	0.6
Fulminate of Mercury	0.5
Pentaerithritol	0.4
Dibutyl Phthalate	0.3
Miscellaneous	<u>0.3</u>
Total	3.6
8. <u>ALL OTHER USES</u>	
Small orders certified by consumers as coming within quotas authorized by War Production Board	4.5
Small orders exempt from use limitation	2.0
Toiletries, cosmetics, oral antiseptics, mouth washes, tooth cleaners, cleaning and polishing preparations	2.0
All Other Uses	14.2
(Including butadiene pilot plant (0.8%), denaturants (0.7%), adhesives (0.6%), ore flotation (0.5%), inks (0.3%), brake fluids, cutting oils, photographic materials, Etc.)	<u>14.2</u>
GRAND TOTAL	100.0%

Appendix G

WAR PRODUCTION BOARD

PART 3283—CHEMICALS

[Allocation Order M-30, as Amended Nov. 24, 1943]

ETHYL ALCOHOL

§ 3283.66 Allocation Order M-30—

(a) **Definitions.** (1) "Ethyl alcohol" means the product of that name, from whatever source derived. The term includes mixtures of ethyl alcohol and denaturants, including the product known as "proprietary solvent." The term does not include beverage alcohol.

(2) "Beverage alcohol" means ethyl alcohol produced for beverage purposes or ethyl alcohol tax paid and withdrawn for beverage purposes.

(3) "Producer" means any person engaged in the production of ethyl alcohol and includes any importer and any person who has ethyl alcohol produced for him pursuant to toll agreement.

(4) "Distributor" means any person who has purchased or purchased ethyl alcohol for purposes of resale.

(5) "Supplier" means a producer or distributor.

(b) **General restrictions on deliveries and use.** (1) No person shall accept delivery of ethyl alcohol from a supplier except in accordance with the procedure established by paragraph (c) or except upon specific written authorization of the War Production Board issued on application made pursuant to paragraph (d).

(2) No supplier shall deliver any ethyl alcohol except against a certificate furnished him under paragraph (e) or except upon specific written authorization of the War Production Board issued on application made by the supplier under paragraph (f).

(3) No supplier shall use any ethyl alcohol except upon specific written authorization of the War Production Board issued on application made by him under paragraph (d).

(c) **Acceptance of certain deliveries of 7900 gallons or less per quarter.** Any person may without specific written authorization of War Production Board accept delivery in any calendar quarter from all sources or not more than 7900 gallons of ethyl alcohol, subject to two conditions. The first condition is that he shall have furnished to each supplier from whom he obtains delivery a certificate substantially in the form set forth in Appendix C. The second condition is that the aggregate amount re-

ceived (in no case in excess of 7900 gallons) must be within the following additional quantity limitations:

(1) Where the purpose for which delivery is requested is the manufacture of any of the following products, the quantity received in any calendar quarter shall not (without specific written authorization) exceed 100% of the quantity used for the same purpose in the corresponding calendar quarter of the 12-month period ended June 30, 1941:

Adhesives.
Agricultural poisons.
Brake fluids.
Cutting oils.
Drugs and pharmaceuticals (not including rubbing alcohol or products specifically listed in paragraphs (c) (3) or (c) (4)).
Embalming fluids.
Food products (except candy glasses, pectin and vinegar).
Laboratory and experimental.
Photographic materials (including photo engraving).
Natural shellac or shellac substitute.
All other products not classified in paragraphs (c) (3) to (c) (6) inclusive.

(2) Where the purpose is the manufacture of any of the following products, the quantity received in any calendar quarter shall not (without specific written authorization) exceed 50% of the quantity used for the same purpose in the corresponding calendar quarter of the 12-month period ended June 30, 1941:

Candy glasses.
Cleaning and polishing preparations (including shoe and floor polishes).
Deodorant sprays (non-body).
Tooth cleaning preparations.
Witch hazel.
All toiletries and cosmetics including but not limited to:
Bay rum.
Body deodorants.
Face and hand creams and lotions.
Hair and scalp preparations.
Perfums and perfume materials, tinctures and fixatives.
Shampoos.
Toilet soaps (including shaving cream).
Toilet waters.

However, any person who purchased ethyl alcohol prior to July 1, 1943 in quantities not exceeding 163 gallons per quarter for the manufacture of toiletries and cosmetics, may continue to purchase not more than 163 gallons of ethyl alcohol per calendar quarter for such purposes.

For the purposes of this paragraph (c) (2) all toiletry and cosmetic uses of ethyl alcohol shall be considered as a whole, and the use during the base period of ethyl alcohol in the manufacture of a particular toiletry or cosmetic product may be used to support the acceptance of delivery for use in the manufacture of a different toiletry or cosmetic product. For example, ethyl alcohol used in the manufacture of toilet waters during the base period would support the receipt of ethyl alcohol for the manufacture of after-shave lotions containing ethyl alcohol.

(3) Where the purpose is the manufacture of one of the following products, the quantity received in any calendar quarter shall not (without specific written authorization) exceed 60% of the quantity used for the same purpose in the corresponding calendar quarter of the 12-month period ended June 30, 1941:

Antiseptics for oral uses (including Antiseptic Solution N. F.).
Mouth washes.

(4) Where the purpose is the manufacture of any of the following products, there shall be no further limitation on the quantity received (beyond the requirement that only 7900 gallons may be accepted in a calendar quarter):

Acetaldehyde.
Acetic acid (except vinegar for food use).
Basic medicinal chemicals not in compound form.
Biological preparations.
Butadiene.
Diethylamine.
Dyes and intermediates (manufacture of).
Ethers.
Ethyl acetate.
Ethyl chloride.
Other ethyl esters.
Ethylene dibromide.
Ethylene gas.
Ethylene oxide.
Explosives (military and industrial).
Flotation reagents.
Fulminate of mercury.
Glycerols.
Hydroxylites.
Natural shellac (dissolving).
Nitrocellulose (dehydration).
Nitrocellulose (dissolving and as a diluent).
Pectin.
Plastics and synthetic resins (manufacture of).
Styrene.
Xanthates.

(5) Where the purpose is the manufacture of one of the following products,

the quantity received in any calendar quarter shall not (without specific written authorization) exceed 110% of the quantity used for the same purpose in the corresponding calendar quarter of the 12-month period ended June 30, 1941.

Flavoring extracts.

(4) Where the purpose is the manufacture of any rubbing alcohol compound or preparation, the quantity received in any calendar quarter shall not (without specific written authorization) exceed 15% of the quantity used for the same purpose in the corresponding calendar quarter of the 12-month period ended June 30, 1941.

(5) Where the purpose is not the manufacture of other products but resale as ethyl alcohol, specific written authorization of War Production Board shall in every case be obtained, whatever the quantity, except as provided in (c) (4).

(6) Specific written authorization of War Production Board shall not be required for, and no limitation based on past use shall be applicable to, the acceptance of delivery by any person in any calendar quarter from all sources of not more than:

(i) 972 gallons of proprietary solvent for any purpose; or

(ii) 972 gallons of completely denatured alcohol for any purpose; or

(iii) 182 gallons of specially denatured alcohol, or 182 gallons of pure alcohol for any purpose other than the manufacture of rubbing alcohol compound or preparation or the manufacture of toiletries and cosmetics.

(d) Acceptance of deliveries (and use by suppliers) upon specific authorization. Each person seeking specific authorization to accept delivery of ethyl alcohol during any calendar quarter, whether for his own consumption or resale (and such supplier requiring authorization to use ethyl alcohol in any calendar quarter) shall file application therefor on or before the 15th day of the last month of the preceding quarter. The application will be made on Form WFB-2945 (formerly FD-600) in the manner set forth in the general instructions appearing on that form, subject to the special instructions appearing in Appendix A to this order. If there is any inconsistency between the general and special instructions, the special instructions must be followed.

(e) Certain deliveries by suppliers of 7500 gallons or less per quarter. (1) A supplier may without specific authorization of the War Production Board deliver to any person who has filed with him a certificate substantially in the form set forth in Appendix C, the quantity of ethyl alcohol in no case more than 7500 gallons in any calendar quarter) which such person is entitled to receive under one of the paragraphs (c) (1) to (c) (8) inclusive.

(2) A supplier may without such certificate and without authorization deliver

not more than 182 gallons in any calendar quarter to any hospital or scientific institution holding a permit issued by the Bureau of Internal Revenue permitting it to acquire undenatured alcohol tax free.

(3) A supplier must not deliver ethyl alcohol where he knows or has reason to believe that the certificate is false, but in the absence of such knowledge or reason to believe he may rely upon it.

(4) If War Production Board issues written directions to suppliers reducing the quantity of ethyl alcohol which may be delivered pursuant to paragraph (e) (1), suppliers will ratably reduce all orders for ethyl alcohol from customers wishing it for the same class of use.

(f) Deliveries by suppliers upon specific authorization. Each supplier requiring specific authorization to deliver ethyl alcohol during any calendar quarter shall file application on or before the 15th day of the last month of the preceding quarter. The application will be made on Form WFB-2947 (formerly FD-602) in the manner set forth in the general instructions appearing on that form, subject to the special instructions appearing in Appendix B. If there is any inconsistency between the general and special instructions, the special instructions must be followed.

(g) Special authorizations and directions. (1) Authorizations and directions with respect to delivery to be made of accepted in each calendar quarter (and with respect to use by suppliers in each calendar quarter) will generally be issued by War Production Board prior to the beginning of such quarter, but War Production Board may at any time in its discretion and notwithstanding the provisions of paragraphs (c) (1) to (c) (8) inclusive issue directions to any person with respect to:

(1) Use, delivery or acceptance of delivery of ethyl alcohol.

(2) Production of ethyl alcohol, including raw materials which may be used.

(3) War Production Board may issue to suppliers and other persons, other and different instructions with respect to the preparation or filling of Form WFB-2947 (formerly FD-602) and Form WFB-2948 (formerly FD-600).

(4) Special restrictions—rubbing alcohol, anti-freeze, beverage use. (1) No person shall deliver ethyl alcohol or any compound or preparation containing ethyl alcohol for use as rubbing alcohol or for the manufacture of any rubbing alcohol compound or preparation: Provided, That this restriction shall not prevent deliveries to:

(A) A hospital or scientific institution holding a permit issued by the Bureau of Internal Revenue permitting it to receive undenatured alcohol tax free.

(B) Licensed physicians, dentists and veterinarians.

(C) The holders of written prescriptions or orders of licensed physicians, dentists and veterinarians.

(D) A wholesale or retail druggist, for resale in accordance with this paragraph (c) (1) only.

(v) A manufacturer of any alcohol compound or preparation, or a packager or bottler of any alcohol compound or preparation, (b) exceeding the amounts prescribed in paragraph (e) (1) hereof, in accordance with this paragraph (1) only.

(2) The restrictions of this order shall govern delivery of ethyl alcohol to and acceptance of delivery of ethyl alcohol by any person for use in the manufacture of anti-freeze preparations, in that event:

(A) Any person may deliver or accept delivery of completed anti-freeze preparations containing ethyl alcohol to and from specific authorizations in that order;

(B) Nothing contained in this order shall be construed to permit the manufacture, delivery or acceptance of delivery of any anti-freeze preparation in violation of § 1100.1. Limitation (Type L-51, as from time to time amended).

(3) No person shall deliver or accept delivery of ethyl alcohol or any compound or preparation containing ethyl alcohol for use, whether in its true state or after rectification or other treatment, for beverage purposes.

(4) Special provisions—inventory and allocations. (1) Ethyl alcohol allocated for inventory shall not be used except as specifically authorized or directed in writing by War Production Board.

(2) Ethyl alcohol allocated to fill a specified order or class of orders shall, where and to the extent that such order or class of orders is for any reason not filled, revert to inventory as though originally allocated thereto.

(3) Transactions outside the United States. This order does not apply to deliveries of ethyl alcohol which are both made and received outside of the forty-eight states and the District of Columbia, or to the use of ethyl alcohol outside such states and District, but the import of ethyl alcohol shall be subject to the provisions hereof.

(4) Miscellaneous provisions—(1) Applicability of regulations. This order and all transactions affected hereby are subject to all applicable regulations of War Production Board, as amended from time to time.

(2) Forms. Forms WFB-2945 and WFB-2947, provided for in paragraph (d) and (f) have been approved by the Bureau of the Budget, in accordance with the Federal Reports Act of 1942.

(3) Violations. Any person who willfully violates any provision of this order, or who, in connection with this order, willfully conceals a material fact or furnishes false information to any department or agency of the United States is guilty of a crime, and upon conviction may be punished by fine or imprisonment. In addition, any such person may be prohibited from making or obtaining further deliveries of, or from processing or using, material under priority control and may be deprived of priorities and status.

(4) Communications to War Production Board. All reports required by the Board hereunder, and all communications concerning this order, shall, unless otherwise directed, be addressed to: War Production Board, Chemicals Division, Washington 25, D. C.; Ref: M-38.

Issued this 24th day of November, 1941.

WAR PRODUCTION BOARD,
By J. JOSEPH WENZEL,
Recording Secretary.

Appendix A—Special Instructions on Suppliers' Form WFB 2945 (Formerly FD-600)

(1) Obtaining forms. Form WFB 2945 (formerly FD-600) may be obtained at local field office of the War Production Board.

(2) Number of copies. Prepare an original and four copies. File the original and two copies with War Production Board, Chemicals Division, Washington 25, D. C.; Ref: M-38. file one copy with each supplier with whom an order is placed, and retain the final copy for four months.

(3) Information at top of page. In the heading, under "Name of chemical," specify "Ethyl alcohol," under "WFB Order No.," specify "M-38," under "Product name," specify "wine gallons." In space following heading "Name of supplier with whom this order is placed," state name of usual supplier and also specify his shipping point, if known.

(4) In heading at top of Tables I, II, and III, specify "quarter" for "month" and specify particular quarter and year; for example, "third quarter, 1941."

(5) Proof. In columns 1, II and 2, specify proof, whether pure or denatured, and if denatured, the formula number.

(6) Primary product. In column 3, applicant will specify his primary product in terms of the following:

- Antiseptics.
- Acetic acid (except vinegar for food use).
- Alcohols.
- Agricultural solvents.
- Antiseptics for oral use.
- Basic medicinal chemicals not in compounded form.
- Biological preparations.
- Bleach fluids.
- Butadiene.
- Candy glasses.
- Coating and painting preparations (specify).
- Cutting oils.
- Deodorant sprays (non-body).
- Dehydrating.
- Drugs and pharmaceuticals (other than rubbing alcohol and other products mentioned in this paragraph specifically listed).
- Dyes and intermediates (manufacturers not).
- Emulsifying fluids.
- Ethyl acetate.
- Ethyl chloride.
- Other ethyl esters.
- Ethylene diamine.
- Ethylene gas.
- Ethylene oxide.
- Explosives (specify whether military or industrial).
- Flavoring extracts.
- Flotation reagents.
- Food products (except candy glasses, pectin and vinegar).
- Fluorides of mercury.
- Glycerol.
- Hydrochloric.
- Laboratory and experimental.
- Mouth washes (other than antiseptics).
- Processing (dehydration).
- Styrolololams (dissolving and as a diluent).
- Pectin.
- Photographic materials (including photo engraving).
- Paints.
- Special natural or synthetic resins (manufacture of).

(7) Product and use. In column 4, specify the product and use of the ethyl alcohol, and specify whether the product is to be used in the manufacture of a primary product, or in the manufacture of a secondary product. In column 5, specify the quantity of ethyl alcohol to be delivered in each calendar quarter.

(8) Primary product. In column 3, applicant will specify his primary product in terms of the following:

(1) Obtaining forms. Form WFB 2947 (formerly FD-602) may be obtained at local field office of the War Production Board.

(2) Number of copies. Prepare an original and three copies. File the original and two copies with War Production Board, Chemicals Division, Washington 25, D. C.; Ref: M-38, retaining the third copy for four months.

(3) Information at top of page. In the heading under "Name of chemical," specify "Ethyl alcohol," under "WFB Order No.," specify "M-38," under "Product name," specify "wine gallons." In space following heading "Name of supplier with whom this order is placed," state name of usual supplier and also specify his shipping point, if known.

(4) In heading "This alcohol is for delivery to be made during the month/quarter ending _____ 1941," state only "month" and "year" to which the application relates.

(5) Listing of customers. In column 1, use the name of each customer from whom you have received a Form WFB 2945 (formerly FD-600), reporting a delivery in the applicable quarter. Do not list names of customers who have not filed with you Form WFB-2945. It is not necessary to use more than one sheet to list the customers, unless such sheet is prepared for customers whose Form WFB 2945 shows that they propose to receive not more than 7,500 gallons.

(6) Primary product and use. It is not necessary to show primary product or use with respect to a customer who has filed with you a Form WFB 2945 (formerly FD-600). Instead, in column 3-4, specify the name of each such customer, under "WFB 2945."

(7) Other orders to be shipped according to use. In column 1, the applicant must specify the name of customer to whom he proposes to deliver in the applicable quarter, pursuant to paragraph (4) (1) of this order, but will indicate show the total quantity of ethyl alcohol for which he has received orders for delivery in each quarter.

(8) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(9) Prepared and used for the same purpose as your Form. Whenever possible, the ethyl alcohol with application may be used for the same purpose as the specific product in the purchase order to which it is related.

(10) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(11) Prepared and used for the same purpose as your Form. Whenever possible, the ethyl alcohol with application may be used for the same purpose as the specific product in the purchase order to which it is related.

(12) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(13) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(14) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(15) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(16) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(17) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(18) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(19) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(20) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

(21) The serial number shall be signed by the applicant, or an authorized official of the applicant, and shall be entered in the appropriate space.

AT:E:DEA

MAR 17 1944

My dear Senator:

This is with further reference to your communication of December 20, 1943, attaching a letter from Mr. John A. Boykin, Solicitor General, Atlanta Judicial District, Atlanta, Georgia, relative to the sale of misbranded liquor at above ceiling prices, particularly in the dry counties of the State of Georgia.

You were advised under date of December 23, 1943, that the principal objective of the Solicitor General was undoubtedly to find a means of preventing wholesale liquor dealers in wet counties from channeling substantial quantities of taxpaid distilled spirits into the black market. It was suggested, inasmuch as the Bureau of Internal Revenue, through the Alcohol Tax Unit, was assisting the Office of Price Administration in suppressing black market operations in distilled spirits, that the Department might be of some assistance in solving this problem.

I am now glad to advise you that investigations conducted by the Alcohol Tax Unit reveal that 10 of the 24 wholesale liquor dealers in the State of Georgia were engaged in black market operations. Cases have been perfected against these wholesalers and suspension proceedings instituted under the Federal Alcohol Administration Act, and are being prepared for criminal prosecution.

The success of the Department in controlling the black market in the State of Georgia, and the country as a whole, is indicated by the fact that

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state tax payments in Georgia, stated in wine gallons, decreased from an average of 268,000 gallons for the months of October, November, and December 1943 to 134,600 gallons and 84,100 gallons for the months of January and February 1944, respectively. This would indicate that more than 50 per cent of the liquor shipped into the State of Georgia in the last few months of 1943 was purchased in the black market.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Walter F. George,
United States Senate.

March 17, 1944 84
11:33 a.m.

HMJr: Hello.

Operator: Mr. Nelson is out. They expect him in a half hour.

HMJr: Who is there?

Operator: Just a moment. (Pause) Miss Kaufman is on the line.

HMJr: Who?

Operator: Miss Kaufman.

HMJr: Yes.

Operator: Will you talk with her?

HMJr: Yeah.

Operator: Miss Kaufman, go ahead.

HMJr: Hello, Miss Kaufman.

Esther Kaufman: Yes, sir.

HMJr: This is Mr. Morgenthau.

K: Yes, sir.

HMJr: We had a pretty good meeting this morning on this beverage situation and I am asking two of Mr. Nelson's people whether they wouldn't come back on Tuesday at three o'clock, when they have had a chance to study this further in the light of what developed and I wondered if, by any chance, Mr. Nelson could come himself. Will you put that up to him? .

K: I will, Mr. Secretary. I believe the War Production Board will meet on that date, but I'll check with....

HMJr: Is that the day they meet -- on Tuesday?

K: On Tuesday afternoon, yes, sir.

HMJr: Oh - Oh. Well, now, let me see a minute. I don't want to put this off too far. Wait a minute. Oh, Boy! Well, what is Mr. Nelson doing at nine o'clock Tuesday morning?

K: I'll check on that immediately. Just a moment, Mr. Secretary. (Pause)

HMJr: Hello.

K: That seems to be clear on Tuesday at nine.

HMJr: Well, I'll ask his people, when they get back to check -- this is Miss Kaufman?

K: Yes, sir.

HMJr: Well, I'll tell them to check with you. And I'll make it tentatively for nine. Is that all right?

K: Tentatively for nine.

HMJr: Right.

K: On Tuesday morning.

HMJr: Right.

K: Thank you very much.

HMJr: Thank you.

K: Bye.

March 17, 1944
4:14 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

General Hershey: General Hershey.

HMJr: General.

H: Yes, sir.

HMJr: I'm awfully glad I had the chance to talk to you at lunch.

H: Yes, sir.

HMJr: I mean, all Hell broke loose at Cabinet on this very subject.

H: Oh, yes.

HMJr: And I wrote the President a little note and suggested that before he decided anything, he should see you.

H: Yes, sir.

HMJr: And I think you'll get a call any time.

H: All right, sir.

HMJr: And....

H: Well, I appreciate what you did, sir.

HMJr: Well, let me ask you this -- because I didn't want him to make up his mind -- McNutt kept saying over and over again that he could issue you a directive but he didn't want to work that way.

H: Well, personally, I don't think that's true but I have never argued with him because we've had enough argument. I -- the Congress weren't very clear on that law.

HMJr:

Yes.

H:

In fact, the Congress, at first, was so anxious to switch the thing over that they unfortunately wrote the original act in which they gave certain powers to the Director of Selective Service. I, personally, didn't think it was wise and, in a small way, contributed, I think, to taking out the "Director of Selective Service" and putting in "President". But then when we got into the House, the House insisted that the word "only" be put in and the power of the President to delegate his authority, which, of course, was aimed at Mr. McNutt. Now, I had nothing to do with it. I'm just reflecting what Congress did, and so the Act now reads that the President may delegate his power only to the Director of Selective Service.

HMJr:

Yeah.

H:

Now, of course, there are some of them argue something about the Second War Powers Act, but the Congress in this same Act said that regardless of any other law -- and they said in their report that they were aiming at the Second War Powers Act -- this -- this law went. And at the time the President issued his Executive Order, he transferred the Selective Service out of the Manpower Commission and we struggled with the Executive Order with Mr. McNutt and with Coy -- Mr. Coy -- and we wrote in the order itself, which transferred the authority, complete transfer. And then in paragraph two, we put in there that the Director of Selective Service should confer with the Chairman of War Manpower Commission on matters that affected his job -- that is -- the chairman of the War Manpower Commission.

HMJr:

Yeah.

H:

But I don't feel that -- first of all, I have no questions about what the Congress intended, although, personally, I don't like to make a point of it -- I want to get along.

HMJr:

Yes.

H:

But on the other hand, the Congress requires me to make a report to it....

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- HMJr: Yes.
- H:to its two Committees every month. I -- I've got a congressional responsibility that, unfortunately, I can't share with anybody.
- HMJr: Well, for my personal guidance only....
- H: Yes, sir.
- HMJr:McNutt kept repeating over and over again, the President would have to decide who should give you the orders.
- H: Yes.
- HMJr: That that rested with the President.....
- H: Yes.
- HMJr:and he'd have to decide.
- H: Yes.
- HMJr: Well, now, that was the point -- the President had to decide -- one man had to decide this thing and then that person would issue the orders. Of course, McNutt said he'd like to have it but he wasn't reaching for it and so forth and so on.
- H: Uh huh. He's talking about another thing there. I don't know whether he made it clear to the President -- what ~~he~~ he's talking about now is who in industry....
- HMJr: That's right. --
- H:is going to say what's important because, obviously, if the -- if I don't take the advice, if they have some, of what's right to keep the people in industry, the President ought to fire me and would.
- HMJr: Well, now, let me ask you this: if it wasn't McNutt, who else could it be?
- H: Well, the only thing they can do -- one of two things -- they could, and that's, of course, about the way they have done -- the Army has asked for the people that worked for the Army....

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HMJr: Yes.

H:and for their contractors; the Navy for the ones that they contracted. Now....

HMJr: Who do they ask that of?

H: What's that?

HMJr: Who do they ask that of?

H: They ask of us.

HMJr: Of you direct?

H: That's right. And whether W.P.B. or W.M.C. takes care of coal, the railroads and a number of these activities that are not direct contract -- with contract with the Government -- that's the big question.

HMJr: Well, may I say this? The thing has never been made clear to the President.

H: Yes.

HMJr: You see? He -- he can't decide whether -- who under twenty-six should be left in industry and who shouldn't.

H: No.

HMJr: Hello?

H: Yes.

HMJr: Somebody has got to decide that for him.

H: That's right.

HMJr: McNutt wants to be that person.

H: Yes.

HMJr: I'm not trying to say what's right or wrong....

H: Well....

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HMJr:but I'm trying to tell you -- in the meantime, it's got to -- the thing that I do want you to think about, and this is my interest -- that out of this thing -- and that's what I wrote in my memorandum to the President -- you can show him how, towards the public, the President can be shown as doing a good job on this thing. See?

H: Yes. That....

HMJr: The way it is now....

H: I have one difficulty in making a recommendation -- the President, I think very wisely, two -- a year ago -- two years ago this spring....

HMJr: Yeah.

H:formed a Manpower Commission....

HMJr: Yeah.

H:composed of the operating agencies primarily concerned with manpower.

HMJr: Yeah.

H: But it degenerated, unfortunately, instead of being a meeting of equals who laid things on the table and thrashed them out, it merely became a thing that happened once or twice every month where they got together and listened to some rather -- reports that some staff got together that didn't mean anything.

HMJr: (Laughs)

H: That's being a little bit frank, but the Manpower Commission, if it hadn't gotten off to where it would, is the ideal place because there the War, Navy and the other people that have got large numbers of employees like O.T.D. -- oh, the O.D.T. -- meet and should get around the Board and say, "Well, now, how many shall we give and how many shall we let go?" I, personally, don't want to have to decide to whether the War Department has ten thousand or twenty thousand. I think....

HMJr: Now, look, General....

H: Yes.

HMJr:don't be so general with me.

H: Yes.

HMJr: If you were asked a question....

H: Yes.

HMJr:by the President....

H: Yes.

HMJr:or by me for my -- as to who's going to decide this....

H: Yes. Well....

HMJr:forget personalities, who do you think is the person that should do it?

H: Well, the -- unfortunately, the Congress has said that I've got to decide it ultimately. Now, who asks of me is a -- is a thing that I've got....

HMJr: Well, in....

H:very definite ideas....

HMJr:other words. Well, who?

H: I have an idea that we ought to take about the group that's been together -- the Army, the Navy, the War Production Board, the O.D.T....

HMJr: Yes.

H:and maybe one or two others and get right around the Board and decide that -- unfortunately, you've got to have somebody sit as chairman of that that can handle it. (Laughs) Maybe, sir, you -- I'm not so sure.

HMJr: No.

H: Well, what I mean is somebody has got to have enough rank that they don't run it....

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HMJr: Aw....

H: Mr. Knox, in the last three days, we got -- we got quite a lot of things done.

HMJr: Well, I mean, Knox and McNutt were practically -- were calling each other liars.

H: Sure.

HMJr: I -- my -- don't misunderstand me.

H: Yes.

HMJr: When I get in these things, I want the President to get the breaks.

H: That's right.

HMJr: I'm not thinking about myself.

H: I do. I want him and I want the War....

HMJr: Yeah.

H: And I don't see the War tied up.

HMJr: Well, that goes hand and hand.

H: Right.

HMJr: As Commander-in-Chief, I mean....

H: Sure.

HMJr:I want him to -- not to be undermined.

H: That's right.

HMJr: And all of this stuff that -- of course, I want the Army and the Navy to get first what they need.

H: That's right.

HMJr: But after all, he is Commander-in-Chief and it seems to me right now he is being double-crossed right and left, and I'm putting my money on you when you go over there to talk to him as frankly as you do to me.

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H: Oh, well, I'll try to. Of course, one of the difficulties he's got, sir, is this -- the War Production Board or the War Manpower Commission got themselves in a rather artificial job. In other words, one reason why they're fighting so hard now is that the people are crowding in from the sides and taking what belongs to them and they haven't anything left because they didn't have anything but a liaison job to do in the first place.

HMJr: Well, look.

H: Yes.

HMJr: If, after you've seen him....

H: Yes, sir.

HMJr:and if you're free to tell me what's happened,...

H: Yes, sir.

HMJr:I would like to know.

H: Well, I'll be glad to.

HMJr: Right.

H: And I hope that I don't fail the confidence you've put in me, but I'll do my damndest.

HMJr: Well, it needs it.

H: Yes.

HMJr: Thank you.

H: Yes, sir.

HMJr: Thank you.

March 17, 1944
4:40 p.m.

JEWISH EVACUATION

Present: Mr. Pehle
Mrs. Klotz

MR. PEHLE: Are you tired?

H.M.JR: Yes. I warned you.

MR. PEHLE: I have a long list.

H.M.JR: No, don't; all I want to know is--the message I got was that you wanted to talk with me before I talked with Stettinius. I can't do all of this.

MR. PEHLE: All right. Do you want to hear about my talk with Baruch?

H.M.JR: I would like to. This will be a selective thing. Aren't you going to tell me where Billy Rose took you?

MR. PEHLE: He didn't take me any place. I took a plane to get there and save time. We got outside LaGuardia Airport at eleven forty-four, and it was fog-bound, so they sent us out over Coney Island to circle around in the fog for fifteen or twenty minutes, half an hour, three-quarters of an hour. It was an hour and fifteen minutes we were circling. So I got in. I beat train time fifteen minutes by taking the plane.

Anyhow, I had a good talk with Baruch. He had Herbert Bayard Swope with him, who is very good on this, and who talks very frankly. He, as you know, is with the War Department, and spends about two or three days a week down there.

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H.M.JR: I know more about him than you do.

MR. PEHLE: I am sure you do.

H.M.JR: He is a very canny gent. He also is one of the very large stockholders in the Columbia Broadcasting Company.

MR. PEHLE: He is a very forceful sort of person, I think.

Baruch didn't say very much. I talked to him reasonably frankly, and Swope talked a great deal. He talked, for instance, about this matter that I read once in a while about in Drew Pearson's column, this attempt that was made to get the War Department to make a statement many months ago which would have sealed the way on the Jewish question for the duration, and would, in effect, make it subversive to talk about the problem. There was a letter which General Strong, Wallace Murray, and Hoskin - those two from State came over to the War Department with--

MRS. KLOTZ: Isn't that the same thing that you stopped?

MR. PEHLE: I think it is.

H.M.JR: Oh, no, the thing I was talking about was a joint letter on Palestine.

MR. PEHLE: I think this must be the same thing. He talked rather elliptically.

H.M.JR: That is the thing I stopped.

MRS. KLOTZ: That was the beginning of it.

MR. PEHLE: It went to Stimson; he was away, and Patterson had it.

H.M.JR: All right.

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MR. PEHLE: Baruch said that his feeling was that there was just one man who could do anything on these things, and that was the President. He said he sort of smelled there was something wrong, and he couldn't quite put his finger on it. He couldn't understand it, because he said he felt the President thought--

H.M.JR: If and when I go to see the President, I will ask him why he hasn't given out that statement. He will say, "Where is it?" I should have a corrected copy of it to take with me.

MR. PEHLE: I will get that, unless Rosenman changed it after I saw it.

H.M.JR: Let me have the last one you have.

I know the President will say, "Where is it?"

And then the other thing, Mrs. Klotz to have a letter on the President's stationery which I may or may not use, depending upon making Pehle full director, see. Just let me have that.

MR. PEHLE: We will get out something.

MRS. KLOTZ: O.K.

H.M.JR: I would like to have it the first thing in the morning. I know he won't see me before noon, if he sees me then.

MR. PEHLE: Baruch said he couldn't understand it because he knew the President was right on these things. He felt that the President's political future might be involved in these things, and it might make a difference in New York State, for example.

H.M.JR: Baruch speaking?

MR. PEHLE: Baruch speaking.

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He said that he now understood that the problem was there--at least he felt the problem was there--and he said that he didn't think the problem was Judge Rosenman, because he felt that the President would only ask for Rosenman's advice if he wanted that kind of advice. If he didn't want that kind, he would ask somebody else's advice.

He didn't say he was going to see the President, but he as much as said he was going to.

H.M.JR: He suspected somebody around the President?

MR. PEHLE: He seemed to feel there was something wrong, and he couldn't put his finger on it. He said he thought that these things couldn't be settled down the line, that the question was what the President wanted to do. He felt that he had a great deal of influence with Mr. Churchill.

H.M.JR: That is correct.

MR. PEHLE: He said as a matter of fact, point blank, that he was closer to Churchill than any other man in the world. It is a little broad, but in any event, he thought he had a great deal of influence, and he felt that Churchill was very good on these things. He had heard Churchill and the President discussing some of them, and he knew Churchill was very good on them. Therefore, he couldn't understand why everything that could be done wasn't being done.

MRS. KLOTZ: That is very good.

H.M.JR: I am enjoying your undertone. It is like a broadcast with music! (Mrs. Klotz)

MR. PEHLE: He seemed to be the sort of person that likes to reduce something to a very simple proposition, and the simple proposition he felt--and he kept repeating it--was that the whole question to the situation was the President, and that is where it was. He said he would think it over and decide what he wanted to do and what

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other people did was their own business. He said also that he might talk to you about it.

H.M.JR: Did he say anything one way or the other about me?

MR. PEHLE: No, except he said he knew you had taken a very strong stand in these things.

H.M.JR: Now, there is one other thing. I may be able to let you walk home with me, and you can talk my ear off.

Did you know--I will put it another way: When Stettinius told Myron Taylor that Morgenthau was annoyed at Pell and didn't want Pell to do anything more about it, did Stettinius do that under his own steam, or was he needed into saying that?

MR. PEHLE: As far as I can tell--

H.M.JR: As far as you and your gang are concerned--

MR. PEHLE: As far as I can tell, Stettinius did that before he talked to anybody over here. The meeting with Taylor was one afternoon. When I got in the next morning Stettinius had called me three times; and when I finally talked to him, he said he had given Pell hell in the State Department, and it was important that I let you know, because he had taken the position that you and I were mad about it.

H.M.JR: You see, this is what happened: You read my conversation?

MR. PEHLE: Yes, I did. I see what has happened.

H.M.JR: What has happened is, the boys asked me, and I am not willing to go all out, because you can't tell in this business, but there is not only nothing to be accomplished, but a lot of harm can be done by telling Mr. Taylor, who doesn't know anything about this thing,

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who has taken his time and his money and is trying to do what he can--then Stettinius called him up and said, "Worgenthau says from now on Pell is not going to have anything to do with this thing." See?

Now, the thing that I think happened--this is my guess--is that Stettinius lost his temper at Pell, you see, and went off half-cocked; then he got frightened because Pell is Taylor's assistant--and he can't afford to antagonize Taylor, so he blamed it on me.

MR. PEHLE: I don't doubt it. Stettinius has shown a great deal of weakness on this, Mr. Secretary.

H.M.JR: He said, "What am I going to do? Taylor is going to give me hell."

MRS. KLOTZ: He dragged you in and blamed you.

H.M.JR: I had him up at the house.

Now, when Taylor sent for me about this, I said, "Mr. Taylor, there is something wrong here. I am not going to see Stettinius. I am just going to tell Stettinius, 'Look, I am not going to take this. You have to square this thing. You won't see Mr. Taylor; the President ordered you to. I had to see him. Taylor asked, "Where is Stettinius?" Now, I don't care how you square this. You did some wiggling in; now you wiggle out.'"

It is unnecessary to affront Mr. Taylor, and I don't think we should, for the sake of the work. Mr. Taylor can be very useful. I am going to put it up to Stettinius on a friendly basis. I can't make a liar out of him, you see, but the thing is in suspense.

MR. PEHLE: It troubles me for you now--I agree he did it because he was a weak man; but if he feels that you are not going to be willing to stand up on that, even though it is unfair, Mr. Secretary, if he feels--let me just tell you what he said today. I saw Stettinius this afternoon.

H.M.JR: I am not going to make any promises.

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MR. PEHLE: Oh, no.

MRS. KLOTZ: You still have to work with Stettinius.

H.M.JR: Yes.

MR. PEHLE: I told him I was very sorry he was going; we were going to have a very rough time when he was away, because I knew these people in the State Department were going to jump as soon as he was gone. I said, "It is going to be very difficult, because, who are we going to go to over in the State Department?"

He said, "Well, keep in mind that Mr. Hull does not want Secretary Morgenthau going to the President and saying that the State Department isn't cooperating. If things get really tough, you and Secretary Morgenthau can go over and see Mr. Hull."

H.M.JR: See whom?

MR. PEHLE: Mr. Hull.

And tell him, in effect, that unless things improve you will have to go to the President. In other words, he is now showing what you said before, and that is that he isn't as strong as he should be and he is going to rest on whatever strength he can get out of you. But if you pull that away from him, and he feels that you are not willing to take the dirty work--and it is dirty--he--

H.M.JR: Here is the point--and I am not going to argue about it. You will have to leave it to me.

MR. PEHLE: Certainly.

H.M.JR: I don't know how I will feel at the time, see. But I don't want to be a part of a lie. It always catches up with you. I can't throw Stettinius to the dogs, but I don't want to be part of a lie.

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MRS. KLOTZ: He knows.

H.M.JR: Now, you just have to leave this to me.

MR. PEHLE: You just wanted my views; I am giving you my views.

H.M.JR: I know, but the thing just burns me. If I don't see him for a day or two, the thing will burn out.

MR. PEHLE: With Stettinius, you probably will.

H.M.JR: I said to Taylor, "I just don't understand it." But, for instance, all that mess of cables that didn't go--did you talk to Stettinius about that?

MR. PEHLE: Most of them have gone now. It was a question of long delays.

H.M.JR: Did he get them off?

MR. PEHLE: No, no, we got them off.

H.M.JR: Mr. Taylor said that Stettinius should be here until the end of the month. Is that wrong?

MR. PEHLE: I should say it was wrong. Stettinius indicated to me he would just be here for a few days, and he was going to pay you a courtesy call before he left.

H.M.JR: He had better. (Laughter)

Now, another thing, I didn't want to dampen you; I wanted you to be enthusiastic. Here is an idea which may not be worth anything, but you have been looking for somebody who would pull these things through the State Department. What is the name of this man with Baruch?

MR. PEHLE: Swope.

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H.M.JR: He has all the nerve in the world. Now, there is the first fellow. You know you have been asking me, see? There is the first fellow that I would consider.

MR. PEHLE: You mean to be an Assistant Secretary of State? That is what it really ought to be, you see.

H.M.JR: No, the fellow who would be a battering ram.

MR. PEHLE: I don't think we are in a position to--

H.M.JR: The day isn't long enough for me. If-- when Stettinius goes, I will just go over and see Hull, or I will do it at this meeting. I will say, "Look, Cordell, now we have looked at Stettinius; he has been wonderful. Now what?" He will say, "Who?" He will look to me and say, "Who? Isn't there anybody in the whole organization that you could mention?"

MR. PEHLE: In the organization?

H.M.JR: Donald Hiss? What about Donald Hiss?

MR. PEHLE: Hiss would be much better than Warren.

H.M.JR: It will be Acheson nominally, but Donald Hiss actually.

MR. PEHLE: I don't want Acheson. I would be disturbed by Acheson in this thing.

H.M.JR: You know the way Mr. Hull always does, "All right, Henry, whom do you want?"

MR. PEHLE: I don't think there is any way to cure that.

H.M.JR: That isn't practical.

MR. PEHLE: But it is a given situation, Mr. Secretary.

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H.M.JR: I won't do it.

MR. PEHLE: No, we will have to do it. I will have to go over myself and fight it through.

H.M.JR: No, but while you fail and while Stettinius is gone, you should have somebody designated by Stettinius. Who is it going to be?

MR. PEHLE: He hasn't designated anybody. He says we will have to fight it out with Hull. I think the thing to do is to have Stettinius in here and we can talk it out.

H.M.JR: I did that six weeks ago.

MR. PEHLE: You don't have to tell me. If I could run the State Department, that would be fine.

H.M.JR: What is the name of his secretary?

MR. PEHLE: Raynor. He would be much better.

MRS. KLOTZ: There was another man over there in the State Department that they wouldn't give up.

MR. PEHLE: Taft? He hasn't turned out to be so good.

H.M.JR: What about Raynor?

MR. PEHLE: Raynor would be pretty good. You see, the thing is, Mr. Secretary, you can't replace a man of stature in the Department by somebody down the line. You see, really--

H.M.JR: Don't give me all the reasons why. Somebody should be given this responsibility for two or three months while Stettinius is gone. There should be somebody over there.

MRS. KLOTZ: How about Hickerson? He is supposed to be so wonderful.

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H.M.JR: Purely Canada.

Where were the letters from White? I asked White to write me two letters. Ask him. He was to give me a letter to Hull and one to Hickerson.

MRS. KLOTZ: Maybe he was waiting to get in here with them.

H.M.JR: No, I told him to give them to you.

Anyway, how much more do you have?

MR. PEHLE: Quite a bit.

H.M.JR: Could you do it if you walk?

MR. PEHLE: Yes, sir, sure.

H.M.JR: Get your hat.



TREASURY DEPARTMENT

WASHINGTON

March 17, 1944

People attending ^{Lucreton} meeting with the Secretary, March 22nd. Wed

D. W. Bell

Ted R. Gamble

Harold Wood

Walter W. Head

Frank N. Isbey

W. Randolph Burgess

G. Ruhland Rebmann, Jr.

F. Winchester Denio

Eugene Pulliam

Henslow Sherer

E. B. Hall

Nevil Ford

Phil J. Trounstone

Franklin D'Olier

Horace Corbin

Secretary Morgenthau

*Fred Smith**Hees**Viner*

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT

WAR FINANCE COMMITTEE

101 Federal Building
Albuquerque, New Mexico
March 17, 1944



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

Dear Mr. Morgenthau:

I appreciate very much having your good letter of March 9th. As I stated just now in a letter to Ted Gamble, when the Fourth War Loan Drive first started, we thought it would be the toughest job we had had. When it was all finished, it had been the easiest job we had had because of the care we had taken in selecting our county organizations throughout the state.

When the announcement came over the radio and in the press dispatches of the tortures that had been inflicted by the Japs on American prisoners, I dictated a letter to Mr. Gamble and finally decided not to send it, advising him that I thought it was a serious mistake to publicize such news, here in New Mexico particularly. Whereas it is entirely natural for a mother to worry each night as she retires about whether her boy is warm and comfortable and well-fed, her worry following these disclosures became a certainty that he was not only uncomfortable in almost every respect but that he was being mistreated. Even though my viewpoint is still the same as it was when I wrote the letter, I decided that the information had already been given publicity and that it would do no good to criticize. You know, of course, that there were a great many New Mexico men on Bataan and on Corregidor and our people here were for that reason particularly vulnerable to the worries that could be caused by revelations of that kind.

You have had an immense job there in Washington since the times we spent together at the Farm Credit Administration in 1933. Very few people in the country have had bigger jobs than yours but mighty few of them have performed them as well. We will continue to do our best here in New Mexico to make your worries about this state as small as possible.

With best personal wishes, I am,

Sincerely yours,

Cale W. Carson
Cale W. Carson
State Chairman

HDM

MEMORANDUM FOR THE SECRETARY

March 17, 1944

Mail Report

Although March 15 did not bring as heavy tax mail as might have been expected, there was a decided step-up in the week's receipts. Requests for refunds, for extension of the filing period, and for advice in reporting income, form the greater part of the correspondence. Eighteen completed copies of Form 1040 or 1040-a were sent directly to the Secretary, some accompanied by payments and some by bitter comments. A few citizens supplied fragmentary information and asked that their forms be made out for them. Now and then a correspondent requested that a refund due him be kept for the prosecution of the war. There were also ideas for refunding overpayments in the form of War Bonds.

The crowds that congested many Internal Revenue Offices led several observers to suggest that filing dates be staggered on an alphabetical basis. The wave of Collier's editorials sent to the Secretary, in accordance with the suggestion contained in that magazine, reached its crest on Monday and subsided so quickly that the week's total was only seventy. In addition to the editorial there were a dozen or more letters demanding simplification, as against two or three that spoke favorably of the tax forms.

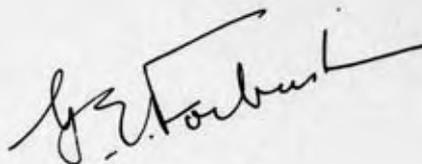
Much of the heavy bond mail concerned series called for redemption. The bond mail as a whole was routine. Last week's low record for complaints was lowered even further this week with a total of sixteen, half of which came from the personnel of the War Department. The number of bonds received here for redemption fell from eighty to seventy.

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Memorandum for the Secretary.

March 17, 1944

In the miscellaneous mail the only innovation was a campaign, apparently initiated and pushed by a few prominent women of the country, to have a woman representative at the United Nations Conference on Military Affairs. The same names appear as suggestions in practically all the letters.

A handwritten signature in cursive script, appearing to read "G. S. Fortbank". The signature is written in dark ink and is slanted upwards to the right.

General Comments

Charles A. Bradbury, Detroit 16, Mich. May I thank you for the citation sent to me one year ago. Please add to donations #6866 and #13419, \$275.00, for which, please find check enclosed herewith. I am too old for the part I would like to play for my country, meaning fight; but I can work, buy bonds and do a few other things that I hope may be of some help in our fight.* * *

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Favorable Comments on Bonds

Miss Grace L. H. Smith, Richmond 23, Va. Last September I got a Stamp (Defense) Book packed in some old papers for the Mill. I thought the Gov. was the only place to try for it and I haven't had time to decently present the facts. I work all the time for the Defense. It may not be such high-toned labor, but it is essential. I collect paper, rags, junk of all kinds and did get 40 lbs. of old rubber just out of alleys. I have turned in well over a thousand lbs. of grease. I bring the fat home from Laster's Market and try it out myself -- it takes me many times until three and four o'clock in the morning and all day Sunday. All the fat and rags, junk and such I get ten cent stamps with. I bought three extra E Bonds for the Fourth Drive. I have \$7 on another. It takes all my time working and I couldn't write before about the book. I needed only \$4.40 to finish it. I phoned the Mill and they said they had washed the paper the day I brought it over and I am sure no one got the book. If you can give me a duplicate book minus \$4.40 I surely will appreciate it. Only satisfaction I got was the boys got the bullets. I have no one in service. I'm the last of our family and I am 72. If you can replace my lost book I surely will appreciate it and I'm not trying to chisel a book out of the Gov. or telling any falsehoods. I am sure the book was washed up O.K. just as the Mill said. I've dealt with them 20 years and never found them anything but perfectly honest and square. * * *

Favorable Comments on Taxation

Lawrence de Newfield, Dovesborough, Upper Nyack, New York. Here's one bouquet for you to take away that odor of dead cats. I have just completed my income tax on Form 1040 and, although I don't like the result in dollars and cents, I should like to congratulate your Department on the simplicity of the form they have worked out and on the very clear instructions that go with it. Following it line by line, the new form -- it seems to me -- makes tax calculation more simple than in previous years. Frankly, it wasn't until I studied the form that I could understand what the hell last year's tax law was all about. That's my only gripe. If you'd gotten this Form 1040 out last December, I could have understood the tax law then instead of now. That would have saved me a sizeable penalty. * * *

J. N. Sokohl, General Agent, The Midland Mutual Life Insurance Company, Philadelphia, Pa. Yesterday I had occasion to call up the Internal Revenue Bureau for information. I was transferred to the proper person very quickly, received very courteously, and obtained intelligent and accurate information. I was delighted with this experience. Since I have occasion to secure information from Insurance Companies, I was very much pleased that the speed and accuracy of the Internal Revenue Department compared most favorably, and, in fact, was better than obtaining information in other large organizations. I am writing you this letter because I read so much in the newspapers that is critical of government agencies. I am sure that it is nice for any citizen to pass on pleasant experiences. * * *

Alexander S. Sandor, New York, N. Y. As the enclosed tax return will show instead of me owing "Uncle Sam" for 1943, he owes me \$5.52, as I haven't earned enough so that I would be taxed. Honorable Sir! I am respectfully offering this money to the Treasury Department. While I didn't earn even the minimum taxable amount in 1943, I got by, having both

of my sons in the Army and a wife in the war industry to help me. I am 62 years old now and can do very little to contribute for Victory. But what I CAN do I am very happy to do. Despite the fact that my income was very little I was very happy in the United States in the year of 1943 and I just don't feel that I should ACCEPT money from "Uncle Sam" at times like these. Neither do I want it credited to my 1944 estimated tax as -- since I have suffered a severe heart attack last year -- I can work but very little, so chances are I won't reach the minimum in 1944. Please use this money for whatever you may see fit, just so it'll help the war effort and help the Treasury in financing the war. * * *

Unfavorable Comments on Taxation

Thomas L. Golden, Montevideo, Minn. Before the dead line appears, I wish to inform you that I won't be able to meet my income tax at the present time, which amounts to \$62.48. Therefore, I wish an extension of three months without penalty. The reason I am asking you to do this is that I have other serious obligations to meet, which concern my wife and new-born baby.

A. L. H. Verwys, Grand Rapids, Mich. I wish to bring to your attention a condition I have run into with the Detroit Branch of the Internal Revenue Service, in the matter of using some Series B-1943 and Series C-1954 Tax Anticipation Bonds, in payment of my income tax. I have Series B, No. B-31816 and B-31817 in \$500 denomination and C-142635, 36, 37 and 38 in \$1000 denomination. These were purchased in good faith with the intention of using them for paying my personal income tax. When the withholding tax went into effect the quarterly payments were less than the amount of the bonds and the Collector of Internal Revenue at Detroit, Michigan, refused to accept them for that reason. I then tried to cash the bonds through the Federal Reserve Bank of Chicago and was told that since they were being used for purposes other than intended, I would lose the interest on them, even though the bonds had come to maturity. I then tried applying the bonds to the aggregate amount of the tax of several members of my family and this was refused. * * * On my final return for 1943 the tax liability was \$942.82. I sent in two \$500 bonds valued with accrued interest at \$1009.60, making an overpayment of \$66.80. I expected, of course, that this would be applied on 1944 tax. However, I now have a letter from the Collector of Internal Revenue in which I am advised that regulations do not permit acceptance of Treasury Notes in excess of the tax due. One bond was returned and they request that I send a check for \$438. This puts a penalty on me for having

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bought Tax Anticipation Bonds and I do not believe this was the intention of the Department and it is for this reason I am writing for a clearer declaration. The bonds have matured and pay no more interest and yet, if my tax payments happen to be less than \$500, I am forced to hold the bonds. I believe I should be permitted to cash the bonds with interest when they mature or at least to exchange them for bonds of smaller denominations in order that they may eventually be used in payment of my income tax. * * *

Dorothy Dakin, The Hillcrest, Pullman, Washington. Early in 1942 I paid the amount of \$241.34, my total tax for the year 1941. On October 14, 1943, I received a letter stating that I had overpaid my tax to the amount of \$29.09. Enclosed was a check for that amount, plus interest, which I cashed. In December, 1943, I received a form statement to the effect that I had underpaid my 1941 tax to the amount of \$29.09 and was liable, not only for this amount, but also for interest at six percent. In my reply, I recounted the circumstances and stated that, of course, I was willing to pay the tax, but as the error was made in the Office of the Collector of Internal Revenue that I did not consider myself liable for interest. The Seattle Office replied that as far as it was concerned the case was closed and if I had any objections to make them to the Tacoma Office. Accordingly, I wrote the Tacoma Office, but received no reply. Some time after that I received a form statement that I must pay the tax plus interest by a certain date. I again wrote the Tacoma Office and again received no reply. Shortly before the deadline I sent my check for the principal, with a letter explaining why I had not sent the interest. I received no reply. A few days ago I received a form statement to the effect that I must pay the interest (and interest on the interest) within a period of ten days or suffer several dire consequences. I have, of course, sent my check for the amount, as the sum involved is not worth legal procedures. * * * I have advocated the program presented by your office

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to the Congress. I am gratified that our Senators from Washington voted to uphold the President's veto of the inadequate tax bill passed by Congress. But I believe, also, that we taxpayers -- who are, as I said, for the most part both honest and patriotic -- deserve consideration from our local and federal officers.

George Edelman, Newark 5, N. J. (Enclosing clipping re refund). I have a pretty good refund coming, and I feel if one man can get his refund, I think and hope that you will send me mine so I can put it to good use. Mr. Morgenthau, I hope you will give this your earliest attention, and favor me with the refund. They had told me at the Revenue Office it amounted to \$84.46 and my S.S. No. is 107-09-4845, so I promise you if you will send me the refund, I will put it to good use. Thanking you for what you will do for me.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

March 17, 1944 ^{DATE}

TO Secretary Morgenthau
Herbert Gaston
FROM Randolph Paul

The attached note from the President, accompanied by a copy of a letter to him from Speaker Rayburn, was sent to you and to the Attorney General for "joint recommendation and the preparation of a reply". At the same time, we received a similar note respecting a recommendation from Senator Glass in connection with one of the coming vacancies in the Tax Court of the United States.

By an informal arrangement with the office of the Attorney General, we handled the letter respecting the Tax Court vacancy, and the Attorney General prepared a letter for the signature of the President addressed to Speaker Rayburn in connection with the vacancy on the Court of Customs and Patent Appeals.

Unless you disagree, I see no necessity for our doing anything about the President's note accompanying Speaker Rayburn's letter.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 3/16/44

TO Mr. Gaston
FROM Randolph Paul

When Mr. O'Connell and I came back from your office I called Mr. Carusi with reference to the attached letter from Sam Rayburn to the President recommending Fritz Lanham for an anticipated vacancy on the Court of Customs and Patent Appeals.

I told Carusi that they could feel that this appointment was their concern just as the appointment to the Tax Court was our concern, and that we would treat this case the same as they had treated ours.

Mr. Carusi informed me that the Attorney General had already sent a letter to the President for transmittal to Rayburn stating "I have your letter recommending Fritz Lanham for appointment to the Court of Customs and Patent Appeals. I, too, have heard that one of the judges expects soon to retire. I intend to talk to the Attorney General about this as soon as I get a chance."

In view of the above, do you think it necessary that the Secretary send a memo to the President expressing no interest?

RP
Mr Paul
no'ing

THE WHITE HOUSE
WASHINGTON

March 14, 1944

MEMORANDUM FOR

THE ATTORNEY GENERAL
THE SECRETARY OF THE TREASURY ✓

FOR JOINT RECOMMENDATION AND
PREPARATION OF REPLY.

F.D.R.

COPY

THE SPEAKER'S ROOMS
House of Representatives, U. S.
Washington, D.C.

March 10, 1944

Honorable Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mr. President:

I desire to reiterate in this letter my recommendation of the Honorable Fritz Lanham for an anticipated vacancy on the Court of Customs and Patent Appeals.

Mr. Lanham for years has been a member of the Committee on Patents in the House of Representatives and I think no man knows more about the subject than he. I commend him to you because I think he would make an outstanding judge on this Court.

Sincerely yours,

(Signed) SAM RAYBURN

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

AM

DATE
March 17, 1944

TO Secretary Morgenthau
FROM Mr. O'Connell

In an address on the floor of the House, Representative Dewey of Illinois criticized the plan for the stabilization of international exchange. He stated that he was shocked to note an article in the previous evening's edition of the Washington Star which stated that the Allies are near accord on a post-war fund to stabilize exchange; that the Congress has been disturbed in learning indirectly of agreements being made with the governments of United Nations which may commit the citizens of the United States to expenditures and responsibilities which they may not be inclined to accept; that he believed Congress should serve notice on the governments of all friendly nations that the fact remains that all war legislation will terminate with the cessation of hostilities; that the United States must stand by its legal commitments but everyone should know that, particularly in matters of finance, the sole authority rests in Congress; that the Treasury and Keynes plan provides a type of bureaucratic control of the economic destinies of the nations of the world; that there is even a provision that, should the United States find itself in a position of exporting more goods than it imports, the fund may bring pressure on this Government to change the value of its currency and lower tariff rates so that stabilization may be maintained; and that in the distant future, this country may find it advantageous to enter into some international agreement, but that the millenium has not yet been reached.

Representative Dewey further stated that full accord has not been reached between the United Nations as to post-war frontiers or aspirations and inquired whether it was advisable at this time to invest in an international bank when many questions of policy are impossible of solution today and would be difficult to solve for a number of years to come. He asserted that he believed each case should stand on its own feet; that the problems of each country

- 2 -

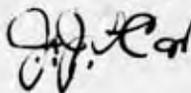
will be different; that some central organization should be set up under the control of our Government whose officials could work out ways to restore the economic life of the particular country; and that any other plan is unsound and will bring as few favorable results as trying to lift one's self by one's boot straps. (A1421-22)

Representative Knutson asserted that it would be shocking for this Administration to enter into fast and binding agreements without at least doing the courtesy of advising Congress in advance.

Representative Gossett stated that he sympathized with the views expressed by the other two Representatives, but asserted that the two-thirds vote requirement for ratification of treaties is an obstacle to Congressional expression.

Representative Smith of Ohio announced that he had completed a second study of the international exchange plan which he expected to present to the House next Wednesday. He also asserted that the paper which he would present at that time would clearly demonstrate that the alleged capital formation of the Keynes-Morgenthau scheme is a fraud. (2717)

You are already familiar with the substance of the things said by Dewey and Knutson, but may wish to have this more extensive report for your files.



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE

TO Mr. J. W. Pehle

March 17, 1944

FROM Ward Stewart

Subject: Mrs. Kathryn C. Cohn

Mrs. Cohn was appointed Information Specialist, War Refugee Board, CAF-11, \$3800 per annum plus overtime, as of March 1, 1944.

Mrs. Cohn has not held full-time employment since July, 1942, at which time she left the United States Housing Authority on maternity leave. She came to Mr. Lesser's office with a brief informal note from Judge Jerome Frank to Mr. Randolph Paul, but I do not know whether the note was ever delivered. Mr. Lesser referred her to my office and I referred her to several other staff members, following which Miss Hodel recommended her for appointment to assist Mr. Pollock.

I had known Mrs. Cohn when we were both employed at the USHA in 1938-40. I know enough about her to say that she is an intelligent young woman who writes very well and has strong liberal leanings with a yen to do something about them. Most of her working experience prior to her appointment with the USHA was with the WPA Federal Writers' Project, first in Little Rock, Arkansas, and then in Washington. Much of my contact with her at the Housing Authority was in connection with union negotiations, since she was at that time an active member of the CIO government employees' union and I think still maintains an interest in and connection with that group. I happen to know that while at the Housing Authority she wrote the great majority of Mr. Nathan Straus' speeches for him.

Her references include the following persons who are well known for their strong liberal views: Jacob Baker, formerly president of the United Federal Workers of America; Lieutenant Morris Miller, formerly of the USHA and the firm of Dempsey-Koplovitz, now in the Coast Guard; Coleman Woodbury, Deputy Administrator of the National Housing Agency; Judge Jerome Frank; and Leon Keyserling, General Counsel, National Housing Agency.

In my judgment, Mrs. Cohn is a bright girl who can make a definite contribution to the work of the War Refugee Board.

Ward Stewart
Assistant Executive Director
(Management)

C
O
P
Y

The Germans are now sending shipload of food from Northern Italy to Greece in a Swedish ship plying between Venice and Piraeus under British safe conduct the FEA reported.

These shipments, FEA said, are in compensation for Greek food the Germans "have consumed or are consuming themselves."

3/17--RM1010A

~~_____~~

cc -- Miss Chauncey (for the Sec'y) Abrahamson, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Murphy, Paul, Pehle, Pollak, Raines, Standish, Stewart, H. D. White.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Representative, Algiers
TO: Secretary of State, Washington
DATED: March 17, 1944
NUMBER: 868

CONFIDENTIAL

Reference is made to my despatch of February 23, No. 122. A note has been received by me from the Commissioner for Foreign Affairs which refers to my aide memoire of February 5 and, in substance states in translation "that the French Committee of National Liberation fully associates itself with the views of the President of the United States and that it is inspired by the most earnest desire to cooperate in their realization to the fullest degree allowed by the necessarily limited facilities of which it disposes at the present time.

The above note was in the mail on March 13 when I called upon Massigli and left a further aide memoire in which I referred to the President's recent instructions concerning refugees and the determination of our Government to do everything possible to effect their speedy rescue and relief and expressed our hope for cooperative action on the part of the French Committee. I suggested the appropriateness of the Committee's issuance of a declaration of policy similar to that made by the President as well as the issuance of appropriate instructions by the Commissariat for Foreign Affairs to its representative abroad. I was assured by Massigli that sympathetic consideration would be given to these suggestions and that any action which the French authorities might decide to take would be communicated to me as soon as possible.

CHAPIN

FMH - 569

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (SC00)

Algiers

Dated March 17, 1944

Rec'd 11:08 a.m., 18th

Secretary of State,
Washington.

876, March 17, 10 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN WAR REFUGEE
BOARD NO. 3

Admission 484 applicants for Fedhala discussed with French today. Thirty were objected to on security grounds which of course we will not press further. Some question was raised as to additional 116 on grounds that they were not refugees, having come to Spain prior to 1933. This group includes a few persons from Chile, Argentina and other countries. Major portion however should be classed as stateless since most of them are Jews who left Turkey or Greece at time of 1921 population exchange, when neither Turks or Greeks would accept them. They moved to Spain because of their Spanish ancestry which dates back to expulsion in 1492. No question was raised as to Sephardic Jews as such unless they were included in group mentioned above. 415 additional applications should arrive from Spain within a few days and will be promptly screened. After that we will discuss admission of this second group and again take up pre-1933 group as to which French have not finally decided to refuse admission. No problem other than that discussed above and security is anticipated in connection with admission of second group. See Madrid's 108 to Algiers for Beckelman and Fryer which was repeated to the Department.

Sent to the Department as 876, repeated to Madrid as 65.

CHAPIN

WFS

No. 1490

AMERICAN CONSULATE GENERAL

Toronto, 1, Canada, March 17, 1944.

SUBJECT: War Refugee Board.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to the Department's circular airgram dated January 26, 1944, to the Embassy at Ottawa, concerning the establishment of a War Refugee Board for the relief of the Jews in Europe and other victims of enemy persecution, and to state that inasmuch as immigration policies and controls are under the Dominion Central Government the Consulate General is in a position to report only on certain local aspects of the matter.

The Jewish Immigrant Aid Society is the only large society represented at Toronto generally interested in assisting Jews who desire to migrate to Canada. The head office of this organization in Canada is at Montreal. While no specific cases of discrimination against Jews in the matter of immigration have been brought to the attention of the Consulate General, the local representative of the Jewish Immigrant Aid Society, with whom this office has had a lengthy conference, left the impression that, in his opinion, Canadian restrictive immigration policy was more rigidly enforced in the cases of persons of Jewish extraction than in the case of any other known race that can be admitted into this Dominion. He also intimated that his head office at Montreal could supply case histories of Jews refused admission into the Dominion for purely technical reasons or without a reasonable explanation of the reason for the refusals. In support of his contention, this representative of the Jewish Immigrant Aid Society provided the Consulate General with the following excerpt from Professor Watson Thomson's "I Accuse", which, he states, sums up in a nut shell how small a Jewish refugee's chances are of receiving a "permit":

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

- 2 -

Excerpt from Professor Watson Thomson's "I Accuse"."What Canada Actually Does

Few citizens of Canada have any clear idea of Canada's immigration policy as expressed by the Dominion legislation on the subject and the regulations and practices of the Immigration Branch (a branch, for some obscure reason, of the Department of Mines and Resources). Our first task in this chapter is to examine some of these official barriers which have to be crossed before any immigrants or refugees can enter Canada. We need to study this to learn how hard is the way of the refugee.

In the first place, be it noted that, since World War I, the declared purpose of Canada's immigration legislation has been not to admit immigrants (which specified exceptions) but to exclude (with specified exceptions). Following closely the trends of American policy, this 'keep out' attitude also reflects the mood of nationalistic restriction and fear which pervaded the whole Western world increasingly in the period between the two great wars."

"Canada's Racial Principles

Secondly, Canada's immigration policy is admittedly based upon 'racial principles' - exactly those racial principles expressed most elaborately and emphatically in Nazism! The 1941 Report of the Immigration Branch admits: 'Canada, in accordance with a generally accepted practice, places greater emphasis upon race and upon citizenship.' The Administrative Regulations of the Immigration Branch refer to three groups of non-British European immigrants. The first is the 'Preferred Group' which includes citizens of Iceland, Denmark, Sweden, Norway, Finland, Germany, France, Holland, Belgium, Luxembourg and Switzerland. This is obviously the good 'Nordic Group', though Finns seem to have crept in by mistake. They have the same freedom from immigration restrictions as British subjects, except that they do not benefit from special arrangements with the transportation companies by which passenger fares are reduced.

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The second 'Non-preferred Group' includes citizens of Austria, Hungary, Czechoslovakia, Yugoslavia, Poland, Rumania, Lithuania, Latvia and Esthonia. Of that group only farmers, farm-laborers, domestic servants and the immediate relatives of persons already resident in Canada may be admitted.

The third group has no name but points a finger of special disapproval at all immigrants from Greece, Italy, Bulgaria, Armenia, Syria and Turkey and all Jews, no matter what their citizenship, except those born within the British Empire. These may not be admitted at all, except by special permit (which may or may not be granted) for each individual case by the Immigration Branch. The examination of this clause above gives striking insight into the weird mysteries of the official mind. One of our Axis enemies, you will note belongs to the 'Preferred Group'; the other, generally considered the less dangerous, is in the least welcome category! Then, again one of the United Nations which put up the most gallant resistance to the armed might of the Axis - namely Greece - is included in the third, most despised class along with Italians, Bulgarians and Jews! Interesting also that Germans from Germany are 'preferred' and Germans from Austria are 'non-preferred'.

Discrimination against Jews is there openly in these same regulations. From the non-preferred countries such as Poland and Lithuania a distinction is made between Jewish and non-Jewish applicants. Jewish applicants automatically drop out of the non-preferred category into the 'special permit' groups.

Another interesting clause (added in 1910 in P.C. 920, renewed in 1914 as P.C. 23) prohibits the entry into Canada of immigrants who do not come to Canada by 'continuous unbroken journey from their country of birth or citizenship'. You may wonder why a man should become undesirable for admission to Canada just because he stopped off to visit his brother for a month at some intermediate point on the way. You may well wonder!

The origin of that regulation is of great interest in a study of the bureaucratic mind. The Dominion Government of that day wanted to discourage the influx of natives of British India into the province of British Columbia, without putting on the statute books a law openly prohibiting the entry of citizens of another

- 4 -

part of the British Empire. There was no direct steamship line from India to Canada so that the 'unbroken journey' requirement became a clever (or was it hypocritical?) means of excluding Hindus without actually declaring that intention. The regulation still stands and is now one of the effective barriers of the entry of thousands of refugees. How many refugees can come from their country of birth or citizenship to Canada in one unbroken journey? Most of them have lived lives of exceedingly broken journeys, sometimes for several years now.

The only possible evaluation of Canada's immigration regulations is to say that they are a mass of contradictions and evasiveness, reactionary in theory and inhuman in practice. They are understandable in light of the ignorances and fears of the past. They are utterly inappropriate to the emergencies of the present and utterly at variance with the best interests of Canada's future. The best thing about the Act is also one of its most dangerously undemocratic features. There are clauses which give the officials of the Immigration Branch the right through Order in Council to dispense with any inconvenient 'letter of the law'. Section 82 provides that 'The Governor-in-Council may, on the recommendation of the Minister, make such orders and regulations, not inconsistent with this Act, as are considered necessary or expedient for enforcing the provisions of this Act, according to the true intent and meaning thereof'. And Section 4 reads as follows: 'The Minister may issue a written permit authorizing any person to enter Canada or having entered or landed in Canada to remain therein without being subject to the provisions of this Act'."

The Consulate General has requested the representative of the Jewish Immigrant Aid Society here to keep it currently informed of developments in regard to Jewish immigration in order that this office may be in a position to render that organization all possible assistance.

Respectfully yours,

/s/ North Winship

North Winship
American Consul General

File 800/811.11
RWH:CTE:SB.

To the Department in single copy.
Copy to the Embassy.

PARAPHRASE OF TELEGRAM SENT

FROM: The Secretary of State, Washington
TO: The American Embassy, London
DATE: March 17, 1944
NUMBER: 2017

SECRET

The following message is for Joseph Schwartz, Central Council for Jewish Refugees, Upper Woburn Place, London, from Leavitt, Joint Distribution Committee, War Refugee Board.

Due to the urgency of the matter we empower you to proceed with plans since we are ready to underwrite the transportation costs of moving five thousand children from Transnistria. The time is imminent when we must invoke governmental aid because as you must realize, this overtaxes our limited resources. It is our confident hope that you will keep expenses at a minimum.

So as to reduce our commitments to a minimum it is assumed that you will arrange the cancellation clause in our option in case unforeseen developments make evacuation impossible. From the French Emigre Groups here information has been received that Jarblum, Geneva, has requested funds for rescuing children from France. Since above is difficult to understand it is urgent that you ascertain the present situation from Jarblum or Mayer as funds are at the disposal of Saly Mayer. Through the Legation at Bern please send report to Saly Mayer covering the use of the first \$20,000 sent for French children. For distribution in Rumania, Czechoslovakia, Croatia and Hungary, the sum of \$100,000 was sent to the International Red Cross. It is assumed that Saly Mayer will coordinate his parcels service to Thereisenstadt with the Red Cross program. Kindly report your current progress. Why is a Portuguese ship for evacuation from the Balkans refused by the Portuguese authorities? This information would be appreciated.

HULL

DCR:MPL
3/22/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: March 17, 1944
NUMBER: 2033

CONFIDENTIAL

In connection with the following message we refer to your cable of February 24, 1944, No. 1541, regarding discussions with Nahum Goldman of World Jewish Congress

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

No decision has been made by the War Refugee Board to approach the blockade authorities regarding the shipment of supplies to the Jews and other persecuted people of Europe from this country.

3. The license

- 2 -

2. The license which the State Department issued in December to the World Jewish Congress was amended later by the Treasury Department with the State Department's approval permitting rescue and relief operations in enemy and enemy occupied territories up to a total cost of \$100,000, of which amount there has already been remitted to Switzerland \$25,000. A license was given the American Jewish Joint Distribution Committee to carry on similar operations costing \$600,000, of which amount there has been remitted to Switzerland \$200,000. Licenses to carry on similar relief and evacuation operations from Switzerland have also been issued to several other private organizations in the United States.

As stated in our telegram of February 29, 1944 No. 1503, a detailed statement of the actions already taken and of the programs initiated to bring rescue and relief to the persecuted people of Europe is being prepared by the War Refugee Board for your information and for submission to the British Government.

There is no objection on the part of the War Refugee Board to Jewish or other organizations in Great Britain appealing to the British Government for permission to finance and carry on operations similar to those which this Government has authorized.

HULL

*copies
Central to H. H. H.*

TELEGRAM SENT

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

March 17, 1944

Midnight

AMEMBASSY

LONDON
2043

DEPARTMENT OF STATE
DIVISION OF
MAR 19 1944
COMMUNICATIONS
AND RECORDS

FOR THE AMBASSADOR FROM LONDON TAYLOR.

After discussion with Secretary Morgenthau, Chairman, War Refugee Board, regarding the relative fields of action of the Intergovernmental Committee and the War Refugee Board, I suggest that Sir Herbert Emerson and Malin come to Washington promptly to discuss this subject with Secretary Morgenthau, Mr. Schale, and others interested.

HULL
(ES)

ACT:REB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, LONDON
TO: SECRETARY OF STATE, WASHINGTON
DATED: MARCH 17, 1944
NUMBER: 2185

CONFIDENTIAL

FOLLOWING FOR PEHLE, WAR REFUGEE BOARD FROM CASADAY.

Your telegram of March 10, 1944, no. 1822, is referred to herewith.

Bernstein informs me that he considers Zaghar useful for work indicated and considers him to be competent and reliable.

WINANT

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON
TO: AMEMBASSY, ANKARA
DATED: MARCH 17, 1944
NUMBER: 214

CONFIDENTIAL

Following is War Refugee Board's cable no. 5 to Ankara for Hirschmann's attention.

Your cable of March 3, 1944, no. 80 is referred to herewith.

We greatly appreciate the splendid cooperation Ambassador Steinhardt has given you. Also we appreciate your suggestions for action, your reports and the steps being taken by you and the Ambassador. We will keep you currently informed of our progress in following up the points made by you.

1. Negotiations are being continued by us with the Government of Sweden in an attempt to obtain its agreement to make vessels for this project available. The immediate prospects in this connection are not encouraging about you will be informed of the developments as they take place.

We still believe that all possible steps should be taken to obtain Turkish vessels. Tentative consideration is being given to a plan whereby the United States Government would make a vessel available to the Government of Turkey at once if, in your opinion, the Government of Turkey would immediately make available an equal amount of tonnage for the purpose of evacuating refugees in accordance with the program which the Board

- 2 -

Board has formulated. It is requested that you inform us whether such an offer from this Government would, in your opinion, make a Turkish vessel for refugee work available quickly. As soon as we received from you a positive indication that such an arrangement as suggested above would be of substantial help, we will take this matter up with the appropriate authorities. Your reply will be awaited before approaching the War Shipping Administration or other appropriate government agencies. We request your urgent advice.

2. If arrangements which are satisfactory to you and Ambassador Steinhardt can be made, the necessary funds will be forthcoming to buy the Turkish vessel SS NECAT for about \$400,000, it being understood that the vessel will be donated to the Turkish Red Crescent. The American Jewish Joint Distribution Committee has indicated an interest in furnishing the purchase price of the ship if it appears reasonably certain that the vessel will be able to transport from Rumania to Palestine the 5,000 Jewish children as indicated in your reference cable. The JDC has inquired whether they will have to bear the additional expenses involved in transporting the children, such as wages, cost of fuel, et cetera. We concur with your suggestion that it would be most desirable to try to obtain the Turkish Government's consent to continue the ship in operation for the purpose of transporting additional refugees after the 5,000 children have been transported as planned.

It is

- 3 -

It is further suggested by us that you get in touch with Mr. Resnick, representative in Turkey for J.D.C., in connection with this project.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: March 17, 1944
NUMBER: 471

CONFIDENTIAL

Following is the substance of a message sent to Moscow on March 16.

The Turkish passenger vessel TARI of 4000 tons has been placed at my disposal by the Turkish Government for a single trip to Constanza to evacuate Jewish refugees, the vessel to proceed as soon as all necessary plans have been completed. The Russian Ambassador in Ankara has been requested by me to obtain from his Government safe conduct for the TARI while making this trip. If you would approach the Russian Government with a view to having a favorable reply cabled to the Russian Ambassador in Ankara promptly, it would be appreciated by me.

STEINHARDT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Ambassador, Ankara
TO: The Secretary of State, Washington
DATE: March 17, 1944
NUMBER: 478

SECRET

The following message is for the War Refugee Board and the Department.

Please refer to my number 474 dated March 16, 1944.

Today I was informed by Simond of the International Red Cross that he has received a telegram from the Comairc, representative in Bucharest saying that a very large movement of Jewish refugees from Transnistria to Rumania proper has started and that daily thousands are being moved. Simond has been asked by me to try to learn the total number of Jewish refugees that are being transferred to Rumania proper from Transnistria.

STEINHARDT

DCR:MPL
3/18/44

RCC-894

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

Ankara

Dated March 17, 1944

Rec'd 3 p.m., 19th.

Secretary of State

Washington

482, March 17, 10 p.m.

PERSONAL FOR PEHLE WAR REFUGEE BOARD FROM HIRSCHMANN

I would appreciate it if you would arrange with the War Department as soon as possible for number two priority for my return to the United States by air. I will arrive in Cairo on April 1 and would like to proceed to the United States immediately.

The first major steps have now been concluded in securing both rail and sea transportation for the evacuation of refugees from the Balkans either through Turkey or direct to Palestine. The Ambassador and I are both convinced that it is now essential that I bring to the War Refugee Board in Washington a personal account of the possibilities and problems of a further large scale refugee movement from the Balkans. Any telegraphic account would be deplorably inadequate. Furthermore, the second extension of my leave of absence from Bloomingdale where I am under contract expires the second week in April and I am unwilling to request a further extension until I have given you a personal description of the conditions and difficulties with which we may have been and are being confronted. If you so desire, I will be prepared on my return to discuss with you the continuance of my activities on behalf of the War Refugee Board either in Washington or by returning here but not until I have made a personal report and have been afforded the opportunity of arranging my status with Bloomingdale.

STEINHARDT

RR

CONFIDENTIAL

For security reasons the
text of this message must
be classified as secret.

BJR - 290

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

Chongking

Dated March 17, 1944

Rec'd 1:41 p.m.

Secretary of State,
Washington.

DEPARTMENT OF STATE
DIVISION OF
MAR 18 1944
COMMUNICATIONS
RECORDS

476, March 17, 12 noon (SECTION ONE)

TO SECRETARY OF TREASURY FROM EDMYR

One. Left for Kunming on March 5 with Dr. Kunga
this invitation and returned on fifteenth having also
spent three days in Kwelin. Reply to your 331, March
11, following. Weekly economic.

Two. Kunming prices are now not less than 400
and probably as much as 500 times their 1937 level all
symptoms of virulent inflation present including hoarding
and speculation by insiders, sharp day to day fluctua-
tions in prices of basic commodities, decrease in
industrial production as result of greater profitability
of holding raw materials declination of professional
classes, increasing thefts and demoralization, etc. In
many respects Kunming atmosphere is that of a frontier
boom town. Possibility of bringing situation under some
semblance of control remote owing to increase in political
power of

-2- #476, March 17, 12 noon (SECTION ONE) from Chungking.

power of Yunan Government. In Kweilin whose population has more than quadrupled in last five years as result of influx of refugees - it is now about 350,000 - inflationary process not as advanced as in Kunming and Central Government control somewhat firmer as there is no sizeable number of provincial government troops. Nevertheless, there is considerable speculation and hoarding of commodities in which the government banks and the provincial government bank participate. Retail prices in February were about 300 times their 1937 level having increased about 30% on January and 45% on December. Price of rice jumped over 50% in first ten days of March but then fell to between a quarter and a third above February level. Kweilin is a point of ingress for goods from occupied China and stores seem fairly well stocked with goods imported which include fake medicines with American labels.

GAUSS

EDA

BJR - 279

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

Chungking

Dated March 17, 1944

Rec'd 12:53 p.m.

Secretary of State,
Washington.

476, March 17, noon (SECTION TWO)

Two. Kunming market for gold and U.S. currency, which had fluctuated wildly in February, fairly steady during Dr. Kung's stay. U.S. currency 190 to 210, rupee 80, savings certificates 130 to 140, gold CN 25,000 buying (Kunming ounce 20% greater than Chungking ounce). U.S. currency market now absorbing U.S. 100,000 monthly from our Army in Yunnan plus relatively small amounts from our Army and Government personnel Kweilin and sometimes Chungking. Kunming now has 40 gold shops and volume of gross trading is reported to average 300 ounces, daily, peak volume of transactions in one day having reached CN 50,000,000. Provincial Government insiders active in both gold and U.S. currency market. Governor's son using stock of old unissued New Fukien Bank (previously Provincial Bank of issue) currency to acquire fapi in outlying areas with which to purchase U.S. currency

-2- #476, March 17, noon(SECTION TWO) from Chungking.

U.S. currency have injurious effects on the main factor behind rising commodity prices. In Kweilin market for U.S. currency negligible with rate of 150 to 160; price of gold CN 16,000 to 19,000 per ounce with little trading though there are now plenty gold shops most of which opened only recently and for chiefly speculative purposes. In Chungking U.S. dollar is now 230 and gold CN 18,000 buying.

Three. Notes in circulation December CN 75,379,000,000 January CN 81,628,000,000 monthly increase of over 9 and 8% respectively. Although Chinese Government has some CN 500 notes on hand it refuses to issue larger denominations than CN 200 for "psychological" reasons.

(END OF MESSAGE)

GAUSS

WMB

Treasury Department
Division of Monetary Research

Date..... 19

To: Miss Chauncey

From:

This is a corrected copy of
Section two of #476, March 17th.
For Secretary's files.

CONFIDENTIAL
 For security reasons the
 text of this message must
 be classified as secret

CORRECTED COPY

DMH-279

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

Chungking

Dated March 17, 1944

Rec'd 12:53 p.m.

Secretary of State,
 Washington.

DEPARTMENT OF STATE

DIVISION OF
 CONSULAR AFFAIRS
 MAR 19 1944
 COMMUNICATIONS
 AND RECORDS

476, March 17, noon (SECTION TWO)

Three. Kunming market for gold and U. S. currency, which had fluctuated wildly in February, fairly steady during Dr. Kung's stay. U.S. currency 190 to 210, rupee 80, savings certificates 130 to 140, gold CN 25,000 buying (Kunming ounce 20% greater than Chungking ounce). U.S. currency market now absorbing U.S. 100,000 monthly from our Army in Yunnan plus relatively small amounts from our Army and Government personnel Kweilin and sometimes Chungking. Kunming now has 40 gold shops and volume of gross trading is reported to average 300 ounces, daily, peak volume of transactions in one day having reached CN 50,000,000. Provincial Government insiders active in both gold and U.S. currency market. Governor's son using stock of old unissued New Fukien Bank (previously Provincial Bank of issue) currency to acquire fapi in outlying areas with which to purchase U.S. currency have injurious effects on the main factor behind rising commodity prices.

-2- 476, March 17, noon, (SECTION TWO) from Chungking
modity prices. In Kweilin market for U.S. currency negligible with rate of 150 to 160; price of gold CN 16,000 to 19,000 per ounce with little trading though there are now plenty gold shops most of which opened only recently and for chiefly speculative purposes. Sharp fluctuations in price of gold and U.S. currency have injurious effects though of course not the main factor behind the rising commodity prices. In Chungking U.S. dollar is now 230 and and gold CN 18,000 buying.

Four. Notes in circulation December CN 75,379,000,000 January CN 81,628,000,000 monthly increase of over 9 and 8% respectively. Although Chinese Government has some CN 500 notes on hand it refuses to issue larger denominations than CN 200 for "psychological" reasons.

(END OF MESSAGE)

GAUSS

WMB

NOT TO BE RE-TRANSMITTED

Copy No. 11

OFFICE OF THE SECRETARY OF THE TREASURY
SECRET
1944 MAR 15
NAVY
TREASURY DEPARTMENT

Information received up to 10 A.M. 17th March 1944.

1. NAVAL

At ANZIO 15th continuous shelling and air raids but no important damage.

2. MILITARY

Italy 16th. New Zealanders have made progress into CASSINO from the North but Tank movement is considerably hampered by bomb craters and masses of rubble; the Rapido has been bridged and three Tanks have operated with difficulty in Southern outskirts. A height to the West dominating the town has been captured.

On 15th/16th another attack by Indian troops in darkness and heavy rain was directed on Monastery Hill. Forward troops reached a high feature 600 yards from their objective where they awaited reinforcements. In the Bridgehead U.S. Troops beat off a small attack at CARANO.

Russia Russians have cut ZMERINKA-ODESSA Railway at VAPNYARKA (50 miles Southeast of ZMERINKA). They report progress at many points further East in the DNIEPER BEND and have completely annihilated the German forces surrounded North East of HISSLAEV.

Burma On 11th we occupied ST. MARTIN'S ISLAND (10 miles South West of ALETHANGYAW) and have since made progress South East of MAUNGDAW. In CHIN HILLS on 14th/15th we repulsed a Japanese attack from the East upon our position ten miles North North West of TUITUM. Our troops are attacking the Japanese who cut the TIDDIM Road at TUITUM on 15th. Two companies of Japanese have moved further up the KABAW VALLEY and other Japanese troops have occupied a position 11 miles South West of TAMU.

3. AIR OPERATIONS

15th/16th. STUTTGART. 1166 tons H.E. and 1443 Incendiary dropped including 321 4,000 pound bombs. Heavy A/A moderate fighters active especially near and over objective. Two claimed destroyed.

AMIENS. 518 tons dropped. 16th 738 U.S. Heavy Bombers and 951 Fighters despatched. 465 Fortresses dropped 386 tons on AUGSBURG and GESSERTSHAUSEN and 34 tons at ULM through heavy cloud. Liberators dropped 441 tons on FRIEDRICHSLAFEN also through cloud and bombed other objectives. Provisional enemy casualties by Fighters 75:6:22; ours 22 bombers and 12 fighters missing. Typhoons shot down four German aircraft and destroyed two more on the ground in the PARIS Area; two Typhoons missing.

16th/17th Aircraft despatched; AMIENS Railway Centre 130, Clermont-Ferrand Rubber Factory 21, COLOGNE 8 Mosquitoes, DUISBURG 1, Intruders 7, Sea-mining 3. All returned safely.

Italy 15th. Total 503 heavy and medium Bombers dropped 1,060 tons CASINO area with excellent results in support of our ground attack.

*P. 2
305 f*

March 18, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

The Committee on Ways and Means met yesterday from 10 a.m. to 12:55 p.m. and from 2 p.m. to around 4:30 p.m. The proposed tax simplification plan was under discussion all day.

The morning was spent in illustrating the use of the return forms on various examples. The afternoon was spent in discussing various aspects of the plan, including the effective date, the definition of dependents, the question of charitable contributions, etc. Mr. Surrey brought up the question of the effect of the simplification plan on partially exempt Federal securities and indicated the lines along which the Secretary intended to answer any questions which might be asked him about it. The group seemed uninterested in the problem. Practically the only comment was by Mr. Robertson who said that holders of the securities just happened to be in the way and that there was no intention to hurt them but that in the light of the history of normal tax changes there was no reason to give the matter any special consideration.

Congressman Gearhart brought up his proposal to vary the withholding exemptions to allow for charitable contributions. The Committee laid his motion on the table with three dissenting votes. The matter, however, is not necessarily dead.

The only point on which the Joint Committee staff and the Treasury staff disagreed was whether the income of dependents should be included with the income of the person claiming the dependent, that is, in effect whether the dependent exemption should be diminished by the amount of the income of the dependent. The Treasury staff felt that it should be included and Mr. Stam felt that it should not. The Committee passed over this point and asked the staffs to work on it some more to see if they could reach an agreement. It is not vital to the general operation of the simplification plan.

- 2 -

The question was raised whether this plan is as simple as a plan could be if the nine or eleven million low income bracket taxpayers were eliminated. I pointed out the way in which the tax is complicated by the retention of these taxpayers and indicated that the plan incorporated the greatest simplicity which had been found possible while following the instructions of the Committee not to eliminate these taxpayers. I said that in the absence of this instruction by the Committee I for one would not have been willing to recommend the plan, but that under the circumstances I thought this was the best feasible plan and would accomplish substantial simplification.

The Committee adopted all recommendations on which the two staffs were in agreement and also accepted and issued the press release which had been jointly prepared.

After the meeting the Chairman and Mr. Cooper presented the action of the Committee to the reporters and had Mr. Stam and me stand by to help answer questions.

Although there were differences of opinion in the Committee, at some times apparently heated, the Committee appeared to be in no mood for accepting revisions. The spirit seemed very good at the close of the session.

The plan is now in the hands of the bill drafters who are to report about Wednesday of next week as to how long their work will take.

RIB

Read by Messrs. Smith, Blough and Surrey
on March 18, 1944

March 18, 1944
9:47 a.m.

152

HMJr: Hello. Hello. Hello.

Operator: Yes, sir.

HMJr: What about Mr. Doughton?

Operator: He's coming on.

(Pause)

Operator: Yes, sir.

HMJr: What's the matter? They said....

Operator: Well, I had to call him, Mr. Morgenthau. He wasn't on the line.

HMJr: Oh, well, FitzGerald said he was on the line.

Operator: No. He called and talked to Fitz and I had to call him back.

HMJr: Oh-h-h.

Operator: They are getting him to the phone.

HMJr: Fitz told me he was waiting on the line.

Operator: No. No, he hung up. I had to call him back.

(Pause)

HMJr: Hello.

Operator: There you are.

HMJr: Hello.

Robert
Doughton: Hello, Henry. How are you feeling?

HMJr: Fine. Never better.

D: Well, you saw -- the boys told you and you saw in the papers that we'd about completed our work so far as the Committees are concerned -- only a little touching up here and there in writing the bill for the drafting service.

HMJr: Well, I can....

D: And I want to tell you that your boys have done a wonderfully fine job, cooperated 100% in every way -- the Treasury and the Bureau -- and it shows what 100% cooperation can do. We got a better job, better results in half the time than we would if we'd been pulling and see-sawing.

HMJr: Well, it's music to my ears.

D: Yeah. Well, that's a fact. Everything was just perfect so far as I could tell, all the way through.

HMJr: Well....

D: Nobody could have done any better than -- or cooperated any more whole-heartedly and agreeably than Blough and Surrey and the -- the Commissioner came up here himself several times and helped us and his man Cann and his staff were wonderfully helpful. And just everything worked along fine. I think we've done a good job and I think we've taken out of the mouths of the Republicans one of their issues.

HMJr: Well, I know you have and I was talking to my boys last night and they say how fine everybody has been up on the Hill and I think it's a demonstration of what Democrats can do under your leadership.

D: Well, I thank you. I'm not entitled to any credit for it any more than all the others. We all worked together....

HMJr: Well, I -- it just shows -- and I think it's a fine thing and it's that kind of cooperation, when it goes out to the country, shows that -- what the party can do.

D: Yes, we can function and we are functioning. We show we can by the fact that we are doing it.

HMJr: Yeah.

D: Well, I just wanted to thank you and I'm going to call the Commissioner. I'm very favorably impressed with the new Commissioner.

HMJr: Fine.

D: He impresses me as a very capable, sincere man and he's got his mind on his work and is going to do a fine job, in my opinion.

HMJr: Well....

D: I just wanted to tell you, Henry, how much we appreciated it and how fine the boys have been.

HMJr: Well, that's wonderful.

D: Well, good bye.

HMJr: Thank you.

March 18, 1944
10:15 a.m.

FINANCING

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

H.M.JR: All right, Mr. Bell. I will try to concentrate. I have on the wrong glasses.

MR. BELL: Do you want to continue?

H.M.JR: Where we stopped the other day.

MR. BELL: You heard Murphy explain his memorandum in the Treasury bill program, and George has had another conference with Goldenweiser which was very good. He is favorably inclined toward the Treasury bill program. Of course, he can't commit the Board. The Board hadn't seen it up to that time. He said he would give it to Eccles immediately. He thought probably he would read the whole program over the week end and be prepared to discuss it with the bankers, probably Monday. They usually see him for an hour before they see you and make a report. That is about where it stands today.

H.M.JR: Don't you think we ought to see Eccles, and not do this at arm's length?

MR. BELL: I thought you would see Eccles either towards the end of next week or early the following week - Monday or Tuesday of the following week.

H.M.JR: Will you see that I do? Will you bring it to my attention?

- 2 -

MR. BELL: Yes, sir. I thought maybe we might have a conference with the Board before we saw you, to try to shorten it as much as possible for you.

H.M.JR: Well, how did Goldenweiser react to this thing?

MR. HAAS: We have had conferences extending over some period. At the first conferences we just talked it over and didn't have a memorandum prepared, then we submitted a memorandum. They studied the memorandum. His reaction, in general, was favorable.

The main point in the matter that has considerable urgency is with regard to the question of what should be done about bills. He feels it is difficult to estimate just what the currency drain will be during the year; changes may affect the estimate. By issuing bills you can start out making an increase of a hundred million a week; watch the currency; if it continues up as we have estimated it, you will have to raise the bills some more; if it goes down, you have to keep the bills level.

So it was essentially an agreement for the immediate program, as I saw it. Wouldn't you say so, Henry?

MR. MURPHY: Yes, I think so. Dr. Goldenweiser was much more optimistic on the memo on the currency drain than we were. He thought by fall the increase in currency in circulation would have levelled off to a rate of two or three billion dollars a year - would have levelled off to an annual rate of increase by two or three billion by fall. In that case it wouldn't be necessary to put out as many bills.

He said we should start at a hundred million a week and see what happened.

H.M.JR: Have you men looked into this thing of not issuing any more big bills?

- 3 -

MR. BELL: Big currency bills? We did sometime ago and came to the conclusion that probably we had better leave the currency alone during these times.

H.M.JR: Then why should the banks give out anything above a twenty dollar bill?

MR. BELL: Probably aren't needed for circulation purposes, but I just hesitate to do anything with the currency at this time when apparently some people are jittery. They are hoarding it.

I am having this done - which I want to discuss with you some day - seeing what we can do about drawing new designs for currency. We have been told that there is a lot of counterfeit currency throughout the world, and as soon as the war is over, maybe we can change our whole currency and put out new currency and let the other come in and be retired immediately.

H.M.JR: I tell you what you might do. Supposing we spent a couple of thousand dollars, that is all it would cost, and give Dr. Lickert a job of testing this idea of why people hoard, and so forth; then this idea of what would be the reaction of the people if the banks didn't issue any more than a twenty dollar bill. I would like to have Dr. Lickert do a little something - it wouldn't cost more than a couple of thousand dollars.

MR. BELL: I am a little afraid of it. Of course, you don't know who is hoarding. -

H.M.JR: Let's have him do it. It will cost, at the most, five thousand dollars. You will have the answer within a month.

You know who he is?

MR. BELL: Sure.

H.M.JR: And these reports don't get out.

- 4 -

MR. HAAS: That is the only thing I would be afraid of.

MR. BELL: I am not scared of the report, but talking to people about hoarding, and so forth--

H.M.JR: The kind of people he talks to don't give it out. They don't know who he is, anyway. I would really like it.

MR. LINDOW: He has had a lot of trouble in trying to find out what kind of currency people have had in the surveys he has tried. They are very touchy about it. They won't admit they have any.

H.M.JR: What I want to get is the reaction if you don't let any more than twenty dollar bills go out.

MR. HAAS: Those fellows he talks to don't want anything. Well, that would be all right, too; they are black market people.

H.M.JR: I would like an answer by Tuesday. You fellows think it over, will you?

MR. BELL: O.K.

H.M.JR: Now, while I am on that, I want you to do something for me (Tickton). I want you - George, you had better listen, too - I don't know which one of these boys, but one of the two - I want, on Procurement, to do in reverse what we used to do when we tried to get this stuff out. I want up here, wool, or motorcycles, or whatever it is, "At such-and-such a date the Procurement Division was notified by the War Department that they wanted them to sell five thousand motorcycles." Then every Saturday night I want Procurement to give you a report of how many they have sold or how far they have progressed. There will be various stages, stages of asking for bids, receiving bids - and give them a cut-off date as of Saturday, and I will give you until Wednesday to give me a report - every Wednesday.

- 5 -

MR. TICKTON: Yes, sir.

R.M.JR: I am sure they have nothing like that in Procurement, but I want to be kept posted every Wednesday - every item until the thing is closed out.

MR. TICKTON: Yes, sir.

R.M.JR: Let Sullivan know you are doing it, but I want it done.

MR. BELL: John has been working on a reporting system down there. They have no report of sales in the field. He has told them they had to get that.

R.M.JR: I will put George's boys on.

MR. BELL: We are putting two accountants down there to go over the whole accounting system.

R.M.JR: Will you tell Sullivan what you are doing, and I would like it started right away. Then it can be circulated around and we can see how fast they can move. I don't think it is getting into operation rapidly. I just wanted to get that off my chest.

And also this bill business. I am sorry to interrupt.

Go ahead. Where are we?

MR. BELL: That is about as far as we have gone on the bill program. Now, I don't know whether you have had a chance to read the memorandum.

R.M.JR: I haven't.

MR. BELL: There are two other memoranda.

R.M.JR: I have spent most of yesterday trying to get you fellows a bottle of liquor at a reasonable price.

- 6 -

MR. BELL: You can save your effort as far as I am concerned.

There are two other memoranda: One is Wes' memorandum on the sources of funds; and one is Sid's memorandum on the last drive and the next drive.

H.M.JR: Which should I do next?

MR. SAAS: Are you (Tickton) prepared to talk?

MR. TICKTON: Sure.

MR. SAAS: To save the Secretary reading twenty pages or so, can you give the history?

MR. TICKTON: Right.

Well, the memorandum that Henry has given you talks about twenty-two billion dollars of bank borrowing this calendar year. That memorandum is based on the assumption that the Fifth and Sixth War Loans which we assume will be in this calendar year, will follow the pattern of the Fourth War Loan and will produce, therefore, something in the neighborhood of seventeen billion dollars.

That assumes that you would get about the same proportion of the funds that are available from the same class of investors. You get about five and a half billion from individuals, let's say; about three billions from insurance companies and mutual savings banks; and the balance from corporations.

The twenty-two billion dollar figure for bank borrowing would be quite a shock to people in the market, for instance, because there has been some general feeling, without too very close examination of the figures, that the war Loan drives are going to be capable of providing all the money that the Treasury will need and there won't be any very substantial amount of bank borrowing. Some of the people that have looked at the figures very casually, just say the bank borrowing is finished for the duration.

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I was reading Standard and Poor's bond letter yesterday, which made that particular statement - "for the duration, bank borrowing is more or less finished - or very small proportions."

The figure is so large that it requires us to take a rather careful look at the non-bank borrowing program to determine whether anything can be done or should be done at this time to so adjust it that maybe you can get some more money out of it.

Before doing that, it might be easier to take a look at the Fourth War Loan and the techniques that we used in that Loan.

H.M.JR: I haven't read the Lickert report.

MR. TICKTON: The Lickert report - I can cover that rather quickly from what Ted told me about it. I haven't seen it yet.

H.M.JR: What the hell is the matter with these people?

MR. TICKTON: The Lickert report was given orally last Monday in New York. Ted pushed Lickert in order to make the Monday deadline.

H.M.JR: I hear it shows a great improvement in the middle income group.

MR. TICKTON: Ted gave me those highlights. The conclusions about the Fourth War Loan--

H.M.JR: It also showed that through the moving-picture industry we only got one percent and haven't had it taken out of the report. (laughter)

MR. TICKTON: I think we can draw the conclusions pretty quickly from the Lickert report and our observations are that you really had some improvement on plant

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canvasses and improvement on house-to-house canvasses. I didn't know about the movie industry, but our observations had been that they didn't show many sales. We weren't at a loss to find out how much the movie industry sold, because there wasn't any evidence of a great improvement. But at any rate, the plant canvass operation sold.

One of the excuses for the reason that the E Bonds moved so slowly at the beginning, you recall, was that they were going to be issued at the plants during the last part of the drive, and there is no question about the fact that a lot were issued at plants during the last three or four days of the drive; a large proportion of the sales that were consummated during the period, came in the last ten days, and many of them were at the plants.

The house-to-house canvass was reported to be quite improved, and Washington D.C. seems to be a very bad example of improvement. There wasn't any improvement here. But newspaper stories on some of the larger cities like Los Angeles, Milwaukee, and New Orleans were very good. They were really doing a house-to-house canvass. Some of the other cities like Detroit and Boston--

H.M. JR: How about New York?

MR. TICKTON: New York was very spotty. In some areas in New York - in some particular portions of New York City - this group under Al Smith really did a lot of work. In some other parts of New York City they just didn't get around to those particular areas.

MR. BELL: You are talking now strictly from the standpoint of house-to-house. Washington did make their E Bond quota.

MR. TICKTON: They did, but there was no particular house-to-house canvass portion of it. The Government canvass helped Washington make its E Bond quota, which would fall in the category of a plant canvass. But

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there was no house-to-house job that was even attempted here, in the magnitude that was attempted in some of the other cities.

however, one of the things that I might mention at this stage was that many of the house-to-house canvasses like Detroit or Boston were done by Boy Scouts and school children. They were not adults organized into groups to do such a job. Those two techniques were improved, no question about it. They sold a lot of bonds. There were seventy million pieces altogether when the final accounting came in. Of course, seventy million - about forty-eight million were twenty-five dollar bonds.

H.M.JR: How many?

MR. TICKTON: Forty-eight million out of seventy were twenty-five dollar bonds. That, plus the fact that all States made their total quotas, and about half of them--

H.M.JR: Excuse me. I want you to put this up graphically in the room there. If it looks good, we will bring the press in. Are you started on that?

MR. TICKTON: Most of this is up in the room, but I can put in a few more charts.

H.M.JR: I was there with the liquor people yesterday and nothing was there.

MR. TICKTON: We were told to pull everything down out of there. It was done on purpose. It is all back up as of last night.

That, plus the fact that all States made their total quotas, and about forty-some States made their E Bond quotas, and about forty-four, including the District of Columbia and Northern and Southern California made their E Bond quota and about twenty-five made their individual quota. Those were very favorable developments for the drive.

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There are some things, however, that are unfavorable when you look at the drive with a critical eye, and we felt that maybe we would do that because we had the information on the inside to look at.

On the unfavorable side there were a number of things that really stand out. One thing was that on the plant canvasses there is no question of the fact that they had a lot of over-subscriptions, primarily because a lot of bonds that were sold were counted against the plant quotas, but they really didn't get sold because of the plant quotas.

In other words, anybody who would ordinarily buy a bond in January and February, bought that particular bond anyway, and of course it was counted against his plant quota.

H.M.JR: Counted against?

MR. TICKTON: They set up a plant quota for a firm, about a hundred dollars a man. It was frequently done that way. General Motors with one hundred and thirty thousand employees, would set up a plant quota of thirteen million dollars. But anybody in General Motors that would ordinarily buy a ~~hundred~~ hundred dollars' worth of F and G bonds in January, that subscription would be very likely to be allowed to count against the thirteen million dollar quota. Now, technically, the thirteen million dollars was supposed to be A Bonds, but F and G Bonds were counted, and according to a report yesterday, other securities were counted, too.

In other words, a corporation subscription was counted if the individuals in the corporation didn't put up enough money to make the quota.

H.M.JR: When I see - Gamble is bringing down his key men some day this week, and I think we ought to have a little talk like that, in the room, and let you run through it.

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MR. TICKTON: All right.

MR. BELL: That is contemplated.

H.M.JR: I would like to be present.

MR. TICKTON: That is one thing that happened in a great many cases. In some cases they did a remarkable job, but, of course, plant quotas were set by the State Chairmen with the plant manager. They were done pretty much on a bargain basis. The plant manager said, "Well, a hundred dollars a man is too much," and the Chairman said, "Well, we would like a hundred and fifty," so they probably compromised on something like seventy-five. But the problem was a job of trying to compromise on a plant quota that was safe enough so the plant would take it, then to count against that quota everything that was sold to anybody involved. As a result, plant quotas took up a lot of sales that might have been made at the movie theaters.

H.M.JR: I was just teasing.

MR. TICKTON: I happen to believe myself that the movies didn't sell very many bonds.

H.M.JR: I mean, they added the petroleum.

MR. BAAS: The atmosphere which you need.

H.M.JR: I am not trying to belittle them, and I wouldn't say anything to Ted.

MR. TICKTON: That was one thing.

Another thing that happened was that these house-to-house canvasses produced a lot of what I call token purchases. The solicitor came in and said, "I am from the war Bond organization and I am selling bonds," and the individual that had to talk to him said, "What can I get away with, as representing the smallest amount of money that you will take and be satisfied?"

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The solicitor has twenty-five, fifty, and one hundred dollar bonds, and it turned out that in many cases the solicitor sold a twenty-five dollar bond to people who ought to have purchased a very much larger volume of securities. That is particularly the case when school children and Boy Scouts, and Red Cross workers, and Air Aid wardens represent the house-to-house staff, because, particularly with children, you are not very likely to be handing the child a thousand dollar bond purchase when it is just as easy to satisfy your conscience and appearances and everything with a twenty-five dollar bond. In many cases we were told about the fact that the main job was to sell a large number of bonds, and a twenty-five dollar piece satisfied the requirements.

We made a lot of progress since a year ago, because then we didn't canvass these people. This year we have canvassed the people and have a lot of token subscriptions.

R.M.JR: You know, two things that I have been very keen about - one is the house-to-house canvass, and the other one is plant quotas.

M. TICKTON: Those two things have been done.

R.M.JR: I have had my troubles.

M. TICKTON: In the way you have started out they have been done, but as on any good idea that starts out and is built up, after you get to a certain point you may have to examine that to see - well, now that we have canvassed people, are we going to take twenty-five dollars as the amount that we are anxious to get from those particular people. Those are two important things that happened.

R.M.JR: Can I just interrupt one second? I wish that somebody here - I would love to have just a little spot check made by Lickert as to how much the income tax payments interfered with the bond subscriptions.

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MR. TICKTON: If you ask people that question, everybody will say it did, whether or not it was actually a factor.

H.M.JR: I am not asking - you people aren't very good subjects for questionnaires.

MR. BAAS: Not a good sample?

H.M.JR: No. If I asked you, I wouldn't get five out of six of you saying you are satisfied with the income tax the way Dr. Gallup said.

MR. BELL: It interfered with the sale on the drive, or interfering with them this month?

H.M.JR: With the drive.

MR. BELL: We had the largest redemption this month we have ever had.

H.M.JR: That whole question of redemptions--

MR. BELL: Running about nine million dollars a day.

H.M.JR: That whole thing. If he is going to do it he might as well also ask them why they redeem. I wouldn't mind giving him some names of people who have redeemed and let him actually call on them. I think - give him a thousand names of people who redeemed and let him call on them.

MR. TICKTON: He did a job like that about November.

H.M.JR: I don't say that that is the answer, but I can't go out to the field, and the next best thing to it is to have a man like Lickert and give him a thousand people and let him go and call on them. I don't think he has to go to forty-eight States, either.

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MR. BELL: Are you pretty well satisfied with the Wilmington quick check, early in December?

H.M.JR: Something like it, yes.

MR. BELL: At which Fred Smith got information indicating they were cashing them for sickness and income tax payments, Christmas buying, and so forth?

H.M.JR: Yes. I mean it just gives you a feel. I don't say I have to go into the forty-eight States, but if you remember, we had a peculiar thing in Long Island. There was one post office and they got a lot of bonds. We sent somebody there to get the explanation. If Lickert would say he was - I would like a quick check on this present redemption situation.

MR. BELL: I don't think the Wilmington thing satisfied you completely, but I think it made you feel better that you found so many of them were cashing them because of sickness.

H.M.JR: I would like a quick check now, next week - why are these people cashing them, and then, depending upon that answer, you can say whether you will extend them or not. But as I say, I would like it. And bring Smith into the picture at the right time.

MR. TICKTON: Well, that was the second thing.

H.M.JR: But I am not going to follow it up, Dan. I am leaving the responsibility with you. Two things: The question of redemptions, and I want also the question of why people didn't buy more - how much income tax payments interfered with people purchasing bonds during the drive.

MR. TICKTON: That was the first of two things. The plant quotas were too low, and the house-to-house canvass produced a number of token purchases.

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The third thing we ran into was that corporations, this time as well as last, did quite a bit of switching. The figures that we now have indicate that switching was just about the same magnitude during the Fourth Drive as it was during the Third, and that the volume of bank borrowing was just a trifle less - a couple of hundred million dollars less - this drive than last.

There wasn't any riding of the same magnitude as occurred during the Third Drive, but that was because most of the large corporations now involved, and individuals who felt they had to make substantial purchases, now have a volume of Government securities that they can switch out of any time they have to buy some new securities.

H.M.JR: Did we ever decide to open this thing for insurance companies between drives?

MR. HELL: No, we decided not to do it, but I think in the next drive we ought to give serious thought to allowing deferred payments.

MR. TICKTON: As a net result of these three things, token purchases, small contributions on plant quotas, and corporate switching, the figures that we now have on the basis of our Sources of Funds study, lead to the conclusion that we are doing less well in absorbing the funds available during the recent periods than we were a year ago. During the period for the Second War Loan, for example, ending May 9, 1943, we absorbed sixty-five percent of individual new savings available. In the period ending October 16, following the Third war Loan, that percentage was sixty percent. In the period ending February 29, that percentage is fifty percent. That is individuals. For corporations the retrogression is about the same; seventy percent a year ago, sixty-one percent ending the Third War Loan, and forty-four percent ending with the Fourth war Loan.

H.M.JK: That is not very good.

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MR. TICKTON: It is accounted for, as far as corporations are concerned, by the fact that they are able to make large purchases but switch out of them afterwards or before. Individuals are buying small amounts when we should be getting large amounts from these particular people.

MR. JR: E, F, and G you have to hold sixty days.

MR. BELL: E Bonds you hold sixty days, and F and G you hold six months.

MR. JR: I wish you people would give consideration to making E Bonds so you would have to hold them six months.

MR. LINDOW: So many people have them now that they can sell - some of the old ones.

MR. JR: I know, but like everything else, you have to start sometime. I wish you would give it serious consideration.

MR. BELL: You can't change the outstanding, that is contrary - twenty-eight billion dollars' worth of them, you know.

MR. JR: But beginning any time now that you make E, you have to hold them six months.

MR. LINDOW: In these percentages on individuals just mentioned, I think it is interesting to examine them if you take E Bonds separately from the other securities. For individuals, the amount of E bonds which absorbed individual savings ran to thirty-nine percent consistently all the way since January, 1943. We have gotten higher sales, but redemptions have gone up, and the net result is that we haven't gained on E bonds at all in absorbing individuals' funds; thirty-nine, thirty-nine, thirty-nine, through three financing periods.

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The large reduction has come in other bonds where net absorption has dropped from twenty-six percent in January to April last year, to twenty-one percent in May to October, and eleven percent in October through February.

Now, I think that we can explain a part of that by the fact that in the earlier War Loan drives some people were willing to take some of the funds that they had accumulated and were non-accruing funds, and put them into Government securities, and when they put them in, that was the end of it.

But meanwhile, other people had been building up large cash balances in currency and demand deposits, and don't seem to want to put them into Government securities, or we don't have the technique for getting them. But in any event, the demand deposits on the currency keep shooting up. We keep fighting, but the redemptions offset part of the fight we made, and our net gain is really in reverse here.

MR. J.K.: I think we ought to present that to the War Finance Committee very, very forcefully.

MR. TICKTON: Well, I have tried to get these amounts over to Ted from time to time. I might make some other point with respect to a Bond drive this particular time.

There has been quite a bit of enthusiasm, as you know--

MR. BILL: We are certainly not getting these new deposits. Whoever gets this money after it turns over - I have had a number of people tell me that "I don't know what I am going to use for your bonds in the future, because you have my bank balance down to a low ebb." A number of people have said that. But the fellows getting the new deposits are not coming in.

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H.M.JR: Let me give you an example, not to be repeated. I was walking down and met the Chief Justice. He said to me, "I have a number of bond subscriptions and Red Cross. I told my wife if we do any more I will have to go into my capital."

I said, "Do you really mean that?"

"Well," he said, "more or less."

MR. BELL: What did he mean, capital? The sale of the securities?

H.M.JR: I didn't ask.

MR. BELL: I have had a number of people tell me that the Treasury has drawn down their cash balances to the point where it can't go any lower. If they are going to buy securities they have either to sell other securities or borrow money.

H.M.JR: Somebody has them, but where?

MR. BELL: We are not getting the fellow who is getting the balance. New deposits, somewhere.

H.M.JR: That is a question of somebody going out in the field and digging. Any money we can spend on this front, from my standpoint, is the best money we have spent. Five hundred thousand dollars I see they are going to spend for radio time and things. If they spend ten percent on this it would be much better. Their schedule calls for five hundred thousand dollars.

MR. BELL: Who?

H.M.JR: We - War Bonds. I mean, where is the money? Who has got it?

MR. LINDOW: That study they killed on the Hill last year would have told us something.

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H.M.JR: Well, let's get it some way. Somebody - whether it is the insurance companies - that group should spend a little money to find out where it is. There is certainly somebody in the whole United States, and it should be the Treasury, that can find out where this money is.

MR. TICKTON: One of the things that is very clear in connection with this whole drive technique up to now has been that there has been no real examination of the bank accounts to determine who has them.

H.M.JR: They keep telling me how wonderful the banks are.

MR. TICKTON: I mean a real personal examination. For instance, I was talking with the District of Columbia people the other day. They said that maybe the Second National has tried to get some money by looking over their bank accounts. But they are certain none of the other banks have done anything very substantial. They don't know who owns their deposits and don't care very much.

H.M.JR: In New York City they say they certainly go through them.

MR. BELL: In the Third, Bob Fleming turned over a long list of names from his bank to the committee.

MR. TICKTON: They didn't do that in the Fourth.

MR. BELL: Certain people he wouldn't turn over, but he had his own people in the bank solicit them.

MR. TICKTON: The net conclusion of this type of analysis is that we are fairly certain what the problem is, but we aren't too sure of what the solution is. There is a wide variety of things that people have told us about, that ought to be done, that might be done. Every one of them involves a policy decision that is

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not easy to make, because anything that you do to increase sales to non-banking purchasers involves increasing the pressure on those persons in one way or another.

Now, I have listed altogether a half dozen major suggestions that we have had from different people about what they think ought to be done. Some of them you won't like; some of them you might. So I can run through them if you have time.

MR. JR: Go ahead. (To Bell) Is he still on the beam?

MR. BELL: Very much on the beam.

MR. TICKTON: I am following the memorandum so I will keep on the beam.

With respect to individuals, there are four things that have been brought as major suggestions that have possibilities. One is to have industry quotas that would cut across State lines. That is for industries - not like the movie industry, which sets its own quota, but industry quotas that we would set on a national level, maybe for the automobile industry, or the steel industry. There are difficulties, it is obvious, but these quotas would cut across State lines and would be managed by the industry people, and those industry people would subdivide the quotas among the various firms so that, say, for the automobile industry, General Motors wouldn't take a thirteen million dollar quota because it happened to multiply out by one hundred and thirty thousand men, by a hundred dollars. That might not be the fair quota if you have an eye on the figure for individuals. That is relatively higher than we have done up to now.

I know, talking with Isbey, they sat down with General Motors and said, "What can you take? We are trying to sell an extra hundred dollar bond to every man."

They said, "O.K., a hundred dollars. That is our quota."

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This Industry Committee would be told that the total quota for the automobile industry would be a hundred million dollars.

H.M.JR: May I say that when we first started out I wanted to do it by industries?

MR. HAAS: I just reminded Sid of that.

H.M.JR: Am I correct, that I wanted one for each industry?

MR. TICKTON: That is right. This is different from the one you originally wanted. This would be superimposed on State quotas.

H.M.JR: In those days, what I was thinking of - you say the steel industry - you have so much contract, so much business, so many workmen - we look to the steel industry to produce so much.

That goes way back before we had State organizations.

MR. TICKTON: This differs in that it would be superimposed so you would get the advantage of having different groups of fellows all trying to do a job, so that in the aggregate you would have more people working on your drive and each, if he made his own goal, would make for you a relatively higher total goal.

H.M.JR: Is this the one you think I won't like?

MR. TICKTON: I am giving them to you in the order I think you will like best.

MR. BELL: Should have done it the other way.

MR. TICKTON: Mr. Bell, I might end up by only getting to number one. The other day--

H.M.JR: I wouldn't hesitate on this thing provided

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that the industries were so organized that you could include the unions, because in steel it would be easy for the CIO; some of the others it wouldn't be so easy.

MR. TICKTON: It would also cause problems with State organizations because some State organizations wouldn't tie in so well. But that is a problem.

R.M.JR: That wouldn't be nearly so difficult as the allocation of some of the funds.

MR. HILL: Worked very well last time in a few cases.

R.M.JR: Sohead. You will get some assistance from me on that.

MR. TICKTON: The second one I am not so sure about because it is a ticklish problem, and that is the establishment of local Subscription Review Committees which would look over the applications received and decide in their own mind whether the amounts are too small, and if they are too small, would try to send the salesman back to get an additional amount.

Subscription Review Committees have been used, say, in Iowa, where they have taken every farm and decided that a farm of this size ought to produce a subscription of so much money. When they didn't get a subscription of that amount of money, they sent the fellow back.

R.M.JR: All right, if you can get away with it.

MR. TICKTON: The problem is that this may be a bad time to start up Subscription Review Committees, but it is something that has been talked about on a number of occasions, for this reason. The average fellow doesn't know how much the Government wants him to put in War Bonds. When you say to put everything you can afford, put everything you have, it doesn't tie down the figure to him in his mind.

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For example, if he has five hundred dollars in the bank, he may think that is some reserve he ought to have. He doesn't realize that the Government wants him to take the five hundred dollars in the bank and put it in Government securities.

People in maybe some higher income bracket - there might be somebody who has money in a brokerage; he might want to invest that six months from now, but in the meantime he will keep it in the brokerage account.

Well, we are after a great many of those funds, even if temporary funds, because for every dollar we get of temporary funds from some non-banking investor, we postpone that long that same dollar we would have to borrow from a bank; to the extent we want to reduce the bank borrowing, we have to go after every possibility.

Subscription Review Committees have to operate on the local level.

H.M. JR: Don't spend too much time on that.

MR. TICKTON: The third one is that we might undertake a program of vigorously advocating withdrawal of bank balances. We haven't done that up to now. People have asked about a national program. We have no national program on that. It would mean selling the bankers of the country the idea that it is good for them if people take their money out of checking accounts and put it in Government securities.

The American Bankers Association Economic Committee have talked about that a year ago, but there are fifteen thousand bankers involved and maybe they wouldn't like it.

H.M. JR: Burgess will be for that.

MR. HAAS: And Bruere.

MR. TICKTON: Many of the leading fellows will, but a awful lot of small bankers who wouldn't.

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is only to the extent of the interest. Let's just take it and figure out - you do this thing, and it is a Government lottery, and so forth. I don't know how those things work, but I know the Government gets its cut.

MR. BELL: Senior-age.

H.M.JK: But you would give the fellows approximately - I mean less the expense, which wouldn't be very high - very close to two and a half dollars' worth of interest in a lottery.

MR. BELL: We have a good lottery scheme worked out, if you want one.

H.M.JK: But this is different. They have the choice of the two, and everybody in Russia takes the lottery bond. It is only good to the extent of the amount of the interest.

MR. TICKTON: Is that a lottery every year, or just once?

MR. BELL: For each drive, I suppose; for each series of bonds.

MR. TICKTON: Want them to keep the thousand dollar principle. The problem is, after they pass the lottery what do they do? Sell the bond out, or hold the bond for another lottery?

MR. RAAS: You had one, Henry.

MR. MURPHY: One proposal we had discussed, Mr. Secretary, that would be intended not merely to sell bonds, but also to check redemptions, provided that there should be drawing, semiannually, on all the bonds until their final maturity. It might be possible. I can visualize a radio program in which the bonds which had been redeemed, so to speak, fell into the stake, so if

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their numbers were drawn, the money went back to the Treasury and the numbers might be announced.

H.M.Jk: But the others can't be redeemed except if they are drawn?

MR. MURPHY: No, say you had the bonds and they could be redeemed the same way as savings bonds, but when they were redeemed, instead of being eliminated, for the purposes of subsequent drawings, they were kept alive but considered to be the property of the State, so that the whole number of bonds, of numbers of bonds, originally issued were included in each drawing.

H.M.Jk: If I can't understand it after two explanations, the workman can't understand it, either.

MR. MURPHY: If you will give me a third try, Mr. Secretary--

H.M.Jk: You know what happens on third tries--

MR. HAAS: Henry, you started off wrong.

MR. MURPHY: You have a bond of the Series E type, Mr. Secretary. In lieu of, say, increment redemption value on it, each six months you have a drawing and all of the persons who have purchased a bond have an opportunity to participate in the prize. If they miss the prize now, they have another chance six months from now, and another chance each six months until the bond is finally due. The bond is, in the meantime, redeemable at its original sales price. Now, some people will redeem them. Say at the end of one year, ten percent of the bonds which had been issued had been redeemed. That means that on the average, ten percent of all the prizes that are drawn will, instead of being distributed to bond holders, fall into the Treasury.

H.M.Jk: I still don't understand.

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MR. BELL: As a matter of fact, they advocated that time and again, and tried to explain that this money would come right back into the banks, but they will have to do some more on it.

H.M.JR: Everything you have talked of since you started talking is a question of public relations.

MR. TICKTON: All of these are a matter of public relations.

MR. BELL: This would be much better coming from the ABA people than from the Treasury.

MR. TICKTON: It would have to be a national program.

The fourth one has been a partial payment plan for a high denomination E-type bond, possibly tied into the elimination of the twenty-five dollar A Bond, and certainly tied in with higher individual quotas. We are talking about only E-type bonds in that connection, because there seems to be no reason why now, at this particular time, we should have marketable securities sold on partial payment plan.

H.M.JR: What do you mean by high denominational?

MR. TICKTON: Say two hundred and fifty dollars. I have been talking about a particular plan for two hundred and fifty dollar denomination; you pay one hundred and eighty-seven, fifty for it.

H.M.JR: Somebody do this for me: I want to try the Russian plan as I understand it. I will use round figures. Let's say a thousand dollar E Bond coupon - as I understand, they say you can have a bond - has this ever been explained? ...with the twenty-five dollar coupon, but if you don't want the interest, you can have a twenty-five dollar lottery ticket. You can have your choice, you see. I would like somebody - very much in the room here - to figure out - and everybody, practically, takes the lottery ticket. But it

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MR. LINDOW: If you cash in your bond and your number comes up later, you will be sick, because - here your number came up and you wouldn't get the money.

H.M.JR: Let me see if I can understand it. You have the bond and it is worth seventy-five dollars. You are not going to let these bonds increase steadily?

MR. MURPHY: There are any number of variations to the plan. I had supposed, for simplicity, that the whole amount of interest that would be dispersed would be in the form of the lottery. That wouldn't be necessary, however.

H.M.JR: Do you understand?

MR. BELL: He would sell the face of the bond, a thousand dollars, and that is what he would sell it for. Then you have a semiannual drawing which would represent the semiannual interest, in effect. The people who have that bond and hold it would have an opportunity of participating in that semiannual drawing. Now, suppose you cash in your thousand dollar bond.

H.M.JR: Wait a minute. If you draw, and your number comes up, what does the Government pay you?

MR. MURPHY: A schedule of prizes - possibly a grand prize of a hundred thousand dollars - possibly a prize of only a hundred dollars, it would depend. You draw first for the grand prize.

H.M.JR: You don't get the face value of the bond?

MR. BELL: No, the prizes only go to the interest.

MR. MURPHY: Everybody would get their face value back at maturity.

H.M.JR: But I mean, you have a drawing twice a year--

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MR. BELL: Just for the semiannual interest. You would have a drawing for the interest. Every six months you would have a drawing for an amount aggregating the interest of the outstanding--

H.S.JR: In lieu of it?

MR. MURPHY: That is right. For every million dollars' worth of bonds, you distribute ten thousand prizes every six months. That might be distributed--

H.S.JR: Let me put it differently. If, for a million dollars' worth there had been twenty-five thousand dollars' worth of interest due once a year, there would be twelve thousand five hundred twice a year. You would distribute prizes to the extent of twelve thousand five hundred.

Henry, you are too erudite.

MR. MURPHY: I think the trouble was, I took it for granted, because I thought the second feature was the thing that caused the trouble; that is, the bonds that had already been redeemed would draw prizes the same as those that had not been, except those prizes ~~would go~~ back to the Treasury.

I think it would be very effective on popular sentiment to have it announced on the radio - announcement made of the drawing and that here prizes had been drawn on such-and-such a bond - a prize of five thousand dollars - but that was redeemed last month.

H.S.JR: I get that. But I don't get my interest at all; I just get a prize.

MR. MURPHY: If you want. However, Mr. Secretary, you could only distribute half of your interest in the form of prizes, and distribute half as interest in any ratio you wanted.

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MR. BELL: You can give them one percent interest.

H.M.JR: That is the same, practically, as I was talking about with the Russians.

MR. HAAS: Reagh had worked out a scheme which took the difference between two point nine and three percent and left the bonds just as they are and ran it up to three percent. That little difference was the prize. He would have a radio program like this Pot of Gold program. The idea was to keep people from redeeming. You would feel very badly if you drew a five thousand dollar prize and had redeemed your bond the day before.

H.M.JR: Amongst this Russian delegation is a man from the Russian State Bank. Why not ask White who he is and ask him to explain this thing to you? He is here in town.

You are too smart for me, that is all. I wasn't criticizing, I was complimenting.

Anyway, I think something could be done. We may have to come to something like this, because I think it is the people of the five thousand dollar income and under that this would appeal to.

MR. TICKTON: That is right.

MR. HAAS: It would be a poor time, now, wouldn't it? A lot of people would make too much out of it.

H.M.JR: I don't know.

MR. BELL: You would have the church people of the country against you.

H.M.JR: I could fix the church people if I allowed them their fifteen percent deduction for charitable purposes.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 18, 1944

TO Secretary Morgenthau
FROM Mr. Hass
Subject: The Problem of Selling Securities to Nonbank Investors.

At the end of last week I submitted a series of memoranda which (1) developed a Federal borrowing program for the calendar year 1944; (2) analyzed the problems of money market management incident to that borrowing; and (3) examined the sources of funds available for that borrowing. The analysis in each of the three memoranda was based on the assumption that the Fifth and Sixth War Loan drives would follow the Fourth War Loan sales pattern, and, accordingly, would raise approximately \$17 billions each from nonbank investors. The memoranda concluded that the banking system would have to absorb \$22 billions of Government securities directly or indirectly during the calendar year 1944.

The prospect of a \$22 billions bank absorption of Government securities this year forms the background against which the problem of selling securities to nonbank investors in increasing amounts must be considered. This problem has come to be one of unprecedented magnitude. The road ahead is entirely uncharted and such progress as can be made can be achieved only by trial and error approaches to the problem. Three facts that are relevant to the problem are, however, known to be true and may serve as guideposts. They are:

- (1) The fact that the amount of new funds available for investment in Government securities will be equivalent roughly to the Federal deficit (\$57 billions).
- (2) The fact that the proportion of new funds available which were actually absorbed by investment in Government securities in the financing

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period ended February 29, 1944
was:

- (a) For individuals ... 50 percent
 - (b) For corporations .. 44 percent
- (3) The fact that this proportion is lower now than it has been previously. For the financing period ended May 8, 1943 the percentages were:
- (a) For individuals ... 65 percent
 - (b) For corporations .. 70 percent

From these facts and from the data with respect to prospective bank financing, it seems to us that the problem of increasing net sales to nonbank investors is clearer than its solution. It is the purpose of this memorandum to help your consideration of the problem and your arriving at a decision as to a program with respect to the sale of securities to nonbank investors in the Fifth War Loan. The memorandum first analyzes the results of the Fourth War Loan and then discusses the wide variety of the changes in technique that have been suggested to us as possible avenues of approach to the problem of increasing the nonbank sales.

I. An Analysis of the Fourth War Loan Sales

(a) Favorable developments

(1) Sales and quotas. The Fourth War Loan drive produced a total sales of \$16.7 billions. This amount exceeded the \$14 billions quota by \$2.7 billions, or 20 percent. The oversubscription was widely distributed throughout the country and all States were able to make their total quotas. Among the States with the larger quotas, Illinois led the list with an oversubscription of its \$.9 billion quota by 34 percent. New York, the State with the largest quota, (\$4.2 billions) oversubscribed this amount by 11 percent. Among the States with the smaller quotas, Mississippi and North Dakota led the list with oversubscriptions of 54 percent and 53 percent respectively.

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Sales of securities to individuals totaled \$5.3 billions during the drive, an amount which was equivalent to 97 percent of the quota of \$5.5 billions. Included in the sales figures were \$3.2 billions from the sale of E bonds, an amount which was \$.2 billions in excess of the \$3 billions quota set for this security. Twenty-nine States made their quotas for sales to individuals, and 44 made their E bond quotas.*

Sales of securities to corporations amounted to \$11.4 billions, an amount which exceeded the corporation quota by \$2.9 billions. All States made their corporation quotas and the oversubscription was distributed among all classes of corporations. Insurance companies and mutual savings banks purchased \$.9 billion in excess of their \$2.5 billions quota. Dealers and brokers purchased \$.1 billion in excess of their \$.3 billion quota; and other corporations and associations, including State and local governments, purchased \$1.9 billions in excess of their \$5.7 billions quota.

(2) Techniques. The technique of selling securities to nonbank investors was improved on two important accounts during the Fourth War Loan drive. These were (a) the plant canvass, and (b) the house-to-house canvass.

The plant canvass of individuals is reported by the War Finance Division to have been expanded to a nation-wide operation during the Fourth War Loan. Plant quotas, it is reported, were used in most of the major plants in the country. No data are yet available as to the aggregate amount of plant quotas levied or the amount of sales achieved thereby, but the aggregate sales at plants were undoubtedly quite substantial and far above plant sales in the Third War Loan.

With respect to the house-to-house canvasses, it is reported that these, too, were considerably expanded over the canvasses undertaken last September. Some type of

* Throughout this section the District of Columbia and Northern and Southern California are counted as separate State units for purposes of the State-by-State analysis.

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house-to-house canvass was undertaken in nearly every one of the big cities, although Washington, D. C. appears to have been an exception. The technique was also applied extensively in farm and rural areas.

That the house-to-house and plant canvasses resulted in the sale of a great many bonds is shown by the fact that the \$3.2 billions of E bond sales in the Fourth Loan was the greatest volume of sales ever achieved in a similar period of time. It is also emphasized by the fact that 70 million pieces of E bonds were sold during the period of the drive as compared with 53 million in the Third War Loan and 33 million in the Second War Loan drive. Forty-eight million of the Fourth War Loan E bonds were \$25 denomination pieces, it might be noted, as compared with 35 million in the Third War Loan and 23 million in the Second War Loan.

(b) Unfavorable developments

(1) Sales compared with Third War Loan. The \$16.7 billions total of Fourth War Loan nonbank subscriptions was approximately \$1.6 billions lower than the total subscribed by nonbank investors during the Third War Loan.* Sales to corporations declined by \$1.5 billions in the aggregate, or 12 percent. Sales to individuals declined \$1.1 billion in the aggregate, or 1 percent. Each of these declines was a net item, however, and should really be considered the sum of two components which partly offset each other: (1) a net decline in the sale of marketable issues and C notes (\$2.5 billions); and (2) a net increase in the sale of E, F and G bonds (\$.9 billions).

The decline in the sale of marketable issues and C notes was first thought to be due to a substantial decline in the volume of bank credit involved in the drive. The figures that have now become available dispel this theory completely, and it has now become evident that the volume of bank credit involved in the Fourth War Loan (\$4.6 billions) was only a little lower than the volume in the Third War Loan drive (\$5.1 billions).

* Government trust funds which were included in the totals during the Third War Loan drive but were excluded in the Fourth are excluded from the figures for both Loans for the purposes of this comparison.

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With respect to the increase in savings bond sales, it is now evident that a number of adjustments must be made in the figures before the progress in sales over the Third Loan level can be measured. Aggregate sales increased by \$.9 billions but at least \$.6 billions of this increase was due to special factors in January and February that were not present in September and October. Among these, were (1) the limit buying that would ordinarily occur as a seasonal item in January; (2) the additional two weeks counting period provided for in the Fourth War Loan, and (3) the counting toward the drive of deposits of \$105 millions by the Army and Navy representing E bond sales which would not ordinarily have reached the Treasury until some time in March. After allowance has been made for these three factors, it appears that only \$300 millions more savings bonds were sold in the Fourth drive than in the Third, despite the greatly intensified sales effort.

(2) Sales were smaller proportion of funds available. In a separate memorandum entitled "Sources of Funds for Federal Borrowing During the Calendar Year 1944", an analysis has been made of the new liquid funds becoming available for investment in each of the financing periods since the beginning of 1943. Set forth against the funds becoming available is the actual net amount of Government securities absorbed by the various investor classes. A number of the figures presented in that memorandum are pertinent at this point to help analyze the Fourth War Loan and place its results in the proper perspective. They are repeated, therefore, in the paragraphs that follow:

Individuals (including partnerships and personal trust accounts).

- (a) Net absorption of Government securities by individuals during the period January 1 to May 8, 1943, the period which embraced the Second War Loan, amounted to 65 percent of the available individual savings (after deducting insurance, etc.) that accrued during those 4-1/4 months.
- (b) During the period May 9 to October 16, 1943, a period of 5-1/4 months which embraced the Third War Loan, net absorption amounted to 60 percent of the available individual savings accruing.

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- (c) During the period October 17, 1943 to February 29, 1944, a period of 4-1/2 months which included the Fourth War Loan, net absorption amounted to 50 percent of the available individual savings accruing.

The retrogression from period to period indicated by a comparison of the percentages underlined in the previous paragraphs is disappointing, inasmuch as there was a greater store of accumulated funds piled up in cash and checking accounts in January 1944 than there had been a year previous. Under these circumstances recent sales to individuals might have been expected to be a somewhat larger rather than a somewhat smaller percentage of the available new savings accruing. Logically, this would follow from the fact that growing cash and commercial bank account accumulations should have satisfied long ago the primary requirements for cash balances of many persons who wish to keep emergency funds in immediately available form.

Corporations other than insurance companies and mutual savings banks.

- (a) During the period January 1 to May 8, 1943, these corporations invested in Federal securities a net amount equivalent to 70 percent of their available new liquid accumulations.
- (b) During the period May 9 to October 16, 1943, they invested a net amount equivalent to 61 percent of these accumulations.
- (c) During the period October 17, 1943 to February 29, 1944, the net amount invested was 44 percent of these accumulations.

This decline in the percent of available new liquid accumulations of corporations that went into Government securities from period to period is also an item of major significance. For each of the periods involved, it means that billions of dollars of corporate funds piled up in checking accounts instead of having been directed toward the purchase of new issues of Government securities.

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(3) Plant quotas were too low. One of the conclusions that can be arrived at from an analysis of the sales figures is that the sales made in the plant campaigns were not 100 percent gains in terms of the over-all sales program. Plant campaigns acquired to the credit of their quotas a large volume of sales that would have been picked up anyway by special activities, house-to-house campaigns, ordinary regular purchases, and payroll savings acquisitions. Some of the large oversubscriptions of plant quotas reported, therefore, were specious, in reality, in that they did not bring a great deal more new money into the Treasury than would have otherwise been obtained.

It seems to be obvious that the goal for securities to be sold to persons on plant payrolls would have to be set at a level much higher than heretofore if the sale of a still greater volume of bonds is to be achieved. Here, it seems to us, was one of the difficulties in the operation of the plant quota system in the Fourth War Loan drive. In that operation the plant quotas were set locally. In many cases they were arrived at as a result of a bargaining discussion between the local War Finance Chairmen and the officials of the plant or company involved. Accordingly, in many cases they were set at a level no higher than the plant officials felt was a perfectly safe objective. This is a result that might well have been expected, inasmuch as the local Chairmen were not in a strategic position to exert as much pressure for high quotas as they might have liked.

(4) House-to-house canvass resulted in "token" sales. The fact that scores of millions of people were canvassed on a house-to-house basis and personally asked to buy bonds in the Fourth War Loan drive was not enough, it appears, to produce a sufficient volume of sales to individuals in a great many States. Many of the canvasses -- particularly such as those conducted by school children and boy scouts in St. Louis, Boston, Indianapolis and other cities, and by air raid wardens in Chicago, Los Angeles, and other areas -- seem to have resulted in an unprecedented volume of "token" purchases. In such cases the person approached bought a \$25 bond -- the minimum denomination offered by the solicitor -- either in order to save embarrassment to himself or in order to reward the effort of the person who contacted him and whom he knew to be a patriotic volunteer.

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This factor permitted many buyers to avoid their full responsibility toward the drive and yet to satisfy appearances and their own conscience. It caused the dollar volume of bond sales to mount much more slowly than many of the managers of local house-to-house canvasses expected.

With respect to securities other than E bonds, many of the persons canvassed made substantial purchases in absolute terms and still invested amounts that were only "tokens" in view of their personal resources. There are relatively few persons in the country who are capable of purchasing substantial amounts of marketable issues and it is essential to obtain subscriptions of sufficient size from each one of them in order to attain the national goals. It is true that the funds so obtained do not have the same potential inflationary pressure as the funds in the hands of individuals of lower incomes, but it is still desirable to mop up as much of these funds as is possible in order to reduce the volume of bank borrowing.

(5) Corporations did much switching. Some of the larger corporations in the country seem to have proceeded on the theory that the purchase of a large amount of securities, the payment for all or a portion of which was financed by switching out of Government securities previously acquired, fulfills all necessary patriotic duties with respect to national quotas. In order to help meet local quotas and to satisfy the requirements of local business and customer relationships, these purchases -- many of them very large -- have been allocated to hundreds of communities throughout the country in which the corporations do business. Both allocations and switching have been much higher than the Treasury's quotas contemplated and accordingly the achievement of the corporation quotas in most States has been relatively easy in every drive.

In connection with the matter of switching, it has been argued that as long as some securities have to be sold to banks anyway during the year, it is just as well to have a portion of this operation carried on indirectly through corporate switching. This argument could be advanced as a sound one, it appears to us, only if in the

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process the Treasury acquired for investment in Government securities a very large proportion of the new money accruing to corporations during the year. Switches would then represent something above such an amount. The thing that is disappointing in the developments of recent months, however, is the fact that the Treasury is obtaining for investment in Government securities a smaller and smaller proportion of the available new corporate funds accruing. Corporations are piling up large amounts in checking accounts at the same time that their Government security subscriptions are for amounts that are greatly in excess of the assigned quotas. The Treasury falls far short of its objective therefore instead of approaching or exceeding it as the War Loan sales figures would seem to infer.

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II. Changes in War Loan Drive Technique Which Might Increase Sales

The analysis in the preceding section of this memorandum leads to the conclusion that (1) the making of "token" purchases by a large number of individuals, (2) the setting of safe quotas in a great many plants, and (3) the policy of switching out of old securities in order to buy new ones, are developments which will make it difficult for the Treasury to increase the sale of securities to nonbank investors during drives if the technique employed during the Fourth War Loan is continued unchanged. We have discussed these developments with a number of persons and they have suggested some changes in War Loan drive technique which might increase the volume of nonbank sales. In order that you may be in a position to decide whether the increase in sales volume likely to be gained by any of these changes -- an increase which, it is recalled, would serve to reduce bank borrowing by corresponding amounts -- is worth the risk of an unfavorable reception by the public and the subsequent repercussions thereto, the details of each of the suggestions and comments thereon are set forth in the paragraphs that follow.

(a) Individuals

Four suggestions with respect to the problem of increasing sales to individuals have been made. They are the following:

- (1) The establishment at the national level of industry quotas in addition to State quotas; these quotas to cut across State lines and to be managed and subdivided among plants by national industry committees;
- (2) The establishment of local subscription review committees to look over the applications received and to be responsible for the establishment of personal quotas at the local level;

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- (3) The undertaking of a vigorous program leading to commercial bank deposit withdrawals by individuals for the purchase of Government securities; and
- (4) The establishment of a comprehensive partial payment plan for the purchase of a special series of E type bonds of a \$250 denomination during drives, to be tied into (a) high level quotas, and (b) the elimination of the over-the-counter sale of the \$25 denomination of E bonds during drives.

(1) Industry committees and industry quotas. The analysis of the plant quota campaigns in the preceding section of this memorandum led to the conclusion that the quotas were probably set too low because they were self-imposed. It has been suggested that some higher authority might be necessary if the maximum sales effort is to be achieved.

It is obvious that it would be impossible to set plant quotas from Washington in the same way that State quotas are established. It might be possible, however, to set industry quotas, nationally, for selected industries, and then to call upon the leaders of each industry (a) to undertake the responsibility of achieving the quota set for that industry, and (b) to undertake all or part of the responsibility of allocating such quotas to the various companies and plants within that industry. In exercising this latter responsibility the industry chairmen might act only as a sort of review committee using their influence to prevent important plants and companies from setting employee quotas at 25 or 50 percent below the amounts that the national totals would require from them.

It has been suggested to us that a system of industry committees such as here described would bring a new group of interests into the War bond program; and that it would serve to develop some enthusiasm and competition on levels that were different from those enjoyed heretofore.

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(2) Review committees. The problem of "token" subscriptions in War Loan drives is likely to be a continuing one. In order to meet it, it has been suggested that city and county War Finance Committees in the various communities of the country might set up "subscription review committees". It would be the duty of these committees to analyze the job required by the county quotas; to come to a decision as to the relative ability of the various individuals in the community to buy Government securities; to set up some sort of personal quotas for each of the persons in the community which would serve as yardsticks to guide the solicitors when they make their calls; and then to go over the subscription reports turned in by the solicitors and measure them against these yardsticks. In cases where subscriptions in insufficient amounts were made by persons who were able to invest larger sums in the opinion of the committees, a special re-cavass would be recommended to the local chairmen.

It has been suggested to us that a procedure such as the foregoing is a logical step in a program designed to sell more and more securities to individuals as the war continues. Until now, it is said, one weakness in our drive technique has been the fact that the Government has not given the individual citizen any exact idea of how much is expected of him in the way of bond subscriptions. People want to know this. If they are not told and if they believe that other persons in their class are getting away with small or even "token" subscriptions, they are tempted to do likewise.

The "extra \$100 bond purchase idea" first used in the Third War Loan, and "the 10 percent of pay" idea first used in the promotion of the payroll savings plan were stop-gap approaches to the problem. Both of these devices have served to act as a ceiling to purchases rather than as a floor, however, it is reported to us, and have worked to prevent an increase in the level of war loan purchases by many persons who have substantial sums available for investment.

In order to achieve maximum success, the review committees should be composed of leading members of the community and should be set up with all the prestige possible.

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The assignment to them of the responsibility for personal quotas would be an extremely heavy assignment, but it would have to be placed in their hands inasmuch as conditions vary too greatly from State to State and from county to county to permit a system of personal quotas to be established on a national basis and still achieve their maximum usefulness.

It might be mentioned at this point that review committees are not a new concept. They operate informally already in many small communities. The War Finance Committee in Iowa has built its farm-to-farm canvass around the idea of telling the individual farmer how much was expected from him and then checking up on the amount of the sale. Canada, it is reported, has used the review committee idea successfully in connection with its canvass of upper-bracket individuals. The whole idea would have to be developed carefully, of course, and it would have to be made clear that the aim of the committees was to increase sales at the local level -- the only place where an increase in the volume of sales to individuals can be achieved.

(3) Withdrawal of bank deposits. It seems to be patent that if we are to have no more than three War Loan drives a year, a considerable volume of liquid savings will accumulate in the hands of individuals between those drives. An important percentage of these funds will find their way into commercial bank deposits. It has been suggested that if the Treasury could tap an increasing proportion of the funds that go into these deposits it could make much progress in increasing the proportion of the current new savings of individuals that is invested in Government securities.

Ever since the beginning of the Treasury's War Loan drive program there has been considerable confusion in the field as to the Government's position on the matter of withdrawing bank deposits for the purchase of Government securities. It has been suggested that a course of positive action on the part of the Government is already overdue on this account and that this course holds substantial possibilities in terms of prospective sales to individuals.

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In order to undertake a program leading to withdrawals for the purchase of Government securities it would be necessary for the Treasury and the Federal Reserve authorities to announce as soon as possible that they would approve of a selected series of local activities during War Loans which are directed toward encouraging individuals to shift large portions of their commercial bank accounts into Government securities. In this connection, the Treasury and the Federal Reserve would have to call the leading commercial bankers of the country together and acquire their active cooperation and assistance.

The matter of a policy approving bank deposit withdrawals appears to us to be a matter of very considerable importance. In our memorandum of November 6, 1943, we stated that

"The need for a policy approving bank deposit withdrawals has become more and more evident as the war financing program has progressed, and it should be formulated completely before the start of the Fourth War Loan inasmuch as the success of the individual part of the drive may well depend upon it."

It is our conclusion at this time that the failure to formulate such a policy accounted for the large number of persons who felt that the making of a "token" purchase during the Fourth War Loan satisfied their patriotic duty at that time.

(4) Partial Payment Plan for "E Type" Bonds. It has been suggested to us that the sales kit for the drive might be greatly improved if it included some type of security that would (a) conserve the efforts of the solicitor by turning the sale of what otherwise might be a small denomination E bond into the sale of a much higher denomination, and (b) pick up some of the funds that will accrue in the accounts of individuals after the drive closes. As far as this last mentioned item is concerned, it has been suggested that if these funds could be obtained before they went into bank deposits or hoarded cash, or before they were expended for the purchase of goods and services, their inflationary potential would be reduced considerably.

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The objective of these suggestions could be accomplished by a comprehensive partial payment plan for a substantial denomination of an E type bond.* A plan that has been suggested to us would involve an issue of one denomination -- say \$250 -- tied into (a) a high level individual quota, and (b) the elimination of the \$25 denomination of E bonds for the period of the drive, from over-the-counter cash sale.

The procedure for the partial payment plan that has been suggested would follow the one used by banks for Christmas Clubs. It would involve the formation of, say, 10 to 20 million United States War Savings Bond Accounts in the Nation's banking institutions. A special Government-supplied partial payment account book would be issued to the purchaser by the bank when the account was opened and the first payment made. Coupon receipts would be provided in the book for five monthly payments between June 1 and let us say, October 31, 1944 -- a date at any rate not beyond the prospective beginning of the next War Loan drive. Payment would be at the rate of \$37.50 a month and would total \$187.50 for the entire five months. The bond would be given a bonus dating -- say June 1.

The opening of a United States War Savings Bond Account and the completion of the first payment would together constitute a pledge to buy a \$250 bond and to make the four remaining payments. The whole transaction would be valued at \$187.50, the total issue price, in the public reports, but the figures on the amounts pledged and the amounts actually paid by the purchaser would be shown separately.

To simplify the accounting for the funds received by the banks, and to provide for a ready mechanism through which the funds would flow in to the Treasury, the banks would be provided with an issue of special \$37.50 War Savings Stamps on consignment. These stamps would be for use only in connection with the War Savings Bond Accounts.

* The possibility of the sale of a negotiable type bond on partial payments to low-income purchasers is excluded from this discussion inasmuch as it is concluded that no good reason has yet been advanced for changing our policy of selling nonmarketable bonds to such persons.

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They would be inserted in the purchaser's account book at the time he made his payment and the funds received from the purchaser would be remitted to the Federal Reserve Banks in payment of the consignment account.

A partial payment plan such as this would make it possible to sell a much larger volume of war bonds than would otherwise be likely to persons who have purchased securities in previous drives only out of their current income, but who are willing to allow their between-drive income to be tapped by something in addition to their payroll savings payments. A program such as this could also pin down significant sales to persons who are not on payroll savings plans or who are short of cash because of seasonal or emergency expenditures. It might also adapt itself well to the needs of professional persons and the self-employed, and might become very popular among the farmers and other persons for whom a drive month is not always the most convenient month for war bond purchases.

In order that the partial payment plan set forth above might reach its maximum effectiveness in increasing sales to individuals and in preventing "token" purchases, its introduction, it has been suggested to us, would have to be accompanied by the announcement of (a) a high level objective for sales to individuals -- say \$8 or \$9 billions (including the unpaid portion of the partial payment accounts) -- and (b) the elimination of the \$25 bond from over-the-counter cash sale during the period of the drive.

Raising the individual quota by about 50 percent or thereabouts from the Fourth War Loan level would be a substantial challenge but it would be offset in part by the counting toward quota achievement of the pledges for the payments on the partial payment plan as the equivalent to cash sales. This might overstate sales a little inasmuch as there would be some defaults in the payments due in August, September and October as a result of a decline in enthusiasm during the post-drive period. This is not a serious problem and it could be reduced to a minimum by a series of planned post-drive activities. These activities could be carried on throughout the summer months, a period for which no War Loan drive activities are planned. They would serve to keep the volunteer staffs together by giving them a job to do between drives.^{1/}

^{1/} In cases where defaults do occur, however, the agreement between the bank and the purchaser would provide that amounts in the War Savings Bond Account could be turned over to the purchaser at any time by the issuance of regular series E bonds dated in the month in which the purchaser asked for the termination of his contract.

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With respect to the second item above -- the elimination of the \$25 bond from over-the-counter cash sale during the period of the drive -- it has been suggested that one way to increase sales is to sell the American people the idea that this is not a "token" war, and to make it clear that the purchase of a \$25 bond during a drive is not the satisfactory fulfillment of a patriotic duty in the eyes of the Government. There are some persons, it is true, to whom the purchase of a single \$25 bond during a drive represents the limit of their ability. To some extent these persons may be persuaded to go even further by participating in the partial payment plan. The loss of the remainder of the sales to this group of individuals will be offset, we have been told, by the very much greater sales to persons whose excess spending power is a very much more important inflationary threat.

From a purely mechanical point of view it would probably be necessary to make the \$25 denomination bond available on payroll savings plans during the drive in order to prevent corporation issuing agents from having to make adjustments in procedures now being followed. Other agents would probably be glad to have the small denomination War bond eliminated because of the reduction in work that would be permitted. In this connection, banks would probably find that the elimination of the handling of the \$25 bond would make it possible for them to take on the mechanical problems involved in a partial payment plan.

(b) Corporations

(1) Withdrawal of bank deposits. The analysis of the corporation part of the drive in Section I of this memorandum made it clear that corporations have done a lot of switching in order to achieve their quotas. They have at the same time been increasing their checking accounts substantially. It has been suggested to us in this connection that a greater share of the new corporate money could be obtained for investment in Government securities if a positive program were developed that would sell corporations on the idea of shifting a substantial volume of their deposits into Government securities.

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Up until now one of the main troubles with the corporate drive, it has been suggested, has been that corporations have been torn between their desire to maintain an increasing volume of bank balances for current and post-war purposes and at the same time to make substantial purchases of securities in order to indicate to their employees and customers that they too were patriotically participating in the country's war financing program. The failure of the Treasury to make clear exactly what it expected to be done about the matter of investing bank deposits in Government securities has made it difficult for corporations to come to a satisfactory decision. The development of a program in cooperation with corporation executives and the bankers of the country might afford the Treasury an opportunity to greatly increase sales to corporations during the Fifth War Loan.

(2) Fuller Utilization of Leaders in Industry. One of the substantial accomplishments of the War Loan drive program in the last year has been to acquire a volunteer solicitation force that is reported to now exceed 5 million persons. Included therein are many persons who are outstanding citizens in their own communities. As a result of their participation in the War Loan drives, a large proportion of the 5 million persons involved have learned a lot in the last year about Government securities and the Treasury's sales program. Their identification with a drive has given them a personal interest in its success.

We have been told that this personal interest in the success of a War Loan campaign is such a great aid to sales that it should be extended among the leaders of business, industry, commerce and government until it is the concern of every one of them. It has been suggested that it might pay the Treasury substantial long-run dividends if a program were undertaken to place every person of prominence in his local community on the volunteer staffs of the local War Finance Committee for the Fifth and subsequent War Loans. In order to be of greatest usefulness such a program would have to be quite comprehensive. In order to be successful, it would have to be made a matter so important as to warrant the personal attention of every War Finance Chairman.

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III. The Fifth War Loan Program

The preceding sections of this memorandum have discussed the techniques of the Fourth War Loan drive and have taken up some changes in these techniques that have been suggested as possible approaches to the problem of increasing substantially the volume of sales to nonbank investors. Each of the changes in technique discussed involves a consideration of major matters of public relations and sales policy, however, and it will be necessary for a decision to be reached as to which, if any, of these changes in techniques are to be adopted before the financial details of a program for the next nonbank drive operation -- the Fifth War Loan -- can be fully formulated.

It might be well to state in this connection that it is our opinion that no substantial increase in the volume of Government securities absorbed by individuals and nonbank corporations can be achieved by minor variations in the basket of securities. Instruments susceptible of "free-riding" -- such as a 1-1/2 percent note or a 2 percent bond -- can increase the gross volume of sales. The amount of these issues taken in excess of the amount individuals and corporations wish to add to their portfolios must be disposed of to banks, however, and the net nonbank absorption will turn out to be about the same after a few months as it would have been if these issues had been excluded from the basket.

March 18, 1944
11:27 a.m.

Oscar
Box:

Okay.

HMJr:

Oscar, strictly between us now, and I've got to have your word on this....

O:

You have.

HMJr:

There may be -- there's a fairly good chance that Paul's going to get out.

O:

Yeah.

HMJr:

And I'm going over to see the President at twelve o'clock.

O:

Yeah.

HMJr:

And I wanted to ask him to let me have you.

O:

Yeah.

HMJr:

But I didn't want to do that and have -- put any heat on you unless it was something that you would like to do yourself.

O:

Right.

HMJr:

Now, am I rushing you if I ask for a "Yes" or "No"? Uh -- I am rushing you because I'd like a "Yes" or a "No".

O:

Well, here's -- here's my reaction....

HMJr:

Yeah.

O:

.... on it. In the first place, as I have said before, there's nobody I'd rather want to work for; secondly, I've always taken the position throughout this whole thing that I'm a soldier and I'll do anything my bosses tell me to do, including scrubbing floors.

HMJr:

Yeah.

O:

And the only question which goes to personal choice and which I think I have very little....

HMJr:

Yea.

C:is that having gone with Leo and been with him such a relatively short time....

HMJr: Yeah.

C:I wouldn't want to be in a position where I exercise any personal choice.

HMJr: Yeah.

C: In other words, I think if you want to you are perfectly free to put it up to him and if I'm ordered by my Boss, I'd be delighted.

HMJr: Well, that's all I want to know.

C: Yeah.

HMJr: I mean, I didn't want -- I mean, I never would want to do a thing like that but -- because I -- you're perfectly willing that I put it up to the President?

C: Yeah.

HMJr: Well, that's all I want to know. But please, on your word of honor.

C: Oh, I wouldn't tell a soul.

HMJr: Nobody.

C: No.

HMJr: Right.

C: Thank you, sir.

HMJr: Thank you. All right.

THE UNDER SECRETARY OF STATE
WASHINGTON

March 18, 1944

Dear Henry,

I humbly apologize for failing to keep my appointment with you this morning. As Mrs. Klotz has explained to you, Lord Halifax kept me over-time on a number of urgent matters.

I am sorry that I did not have a chance to have a visit with you before leaving town, but you may be sure that I shall keep your interests importantly in mind while abroad, and will give you a complete report on anything that is of interest to you immediately upon my return.

With best wishes,

Sincerely yours,

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



March 18, 1944
12:45 p.m.

CONVERSATION WITH MR. STETTINIUS

(On Saturday, March 18, the Secretary, having been called to the White House, was unable to keep his appointment with Mr. Stettinius. The following is a resume' of the conversation which Mrs. Klotz held with Mr. Stettinius in the Secretary's absence:)

MRS. KLOTZ: Mr. Stettinius said that he would not take up the question of dollar balances with the English. If they bring it up, then he will just listen and bring the story back to you, but he will take no action and take no part at all.

Then I spoke to him about Pehle's being so worried about who will carry on; that his absence will be such a great loss, and so forth, and so on.

He said that he asked Mr. Hull please to give Mr. Warren authority so he could act in his absence.

Then he wanted very much for me to talk. Does he know that you saw Taylor?

H.M.JR: Yes.

MRS. KLOTZ: I think he wanted me to talk about that, and I wouldn't do it, you see. I said I didn't know what else you might have had in mind.

He said that in four years nobody has been over to England, since Sumner Welles was there, and that the President wanted him to go over and sort of listen to the British; that that is really what he was going over for.

H.M.JR: It sounds as though he is on the defensive.

MRS. KLOTZ: That is the feeling I got.

H.M.JR: Well, I am glad you saw him and he saw you. How long was he here?

MRS. KLOTZ: He was with me about twenty minutes. He sort of smoked and took it easy and relaxed. I told him how much the Jewish people think of him and what an outstanding job he has done and what a wonderful help he

- 2 -

has been since he has been there.

He particularly wanted me to let you know that he wasn't going to make any commitments, that he was going to get the information and bring it back to you.

March 18, 1944
12:50 p.m.

CONVERSATION WITH THE PRESIDENT

H.M.JR: I went to see the President and told him about Paul and how Paul had been wanting to quit since last fall. The President said he knew it.

I said, "I think I told you at the time." I went through the whole business about Paul and about last Sunday and how he was getting so upset; and today how pleased Doughton was and how Paul was called up every Sunday morning, or almost every Sunday morning, by Drew Pearson - and that seemed to impress the President.

I told the President how I urged Paul to stay, and how he wanted to get out now. I gave him the whole story. I said, "Of course, he could either get out now, or if he quit in June or July it would be very bad."

The President said, "He seems rather inept in handling the people on the Hill. I think it would be much better if he were to go now."

So I said, "Well, I have leaned over backwards trying to get Paul to stay. He doesn't want to stay. I offered to send him to England; he doesn't want to go to England."

The President said, "I think we had better let him go now."

Then I said, "I'd like to get Oscar Cox as General Counsel." The President said, "Fine. Oscar has just been making a trip around the country for me, working with the Democrats."

I said, "I don't mean Oscar Ewing; I mean Oscar Cox, of the Department of Justice."

He said, "He has just made a swing around the country for me."

- 2 -

So I said, "Then we are talking about the same person. Will you handle that?"

He said, "Yes. Do you know it is a Presidential appointment?" I said no. He said he would take care of that.

I asked him about this Declaration, and the President said, "Well, you know we have to consult the English before I do anything. I'll ask Sam where it stands." So I left the Declaration with him - a copy that Mr. Pehle gave me - as a reminder.

I said, "I understood Sam to say he would inform the British."

He said, "I haven't heard, and I have got to wait."

I said, "That is right."

Then I got on to the question - and will you make a note to tell Pehle this last part?

MRS. KLOTZ: Yes.

H.M.JR:About the trouble we were having with Ambassador Hayes in Madrid, and that other agencies were having difficulty.

The President said, "Yes, I know about it."

I said that we would like to suggest that he send Tom Corcoran over there. The President said, "Fine," and I said, "We want somebody who will work on Ambassador Hayes and try to get something done. Don't you think, Mr. President, that it would be a nice thing if you, yourself, invited Tom Corcoran to go as your representative?" I implied bringing him back into the camp.

The President got it, wrote it out, and said that he would send for Tom Corcoran.

I then said, "Look, Mr. President, I think it is time that we appointed Pehle as full Director, and I

just don't know how we should do it. Do you want it to come from the Committee?"

He said, "If the Committee will recommend it to me."

I said, "We are having a meeting, and if something is accomplished, so that I can tie it up together .."

He said, "I'll be very glad to do it. The reason I didn't do it in the first instance was that Pehle wasn't well enough known. I think he is doing a swell job." And he repeated himself. He said, "When some news story breaks, I'll tie it into that."

The next meeting, I'll put a resolution through.

Then this comes under the heading of trivia - no it doesn't, either. I told him I was worried about his health. He told me about a pain in the base of his neck. I suggested he go to Dr. Swope. He said he thought he would. I said I thought an osteopath might help him.

(The Secretary held the following telephone conversation with Judge Rosenman:)

March 18, 1944
1:51 p.m.

HMJr: Hello.

Operator: Judge Rosenman. Go ahead.

HMJr: Sam.

Samuel Rosenman: Hello, Henry.

HMJr: How are you?

R: All right.

HMJr: I saw the President today.

R: So, I see.

HMJr: And -- Oh, I didn't see any television in there.

R: No, but I get the appointment list and I assume if you're on the list that you're there with the usual Treasury efficiency.

HMJr: (Laughs) Anyway, I brought -- I asked him about this declaration about refugees. You see?

R: Yeah.

HMJr: And he said that he hadn't heard from the British, and that they should, of course, be consulted. And I said, "Yes" and that you had said that you would inform them.

R: Yes.

HMJr: Well, he said that he hadn't heard and he was going to ask you, and I just wanted to tell you that I had brought it to his attention.

R: He was going to ask me?

HMJr: Yeah, why we haven't heard from the British.

R: Well, my God, the last I saw of the thing, Henry, it was on his bed in the bedroom a week ago.

HMJr: Yeah.

R: I don't think he's done anything about it. It's probably in his basket.

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HMJr: Well, I -- knowing that he wouldn't have one handy, I took over the copy that you gave us.

R: Yeah.

HMJr: And I said that that was a copy that was furnished by us, but I didn't know if any more changes had been made.

R: No, the copy I gave to....

HMJr: Pehle.

R:Pehle is the copy that was submitted to him.

HMJr: Well, anyway....

R: There were some pencil corrections on there.

HMJr:inasmuch as he seems to be under the impression that you were going to take it up with the British -- uh....

R: I'd better talk to him about it.

HMJr: That's the purpose of my call.

R: All right. I'm sure he's still got it. What did he do with the thing you gave him?

HMJr: He said he would use that as a memorandum to ask you what you had done with the British.

R: (Laughs) He's a corker.

HMJr: (Laughs)

R: All right.

HMJr: Okay?

R: All right. Fine.

HMJr: Do you think we can -- maybe soon?

R: Well, I don't know. If I can bust in there this afternoon.... You saw him at the house. I don't think he's coming over here.

HMJr: I don't think so either. He's got a lot of stamps on his desk.

R: Yeah. Well, I'll ask Grace whether she saw it.

HMJr: Well, he's got the copy right now.

R: Yes, but I wonder what he did with the original. It may be he sent it over to the State Department.

HMJr: Well....

R: In which event, I'll call the State Department.

HMJr: What -- what day do they change the bed linen in the White House?

R: The which?

HMJr: The bed linen.

R: Well, what was the date of -- let's see, he saw it the -- do you remember the date on your copy?

HMJr: No.

R: He saw it the next morning.

HMJr: Yeah.

R: Okay, well, I'll follow it up.

HMJr: Thank you.

R: All right.

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MRS. KLOTZ: Had Judge Rosenman gotten in touch with the British?

H.M.JR: No, the President never told him to go ahead with it.

MRS. KLOTZ: I get it.

H.M.JR: The President never told him to go ahead with it, so he was waiting to hear from the President. The President said he thought the Judge was handling it.

copy to Rehl 215
3/18/44

Saturday, March 18, 1944
4:36 P.M.

TELEPHONE MESSAGE FOR SECRETARY MORGENTHAU
FROM JUDGE ROSENMAN:

"That statement on refugees is going
to the State Department to be checked with
the British."

3/15/44-

STATEMENT BY THE PRESIDENT OF THE UNITED STATES.

The United Nations are fighting to make a world in which tyranny and aggression can not exist; a world based upon freedom, equality and justice; a world in which all persons regardless of race, color or creed may live in peace, honor and dignity.

In the meantime in most of Europe and in parts of Asia the systematic torture and murder of civilians -- men, women and children -- by the Nazis and the Japanese continue unabated. In areas subjugated by the aggressors innocent Poles, Czechs, Norwegians, Dutch, Danes, French, Greeks, Russians, Chinese, Filipinos -- and many others -- are being starved or frozen to death or murdered in cold blood in a campaign of savagery.

The slaughters of Warsaw, Lidice, Kharkov and Nanking -- the brutal torture and murder by the Japanese, not only of civilians but of our own gallant American soldiers and fliers -- these are startling examples of what goes on day by day, year in and year out, wherever the Nazis and the Japs are in military control -- free to follow their barbaric purpose.

In one of the blackest crimes of all history -- begun by the Nazis in the day of peace and multiplied by them a hundred times in time of war -- the wholesale systematic murder of the Jews of Europe goes on unabated every hour. It is therefore fitting that we should again proclaim our determination that none who participate in these acts of savagery shall go unpunished. The United Nations have made it clear that they will pursue the guilty and deliver them up in order that justice be done. That warning applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries. All who knowingly take part in the deportation of Jews to their death in Poland or Norwegians and French to their death in Germany are equally guilty with the executioner. All who share the guilt shall share the punishment.

Hitler is committing these crimes against humanity in the name of the German people. I ask every German and every man everywhere under Nazi domination to show the world by his action that in his heart he does not share these insane

- 2 -

criminal desires. Let him hide these pursued victims, help them to get over their borders, and do what he can to save them from the Nazi hangman. I ask him also to keep watch, and to record the evidence that will one day be used to convict the guilty.

In the meantime, and until the victory that is now assured is won, the United States will persevere in its efforts to rescue the victims of brutality of the Nazis and the Japs. In so far as the necessity of military operations permit this Government will use all means at its command to aid the escape of all intended victims of the Nazi and Jap executioner -- regardless of race or religion or color. We call upon the free peoples of Europe and Asia temporarily to open their frontiers to all victims of oppression. We shall find havens of refuge for them, and we shall find the means for their maintenance and support until the tyrant is driven from their homelands and they may return.

In the name of justice and humanity let all freedom loving people rally to this righteous undertaking.

Meeting with the Secretary
at his home on
Saturday, March 18, 1944

The Secretary asked me to come at 5 o'clock to take up some matters which I wanted to bring up which he had not had time to discuss that day in the office and was to be present when the Soviet Ambassador called at 5 o'clock.

1. I first took up the suggested draft reply for the President to Churchill in regard to the British dollar balances. The Secretary approved the draft as suggested by the Treasury and did not feel that either Crowley's suggestion or the suggestion made by Rostow should go in the cable. He also indicated that he would like the cable cleared by Monday if possible.

2. Secondly, I took up the question raised by the State Department of the appropriate interest amortization terms which the Treasury deemed to be desirable on the proposed credit arrangement with the Soviet Government on lend-lease material. The Secretary said that his view of the appropriate terms would be one-eighth of one percent above the carrying cost of the public debt notification to be given to the Soviet Government each January of the rate which would represent an average of the previous year's costs. This would make the interest about 2 percent. He did not think that the interest rate would change very substantially over the coming year's in view of the large proportion of the fixed interest of cost in the public debt. He also thought the amortization period might be around 20 years and that whether the State Department should begin with the proposal for 15 years and bargain would be a matter of their own judgment. The Secretary agreed that the proposal under discussion did not meet the post-war needs of either the U.S. or U.S.S.R. and that the larger program he had had in mind would be more suitable and he said he had not yet read the memorandum he had asked to be prepared on the subject but that he would do so soon. He wondered what I thought of the idea that he should go to Moscow with the idea of his inviting some big businessmen, the President of the U.S. Chamber of Commerce and possibly some big bankers and a man like Kaiser. I told him I thought that was an excellent idea and he said he would keep it in mind.

3. We then discussed the memorandum on lend-leasing of silver to Ethiopia. He said he would sign the letter to Crowley making the recommendation.

4. We then discussed the question of lend-leasing silver to Saudi Arabia. I told him that we in the Treasury were inclined to be very conservative with respect to this loan and to take as little risk as possible and that the cable giving our views to our representative there

Division of Monetary
Research

- 2 -

called for substantial reserves to be set aside by Saudi Arabia out of the seiniorage from the silver. He said he was wholly in agreement with this. I told him that the Middle East representative of the State Department was desirous of helping Saudi Arabia as much as possible even to the extent of possibly subsidizing the government by some \$20 million a year the purpose being the assurance of an oil supply. I said that we in the Treasury didn't see the justification for such expenditure and were inclined to oppose any such subsidy unless more information than we had on the subject gave a clearer picture of its justification or unless the State Department told us in writing that it should be done exclusively for political reasons. The Secretary said that that was his view too but since no definite proposal was before us that there was no need to take any action on the matter at this time.

H. D. White

White
S.M.

SECRET
PER DOWNS

THE WHITE HOUSE
WASHINGTON

March 18, 1944.

My dear Mr. Secretary:

Referring to your inquiry of recent date in regard to the purchase by our forces abroad of any lend lease material, I have been unable to find that the American forces in any case actually purchased for their use material provided under lend lease.

In regard to lend lease gasoline in the United Kingdom, the following is the best information that I have been able to get from our War Department:

"Gasoline from the United States is turned over to the British under lend lease and is re-issued by the British to our units under reciprocal aid. These transactions do not involve any monetary change or cash payment. The only record maintained, which is mutually binding, is the record of the quantities delivered or re-issued. Each Government establishes prices for its own accounting purposes but not as a part of the transaction."

The latest United States prices for gasoline, obtained from the New York Petroleum Pool in dollars per barrel, are as follows:

100 octane \$7.82 per barrel or \$1.61 per gallon

The latest available British prices for the same gasoline (100 octane) is as follows:

1 Shilling 7 pence - equal to \$.268 per U. S. gallon

This statement is not particularly clear to me but perhaps it is understandable by some of your experts who deal in matters of that kind.

Most sincerely,
William Leahy

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

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

March 18, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 8, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

CMB

FEDERAL RESERVE BANK
OF NEW YORK

March 17, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended March 8, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D.C.

Enclosures

COPY

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended March 8, 1944

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	DEBITS				CREDITS					Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of		Transfers Official Australian Account	Other Credits (c)				
						Gold	Reserves (Official) (b)						
First year of war (g)	1,793.2	608.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	426.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.3	1,428.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1
Second year of war(h)	2,203.0	1,798.2	3.4	407.4	2,189.8	1,193.7	274.0	16.4	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	908.8	7.7	223.1	1,361.5	21.8	5.5	97.1	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war(j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.7	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
September	49.4	16.8	10.6	22.0	86.2	-	-	15.1	71.2	+ 36.8	-	-	-
October	38.2	16.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2	-	-	-
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-
1944													
January	44.8	22.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 82.7	-	-	-
February	143.8	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-
March													
April													
May													
June													
July													
August													
Week Ended													
February 16, 1944	7.7	4.8	-	2.9	25.8	-	-	-	25.8	+ 18.1	-	-	-
February 23, 1944	64.0	0.6	-	63.4	57.2	-	-	-	57.2	- 6.8	-	-	-
March 1, 1944	9.2	1.4	2.1	5.7	19.2	-	-	9.0	10.2	+ 10.0	-	-	-
March 8, 1944	10.3	5.8	-	4.5	17.0(k)	-	-	6.0	9.0(l)	+ 6.7	-	-	-

See attached sheet for footnotes.

Weekly Expenditures Since Outbreak of War
 (in millions of dollars)
 ended 19, 1940) \$19.6 million
 ended 16, 1940) \$27.6 million
 ended 12, 1941) \$54.9 million
 ended (since March 27, 1941) \$20.5 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 1.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$5.0 million in connection with the expenses of our armed forces abroad.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS

(In Millions of Dollars)

Week Ended March 8, 1944

Section 1
Confidential

PERIOD	CANADIAN (and Canadian Government)				AUSTRALIAN (and Australian Government)			
	Total	Official	A/C	Other	Total	Official	A/C	Other
First year of war (a)	33.0	16.6	306.4	306.7	412.7	20.9	38.7	32.4 + 181.7
War period through December, 1940	477.2	16.6	460.6	707.6	534.8	20.9	110.7	41.0 + 230.2
Second year of war (b)	660.4	-	460.4	660.2	266.2	3.4	123.9	88.5 + 1.6
Third year of war (c)	525.8	0.3	565.5	198.6	7.7	-	360.0	40.5 + 40.5
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	741.3	235.2 + 235.2
September	47.2	-	47.2	70.2	-	10.6	59.5	22.9 + 22.9
October	32.1	-	32.1	71.3	-	-	71.3	42.8 + 28.5
November	15.7	0.1	15.3	95.1	-	5.9	89.2	19.7 + 69.5
December	16.8	0.3	146.5	55.1	-	-	55.1	91.7 - 91.7
1941	32.3	-	32.3	18*5	-	10*6	61*9	46*2 + 46*2
January	25.4	-	25.4	118.5	23.1	2.1	93.3	93.3 + 93.3
February	11.3	-	11.3	28*6	-	5*0	28*0	29*0
March	28*6	-	28*6	-	-	-	-	-
April	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-
Bank period	1.5	-	1.5	21.0	-	-	21.0	13.5 + 13.5
February 28, 1944	7.4	-	7.4	12.6	-	-	12.6	8.8 + 3.8
March 1, 1944	0.6	-	0.6	18.4	-	2.1	16.3	14.2 + 2.1
March 1, 1941	0.6	-	0.6	-	-	-	-	-

(a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 6, 1941.
 (c) For monthly breakdown see tabulations prior to October 14, 1942.
 (d) For monthly breakdown see tabulations prior to September 29, 1943.
 (e) Net losses changes in all dollar holdings payable on demand or maturing in one year.
 (f) Does not reflect transactions in short term U.S. securities.
 (g) Includes \$ 14.2 million deposits of War Supplies, Ltd.
 (h) Includes \$ 9.0 million received from the War Supplies, Ltd. account of Canadian Chartered Bank.
 (i) Includes \$1.5 million in connection with the expense of our armed forces abroad.

1940 year of war 6.2 million
 Second year of war 8.8 million
 Third year of war 10.1 million
 Fourth year of war 13.9 million
 Fifth year of war (through March 8, 1944) 11.0 million

MAR 18 1944

Dear Cordell,

I am writing to express my appreciation for the splendid cooperation and assistance we have received from John Hickerson during our recent discussions with Canadian officials concerning the implementation of the maximum-minimum balance arrangement entered into last spring.

Mr. Hickerson offered a number of valuable suggestions which have since been accepted by the Canadian Government. In this and in many other ways, he contributed materially to the success of the discussions.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Cordell Hull,
The Secretary of State.

MAB:BSB:rl 3/16/44



THE SECRETARY OF STATE
WASHINGTON

March 20, 1944

Dear Henry:

I wish to thank you for your letter of March eighteenth expressing appreciation for the cooperation and assistance rendered your Department by Mr. John Hickerson during the recent discussions with the Canadian officials concerning the implementation of maximum-minimum balance arrangements entered into last spring. It is encouraging to receive such commendatory messages about my associates and I want you to know that I appreciate the courtesy which prompted you to bring this instance to my attention.

Sincerely yours,

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.

MAR 20 1944

Dear Mr. Hickerson:

I want to thank you for your cooperation during our recent discussions with the Canadian officials. You were very helpful and contributed considerably to the success of the discussions.

I am enclosing a copy of a note I have sent to Secretary Hull.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Mr. John Hickerson,
Room 388,
Department of State,
Washington, D. C.

Enclosure.

HDW:gsa
3/18/44



DEPARTMENT OF STATE
WASHINGTON

March 21, 1944.

Dear Mr. Secretary:

I have received with appreciation your letter of March 20, 1944, with which you enclosed a copy of the letter which you sent to Mr. Hull on March 18 in regard to my work with you and your associates during the recent discussions with Canadian officials concerning the implementation of the maximum-minimum balance arrangement entered into last spring.

It was thoughtful of you to write this nice letter to Mr. Hull and I am grateful.

Yours sincerely,

John Hickerson
John Hickerson

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



March 18, 1944

MEMORANDUM FOR THE FILES

Mr. Lochhead called the Secretary's office yesterday and said that he wanted to see him. He told Mr. Fitzgerald that he had received an invitation from Minister Kung and K. P. Chen to come to China and he wanted to see the Secretary to tell him about it. The Secretary via Fitzgerald said that he would have to see Mr. White.

Mr. Lochhead called on me at 11:00 a.m. today and said that he had received a cabled invitation from Mr. Kung to come to China to discuss problems of reconstruction and their relationship to his organization here. He was rather vague about the subject of his trip. I asked him didn't I remember correctly that his contract with the Universal Trading Company ended this year, and he replied "Yes." I said then wasn't it time that he renewed the contract, and wouldn't he have to go to China to renew the contract? He replied "Yes." However, he said that his contract was with the Finance Minister and he was only assigned to Universal so that in a sense he said he was working for Kung. He said he thought he ought to inform the Secretary first of his proposed trip. He said that, of course, if the Secretary disapproved, he would like to know. I said that it seemed to me it was a matter which rested wholly with himself. Since it was a question of renewal of his contract I didn't think the Secretary would have any objection to his going to China to discuss the matter with the Chinese. He then said that he had been by to see Currie, Cox and Vincent and discussed the matter with them. He also said he knew there were a lot of things going on and he thought Kung might raise a lot of questions with him on reconstruction, etc. He said there were some things he would be glad to take up for us; he might be of help to us in some of the problems we were confronted with. I said that we had a number of problems; that we handled them, together with State and Army, by cable and through other appropriate Government officials here.

Lochhead said he is trying to get transportation and State Department might ask Treasury for Treasury approval. I said that I didn't see how they could ask Treasury approval since Treasury had nothing to do with his trip and that it was entirely a personal matter between him and his employers. He said that they might call up to find out whether he was "all right." I replied that "They know you well and, of course, there could be no trouble on that score." He said he planned to go by about May 1st and would drop in again and see if we had anything to transmit to K. P. Chen. He then showed me the cabled communication which requested that he come to China to discuss matters. It was signed by Kung.

H. D. White

March 18, 1944

My dear Mr. Steele:

I am sending you a photostat of a very nice letter which I received from Mr. Woodruff, of the Coca-Cola Company.

With kind regards,

Yours sincerely,

(Signed) H. Morgenthau, Jr

Mr. Alfred Steele,
D'Arcy Advertising Company,
515 Madison Avenue,
New York, N. Y.

3/18/44

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Photostats to: Mr. Gamble
Mr. Smith
Sgt. Dudley

The Coca-Cola Company

WILMINGTON, DEL.

H. W. WOODRUFF, CHAIRMAN
EXECUTIVE COMMITTEE

March 14, 1944

Honorable Jerry Greenham, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

Your generous recognition of the use of our radio facilities pleases us greatly.

I listened with much interest and pleasure to the report to the Nation on the Fourth War Loan, as well as to the radio show that started the Fourth War Loan drive.

I want to take this opportunity to congratulate you not only on the shows themselves, but on your perfectly splendid performance on these shows.

Sincerely,



March 3, 1944

My dear Mr. Woodruff:

I should like to take this opportunity of thanking you and your associates of the Coca-Cola Company for making available your program last evening to the Treasury Department.

Because of your very generous and patriotic gesture, it was possible for me to give the Nation a report on the accomplishments of the Fourth War Loan Drive. We at the Treasury felt that it was vital to the success of our future campaigns that we apprise the American people of the tangible results attained in our drive just ended. The fact that upwards of sixty million E Bonds alone were sold is evidence that a great part of our population not only supported this drive adequately but would be interested in hearing a final report on the sales. Also, it gave me an opportunity to thank the millions of loyal folks who make these campaigns possible.

I know that you are aware of the splendid help that we continue to get from Mr. Steele and his associates in production of our Treasury shows. I sincerely believe that you at Coca-Cola have every right to be proud of the help that you have given us.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. R. W. Woodruff,
Chairman of the Board,
Coca-Cola Company,
310 North Avenue, N. W.,
Atlanta, Georgia.

TMG:ecb

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 18, 1944

FROM Fred Smith *FS*

George Gallup is out of town and cannot be reached until Monday.

At that time we will try to get a statement out of him to send overseas, pointing out that polls show the American public to be more than willing to make any sacrifice for the war. He can mention a few pertinent polls to prove his point.

It can all be hung on the story of the tax poll, as we discussed.

I'll follow this up.

Fred Smith.
The Secretary.

March 17, 1944

I think it would be very worthwhile to get a message to the soldiers and sailors overseas about the Gallup Poll and that 90% of the people are satisfied. Maybe you can get a little something special from Gallup in the way of a message. If you think well of this, I'd clean it up not later than Saturday noon. Give me a report on it, please.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

March 18, 1944

to Secretary Morgenthau

FROM Fred Smith

(FS)

Attached is that germ of an idea.

If a Senator were to make a little speech like this on the floor, and it were to be well covered by the press, it might start people thinking about how well we have done a virtually impossible job, instead of how far from perfection we are.

Besides, I think it is good politics to pat the people on the head for what they've done.

SPEECH FOR SENATOR

I should like to have a few minutes to talk about the American people.

I was considerably impressed a few days ago when I picked up my newspaper and read the results of a public opinion poll which indicated that ninety percent of the American people are satisfied with the high taxes which they have been called upon to pay because of the war.

This poll was made at the very time that the American people were paying these taxes. If such a poll were made after the taxes had been paid and more or less forgotten; or if the poll had been made before the people realized how much they would pay on March 15 -- then you might expect a minimum amount of complaint. But here were the American people -- fifty million of them -- sweating over their income tax forms, digging into their bank accounts or borrowing money to pay the most colossal personal income tax bill in history -- and right in the middle of it, nine out of every ten, when asked "Do you regard the amount you have to pay as fair?" -- nine out of ten answered "Yes."

When I saw this in the paper, I called up Henry Morgenthau and asked him if he had seen it. He said "It didn't surprise

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me. The people of this country not only pay their taxes, but they have invested 29 billion dollars in War Bonds. Our people have their hearts in this war far more than it may seem on the surface. You only have to see War Bond drives from where I sit, to be sure of that."

I think it is high time that all of us here in the Government paid tribute to the way the American people have reacted in this war. Sure, they have complained. They have complained a great deal. To anyone eavesdropping on our family rows, it would seem that a great portion of our people are irreconcilable about the restraints placed upon them, and about the way in which the war is being run, and about manpower, and materials, and the steaks and butter and gasoline they can't buy. But most of that has been just talk. I'm not sure it isn't a healthy sign. Probably the war has been run a lot better because of it. They complained about their tax forms, and they are going to get simplification. Long before the hue and cry was heard, the Congress and Treasury were working toward simplification. Then Doughton and George and Morgenthau put their heads together and came up with a sensible plan -- and the job is practically done.

But the important thing is that in spite of all their kicks,

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the people paid their taxes, and said "Okay. If it costs this much to fight a war, we'll foot the bill."

This same situation has existed in every phase of public activity during the war.

Folks beef about the OPA, and paint a picture of the most topsy-turvy bureaucracy that their imaginations can conceive. But ninety percent of the people, in spite of this, go along with the restrictions that OPA places upon them. And in their hearts they are glad to do it.

They complain about the confusion in Selective Service. But even while they are complaining, ten million men, willingly and without serious protest, leave their homes and businesses, completely uproot their lives, and go out to defend their country -- and to defend, incidentally, their right to complain about it.

They complain bitterly about the Office of Economic Stabilization, and proclaim that regimentation and the restrictions set up to keep our economy on an even keel are unnecessary. But the people obey those restrictions, and do it willingly. They listen to the pleas of government officials, and don't go staggering through war prosperity, spending money like drunken sailors. Since 1940, they've put 29 billions into bonds, 9 billion into insurance, 5 billion into savings accounts, 1 billion

into other savings and debt repayment, and they have 30 billions in cash and checking accounts that they are hanging on to. By handling their money intelligently, they have so far kept living costs down, just as we hoped they would. No, gentlemen, they haven't been as unhappy with restrictions as they've sounded. They've strung along with us on stabilization just as willingly as they have paid their taxes and bought Bonds.

Now mind you, I am not advocating confusion, of which, on a project of the magnitude of the war, there is of course, always too much. I am not even saying that confusion is unimportant. No effort should be spared to clarify our war administration, or to make our bureaucracies less bureaucratic, or to unwind the complications of government policy.

But I sometimes think that we are not seeing the forest for the trees.

Gentlemen, on December 7, 1941, a miracle took place that puts to shame most of the miracles of the past.

On the morning of December 7, 1941, before the staggering news reached us, we were a completely divided nation -- a nation with a thousand ideologies, ideas, plans and ways of life. Fully half the people in our country believed deeply that the war would never touch us. A dozen organized forces pulled in opposite directions to curry the public's favor. Day after

- 5 -

day from a multitude of sources, the American people were being told contradictory facts -- or so-called facts, many of them hot off Dr. Goebble's griddle -- purporting to give them a basis upon which to make up their minds about "that war over there." But how could the American people make up their minds what to believe when all these contradictory things were being thrust at them?

On December 7, we were a completely unregimented people. We had the beautiful independence and -- and I might even say disorganization -- that only a Democracy affords. And yet, on this day, we were thrust into war against tightly organized, deeply regimented nations in which whole fanatic populations were dedicated to destroying everything that stood between them and world supremacy.

On this day, December 7, we were faced with the necessity of organizing 136 million people, with nearly 136 million individual, different ideas and beliefs and convictions, into a unit strong enough to fight off the most vicious, ruthless and most skillfully organized menace in the history of the world.

We have talked now for three years about all the things that are wrong about the way in which we have handled this unprecedented job that destiny dropped in our lap. We have complained about overlapping bureaucracies, about government

extravagances, about regimentation, about restrictions.

Certain of our Republican colleagues with an air of utopian simplicity have declared that under a Republican Administration all this never would have happened. All of it would be cured, as if by magic, if we but had a new and inexperienced President. Unfortunately, they have not decided, and don't seem to be able to decide which of the gentlemen with their hats in the ring is the one who has all the assets, but from the criticism they hand each other, they seem to be agreed that most candidates are brimming over with liabilities. Most Republican managers seem to believe their man is the man, and all other Republicans are unequal to the task. Each of them secretly believes, and many of them have admitted, privately, that there are only two men in the United States who can carry this country through the rest of the war. One of them is their pet candidate, no matter who he is. The other is Franklin D. Roosevelt. We are flattered that a Democrat can be a second choice of so many Republicans, who so violently disagree on a first choice.

But that is beside the point. The point is that a miracle has taken place. With the world's worst start, we have out-organized, out-produced, out-thought and out-fought the dictators. This miracle has taken away the breath of Adolph Hitler, and shattered his dream of world conquest. Only in

America, where people complain more bitterly and violently and eloquently than the folks of any nation on the face of the earth -- and yet make sacrifices more willingly -- could it happen.

I am not suggesting that the people stop complaining. I am only pointing out that we in Congress, and in the entire Government, should never lose sight of the fact that underneath the complaints is a patriotic, tireless determination to see us through this war victorious, at any cost.

MAR 18 1944

MEMORANDUM FOR THE PRESIDENT:

The terms of office of four Judges of the Tax Court of the United States expire June 2, 1944. The law relating to the appointment and tenure in office of the Judges of this Court is such that the Judges do not hold over, nor do they serve until their successors are appointed and take office. It would be unfortunate, especially in view of the heavy burden of work of the Court at this time, for vacancies to occur, certainly for any appreciable period, and, therefore, these positions should be filled before June 2, 1944.

The records of the four Judges whose terms expire in June command respect. They are qualified, capable and singularly conscientious in their fidelity to the work of the Court. The Judges in question are J. Edgar Murdock (the present presiding Judge of the Court), William M. Arnold, Eugene Black and Ernest H. VanFossan. Messrs. Murdock and VanFossan were originally appointed as members of the Board of Tax Appeals (now the Tax Court) in 1926. Each served in World War I and each advanced to a captaincy. Messrs. Arnold and Black were appointed in 1935 and 1929, respectively. Each had served as Representative in Congress before his appointment.

The work of the Tax Court at this time may be said to be fairly current, and it is important that this condition be maintained as far as possible if not, in fact, improved. The Court has won an enviable record for its impartial disposition of complex tax problems, and confidence in it has been recently and openly expressed in the Supreme Court and in the Congress. Both the record of the Court and the reputation it now enjoys are attributable in no small measure to the work of the four Judges named whose terms of office

Memorandum for the President, 2.

expire in June.

It should also be pointed out that problems which face the Court are highly technical, and to the extent possible we should continue to take advantage of the fund of knowledge competent judges now serving have accumulated as a result of their constant contact with the intricacies of our tax laws.

For the reasons indicated, it is recommended that the four Judges hereinbefore referred to whose terms expire on June 2, 1944 be reappointed for the statutory twelve year term.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Enclosure:
Members, Board of Tax Appeals,
Whose Terms expire June 2, 1944
(Source, Who's Who in America,
Vol. 22, 1942-1943).

JJO'C.Jr/lsw
4-17-44

MEMBERS, BOARD OF TAX APPEALS, WHOSE
TERMS EXPIRE JUNE 2, 1944 (SOURCE,
WHO'S WHO IN AMERICA, VOL. 22, 1942-
1943).

ARNOLD, WILLIAM WRIGHT, ex-congressman; mem. U. S. Board of Tax Appeals; b. Oblong, Crawford Co., Ill., Oct. 14, 1877, s. Berzelius M. and Mary Catherine (Baker) A.; student Austin Coll., Kffingham, Ill., 1 yr.; LL.B., U. of Ill., 1901; m. Kate Wheeler Busey, Oct. 1909; children -- William Busey, Mary Alice. Admitted to Ill. bar, 1901; began practice at Robinson; mem. firm McCarty & Arnold, 1901-22; mem. 68th to 74 Congresses (1923-37), 23d Ill. Dist.; resigned Sept. 15, 1935, to become mem. U. S. Bd. of Tax Appeals, Mem. Ill. State and Crawford Co. bar assns., Sigma Alpha Epsilon, Democrat. Mason (32° K. T., Shriner), Odd Fellow, K. P., Elk, Woodman. Club: Crawford County Country. Home: Robinson, Ill. Address: U. S. Board of Tax Appeals, Washington, D. C.

BLACK, EUGENE, mem. U. S. Board of Tax Appeals; b. Blossom, Tex., July 2, 1879; s. Alexander Wesley and Talula Ann (Shackelford) B.; LL.B., Cumberland U., 1905, LL.D., 1937; m. Mamie Coleman, Mar. 15, 1908; Children--Margaret, Lyda Gene, Adelle, Rachel, Harold, Barbara. Admitted to Texas bar, 1905, and practiced at Clarksville; mem. 64th to 70th Congresses (1915-29), 1st Texas Dist.; member U. S. Board of Tax Appeals since 1929, chmn., 1933-1937. Democrat. Methodist. Club: Red River Country. Home: Clarksville, Tex. Address: U. S. Board of Tax Appeals, Washington, D. C.

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MURDOCK, JOHN EDGAR, mem. Bd. of Tax Appeals; b. Greensburg, Pa., July 11, 1894; s. Henry H. and Mary Martha (Machesney) M.; Litt.B., Princeton, 1918; LL.B., cum laude, U. of Pittsburgh, 1921; m. Sarah Lynch, Sept. 24, 1923; children -- John Edgar, Sarah Martha, Elizabeth. Admitted to Pa. bar, 1920; 2d asst. dist. atty., Westmoreland County, Pa., 1922-25, 1st ass., 1925-26; apptd. mem. U. S. Board of Tax Appeals for terms 1926-32 and 1932-44, elected chmn. for term, 1941-43. Commissioned 1st lieut. infantry, U. S. Army, 1917, captain, 1918; with A. E. F., 1918-19. Awarded Silver Star Citation. Mem. American Bar Assn., Order of Coif. Republican. Presbyterian. Clubs; Princeton (v.p.), Ice (chmn)-- both of Washington; Chevy Chase. Home: 2940 Foxhall Rd. Office U. S. Board of Tax Appeals, Internal Revenue Bldg., Washington, D. C.

VAN FOSSAN, ERNEST HARVEY (van-fos'an), lawyer, mem. U. S. Bd. of Tax Appeals; b. Lisbon, O., Sept. 6, 1883; s. William Harvey and Eva Sophia (Morris) Van F.; grad. New Lyme Inst., South New Lyme, O., 1904; A. B. Oberlin Coll., 1909; A. M. and LL.B., Columbia, 1913; m. Frances Hawthorne Brady, June 26, 1926. Mem. firm Billingsley, Moore & Van Fossan, Lisbon, 1913-17; enlisted U. S. Army, May 15, 1917; served as 2d lt., 1st lt. and capt.; spl. duty office asst. sec. of War, May-Nov. 1918; an inspector general, Nov. 1918-Aug. 1919; hon. disch., Jan. 10, 1920. Made survey of efficiency and economy, Panama Canal Zone govt., June-Oct. 1919; counsel and mem. War Dept. Claims Bd., 1919-21; chief counsel and mem. War Credits Bd., 1920-23; sec. spl. Panama Canal Comm., June-Oct. 1921; asst. counsel U. S. Shipping Bd., 1921-24; dir. of claims, U. S. Shipping Bd., Feb.-Dec. 1923; mem. Gregg & Van Fossan, 1924-26; apptd. by President Coolidge mem. U. S. Bd. of Tax Appeals, June 8, 1926, reappointed by President Hoover for term ending 1944. Mem. Am. and Ohio State bar assns., Phi Kappa Psi, Delta Sigma Rho, Sons of Vets., Am. Legion. Republican. Presbyterian. Mason. Home: Lisbon, O., and 2101 Connecticut Av., Washington. Office: U. S. Board of Tax Appeals, Washington, D. C.

MAR 18 1944

MEMORANDUM FOR THE PRESIDENT:

I have your memorandum of March 14, 1944, to which was attached a letter from Senator Carter Glass recommending the appointment of Robert Nelson Anderson to one of the four vacancies that will occur on the Tax Court of the United States on June 2 next.

In memorandum bearing even date herewith the Department has recommended that the present incumbents to all four of these positions be re-appointed, for reasons set forth in some detail in the memorandum.

If you are disposed to approve these recommendations you may wish to send the attached letter to Senator Glass explaining your inability to comply with his suggestion.

I may say that the Office of the Attorney General has indicated informally that it has no desire to present a differing view from that of the Treasury Department with respect to the appointments in question, and his office has also indicated general agreement with the draft of letter to Senator Glass.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

JJO'Cjr:cp
#3/16/44

THE WHITE HOUSE
WASHINGTON

March 14, 1944.

MEMORANDUM FOR

THE ATTORNEY GENERAL ✓
THE SECRETARY OF THE TREASURY:

FOR JOINT RECOMMENDATION AND
PREPARATION OF REPLY.

F.D.R.

SENATORS
FRANKLIN D. ROOSEVELT, PRESIDENT
HENRY CLAY TOWNSEND, JR., VICE PRESIDENT
WALTER G. BROWN, JR., CHAIRMAN
FRANK B. ROWLES, VICE CHAIRMAN
WILLIAM C. HAWLEY, CLERK
WILLIAM H. WHYTE, JR., ASSISTANT CLERK
G. WATLAND BRIDGES, JR., ASSISTANT CLERK

United States Senate

COMMITTEE ON APPROPRIATIONS

THE WHITE HOUSE
MAR 11 8 30 AM '44
RECEIVED

March 10, 1944

Honorable Franklin D. Roosevelt,
The White House,
Washington, D. C.

Dear Franklin:

In response to my letter of September 8, 1943 expressing my desire that Robert Nelson Anderson, now serving as Special Assistant to the Attorney General be advanced to a more important post, you stated under date of September 16, 1943 that you had not been unmindful of my wishes in this matter, and that Mr. Anderson would not be overlooked should an opening occur whereby his capabilities could be used to better advantage.

I wish to call your attention in this connection to the fact that four vacancies will occur on the Tax Court of the United States on June 1st next, and at the same time to request you to appoint Mr. Anderson to one of these posts. With an experience in Federal tax litigation, both within and without the Government, extending over a number of years, I believe Mr. Anderson to be excellently qualified. As Special Assistant to the Attorney General he is now supervising tax litigation in all the Federal Courts, and has personally argued in the Supreme Court of the United States and all of the Circuit Courts of Appeal many cases which originated in the Board of Tax Appeals (Tax Court). He has also tried some of the Government's most important constitutional test cases involving taxes.

As set forth in my letter of September 8, 1943, Mr. Anderson has been an ardent supporter of your administration from its inception. Further, his appointment would mean the first recognition of a Virginian for a place on the Tax Court (Board of Tax Appeals) since its organization in 1924.

With affectionate regards and best wishes,

Faithfully,

Robert H. H. H.

My dear Carter:

I have your letter of March 10, 1944 suggesting that Robert Nelson Anderson, now serving as special assistant to the Attorney General, be appointed to the Tax Court of the United States on June 2, 1944, the date on which the terms of office of four of the Judges now serving will expire.

I have looked into the situation and find that the four Judges whose terms are about to expire have all served the Court with distinction and have contributed at least their fair share to the present high level of efficiency of the Court, and are in substantial part responsible for the high regard in which the Court is generally held. In view of this fact, and also being mindful of the fact that these men have become, as the result of service on the Court, highly skilled in the solution of the complex problems that confront it, I am disposed to reappoint them all, should they all be willing to continue to serve.

If, for any reason, all of these reappointments should not be made, Mr. Anderson will certainly not be overlooked as a possibility. Nor, as I told you in my letter of September 26, 1943, will Mr. Anderson be forgotten should any other opening occur in which his capacities could be used to better advantage than they are now being used.

With affectionate regards

Cordially yours,

Honorable Carter Glass
United States Senate

JJO'C.Jr/lsw
4-17-44

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

MAR 15 1944

TO: Mr. Gaston

FROM: Randolph Paul

Reference is made to the letter to the President from Carter Glass which was transmitted to the Attorney General and the Secretary for joint recommendation and preparation of reply.

Mr. Carusi, Assistant to the Attorney General, called me on the telephone this morning and stated that the only reason he could perceive for the President sending the letter to the Attorney General arose from the fact that Carter Glass mentioned a Justice Department employee. He stated that the Attorney General is agreeable to the Treasury preparing a letter such as would be prepared if the letter had been sent to the Secretary alone, making it non-committal as far as the Attorney General is concerned. After the letter is prepared, it can be read to the Attorney General (Carusi) so that it can truthfully be said it is a joint recommendation.

It is agreeable if the statement is made in the letter to the President that the Attorney General has no particular interest, but, of course, the statement should not be made to Carter Glass.



Attachment

MAR 15 1944

MR. GASTON

MR. SULLIVAN,
MR. PAUL

As you are aware, the terms of office of four Judges of the Tax Court of the United States expire June 2, 1944. The law relating to the appointment and tenure in office of the Judges of this Court is such that the Judges do not hold over or serve until their successors are appointed and take office. It would be unfortunate for vacancies to occur, certainly for any appreciable period, in the working panel of the Court at this time in view of its enlarged responsibilities under the Revenue Act of 1943 vesting in it appellate review of the renegotiation of war contracts; as well as the additional burden upon it in reviewing claims for relief under Section 722 of the 1942 Act.

The Tax Court's docket at this time may be said to be fairly current, and it is in the interest of all concerned that this condition be maintained as far as possible. The Court has won an enviable record for its impartial disposition of complex tax problems and confidence in it has been lately and openly expressed in the Supreme Court and in the Congress. The present favorable working condition of the Court ought not to be disturbed by changes in its personnel.

The records of the four Judges, whose terms expire June 2, 1944, command respect. They are qualified, capable and singularly conscientious in their fidelity to the work of the Court. The Judges whose terms expire June 2, 1944 are Murdock, Arnold, Black and Van Fossan. Mr. Murdock is the present Presiding Judge of the Court. Messrs. Murdock and Van Fossan were originally appointed as members of the Board of Tax Appeals (now Tax Court) in 1926; each served in World War I and each advanced to a captaincy. Messrs. Arnold and Black were appointed in 1935 and 1929, respectively; each had served as Representative in Congress before his appointment. We think it is in the public interest that these four Judges be reappointed and that is our unqualified recommendation. Mr. Wenschel, Chief Counsel, Bureau of Internal Revenue, who by statute is the Government's representative before the Tax Court, and who, therefore, is peculiarly qualified to have an opinion concerning the fitness of the Judges, as well as the maintenance of the Tax Court upon its present high plane of

-2-

service, has informed us that he is in thorough accord with our recommendation that Messrs. Murdock, Van Fossan, Arnold and Black be reappointed.

(Signed) Randolph Ford

(Initialed) J.L.S.

MAR 18 1944

My dear Mr. Taylor:

The suggestions which you have made in your letter of March 17 concerning the relationship between the War Refugee Board and other agencies concerned with refugee problems are greatly appreciated.

I have discussed these suggestions with Mr. Pehle and they are entirely agreeable to us.

As I told you on Thursday, Mr. Pehle will keep in touch with you concerning the activities of the War Refugee Board, and any suggestions that you may have from time to time concerning the work of the Board will be most welcome.

Sincerely yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

The Honorable
Myron C. Taylor
Washington, D. C.

JDubois:ecr
3/18/44

DEPARTMENT OF STATE
WASHINGTON

March 17, 1944

My dear Mr. Secretary:

The suggestions that I would now make in regard to the various refugee agencies are as follows:

1. The suggestion which I made to the Executive Director of the War Refugee Board - Mr. Pehle, that he should undertake to define in a statement the proposed relationship between the War Refugee Board and the Intergovernmental Committee is in accord with my recent memorandum to the President.

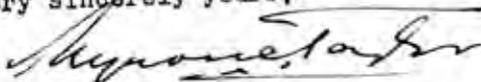
2. My second suggestion that Mr. Pehle go to London to discuss plans for the coordination of activities of the Intergovernmental Committee and the War Refugee Board, can very well be modified by inviting Sir Herbert Emerson, the Director (British) and Mr. Patrick Malin, the Vice Director (American) to come to Washington at the earliest moment to discuss the relationship between the two organizations and to bring about collaboration and to promote action. This invitation has been given by cable today.

3. I believe before their arrival there should be a meeting of the President's Advisory Committee, before whom Mr. Pehle should appear and discuss with them at least in a general way the plans of the War Refugee Board.

4. I would suggest that in meeting in Washington with yourself, Sir Herbert Emerson, Mr. Malin, Mr. Pehle, and others that during the week devoted to this activity Governor Lehman should be present in order that the relationship between UNRRA and the other committees should be more clearly defined.

I have no other suggestion to offer at the moment.

Very sincerely yours,



Myron C. Taylor

The Honorable
The Secretary of the Treasury.

MAR 18 1944

My dear Mr. Taylor:

Thank you very much for the documents forwarded to me with your letter of March 17.

The information which you have furnished me concerning the efforts which you have made to make the refugee program a real success has given me a much clearer picture of the problems with which the War Refugee Board will be faced in trying to carry out its program.

We will need all the help that you can give us.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Myron C. Taylor
Washington, D. C.

JEDuBois:ecr
3/18/44

DEPARTMENT OF STATE
WASHINGTON

March 17, 1944

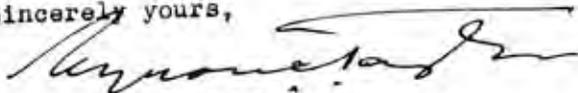
My dear Mr. Secretary:

Confidentially and for your personal information I am sending you herewith copies of memoranda and correspondence between the President and myself. These include the following:

1. A plan of March 17, 1943 which I prepared after the outline for the Ottawa Conference had been made public.
2. A plan which I drafted after the Bermuda Conference which, with the approval of the Department, I discussed with Lord Halifax.
3. A memorandum of May 23 to Secretary Hull and Mr. Long.
- 4,5,6,7. Four letters between the President and myself being dated July 7, 13, 14, and 28.
8. A memorandum to Mr. Welles who had been away on a holiday, dated July 23, 1943.
9. Extracts from a memorandum of August 11 to the President.

This will give you a bit of history as to the revision of the directive of the Intergovernmental Committee.

Sincerely yours,



Myron C. Taylor

Enclosures:

As stated.

The Honorable
The Secretary of the Treasury.

Probably private conversations with Mr. Eden and/or other British representatives can attain the same result as a public well advertised conference which must not fail. Either or both Britain and ourselves must:-

- I. Permit the refugees to enter some part of the Nation's territory.
- II. Pay the cost of (a) transportation to the place of temporary refuge -
(b) the cost of maintenance while there.
- III. Guarantee to find place of permanent settlement, pay the cost of transportation to it; and the cost of maintenance until occupation has been found for the refugees.
- IV. This whole problem ties up, at least as precedent, with post war migration and settlement.
- V. Assistant Secretary Berle has taken over that field and I think he should initiate action with the consent of the Secretary and under the advice of the Under Secretary at once.
- VI. The immediate question is what have we to offer
 - (a) Place of temporary settlement
 - (b) Cost
 - (c) Commitment regarding places of permanent settlement
- VII. What similarly have the British to offer.

(MT 3/17/43
re Ottawa conference)

- ii. Agreement between Britain and U.S.A. on place of temporary refuge.
- iii. Agreement to bear expense jointly.
- iv. Meeting of Intergovernmental Executive Committee in London to
 1. Appoint a full time Vice Director (American)?
 2. Appoint a full time Secretary (?)
- v. Agreement that after arrival at place of temporary refuge, International Relief Organization (Lehman) will maintain refugees until end of war when they may
 - a. return to their homes
 - b. be transferred to places of permanent residence.

British and American Embassies or Legations in the countries concerned would delegate each a representative to carry out the plans for transit and reception of refugees.

With these agreements the Director's Office in London may contact all countries represented upon the Intergovernmental Committee to secure

- a. Offers to accept refugees
- b. Contributions to the fund for support of the office
- c. Contributions to the funds for transit of refugees and their maintenance in places of temporary refuge.

Under these conditions no meeting of full Intergovernmental Committee would be necessary at this time.

Any change of authority by Intergovernmental Committee enlarging scope to include all refugees can be accomplished without Intergovernmental Committee full meeting by letters to be secured from representatives of government members in London.

May 23 1943

MEMORANDUM FOR THE SECRETARY AND MR. LONG
FROM MR. MYRON TAYLOR.

Assuming that the President and the Prime Minister reach a definite agreement to provide funds on the basis of equal contribution by Britain and the United States to transport refugee groups to places of temporary refuge and that a place or places of temporary refuge be agreed upon between them, the following considerations would seem to suggest themselves:

First. The structure of the Intergovernmental Committee already conforms to the suggested changes proposed by the British Government with the exception that a full-time paid director and a paid vice director and secretary are provided for instead of a full-time paid chairman of a new management committee with a director and secretary. To my mind, the change of titles is unnecessary and unimportant.

Second. The British note announces continuance of Lord Winterton as Chairman of the Committee and Sir Herbert Emerson as Director. Mr. Robert Pell was formerly Vice Director. He is not now a candidate for reappointment. The United States should, therefore, name a Director and a Secretary perhaps from one of the smaller countries should be appointed at London. The real decisions in all vital matters must continue to be made by the British and American Governments.

Third. Rather than adopt the proposal of the Bermuda Conference and expand the activities of the Intergovernmental Committee into the field of transit arrangements and maintenance, it seems to me that this service can best be performed by the staff of the British and American Embassies in the particular countries concerned. Each could designate a representative to work in concert in these important local matters and funds on the basis of equal contribution would be handled through such Ambassadors.

Fourth. The International Relief Organization with the aid of the Army could prepare the places of temporary refuge and the food and necessities of life on an Army basis. †

Fifth. The British and the Executive Committee of the Intergovernmental Committee with Ambassador Winant and Mr. Eden leading could meet in London with such of the European and Australian Governments as are represented on the Committee to seek contribution to funds and pledges to accept numbers of refugees. Similarly, the Secretary of State, Under Secretary, Assistant Secretary Long and the American representative on the Intergovernmental Committee would meet at the State Department with the Ambassadors of the countries of the Western Hemisphere to propose contribution and to seek places of refuge. These procedures if successful would form the basis for a later Intergovernmental Committee meeting if it were then considered necessary for publicity or other reasons. This plan simplifies procedures while using in a direct way all the factors the more elaborate and slower method of an Intergovernmental meeting as the first step. Such a meeting under this plan becomes the last step and avoids any danger of failure. In substance the President and the Prime Minister have the sole power to make these basic decisions and once made we can simplify procedures by using our joint diplomatic offices to make effective the matter of transit and then Army and Relief Organization would set up and conduct all affairs relating to the places of temporary refuge. For the Intergovernmental Committee to carry on either of these activities would mean creating a large organization, would lead to unnecessary delay and much actual duplication.

THE WHITE HOUSE
WASHINGTON

July 7, 1943

My dear Myron:

You started the work of the Intergovernmental Committee on Refugees at Evian in 1938 and have been my principal reliance in all of its activities since. It is about to enter a more active phase in connection with the refugee problem created by the enemy powers. I know you are heavily engaged in the postwar studies and other duties here and to an extent which might justify your desire to withdraw from the work of the Intergovernmental Committee, but your long experience with it and understanding of its problems constitute the predicates of my real desire that you continue that work.

You need not necessarily devote your personal time and energy to attending meetings. You could designate an alternate and could in fact name the Vice Director of Operations under the revised plan. This person could report to you through the State Department so that you could be generally advised of the movements and developments of the work carried out by the Executive Committee, and I am sure that your continuing identity with the work would be particularly welcome to the groups directly interested in it and would likewise assist greatly in the successful completion of its labors.

So I am asking you to dismiss any thoughts in conflict with this and to continue to give it the benefit of your active service and guidance.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT

The Honorable
Myron C. Taylor,
71 Broadway,
New York, New York.

COPY

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71 Broadway
New York

July 13, 1943

My dear Mr. President:

Responding to your favor of July 7th in respect to the work of the Intergovernmental Committee on Political Refugees, I would like to make my position a bit more clear to you than it perhaps now is.

My first concern at this time is to assist definitely as your personal representative to His Holiness Pope Pius XII in the accomplishment of a wise and constructive result of our long labors in achieving peace with Italy.

My second desire is to contribute in a concrete way to the development of the principal U.S.A. post-war policies to aid you in guiding the ultimate negotiations for peace in this war-disturbed world.

Now in regard to the Intergovernmental Committee. I have not been in harmony with much that has taken place, particularly in the recent past, but, even so, I have endeavored through the Secretary, and more particularly through Mr. Breckinridge Long and to some extent with Mr. Welles, to bring to your attention the essentials that must be agreed upon between Mr. Churchill and yourself, lacking which neither conferences nor any sort of successful action could or can be undertaken.

I believe there is before you at this moment a telegram which, if it contains the essential principles of the recent program (copy attached) which I submitted to the Secretary and Mr. Long and later to Lord Halifax, will enable the Director's Office of the Intergovernmental Committee in London to be reinforced and authorized, as well as financed, to do something definite to help those unfortunate refugees who are scattered along the Mediterranean, so that they may be taken to some place of temporary refuge and later be able to return to their homes or transported to agreed places of permanent residence. I would like to see the completed telegram, however, before it is sent.

Your wish as expressed in your letter in regard to my further activities will of course be heeded to the fullest extent of my ability.

Very sincerely yours,

MYRON C. TAYLOR

The President.

COPY

71 Broadway
New York

July 14, 1943

Dear Mr. President:

Referring to the letter regarding the Intergovernmental Committee, I think that it would greatly forward the work if I did in fact designate Mr. Robert Pell, who has been associated with me in this work from the beginning, as my alternate.

We are casting about for a suitable Vice Director of Operations in London under the revised plan with which you are familiar. I hope shortly to have a name that will appeal to your judgment. This plan will enable both the Department and myself through Mr. Pell, who is a departmental official, to keep in touch with the details of the situation without too great difficulty.

I believe it would be of first importance if you would write me a letter approving the appointment of Mr. Pell as my alternate and send a copy of that letter to the State Department in order to make perfectly clear Mr. Pell's relationship and authority.

With these steps taken I see no reason why the work cannot go forward if the revised plan in its other aspects is authorized by yourself.

Sincerely yours,

MYRON C. TAYLOR

The President,
The White House,
Washington, D. C.

July 28, 1943

My dear Myron:

I have your letters of July 13 and 14. I am happy to have your acceptance of the request conveyed by my letter of July 7 that you continue to give the Intergovernmental Committee on Refugees the benefit of your active service and guidance.

I am glad to give my approval of your designation of Mr. Robert Pell of the Department of State to act as your alternate here in your work on the Intergovernmental Committee.

I am sending this letter to you through the Department of State so that that Department may be informed, as you request, that Mr. Pell is to act as your alternate as indicated above.

Very sincerely yours,

The Honorable

Myron C. Taylor,

Care of the Department of State.

A-L/B:GLB:MSL

CI/L

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7/20/43

July 23, 1943

MEMORANDUM FOR MR. WELLES:

Assuming that you have not been fully informed in relation to the recent action regarding the Intergovernmental Committee I am sending you this memorandum which will bring you up to date and at the same time has nothing in it that will cause you any real concern.

The President approved the plan, as did the Secretary and Mr. Long, the synopsis of which I then gave Lord Halifax (copy attached). His confirmation came through the Foreign Office to the Department as did a message from the Prime Minister to the President. The necessary authorizations have been given, and the meeting of the Executive Committee of the Intergovernmental Committee, Mr. Winant acting in my stead, will occur on August 3.

I am attaching a memorandum that describes the relationship between the Intergovernmental Committee and the International Relief Organization (Governor Lehman) which I dictated after a discussion with him today. I approached James McDonald to accept the Vice Directorship but he was not able to accept. I had already approached Robert Pell with the same result. I then approached Mr. George Warren who found himself so entrenched in the Lehman organization that he could not accept. After considerable investigation we found Patrick Murphy Malin who had been associated with migration problems and who is presently part of the Lehman organization, and after interviewing him and discussing his qualifications with others I was pleased to find that he would make himself available for this service. Governor Lehman was reluctant to release him but after a personal talk he acquiesced.

I introduced

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I introduced Mr. Malin to the Secretary and to Dr. Bowman who had a meeting with him and members of the Territorial Committee who have studied Palestine particularly and many other countries generally as the situs of refugee colonies. Dr. Berle, as Chairman of the Economic Committee on Migration and Settlement, was also good enough, upon my introduction, to meet Mr. Malin to discuss the subject. Mr. Malin is planning to leave for London early in August. His salary will be ten thousand dollars. We have indicated that we would be agreeable to Sir Herbert Emerson, the Director, having a salary of twelve thousand dollars. Mr. Malin is forty years of age, very energetic, knows Europe thoroughly, and is somewhat of a linguist. I believe this is a good appointment.

I had anticipated retiring from the Intergovernmental Committee once these plans were completed and was surprised to receive the attached letter from the President. I also attach my reply. The President has acted upon the suggestion to appoint Mr. Pell as my alternate. The Secretary in the Director's office in London will be appointed by the Executive Committee at their meeting in August and our suggestion is that he be from one of the other countries, particularly Holland or Brazil. All of those countries, including France and the Argentine, and Lord Winterton and myself, have heretofore been members of the Executive Committee. Under this plan these conditions, except perhaps France, will continue for the present.

It would seem that for the first time we have a commitment of Governmental financing and a definite commitment regarding at least one place of temporary refuge - North Africa. I believe that ultimately it may develop that questions of migration and settlement and the activities of the Intergovernmental Committee will merge into the latter. This single agency aimed at the discovery of places of temporary and permanent residence, tied with the international relief organization to carry on the work of relief in the places of temporary residence, forms a suitable and adequate plan for organization both during and after the war to deal with the whole problem of refugees and of migration and settlement, as well as relief in that general field.

Myron C. Taylor

MCT:REB

Saranac, N. Y.
August 11, 1943

MEMORANDUM FOR THE PRESIDENT
FROM MYRON TAYLOR
(Dictated over the phone to Miss Burrows
for Miss Tully at the White House)

.....

Intergovernmental Committee: Following our correspondence I sought an American Vice Director for the London office, selecting Patrick Murphy Malin, who has had experience in migration and settlement work. He is about forty years of age, in a position to give full time, and able to travel where needed. He was elected by the Executive Committee last week and left for London where he will function under Sir Herbert Emerson, Director.

I am considering a trip to London early in September to meet with the Executive Committee. I also have it in mind to visit Spain to explore the possibility of arranging for the continued temporary residence of about seven thousand refugees now there, rather than to move them to a tent camp in Algiers or elsewhere. My preoccupation is that if the camp proved to be in any way unsatisfactory the charge would be made that it was a concentration camp operated by the Allies and in some respect no better than the Germans. Besides, it would be much cheaper to provide for maintenance in Spain, Portugal or wherever they may be, if in neutral countries. The instability of the franco regime might prove to be a reason against this plan. It needs careful consideration.

I would like your approval of these suggestions.

MYRON TAYLOR

(circled) *Mr. Z.* 271

Developments during the week of
March 13 - 18, 1944

1. STATEMENT ON NAZI ATROCITIES TO THE JEWS.

The proposed statement is still pending.

2. APPROACH TO THE SATELLITES.

We have received a cable from Lisbon from Norweb stating that the substance of our warning to the Satellite governments is being conveyed through appropriate channels to the Bulgarian and Hungarian Governments, and that steps are also being taken to have the message conveyed to the Rumanian Government. It has been indicated to Norweb that a reply will be received in due course from Hungary.

3. COOPERATION WITH THE OTHER GOVERNMENTS.

(a) British

A conference was had with Thorold of the British Embassy with respect to the British position that financial aspects of relief and rescue operations should be cleared with them. We reaffirmed our position that the policy of this Government had already been established and that we did not contemplate clearing the financial side of projects with the British. We expressed the hope to Thorold that the British Government would see fit to change its policy so as to conform with the policy this Government has been following in this field.

In a previous cable to Winant we stated that for the information of the British Government we intended to furnish him with the steps which we are taking and are planning to initiate to rescue and bring relief to war refugees. A follow-up cable has been sent to Winant, outlining these measures.

- 2 -

(b) Russia

We received a reply from Harriman to the circular airgram of January 26. Harriman stated that, concerning refugees, Russia was essentially concerned with taking care of her own citizens whom the German invasion had displaced. The only immigrants likely to receive a welcome in Russia, according to Harriman, at least during the war, were persons with a Communistic background.

A cable has been despatched to Harriman at Moscow asking him to solicit the cooperation of the Russian Government in some of the projects on which the Board is working. Russia is being requested to cooperate in the campaign to bring pressure to bear on the governments of the satellite countries, particularly Rumania, Bulgaria, and Hungary as in those areas there are many refugees in imminent danger of death, who can be evacuated to Turkey and other places if those governments permit it. Russia is also to be asked to assist in disseminating our attitude to the people of the satellite countries. Ambassador Harriman has also been asked to request Russia's cooperation in specific matters where Hirschmann has indicated such help could be effective.

(c) Neutrals(i) Spain

In view of Hayes' opposition to approaching the Spanish Government with the measures which we suggested to him, we propose to transmit to him for his consideration and with his approval for submission to the Spanish Government certain concrete plans designed to facilitate the evacuation of refugees to and through Spain. The proposed plan, in addition to setting up a staff at Madrid to assist our Special Representative, contemplates the establishment of reception centers close to the Franco-Spanish border,

- 3 -

to which all refugees crossing the frontier would be brought. These centers would be operated either by the Board or by private relief organizations under our supervision. The refugees would be given a physical examination upon arrival at the center and, if able to travel, would be promptly moved on to reception centers in North Africa after preliminary screening and after being provided with requisite travel documents.

By insisting upon certain cumbersome security screening measures, the French National Committee of Liberation has been impeding the prompt removal of refugees from Spain to Camp Lyautey. We are endeavoring to impress upon the French Committee the importance of this project and to obtain better cooperation from them.

(ii) Turkey

We are continuing our efforts to obtain a vessel to evacuate refugees from Black Sea ports. We are endeavoring to obtain a vessel for Turkey through the War Shipping Administration and Lend-Lease, if Turkey will make a ship of comparable tonnage available for evacuations. We are working on the possibility of obtaining a United Nations vessel to be given to the International Red Cross for this evacuation work. A report has also been received from the International Red Cross that three Bulgarian ships have been made available to evacuate refugees in this area and we are attempting to verify this statement.

As a result of our cable to Hirschmann asking him to ascertain immediately the situation of Jewish refugees in Transnistria, he has advised us that with the approval of Ambassador Steinhardt and through the offices of a Swiss representative of the International Red Cross in Ankara, he conferred with Cretzianu, the Rumanian Minister to Turkey.

- 4 -

Hirschmann advised Cretzianu of the outraged feeling of this Government concerning the brutal treatment being accorded to Jews and other refugees in Rumania and this Government's determination to do everything in its power to rescue these people. He further advised Cretzianu that this Government will keep in mind any continued collaboration by the Rumanian Government in the execution of Hitler's persecution programs and that the Rumanian Government in its own interests would be well advised to permit these refugees to depart from Rumania. Cretzianu stated that Transnistria where most of the Jewish refugees are now located is a military zone; that, if the military commander in Transnistria received instructions from Antonescu, he would protect the refugee population; that the rapid advance of the Russian Army toward Rumania might provoke the German military authorities to take over control of Transnistria; that if there were sufficient time to control the situation he was certain that no bodily harm would be done to these refugees. Cretzianu gave definite assurances to Hirschmann that on the arrival of evacuation vessels at Constanza to embark up to 5,000 Jewish children, the necessary transportation and exit visas would be provided promptly. Cretzianu agreed to send an urgent message to Bucharest recommending that efforts be made at once to transfer the Jewish refugees from Transnistria to the interior of Rumania although he admitted that might not be possible, because of the military situation there. Cretzianu assured Hirschmann that he would keep him advised of any reply he receives from Bucharest.

(iii) Switzerland

Minister Harrison has forwarded a copy of the written reply he received from the Swiss Government as a result of the approach that he made to that Government in accordance with the instructions contained in the circular cable of January 25. The

- 5 -

Swiss state that out of 70,000 refugees now in Switzerland, about 53,000, of which 22,000 are Jews, fall within the category of war refugees. Switzerland, it stated, admits, so far as circumstances permit, political refugees, sick people, pregnant women, aged persons - their wives or husbands - infants or very young persons, persons with close relatives in Switzerland and women who have lost Swiss nationality through marriage. The Swiss take the position that they cannot associate themselves formally with our program since it is that of a belligerent government, but that they will continue to contribute as substantial aid as possible in specific cases, acting independently.

A somewhat conflicting report was received from the representatives in Switzerland of the Union of Orthodox Rabbis to the effect that the Swiss Government grants asylum only to elderly men, women with minor children, and those who have relatives in Switzerland. Younger men, they say, endeavoring to escape deportation to Poland from Belgium, France and Holland, who make their way to the Swiss frontier, are prohibited entry. They stress the importance of an appeal to the Swiss Government to admit persecuted Jews and political refugees.

We have been informed by Minister Harrison that Roswell McClelland who was designated as our Special Representative in Switzerland has accepted the appointment and that the matter is now being taken up with the Swiss authorities.

(iv) Sweden

We have received a report from our Legation in Stockholm, commending the humanitarian attitude of the Swedes toward Danish, Norwegian, and other refugees in Sweden, consisting of 18,000 Norwegians, 14,000 Danes, including 9,000 Jews, 3,500 German-speaking refugees, and the balance from Poland, Holland, and the Baltic States. It was stated that

- 6 -

virtually all Norwegian Jews, except those deported in the early stages of German occupation, have escaped to Sweden. All full Jews in Denmark have escaped to Sweden except about 1,200 who had been previously deported by the Nazis.

(d) Tangier

A report has been received from our diplomatic representative in Tangier in reply to the circular airgram of January 26. Since the Spanish occupation of Tangier in June 1940, according to the Legation, no refugees have entered Tangier. The Spanish occupying authorities do not encourage or cooperate in any way either by permitting the entry of refugees or aiding those who arrived prior to that date.

(e) Iraq

A report received from our Legation at Baghdad in response to the circular airgram of January 26 states that no refugees so far as known have indicated a desire to find a haven in Iraq. The only refugee problem in that country it was stated was that of refugees in transit. The Iraqi Government in general has pursued a policy of permitting refugees to pass through the country unless they are Jews en route to Palestine. Our Minister believes that approaches to the Iraqi Government to induce them to change their policy with respect to Jews en route to Palestine would be fruitless.

(f) Latin American Countries

A report has been received from Ecuador in response to our follow-up circular airgram of February 29. Our Minister states that as a result of further discussions with the Foreign Office of Ecuador the Government has announced that it is prepared to lend the cooperation we have requested "in accordance with the possibilities of the country for which purpose the two governments will have to consult and define the nature and means of Ecuadorian assistance."

- 7 -

We have received a cable from Ambassador Messersmith at Mexico City in response to our inquiry concerning the status of the proposal to move Spanish Republican refugees from North Africa to Mexico. The Mexican Spanish Commission has agreed to accept these 1,600 refugees and the matter is now in the hands of Gobernacion (Mexican Cabinet Office concerned with Immigration and Related Matters) for final approval. The Mexican Minister for Foreign Affairs has requested Gobernacion to expedite its action.

4. ESTABLISHMENT OF HAVENS OF REFUGE.

(a) Tripolitania and Cyrenaica

Our proposal to the British is still pending at State.

(b) Temporary Havens in the United States

The program to establish temporary havens in the United States is still under consideration.

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

A report which the Vatican received from the Government of Slovakia is not satisfactory in that it contains no assurances that the Jews there will not be deported to Poland. We propose to make a further request that the Vatican attempt to obtain a definite promise from the Government of Slovakia on this subject.

6. STATUS OF UNASSIMILATED INTERNEES IN ENEMY TERRITORY.

The German Government shortly after the outbreak of the war agreed to apply the Geneva Convention to civilian American nationals, thus assimilating their treatment in some respects to prisoners of war. British nationals in occupied territory are likewise

- 8 -

so treated. Since Germany does not recognize any of the Governments in exile, their nationals in occupied territory do not enjoy these rights. We propose to send a cable to the International Red Cross at Geneva requesting them to approach the German and satellite governments through appropriate channels in the interest of all unassimilated groups to bring about the full or at least partial application of the Geneva Convention and the resolutions of the ensuing International Red Cross conferences. We have discussed this matter with the International Red Cross Committee delegates here and with the American National Red Cross and both organizations have indicated their willingness to support our program.

7. SPECIAL PROJECTS.

(a) Refugees on Island of Rab

We have been advised by the War Department, in response to our inquiry as to the status of the Memorandum which was sent to that Department concerning the program for the rescue of refugees on the Island of Rab, that the matter is under active consideration by the Combined Chiefs of Staff and is being pressed with all the urgency which the situation permits.

(b) Czechoslovak Rescue and Relief

We have worked out with the United Czechoslovak Relief, the National CIO War Relief Committee, and the United Nations Relief, AFL, a program for the relief and rescue of political and other refugees in Czechoslovakia, Poland and France, and have approved a remittance of \$150,000 to the representative of United Czechoslovak Relief in London for this purpose. The funds for these operations were obtained by special appropriation from the National War Fund at the request of the above-named labor organizations.

(c) Norwegian Rescue and Relief

We also worked out with the American Relief for Norway, Inc., the National CIO War Relief and the United Nations Relief, AFL, and the Norwegian Government a program for the relief of political prisoners in Norway and for the rescue of Norwegian political and other refugees from Germany. \$200,000 was obtained for this purpose by American Relief for Norway, Inc., by special appropriation from the National War Fund, the allocation being made at the request of the said American labor organizations.

8. INTERNEES IN ENEMY OCCUPIED EUROPE HOLDING LATIN AMERICAN PASSPORTS.

We received a cable from Ambassador Winant, setting forth a letter from the Intergovernmental Committee on the Latin American passport problem. It was stated that Kullman, the secretary of the Committee, had reported that the Swiss authorities were opposed to any approach to the Germans for the purpose of inducing them to recognize these passports as they felt such an approach would be unsuccessful and would do more harm than good. Our cable to the Swiss, asking them to make such an approach to the Germans, was still pending at the State Department on March 14 when the above cable was received. We revised our cable to Bern, pointing out that, although we had been informed of the view of the Swiss authorities concerning an approach to the Germans on this subject, we did not agree with their position. We believe that an approach should be made by the Swiss and that the German authorities should be made aware that the treatment of Jews and others under their control is being followed closely.

9. COOPERATION WITH THE INTERGOVERNMENTAL COMMITTEE.

We are working on a proposal to the Intergovernmental Committee to assume the functions of the League of

Nations Mansen Office and issue travel documents to stateless refugees to serve in lieu of passports.

We have been advised by Ambassador Winant that the fifth meeting of the Intergovernmental Committee executive committee was scheduled for March 17 but that no policy decisions were likely to be made at said meeting.

10. FUNDS FOR WAR REFUGEE BOARD PROJECTS.

We have been advised by the President's War Relief Control Board that the National War Fund has an unallocated balance amounting to \$6,000,000, of which some \$3,000,000 has been claimed by the Greek War Relief in order to repay the British for monies advanced by the latter to MERRA for the relief of Greek refugees. We propose to ask the British to forego the repayment of this indebtedness and to request the President's War Relief Control Board not to approve further allocations from the fund without our consent.

A handwritten signature in dark ink, appearing to be the initials 'JW' or similar, written in a cursive style.

EMBASSY OF THE
UNITED STATES OF AMERICA
Ottawa, March 18, 1944.

No. 835.

Subject: Rescue and Relief of European Refugees.

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

Sir:

I have the honor to refer to the Department's circular airgram dated January 26, 1944, 7 p.m., with regard to the President's Executive Order of January 22, 1944 establishing the War Refugee Board. Reference is also made to the Department's circular airgram dated February 29, 1944, 7:30 p.m., and to the Embassy's airgram No. A-9 dated March 11, 8:00 p.m.

Acting upon the Department's instructions, the Embassy sent a note, No. 96, dated February 11, 1944, to the Canadian Secretary of State for External Affairs outlining the position of the Government of the United States in connection with the furnishing of aid to the victims of Axis aggression, and asking to be informed of the attitude of the Canadian Government. There has now been received from the Secretary of State for External Affairs a note, No. 28, dated March 11, 1944, copy of which is attached, drawing attention to a statement made by the Prime Minister in the House of Commons on July 9, 1943, copy of which is enclosed, reviewing the steps the Canadian Government has taken up to now to assist refugees from European countries, and requesting that consideration be given by the Government of the United States to allowing the entry from Canada of certain refugees who were sent to this country from the United Kingdom in 1940 to be interned.

CC: Chauncey, Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, Marks, McCormack, Murphy, Paul, Pollak, Rains, Smith, Standish, Stewart, H. D. White, Fehle, Sargoy, Mannon, Weinstein, Files

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I should be glad to be informed of the nature of the reply I should make to the Secretary of State for External Affairs.

Respectfully yours,

For the Ambassador:

/s/ Lewis Clark
Lewis Clark
First Secretary of Embassy.

Enclosures:

- 1/ From External Affairs,
March 11, 1944.
- 2/ Statement of Prime
Minister on July 9, 1943.

Copy to Mr. Parsons, European Affairs.

710/711

JEH/ems

Enclosure No. 1 to despatch
No. 835 of March 18, 1944 from
the Legation at Ottawa.

copy

DEPARTMENT OF
EXTERNAL AFFAIRS
CANADA

Ottawa, March 11th, 1944.

No. 28

Sir,

I have the honour to refer to your Note No. 96 of February 11th, in which you informed me of the measures taken by the President of the United States for the assistance of refugees in Europe through the establishment of the War Refugee Board. It is noted that the Board will cooperate with the Intergovernmental Committee and with UNRRA in measures to be taken for refugee assistance.

In reply to your final paragraph concerning the attitude of the Canadian Government, may I refer you to the statement made by the Prime Minister in the House of Commons on July 9th of last year? In that statement the Prime Minister outlined the measures which were being taken by the Canadian Government to help relieve refugees from Nazi aggression. During the last ten years a good many refugees from political, religious and racial persecution have found asylum in Canada. Our records, like those of the United States, do not identify "refugees" as a separate class of entrant. Many of those admitted for permanent settlement during this period could probably be regarded as refugees, and this is probably true of a much higher proportion of persons granted "temporary admission" during the war years. In the statement already cited, the Prime Minister said that, while it was obviously impossible for the Government to give a general undertaking that all persons who had been granted temporary admission would be enabled to stay in Canada after the war, nevertheless individual applications for permission to remain would be given sympathetic consideration. A further measure intended to assist in meeting the refugee problem was

- 2 -

taken in October of last year when the Canadian Government reopened its Immigration Office in Lisbon in order to facilitate the issuance of visas to refugee families in Spain and Portugal who might wish to proceed to this country.

In addition to facilitating the admission to Canada of refugee families who are able to leave Europe, the Canadian Government has recently renewed its offer to accept up to 1,000 Jewish refugee children from France if they can be got out. The circumstances of our offer were essentially the same as those underlying a similar offer made by your Government to receive up to 5,000 children, with the exception of the fact that we have authorized their acceptance up to the age of eighteen, while for admission to the United States they must not be over sixteen.

A third group of refugees in which this country has been interested is made up of persons who were interned in the United Kingdom in the summer of 1940 at the time when the imminent danger of German invasion compelled the United Kingdom Government to intern all male enemy aliens, within certain age groups, who happened to be residing in certain prescribed areas in the United Kingdom. Over 4,000 of these were brought to Canada under a special arrangement with the United Kingdom Government. The records and credentials of all were examined with great care and the majority have long since been released. Of those released, some have returned to the United Kingdom and some have gone elsewhere, but over 900 remain in Canada. Since December 10th, 1943, these 900 have been at complete liberty in this country and are under no restrictions arising out of the fact that they are refugees or were at one time, as a purely precautionary measure, interned. They are, of course, subject to the general regulations which apply to all enemy aliens in this country. In the majority of cases the good faith and sympathies of the refugees are beyond any doubt and in these instances they are absolved even of the requirement of reporting to the Royal Canadian Mounted Police, except at very rare intervals. As your Government is aware, from previous correspondence, a number of the refugees in this group have relatives or close friends in the United States and are anxious to proceed there. Now that their release in Canada has been made completely unconditional, it is hoped that your Government can see its way clear to contribute to their further assistance by allowing those who are otherwise eligible for entry into the United States to do so.

I shall be glad to hear from you of the progress of the War Refugee Board in dealing with the refugee problem.

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Accept, Sir, the renewed assurances of my highest consideration.

N. A. Robertson

for Secretary of State for
External Affairs.

The United States Ambassador to Canada,
United States Embassy,
Ottawa.

Enclosure No. 2 to despatch
No. 835 of March 18, 1944, from
the Embassy at Ottawa.

Statement of Prime Minister in House
of Commons on July 9, 1943.

...

I shall now make a statement on the policy of the government with respect to refugees from Europe. Only the most callous could contemplate with indifference the situation of most of those unfortunates who, since Hitler's assumption of power, have been driven from their homes. Among them are to be found members of nearly every nationality and creed under the sun. They have been scattered far and wide. Most of them, however, including those whose sufferings are greatest, are still contained within the ring of territories held by the axis armies. For them, except perhaps for a tiny number who may by subterfuge or stealth cross the axis-held frontiers to neighboring neutral countries, the only escape from persecution lies in the victory of the armies of the united nations.

Inside German dominated Europe terrible things are happening but the lash has fallen on the backs of the Jews more heavily than on any other group or race. Last December, the allied governments in London, in conjunction with the United Kingdom and the United States, issued a declaration denouncing the ruthless German policy of extermination of the Jewish people under their control and promising retribution. The government of Canada was glad immediately to associate itself with this declaration. There is, unfortunately, abundant evidence that there has been no change during the last six months. Indeed, in eastern Europe especially, the signs are that the treatment of the Jews has grown even more pitiless, and Jews from the western European territories under German control have been moved eastwards to share the fate of those from central and eastern Europe.

There is nothing that the allied governments can do to save these hapless people except to win the war as quickly and as completely as possible. They cannot be removed from axis territory. Efforts to aid them, even if aid was feasible, would prolong their agony if these efforts were to prolong the war. It was agreed, at the recent Bermuda conference between

- 2 -

officials of the governments of the United States and the United Kingdom, that no negotiations could be undertaken with Hitler, since his entire record has left no doubt that he would only agree to such solutions as would be of direct aid to the axis war aims. It was also agreed that nothing could be recommended that would interfere or delay the war effort of the united nations.

This Bermuda conference, however, has made a number of recommendations for the purpose of assisting those refugees who have already managed to penetrate through the axis ring to neutral countries. While victory alone can reach the central core of the refugee problem, it is not by any means beyond the power of the united nations to aid those who have escaped but have not yet found a safe asylum until peace is restored. I cannot give the house details either of the number of refugees in various neutral and allied territories or of the proposals now accepted by the governments of the United States and the United Kingdom - which were recommended by the Bermuda conference. The delegations agreed that the details of their deliberations must be regarded as confidential so long as a knowledge of their recommendations would be of aid or comfort to our enemies or might adversely affect the refugees whom all are trying to aid. The universal problem of shipping was also recognized at the conference as of the utmost urgency and it was agreed there that any plan that looked to the diverting of allied shipping from the war effort, to remove or care for refugees, would present considerations of a military character which would disclose almost insuperable difficulties.

RT-665

PLAIN

London

Dated March 18, 1944

Rec'd 3:58 p.m.

Secretary of State,
Washington.

2206, eighteenth.

IGC Executive Committee met this morning and generally approved directors' recommendations on the agenda as anticipated in Embassy's 1983, eleventh. Plenary session is called for June 19 unless director and chairman find it impracticable to hold until some later date. Subcommittee on rules of procedure was established consisting of American, British and Netherlands representatives or their deputies and will hold first meeting next week. Full report will be mailed when minutes are available.

WINANT

LMS

NO. 2680 (R - 2494)

CONFIDENTIAL

AMERICAN CONSULATE GENERAL

Istanbul, Turkey, March 18, 1944.

SUBJECT: The Present Status of Jews in Greece.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

SIR:

I have the honor to submit information concerning the present status of Jews in Greece and to report requests of Jewish refugees that an organized service be established to assist Jews in escaping. A number of small groups of Jews have recently arrived in Izmir and representatives have visited the American Consulate, but the information included in this despatch was furnished chiefly by members of a party of 26 Jews, including seven women and three children of nine years or less, who arrived in Chesme on March 2. Members of this group left Athens in mid December and the weeks following, going to Euboea by boat. After waiting there one-and-half to two-and-a-half months, they finally succeeded in obtaining transportation to Turkey and they left Euboea February 28. Because of stormy weather the boat was obliged to put in at Skyros for one night.

The report includes estimates of the numbers of Jews living in Athens and other parts of Greece, an appraisal of the present attitude of the Germans toward the Jews as shown in the orders and recommendations to registered Jews, statements regarding the praise-worthy attitude of the Greek people and the Rallis Government toward the Jews, a discussion of the present possibilities of escape and recommendations that an organized system of rescue be

cc: Miss Chauncey (For the Sec'y), Mr. Abrahamson, Mr. Akzin, Mr. Bernstein, Mrs. Cohn, Mr. DuBois, Mr. Friedman, Mr. Gaston, Miss Hodel, Miss Laughlin, Mr. Lesser, Mr. Luxford, Mr. Mann, Mrs. Mannon, Mr. Marks, Mr. McCormack, Mr. Murphy, Mr. Paul, Mr. Pehle, Mr. Pollak, Mr. Rains, Mr. Sargoy, Mr. Smith, Mr. Standish, Mr. Stewart, Mr. Weinstein, Mr. H.D. White, Files

- 2 -

established. There is attached an enclosure entitled the "Fate of the Labor Battalions of Jews sent from Salonica in 1942 and 1943", which while not bearing directly upon the present situation of the Jews in Greece, gives details which have not been previously reported to this office and which are believed to be of historical interest.

The four members of the party who were interviewed were:

Jacques H. Benrubi, resident of Athens, civil engineer, graduate of the Conservatoire National des Arts et Metiers, Paris.

David J. Fareggi, resident of Athens since 1940, formerly Administrative Director of the Austro-Hellenic Tobacco Company Limited in Salonica, and Honorary Chancellor of the Austrian Consulate General at Salonica.

Moise Nahmias, resident of Salonica until the spring of 1943, when he went to Athens; until June, 1940, Fonds de Pouvoir de la Societe Anonyme d'Assurance Generales "La Victoria de Berlin", Direction pour la Grece et l'Albanie; 1940 - February 1943 Director of a company which refined cotton oil.

Oscar Salem, recently a resident of Athens; previous to April 1941 Director of the Salem Bank of Salonica; when the bank was closed, he started a shop for woolen goods.

Investigations in Izmir have established the reliability of these four men. Salem is a Spanish subject; the others are Greek citizens. All were in hiding in Athens, following the German order of October 3 that all Jews must register

The above party did not leave Greece because the situation had changed for the worse since October when all Jews were required to register, but because it was the consensus of opinion that if the Germans remain in occupation, there will soon be persecution of the Jews of Athens, similar to that of Salonica in the spring of 1943. Even Jews of foreign nationality, such as Salem, feel that it is not safe to stay on in Greece, although their position is undoubtedly less dangerous than that of Greek Jews.

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There are various estimates as to the number of Jews in Athens at present. In November, as was reported in Despatch No. 1746 (R-1618) the Istanbul representative of a Jewish organization stated that of a total of 3,500 Jews in Athens before the October order to register, all except 600 had escaped from the city. However, from later reports it is known that instead of escaping, the great majority were hidden, some in the houses of Greek friends or in quarters for which they paid a high price, some in the mountains. A resume of estimates reported in the last three months is given below; the starred numbers are the figures supplied by the four men interviewed.

Number of Jews in Athens before the flight from Salonica in the spring of 1943	... 3500* - 5000
Number of Jews who fled to Athens from Salonica	... 2500* - 6000
Number of Jews in Athens now	... 3500* - 8000
Number of Jews of foreign citizenship in Athens	... 500 - 600
Number of Jews in Athens who complied with the German order to register	... 600* - 1500
Number of Jews now hidden in Athens and vicinity	... All who have not registered
Number of Jews in Epirus before the occupation	... 2000 - 6000*
Number of Jews in Corfu before the occupation	... 1000*
Number of Jews who have escaped to Turkey through Izmir	... 300 - 1100 †
Number of Jews who have escaped to Turkey through other ports	... 300

When the order for registration of all Jews was first issued (see Despatch No. 1601 (R-1483), October 22, 1943), only a few hundred of the poorest Jews obeyed the order.

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The German authorities assured these people that no unfortunate consequences would follow their registering and urged them to advise other Jews to follow the regulation. No penalty was imposed for late registration and as there was no unusual persecution of those who had obeyed the order, gradually more and more Jews registered. Such action was usually forced upon them by poverty, for although the Greeks have been humane in the extreme in their attitude toward Jews, it is often very expensive to remain in hiding and many poor Jews have not been able to continue to pay for their security. [See Despatch No. 1746 (R-1618) of November 11, 1943]. However, recent changes in the system of having registered Jews report, have aroused some suspicion. Instead of being obliged to report every two days, as was the case at first, there is now no regular period, but each time the Jews report they are told when to return and are allowed a very short interval in which to appear, often not more than fifteen minutes. This means that all the registered Jews of Athens are gathered periodically in one place and it is feared that on one of these occasions the Germans will take advantage of the situation to seize them. This fear is strengthened by the German insistence that the registered Jews persuade others to register. The four men recently interviewed expressed the conviction that all registered Jews are certainly condemned to death unless an organized effort is made to assist them to escape.

The attitude of the Greek people toward the Jews was praised in the highest terms. With the exception of the Greeks of Salonica, who are ~~reported~~ expected to have had an unsympathetic and sometimes hostile attitude toward the Jews during the persecutions of 1943, the Jewish refugees pay the sincerest possible tribute of respect and admiration for the Greeks who have consistently given aid, even at the cost of tremendous sacrifices. There are countless cases of Greeks taking Jews into their homes, hiding them, feeding them from their less than scanty supplies, and risking their lives to protect them. The Rallis Government has also been benevolent in its attitude and after

* Of this number it was estimated that 500 were provided with papers showing that they were Greeks, with Greek names.

the German order to register was issued, the police were authorized to supply 3,000 Jews with Greek identity cards. Our informants said that the police were always ready to assist Jews and would never betray their hiding places to the Germans. A number of instances were given where the police not only failed to give evidence against the Jews but made constructive suggestions to help them. When the order of October 3 was announced, it applied to all Greece, but many districts did not receive instructions for carrying it out and in that case the police took no steps whatsoever toward enforcing the measure. In Jannina, for instance, the Jews have not been required to register and they circulate freely. It is true that their real property has been seized by the Germans and they cannot leave the city without paying from 1 to 2 million Drachmas for a permit, but their daily life goes on much as usual. In Corfu there are no reports of persecution, although Jewish property has undoubtedly been confiscated.

At present there is no organization or underground movement for aiding the Jews of Greece. Those who leave the country do so upon their own initiative and through private channels. For the rich the undertaking is difficult and full of hardships but it offers a good chance of success. The only way for poor Jews to escape is through the charity of their fellow-countrymen. The four members of the party recently interviewed said that their group included a number of poor Jews, whose expenses were paid by the more wealthy members. This group also left money with poor Jews who could not embark with them and were obliged to wait in Euboea.

It is not easy even for rich Jews to obtain passage from Euboea to Turkish ports, for it is understood that the English and American services can take only a limited number and it is difficult to find other means of transportation. The places in Euboea where the parties are obliged to wait are primitive in the extreme and the food supply is almost non-existent. EAM maintains a consistently benevolent attitude toward Jews, often actually protecting them from open hostility on the part of the inhabitants of certain Albanian villages on Euboea, but it cannot give them food. A Jew who recently arrived in Izmir said that he lived for six weeks on a diet consisting solely of raw onions in the morning and boiled onions at noon. The only sleeping quarters were such that the party was devoured by lice.

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The four Jews mentioned above, as well as others who have been interviewed from time to time, made the most urgent plea that the Allies, and especially the United States of America, should provide organized aid which will make it possible for even poor Jews to escape from Greece. They referred particularly to those who have registered, as they believe that all Jews remaining in Greece, whom the Germans can find, only await the fate that befall the Jews of Salonica in March 1943.

To give effective aid it would be necessary first to organize a service to evacuate the Jews to Euboea or to include Jews in one of the present Allied services which have worked out a very efficient system. Second, it would be necessary to provide facilities to bring them by boat from Euboea to a point on the Turkish coast near Izmir. Permits for Jews to travel from Izmir to Palestine are now arranged by the British and Greek services in Izmir but, for the destitute Jews, it would be necessary in addition to furnish funds for their living expenses both while waiting in Euboea and en route to Palestine and for their transportation expenses. It is understood that boats in both the British - Greek and American services have recently brought Jews from Euboea to Turkey but, according to the refugees, Jews are transported only if there happen to be vacant places. It would appear, therefore, that although a change of policy would facilitate the escape of Jews, the question can be solved only by an expansion of the existing services for the specific purpose of rescuing them.

It is believed that the rescue of Jews from Greece falls within the scope of the work of the War Refugee Board appointed by the President and it is urged that the above be called to its attention. It is also suggested that Despatch No. 2628 (R-2445) of March 11 on the subject "Movement of Refugees from Greece through Izmir" would furnish the Board convincing evidence of the feasibility of the plan briefly outlined above. The inadequacy of the German control of the coast and the sea, as well as the benevolent attitude toward the Jews on the part of the Greek people and of EAM, the most powerful resistance group, make the task of rescuing Jews simply a question of organization and financial support.

Respectfully yours,

Burton Y. Berry
American Consul General

File No. 820.02
MCB:RWD:vis
Enclosure: No. 1
To Department in Original and
Hectograph.

Enclosure No. 1 to Despatch
No. 2680 (R - 2494) dated
March 18, 1944, from the
American Consulate General,
Istanbul, Turkey.

Fate of the Labor Battalians of Jews Sent
From Salonica in 1942 and 1943

References in previous despatches to labor battalions of Jews are as follows: Despatch No. 866 (R - 865), July 21, 1943, in which the statement is made that there was no news of 1,500 Jews who had been sent to Larissa to work on roads and mines; Despatch No. 1085 (R - 998), August 7, 1943, which states that beginning with July 1942 groups were sent away almost daily by the Occupation Authorities to forced labor in Macedonia; Despatch No. 1746 (R - 1618), November 11, 1943, which contains the following report of the Istanbul representative of a Jewish organization, "Jews of Salonica mobilized in groups for forced labor, beginning from July 1942 up to the time of the mass deportations in the spring of 1943, are still in Greece".

When questioned upon this subject, Mr. Nehmias who was in Salonica at the time the first labor battalions were called up and who served on the committee that later arranged for their return, gave the following information: Until July 1942, the Jews of Salonica were not molested by the Germans. German officers lived in Jewish homes and their relations with Jewish families were pleasant. In July a committee of Germans arrived in Salonica to register all men between 18 and 45. The announcement was made that anyone failing to register would suffer the death penalty and there was, therefore, a full attendance upon the day specified. The registration took place in a public square where conditions were made as painful for the Jews as German ingenuity could devise and where Germans resorted to torture upon the slightest pretext. Following the registration, 10,000 men were sent to labor camps. The food provided by the Germans was very inadequate in quantity and inexcusably bad in quality. At the end of the first week several Jews had died. When the families of the laborers tried to send food, the Germans refused permission. As more and more deaths were reported during succeeding weeks, a committee of Jews visited the German authorities in Salonica and obtained permission to send food.

In late September or early October 1942, the Germans advised the above-mentioned Jewish committee that the labor battalions would be permitted to return if a sum sufficient to pay the wages of men to replace them was furnished by the committee. The amount demanded was 5 billion Drachmas. The committee asked to be allowed to consider the proposal and it was found that the community could pay only 2 billion. When this reply was given the Germans, they agreed to accept the sum of 2 billion Drachmas if the Jews would cede their cemetery to the Occupation Authorities. The committee refused to do this and the Germans finally agreed to allow the laborers to return upon the receipt of 2 billion Drachmas. Almost immediately following this agreement, the Germans destroyed the Jewish cemetery in the night. The havoc which they wrought there was so great that the cemetery was hardly recognizable and none could find the bones of his dead.

The members of the labor battalions who had survived up to that time came back on October 15. Of the 10,000 who had been sent out, only 6,500 returned. They were in a pitiable condition and 500 died in Salonica during the ensuing months, although given every care.

When the S.S. troops who arrived in Salonica in February 1943 deported the entire Jewish population of Greek citizenship, the men who had been in the labor battalions the previous autumn were again sent to work camps. Those who survived the second period of forced labor were later sent to Poland. No members of the labor battalions are now left in Greece.

The Germans whose special mission was to deport the Jews of Salonica were members of the Viennese Commission 104 of the Security Service. The most active members were Captains Brunner and Wincislok and Sergeants Slawik and Geibing.

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Embassy, Madrid
 DATED: March 18, 1944
 NUMBER: 752

SECRET

Given below is the substance of license No. W-2155 issued to the American Jewish Joint Distribution Committee of New York City by the Treasury Department. It is requested that the substance of this license be transmitted urgently to Mr. Samuel Sequerra, JDC representative, whose address is Hotel Bristol, Barcelona.

(A) Notwithstanding General Ruling No. 11, authorization is hereby granted to your representative in Spain, together with such agents as he may appoint, to communicate with persons in enemy or enemy-occupied territory by any means which he may deem expedient or necessary for the purpose of arranging the evacuation, to such areas of safety or relative safety as may be selected by such representative, of persons in such territory in imminent danger of their lives and to arrange for the safeguarding and sustenance of such persons until such evacuation is possible and to pursue any other action which may be appropriate for said purposes, including the payment of funds to persons in enemy or enemy-occupied territory who may have provided either goods or services in connection with the foregoing. In order to acquire the necessary local currency for the purpose of financing the operations referred to above, the following three methods are authorized provided that method No. 3 should not be used if it is feasible to use either method No. 1 or No. 2 to obtain the local currency or exchange. (1) The currency or exchange of the country or countries in which the operations are to take place may be purchased in Spain if your representative is reasonably certain that the sellers have held such currency or exchange since before the date as of which such countries were frozen by the Government of the United States or, if acquired subsequent to that time, that the seller acquired such currency or exchange under circumstances which were not beneficial to the enemy. Your representative to consult with the United States Embassy in Madrid when possible in such cases. The sellers of such local currency or exchange may be reimbursed in pesetas at the prevailing unofficial rates of exchange in

Spain. (2) The local currency or exchange of country or countries in which the operations are to take place may be purchased in enemy or enemy occupied territory provided that reimbursement is not made until after the war. Reimbursement to the seller of such local currency or exchange subsequent to the war may be insured by the establishment of blocked accounts on your books in the United States or such blocked accounts may be in a bank in the United States or Spain, provided that there shall be no assignment of any interest in such blocked accounts or payment from such blocked accounts unless specific approval is given by the Treasury Department in each case.

(3) Necessary local funds, exchange, goods, or services may be purchased in enemy or enemy-occupied territory, the reimbursement therefor to be made in free currency notes or foreign exchange, provided that such reasonable steps as may be possible are taken by your representative to prevent such foreign exchange or free currency notes being acquired by persons who may give them to the enemy.

(B) The total amounts represented by claims established against any blocked account established in accordance with this license, plus the sums paid out or otherwise obligated pursuant to this license, shall not exceed \$100,000 or the peseta equivalent.

(C) A full report should be made to the United States Embassy in Madrid concerning the financial transactions completed pursuant to this license and your representative should insure to whatever extent possible that the sellers of local currency or exchange are persons acceptable to the United States Embassy at Madrid. Insofar as may be possible, your representative should be satisfied that any payments made to such persons will not be of benefit to the enemy.

(D) Periodic reports with respect to the operations consummated under this license should be filed with the United States Embassy in Madrid by your representative.

It is requested that you inform Mr. Sequerra that Dr. Joseph Schwartz, the JDC representative in Lisbon, will give him instructions with regard to beginning the operations envisaged by license W-2155 and that he should comply with such instructions. The operations envisaged by the above quoted license are approved by the Treasury, the Department and the War Refugee Board and we request you to take such reasonable steps as may be necessary to facilitate carrying them into effect. Furthermore, you are requested to report to the Department at once with respect to any difficulties, especially in connection with financial operations, that may be encountered and an indication as to progress made should be contained in your report. You should promptly forward to the Department reports filed with you pursuant to paragraph (C) of the license.

Delays are to be avoided as time is frequently of the

essence in matters of this kind. To this end you are requested to make liberal interpretations concerning the authority granted under license, reporting any such interpretations to the Department as and when made. It should be noted in this connection that license W-2155 is substantially the same as licenses issued previously to this and other private agencies for the purchase of carrying out similar operations from Switzerland. We wish specifically to call your attention to the provisions of paragraphs (A-1) and (A-3) of the license. Paragraph (A-1) has already been construed as allowing the purchase from persons in Spain of local currency or exchange irrespective of where the currency or exchange may in fact be located. You should note that even though under paragraph (A-3) foreign exchange may be made available in enemy or enemy-occupied territory, this method should be used if, under the circumstances, the relief and evacuation operations which the license permits can be carried into immediate execution most effectively thereby, although either one of the first two methods should be used in preference to the third method if operations will not be prejudiced in any way.

This Government considers the saving of lives to be of paramount importance, as will have been recognized from previous communications concerning the War Refugee Board's programs, and although a vital part of our economic warfare is still preventing the enemy from acquiring foreign exchange, this consideration is to be subordinated to the maximum fulfillment of the rescue programs being undertaken at the present time, of which the operations envisaged by the license discussed above are a part.

The Treasury Department has issued to the JDC a license authorizing operations from Portugal which is identical in all respects with W-2155. The JDC representative in Lisbon, Dr. Joseph Schwartz, is expected to return to Lisbon in the near future and the operations by Mr. Sequerra in Spain and the operations in Portugal are to be carried out under the general supervision of Dr. Schwartz.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: March 18, 1944
NUMBER: 933

SECRET

U. S. URGENT

From his principals the OSS representative received the message dated March 8 which transmitted for the War Refugee Board a message from Loyis D'Olivet in New York to be given separately but in identical form by Iver Olsen, Financial Attache to A. Llande German, Professor Gunnar Myrdal and Senator Hjalmer Branting, also an identical message from Julius Dextsch of New York to Rudolf Holowatyj to be transmitted through the same channel. The OSS representative's instructions were to transmit to the War Refugee Board through OSS channels any inquiries or responses to these messages.

A message was received on March 13 through the same channels to be transmitted by Iver Olsen for the War Refugee Board from J. Stoltz, New York, to C. Lindberg and Gunnar Anderson, again with the instruction to use OSS channels for the transmission of inquiries or replies. Since it is believed the Department can get the full text from OSS, a resume of these various messages is not being repeated here. Regarding the foregoing the OSS representative inquired whether the State Department had cleared this matter. A telegram to the following effect was received by him on March 16; The State Department has already approved the general plan but the War Refugee Board is anxious to avoid time consuming technicalities and red tape resulting from clearance of each individual step through orthodox channels at the end of the line. The Office of Strategic Services added that it was sure its representative in Stockholm as well as myself would understand that time was of the essence and that there must be no delay in the delivery of messages.

It is my desire as well as the desire of all officers of the Legation to further the objectives of the War Refugee Board in every way and to do this as speedily as possible. However, the messages referred to above represent a plan of action concerning which I would appreciate receiving by cable as soon as possible the Department's instructions. That the Department

may not.....

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may not be fully advised in the premises is suggested by the unusual procedure adopted and the unusual channel of communication.

JOHNSON

DCR: MPL
3/21/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: March 18, 1944
NUMBER: 891

CONFIDENTIAL

Pursuant to Part 58.55 (a) (16) of the Regulations of November 19, 1941 as amended concerning aliens entering the United States, the following special instructions relating to the issuance of visas to refugee children are issued in an attempt to cause the Government of Sweden to give refuge to additional refugee children from France:

Authorization is given to Consular officers in Switzerland to issue during the present quota year in the aggregate up to 4000 immigration visas to refugee children who shall have arrived in Switzerland from France on or after January 1 of this year and before July 1 of this year. Specific instructions from the Department may extend this latter date. The visas are to be issued without regard to religious nationality or stateless status and without regard to the question of availability of means of transportation to the United States. The children which this instruction covers shall be under 16 years of age at the time the visas are issued and of course are subject to the statutory immigration requirements of Section 3 of the Act of February 5, 1917 except that they may be considered to meet the public charge requirements since the Attorney General has found that satisfactory arrangements for their support have been made.

With respect to the determination of questions under Section 58.47 of the Regulations of November 19, 1941 as amended, concerning aliens entering the United States, no consideration shall be given to the existence of the relationships described in Section 58.48 thereof. During the same quota year replace visas may be issued to those children who are still qualified therefor under this instruction and who are still under 16 years of age at the date when such replace visas are issued. It is the intention of the Department, subject to the quota laws, to assign numbers from the quota for next year to cover visas issued pursuant to this instruction under the quota for this year and to repeat this process each year until at least 6 months after the present hostilities between Germany and the United States have ceased. Thus it is intended that children to whom visas are issued in accordance with this instruction, except children who in the interim reach 16 years of age, will continue to hold visas until transportation is available to the United States. Furthermore, the foregoing assumes no pertinent adverse change in the present quota laws. You should report to the Department for further instructions the cases of children who have passed their sixteenth birthday in the interim desiring to obtain new visas or

replace old ones. There is no need to register and fingerprint children under 14 years of age.

The Zurich Consulate General will be the supervisory and control office for the assignment of quota numbers to offices in Switzerland equipped for issuing immigration visas or to which Zurich can furnish equipment. The following inclusive non-preference quota numbers are allotted to Zurich for this purpose: 65 to 234 Belgian; 265 to 514 Czechoslovak; 145 to 444 French; 1031 to 3430 German; 157 to 466 Netherland; and 1084 to 1683 Polish quotas.

These visas may be issued at the rate of 25% of each allotment monthly. At the end of each month Zurich should submit by cable consolidated quota reports, returning any unused numbers and giving name of child, quota number, and date and place of issuance. A request should be made by cable if additional quota numbers of the countries mentioned or of any other country are desired. An estimate of quota numbers needed for the fiscal year 1944-1945 should be submitted by cable before June 1. Consular officers in Switzerland should be informed. You should advise the appropriate Swiss authorities concerning this instruction and state that this Government earnestly hopes that the Government of Switzerland will promptly take such action, direct or indirect, as will facilitate and expedite the movement of children to Switzerland from France. Furthermore, you may advise the Government of Switzerland that the War Refugee Board will undertake to arrange for any financing that may be needed to provide maintenance for refugees from enemy oppression arriving in that country.

It is requested that you report the reaction of the Swiss and that developments in this matter which may be of interest be sent to the Department.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: March 18, 1944
NUMBER: 1683

CONFIDENTIAL

Attention of Dexter and Joyclz from Fidi.

We have just received a message through the Consulate at Geneva and license No. W-2149, which will enable us to render assistance along the lines of War Refugee Board principles through reliable established contacts. Under the new license activities can start as soon as funds are made available in Swiss francs. Since both needs and possibilities are unlimited, we can use any amounts you may be able to furnish. Now in hiding, Zimmer narrowly escaped arrest. Today I am leaving for a few weeks convalescence in the mountains. In the future, please address messages through the Legation. May I express to the Committee and family my greetings.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: March 18, 1944
NUMBER: 487

CONFIDENTIAL

Reference is made herein to the Department's cable of March 16, no. 211.

Attention of War Refugee Board.

Yesterday Black of the War Shipping Administration arrived in Ankara and has proceeded to Istanbul to assist Hirschman in making arrangements for the trip to Constanza of the SS TAJI.

It is almost a certainty that the Turkish Government would not be in agreement to the withdrawal of the SS IZMIR from her regular run as one of the 2 vessels carrying passengers and the mail between the 2 main ports of Izmir and Istanbul.

STEINHARDT

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Chungking
DATED: March 18, 1944
NUMBER: 353

CONFIDENTIAL

The following message from the Secretary of the Treasury for Adler.

You are herewith referred to your cable No. 368 of February 23, 1944.

The Treasury is hereby instructing you, in accordance with intentions expressed in Treasury's cable No. 967 of July 26, 1943, as of March 1, 1944, to stay on as U.S. Treasury representative in China. Further details will be forthcoming concerning such matters as per diem allowance.

HULL

sh:copy
3-23-44

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 18, 1944

TO Secretary Morgenthau
FROM Mr. Luxford

Pursuant to your request this morning, I obtained from Collado of State the attached text of the Ramirez statement to the people of Argentina and General Farrell.

You will note that it conforms closely to the unofficial text as reported by the New York Times in the attached clipping.

RR

CHE

MAR. 13, 1944

6:40 P.M.

~~CONFIDENTIAL~~
TO ALL THE OTHER AMERICAN REPUBLICS EXCEPT ARGENTINA
CIRCULAR

The following is a text in translation of a letter dated March 9 understood to have been sent by President Ramirez to the people of Argentina and General Farrell:

"To the people of the republics:

"His Excellency the Vice President of the nation in exercise of the executive power, Brigadier General D. Edilmiro J. Farrell.

"On repeated occasions, now in public now in private, I have manifested that: 'as soon as noticed that I had ceased to enjoy the confidence of the armed forces that brought me to occupy the post of the first magistrate, of the country, I would resign immediately from that high post and would return it to those who, without my having desired it or asked for it, had handed it over to me in a moment that was difficult for the fatherland, considering me, perhaps, the exponent of the ideals that animated the glorious revolution of June 4, 1943'. And (on those occasions) I added that, in such case, I would present myself before my people and before my

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comrades to render account of my errors.

"Little time has been necessary for that kind of prediction to be fulfilled.

"In effect, for some reason that history one day will tell, of meeting held in the Ministry of War on the night of February 24-25 and attended by a large number of officers of the garrisons of the federal capital, Linares, Palomar, (aerial base and military academy), Campo de Mayo and La Plata, the opinion of those officers, as expressed personally through their garrison chiefs, took an unfavorable attitude toward me, and those chiefs asked me to delegate my mandate to His Excellency, Vice President and Minister of War General Farrell.

"What had happened? The opinion of the officers of those garrisons mentioned, already deceived once, with regard to the rupture of relations with Germany and Japan, in the sense that (they believed) the motives for that action as made public by the government (German and Japanese espionage) were not exact, while the fear of supposed measures of pressure on the part of the Govern-

- 3 -

ment of the United States of North America did, on the other hand, exist, was violently shaken as an expression of reaction to a supposed lowering of the national dignity. That same opinion was, a little while later, again deceived by the rumor that I had ready, 'and according to some, signed' three decrees that would shortly be issued. Those supposed decrees were: (1) decreeing martial law; (2) declaring war against Germany and Japan; (3) decreeing general mobilization.

"Of no avail were my efforts to convince the officers corps of the falsity of such unfounded tales. Nor were my own words, expressed before the corps of chiefs and officers in two large meetings, one of which took place in the headquarters of the first division and the other in Campo de Mayo, sufficient to convince them of their error. The die was cast; intrigue availed more than did reason.

"Today there only remains for me to declare solemnly before the people of my fatherland, and with God as my witness, that; I swear by my honor as a soldier that everything that has been said relative to the existence

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of the three decrees to which I have made reference is absolutely false and tendentious.

"For the reasons here expressed by me, which make my continuance in the high office that I now occupy incompatible with my dignity and honor, I present to those to whom I gave my oath, to the people and to the armed forces, my resignation as president of the Argentine nation.

Buenos Aires, March 9, 1944.

"Pedro P. Ramirez, Major General."

Hull

jkb

RU-A:JKB:GMH

RAMIREZ CHARGES PLOT OUSTED HIM

Privately Circulated Text of
Resignation Letter Avows
Intrigue Led to His Fall

By Wireless to THE NEW YORK TIMES.
MONTEVIDEO, Uruguay, March 11—Argentina's former President, Pedro Ramirez, asserts that he was obliged to abandon his office because he was the victim of intrigue and of a campaign of falsehoods that made his continuance as head of the State incompatible with his dignity and honor.

That is the story of his resignation, according to the text of his letter, which was circulated privately in Buenos Aires yesterday and today. This text—though its authenticity cannot at present be vouched for—has the ring of truth.

Some members of Señor Ramirez's family were reported having attempted to induce leading papers to publish it this morning, but government orders forbid that the Ramirez side of the case be placed before the public. The orders are so strict that not a single editor has dared do so.

It is noteworthy that nowhere in the alleged text of Señor Ramirez's resignation is there any hint or suggestion that actual violence was used to induce him to resign.

The resignation is dated Buenos Aires, March 9. Though addressed "To the People of the Argentine Republic," it is in the form of an open letter to "the Most Excellent Mister Vice President of the Argentine Nation in the exercise of Executive Power, Brig. Gen. Don Adelmiro J. Farrell." It begins by saying that Señor Ramirez had repeatedly promised to return the Presidency "to those who had entrusted it to me without my having sought it or asked for it," in the event of his ceasing to enjoy the confidence of the armed forces.

"I added," the text continues, "that in that case I would present myself before the people and before my fellow officers to give them an account of my errors."

A brief lapse of time has been sufficient for this kind of prophecy to come true. For some reason that history will explain some day, the opinion of officers of the garrisons in the Federal Capital,

Palomar, Campo de Mayo and La Plata, as expressed personally by the heads of these garrisons on the night of the twenty-fifth and twenty-sixth of February after numerous meetings of officers in the War Ministry, turned against me, and I was asked to delegate the Presidential powers to . . . General Farrell.

"What happened? The officers of the above-mentioned garrisons were deceived into believing that the reasons for the breach of relations with Germany and Japan were not those made public by the Government [German and Japanese espionage] but were, on the contrary, fear of pressure and of alleged measures on the part of the Government of the United States of America. Opinion among officers was violently shaken and reacted violently to this supposed affront to our national dignity. The officers were some time later again deceived by reports that I had prepared and, some people said, signed three decrees proclaiming martial law and declaring war on Germany and Japan and decreeing general mobilization.

"No success attended my efforts to convince the officers that these unfounded reports were false. Nor were the assurances that I myself gave to the military leaders and officers in two large meetings that took place at the headquarters of the First Division and at Campo de Mayo sufficient to convince them that they had been led into error. My fate was decided. Intrigue had triumphed over reason.

"Today I can only declare solemnly before the people of my country, and with God as my witness, that I swear on my honor as a soldier that what was said about the existence of these three decrees is absolutely false and tententious.

"For reasons that I have just explained, which render by continued presence in the high post that I occupy incompatible with my dignity and honor, I present to those before whom I took the oath of office—the people and armed forces—my resignation from the Presidency of the Argentine Republic."

The document is signed "Pedro Pablo Ramirez, Divisional General."

NOT TO BE RE-TRANSMITTEDSECRETCOPY NO. 11OPTTEL NO. 89

Information received up to 10 A.M. 18th Mar. '44.

1. NAVAL

In air raid on Anzio 16th/17th one landing craft sunk and two damaged.

One of H.M. Submarines sank a F-Lighter in a Bay in South West of Greece on 13th.

A 17,000 ton Dutch ship in Westbound convoy sunk by U-boat off Bougie yesterday.

2. MILITARY

Italy. 17th Fighting in Cassino continues with active air support over the area. Indian troops have held, and been re-inforced upon, two dominant features West of the town but were driven off a third on 16th/17th. Tanks are operating with our infantry in the town, railway station has been captured.

Russia. In Luck Sector Russians have captured Lubno and Pamirovka. By yesterday evening it would appear that they were holding a 40 mile stretch of the Zhmerinke-Odesa Railway centred on Vapnyerka and are within 12 miles of Priester. Further South they have reached points 15 miles East and South East of Nikolaev.

Burma. Arakan. Our operations in area five miles East Maungdaw proceeding satisfactorily.

Kaladan. A British Company operating 10 miles North-North-West Kyauktew on 14th after clash with Japanese withdrew slightly Northwards. Chin Hills. Confused fighting. 16th West Manipur Riv r near Tuitum and Tiddim: Two Japanese positions captured 27 miles North of Tiddim. Upper Chindwin. Two Japanese columns, each about one battalion strong, crossed Chindwin North of Theungdut and Homalin respectively and are in contact with our patrols.

Upper Burma. Two long range penetration groups have been successfully landed from transport aircraft and Gliders in two areas North and South of Ketha respectively. Both are advancing Eastwards and part of Southern column has now crossed Irrawaddy.

3. AIR OPERATIONS

Western Front. 17th escorted Marsuders dropped 108 tons on Creil Railway Centre and 138 Thunderbolts, some carrying bombs, attacked airfields at Chertres, Soesterberg and Rheims, enemy casualties on the ground 3:2:8 ours 4 Thunderbolts missing.

17th/18th. 28 Mosquitoes sent to Cologne and two to Aachen. All returned safely. 20 German aircraft operated over South East England 12 penetrating London Area. A few bombs dropped on Outer London, Surrey and Sussex. No serious damage or casualties reported.

Austria. 17th Out of 424 Fortresses and Liberators dispatched 192 Liberators dropped 343 tons on Vienna through cloud; 26 Liberators attacked other objectives. Enemy casualties 5:2:0, ours five Liberators one Fortress missing.

Italy. 16th. 109 medium Bombers attacked objectives in the Western battle area, three enemy aircraft shot down, five Allies missing.

Bulgaria. 15th/16th. 48 Bombers dropped 85 tons on Sofia: Four Halifaxes and four Wellingtons missing.

NOT TO BE RE-TRANSMITTEDCOPY NO 11TOP SECRETOPTEL No. 90

Information received up to 10 A.M. March 19th, 1944.

1. NAVAL

A U-boat was sunk West of CAPE VERDE ISLANDS on 17th by aircraft of U.S. Escort Carrier and destroyers of the escort group; 47 prisoners taken. A 10,000 tons U.S. Tanker in convoy to U.K. was sunk by a U-Boat yesterday in South West Approaches.

2. MILITARY

Italy Fighting and mopping up continues in CASSINO; two enemy strong points holding out still on western edge of town.

Russia Russians have further advanced West and South West from DUBNO and have taken ZHMERINKA. Further south they have captured YAMPOL on DNIESTER and a number of important places South West of KIROVOGRAD.

Burma In the ARAKAN our troops are making steady progress in MAUNGDAW-BUTHIDAUNG road area. In the TAMU-TIDDIM area Japanese have made further infiltrations into our positions.

3. AIR OPERATIONS

Western Front 18th. 502 Fortresses sent out; objectives and tonnage as follows:

DORNIER Aircraft Works, OBERPFAFFENHOFEN (near MUNICH) 260; MUNICH 186; Airfields at LECHFELD 380 and LANDSBERG 74. At MUNICH results poor; elsewhere fair to good. In addition 225 Liberators sent to DORNIER factory FRIEDRICHSHAFEN, 273 tons. Total of 911 fighters gave support. Enemy casualties by fighters 39:6:9, ours 15 Fortresses. 28 Liberators and 11 fighters.

Escorted Medium Bombers dropped 150 tons on military constructions NORTHERN FRANCE. 3 aircraft missing.

18th/19th. 1,064 aircraft despatched: FRANKFURT 846 (23 missing); explosive works BERGERAC 19; Scamining 98 (1 crashed); Mosquitoes to CASSEL, AACHEN, BORTMUND and DUISBURG 23; enemy airfields 17, Intruders 37, Leaflets 24.

Frankfurt Preliminary reports indicate markers difficult to see owing to bad visibility. Glow of fires was spread over a wide area.

Bergerac 18 Lancasters attacked in clear weather leaving fires covering the target; several internal explosions especially in storage area.

Italy 17th. 171 bombers attacked railway and other objectives in the battle area.

Bulgaria 16th/17th. 29 tons on SOFIA with unobserved results.

OFFICE
SECRETARY OF TREASURY

MAR 20 1944

TREASURY DEPARTMENT

Regraded Unclassified