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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

1

DATE

TO Secretary Morgenthau  
FROM Joseph J. O'Connell, Jr.

March 25, 1944

During the course of hearings held last Monday and Wednesday before the Banking and Currency Committee in the House, charges of incompetence and mismanagement were made against the Procurement Division by Representatives Patman and Crawford. The criticisms were leveled at the Procurement Division while Mr. Clayton and Mr. Hancock were testifying in connection with a bill introduced by Congressman Patman relative to the disposition of surplus property.

Congressman Crawford was particularly severe in his criticism, although many of his charges were general and without supporting facts. In a few instances he cited specific cases.

A summary of the charges, both general and specific, follows:

- (a) The Procurement Division has failed to use normal advertising channels, and as a result has failed to advise interested parties of what property is being offered for sale;
- (b) The Division has, in a majority of cases, given notices of its sales only to those who request that their names be placed on a mailing list, and that these mailing lists apparently consist largely of speculators;
- (c) There is no central point where buyers can go to obtain direct information, and certain regional offices offer items not offered through other regional offices;

Secretary Morgenthau,

2.

(d) The Division has not supplied interested purchasers with full and complete descriptions of items offered for sale (Congressman Crawford at this point cited a case in which four thousand pounds of new automobile parts, consisting of engine and compressor parts, were offered for sale. His language is somewhat obscure but apparently it is his point that an inadequate description was made of the goods being offered);

(e) The Division sells food stocks which normally require ration points without requiring the purchaser to surrender points at the time of purchase (an illustration is cited of an offering of 75,000 bags of pea beans, sold by a private company in Washington as Government surplus merchandise pursuant to an advertisement which said "No points; prices less than ceiling");

(f) The Division sells items which require WPB priority under normal circumstances, and sells them without requiring the purchaser to comply with the WPB priority regulations (here Congressman Crawford cited a sale of 1504 pounds of sheet copper without requiring a priority, although the material sold was of a class under WPB control);

(g) The Procurement Division offers its surpluses in lots under which the successful bidder must take all the items listed in a lot. These lots are offered without reference to the needs or requirements of the average bidder. (Congressman Crawford names one lot containing several hundred used drinking fountains, 10,000 new parts in

repair the fountains and a quantity of kerosene lamps. He has difficulty in imagining a man who would want to purchase both the drinking fountains and the kerosene lamps. He also refers to a case in which drill bits and glass test-tubes were combined, and to a case in which fluid for duplicating machines and fluid for hydraulic brake systems were offered together);

(h) Lots offered for sale are often assembled in such large quantities that only the very largest firms can afford to purchase or bid on them, thus discriminating against smaller firms (he cited one lot of electrical equipment offered by the Fort Worth regional office of the Procurement Division, which had more than 81,000 electrical items, a majority of which were scarce items for civilian use);

(i) Procurement has sometimes failed to obtain a high enough price for items transferred to it (he cites as an example a case in which the Procurement Division obtained eight cents per plate for chinaware for which the Army secured a sale price of twelve and one-half cents. Somewhat in the same connection, Congressman Crawford stated that on the same day that the Navy Department was buying new soup plates for eighteen cents a piece, the Treasury was disposing of the same kind of plates at prices ranging from four cents to eight cents).

(j) Congressman Patman, whose criticisms of the Procurement Division were somewhat more restrained

Secretary Morgenthau,

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as well as less extensive than Congressman Crawford's, stressed the need for better coordination between procuring and disposing agencies. (He cites as an example of the lack of it, a sale by the Procurement regional office in Cincinnati of 32,063 pounds of horse-shoes, followed sixty-eight days later by a purchase by the Procurement Division of 242,560 pounds).

Mr. Sullivan is sending you a memorandum indicating the answers to some if not all of the criticism outlined herein.

*Joseph J. Connell*

March 25, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

JTS

From: Assistant Secretary Sullivan

I wish to briefly summarize the answer of the Treasury Procurement Division to the charges made this week before the Banking and Currency Committee of the House as outlined to you in Mr. O'Connell's memorandum:

A. The Procurement Division always uses direct mail circularization of prospective purchasers. We have never used paid advertising but have released information of special items to the appropriate trade journals.

B. Mailing lists are developed from trade directories and classified listings. The field has been directed to avoid transactions with speculators.

C. All information is now available centrally here in Washington. The transportation situation requires us to dispose of most of the goods in the same region in which we acquire them.

D. Every effort is made to supply purchasers with complete descriptions. I believe there is still room for improvement in this field. (The sale of airplane parts is still being checked. I do not believe it was a Treasury sale.)

E. Treasury Procurement sells very little food-cosmetically canned goods. We can find no such sale of pea beans as Congressman Crawford referred to.

F. 966 pounds of used copper sheets were sold to the City of Minneapolis without priority clearance. The St. Paul office has been warned again that no invitations to bid on critical materials should be issued without containing the notice that a WPB priority is required.

G. Errors of this type have been made. Instructions have been given the field and I believe that this has been remedied. In most instances where unrelated commodities have been offered in one lot, they have been in very small amounts.

H. The testimony on the Fort Worth offering of electrical items is correct. The Regional Director was instructed to reduce the size of the lots the day we here in Washington learned of the offering.

I. The Navy was fully advised about the soup plates and rejected them. (I suspect that the "U.S.Q.M.C." on the plate may have affected their decision.)

J. Mr. Patman's information on the horse shoe transaction is incorrect. We sold horse shoes in Cincinnati on December 22, 1943. Our last purchase of horse shoes was on February 16, 1943. FEA is now processing a requisition for horse shoes of different sizes and weights than those we sold in Cincinnati, but we have not yet been authorized to buy any. We had no notice that FEA would require any horse shoes until more than two months after the Cincinnati sale.

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# United States Senate

COMMITTEE ON FINANCE

March 25, 1944

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

My dear Secretary Morgenthau:

You will permit me to thank you for your letter of March 17, with further reference to my communication of December 20, 1943, to which I attached a letter from Honorable 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 Georgia.

The effective manner in which you have handled this matter is greatly pleasing to the writer and to the people of Georgia.

Sincerely yours,

*Walter F. George*

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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

March 25, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

Mr. Baxter of the Alcohol Conference Board called the other day and I asked him to prepare a very brief memorandum stating how much gallonage the distillers actually needed, in their estimation, to break the black market, and then to translate that gallonage into terms of revenue to the Government, and in terms of grain requirements, and to point out where they thought it might come from other than in additional production.

Baxter and Jones delivered the memorandum this afternoon. (It is attached).

I talked to them further about their actual requirements, and after some discussion an idea evolved. Here it is:

(1) The liquor Industry believes that a great part of the black market is "psychological". People are over-buying and paying high prices because they are afraid they soon won't be able to get liquor. Consequently, if the stores suddenly could be fully stocked, and if it were possible to announce that the liquor shortage was over, they believe the following things would happen:

(a) people would stop buying liquor to store away;  
(b) the market for imported junk would collapse, and foreign manufacturers would be forced to sell raw alcohol (to add to the stockpile) instead of bad liquor in America;

(c) there would be no profit in black market operations;  
(d) people would start using up hoarded stocks.

(2) Assuming for the moment that this was the case, I then asked how much alcohol would be required at one time to completely stock the retail outlets, and keep them stocked for two or three months.

They told me that five to seven million gallons would provide enough liquor to stock the stores, and keep them stocked for almost three months (if buying were normal). They also pointed out that when coffee was taken off rationing, sales slumped for two and one-half months, which would indicate that hoarded coffee was being used up. This same situation might exist in liquor.

I then asked what the reaction of the industries might be if, instead of releasing 25 million gallons, the Government were to be able to release seven million gallons with the understanding that an equal amount would be released every four months providing nothing came up to increase the needs for alcohol or reduce the stockpile.

Mr. Baxter and Mr. Jones felt that the industries would cooperate to the fullest on such a plan, and more than that, they felt that the industries would consider this an incentive to increase production in industrial alcohol. They both felt that the industry was not actually producing at peak, although they didn't estimate how far from peak production was.

They said the gallonage for beverage purposes should be apportioned on the basis of the distillers' contribution in industrial alcohol, which would be added incentive for individual firms in the industry to step up their production.

They pointed out that seven million gallons of alcohol, turned into liquor, would produce almost \$150,000,000 in revenue for the Government.

I am bringing this idea up because it might be better to focus on seven million gallons rather than 25 million; and there is the bare possibility that in the two or three months during which this would supply the distillers;

- (1) war needs for alcohol might be decreased,
- (2) the increased production of the distillers, due to the incentive, might add to the stockpile;
- (3) undermining the market for imported substitutes might increase the amount of industrial alcohol and molasses available for the GPO to buy abroad;

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(4) if it is true that a great deal of liquor is hoarded, and that the shortage is making liquor buying abnormally high, then an ample supply would reduce buying and encourage the using of hoarded supplies to the extent that it might not be necessary to release as much liquor in the final analysis as the industry believes necessary to keep the black market under control.

Of course, this is a gamble. The only things we can be sure of are that the stockpile would be seven million gallons lighter and that the Government would be \$145,000,000 richer, and the black market should have its back broken.

Carbon Copy to Mr. O'Connell  
Attachment.

PROBLEMS:

Black marketing, bootlegging, hi-jacking and smuggling.

Danger of prohibition.

Protection of Government tax income.

Reasonable satisfaction of public demand for quality beverage spirits.

BASIC SOLUTION:

The situation can be substantially corrected by diversion of 25 million 190° proof gallons of alcohol for beverage purposes.

Output for consumption of beverage distilled spirits is diminishing and in view of unbalanced inventories, with particular respect to shortage of grain neutral spirits, it is doubtful if the total for 1944 will exceed 100 million proof gallons -- unless some resumption of beverage production is permitted. The 25 million high-proof gallons will bring total beverage output approximately up to pre-war level, adding some 450 million dollars of revenue to the Government.

SOURCES OF 25 MILLION GALLONS OF ALCOHOL:

1. The most direct and sensible approach is the stockpile itself which can immediately be reduced by this amount without in any way affecting the war effort. In the first place, after this year completion of projected production facilities and reduction in requirements due to oil process rubber plants should bring total production of alcohol substantially in excess of requirements.

There seems no reason why the alcohol stockpile cannot be viewed by the same standards that govern other war materials. Most war chemicals carry no stockpile. Even in the case of critical metals, WFO has applied a rule that the stockpile should not exceed one month's reserve or the difference between annual projected requirements and domestic production.

Present stockpile is in the neighborhood of 80 million gallons. One month's requirements would be 53 million gallons — leaving an excess of some 27 million gallons. Likewise, the difference between 1944 total requirements and domestic production is 54 million gallons — also resulting in an excess of 26 million gallons.

Thus by the most conservative of the various methods for figuring stockpile, there should be at least 25 million gallons for immediate beverage purposes.

2. Nearly one-third of the alcohol program is allotted for so-called "indirect military, civilian and anti-freeze" uses. Practically every peace time use of alcohol has been permitted some degree of supply — except beverages.

Prior to the national defense period, annual requirements of industrial alcohol for all purposes, including anti-freeze, ranged in the neighborhood of 100 million gallons per year.

In 1942, the total for these uses was 149,800,000 gallons — and in 1943, 198,700,000 gallons. For 1944, the estimated requirements for these purposes are 197,000,000 gallons.

If the question of public morale and liquor control ~~in~~ wartime is of grave concern, then should not the alcoholic beverage industry be classed equally in importance with those commercial uses which may, after all, be deemed marginal but which are now allotted 15% to 50% of their alcohol requirements? Could there not be a readjustment of such allocations to include the beverage industry as serving a public need?

3. In addition, the alcohol requirements, both for war and beverage purposes, could be met in part by projects already under consideration by the WPB, such as increased distilling facilities, using non-food and other base materials, and imports from foreign countries as well as from our insular possessions.

GRAIN:

Production of 25 million high proof gallons of alcohol would require only 10 million of the 4 billion bushels of grain annually produced in this country — about one quarter of one percent, or an amount so small as to be lost in the factor of error in the figures themselves.

As a matter of fact, actually the grain usage would be even less. A distillery equipped with complete feed recovery apparatus will return into feed channels at least 50% of the feed value of the whole grain. Distillers are now recovering approximately half of their potential feed production and are steadily increasing this as the WPB-WFA feed recovery program nears completion.

Accordingly, on a feed value basis, the net amount of grain represented by 25 million gallons of alcohol would thus amount to no more than  $7\frac{1}{2}$  million bushels and when all distilleries are completely equipped, this would be reduced to about 5 million bushels — only one-eighth of one percent of the grain supply!

Objections have sometimes been raised to production of beverage alcohol because "corn is needed for food and feeds". This is not a realistic statement of the situation.

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It is expected that the bulk of the spirits covered by the current proposal would be 190° proof alcohol, which can be made from practically any grains that may be available -- and there are ample supplies of several grains that could be used. Should there be any stringency in domestic grains, the carry-over of Canadian wheat estimated at 375 million bushels, Argentine wheat at 200 million bushels and an estimated corn crop of 240 million bushels, plus a substantial United States rye surplus, offers substantial opportunity.

Thus, bearing in mind the infinitesimal amount of grain shortage scarcely seems a justifiable reason for preventing a program to eliminate the many serious social problems with which we are faced today.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

March 25, 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 15, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*EmB*

FEDERAL RESERVE BANK  
OF NEW YORK

March 24, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended March 15, 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/ Robert G. Rouse

Robert G. Rouse,  
Vice President.

The Honorable Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington 25, D.C.

Enclosures

COPY



- (4) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Central, and Ministry of Shipping.
- (5) 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 US securities through December, 1940 amounted to \$334 million.
- (6) 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.
- (7) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (8) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (9) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (10) For monthly breakdown see tabulations prior to April 23, 1941.
- (11) For monthly breakdown see tabulations prior to October 8, 1941.
- (12) For monthly breakdown see tabulations prior to October 14, 1942.
- (13) For monthly breakdown see tabulations prior to September 29, 1943.
- (14) Includes \$ 18.8 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (15) Includes \$51.0 million paid to the Commodity Credit Corporation for purchase of American tobacco for British civilian requirements.



FOREIGN ECONOMIC ADMINISTRATION  
WASHINGTON 25, D. C.

March 25, 1944

My dear Secretary Morgenthau:

The proclamation on refugees which  
the President issued yesterday is a superb  
job.

Sincerely yours,

*Oscar Cox*

The Honorable

The Secretary of the Treasury

Developments during the week of  
March 20 - 25, 1944

1. STATEMENT ON AXIS ATROCITIES

At our instance, the President has issued a strong statement concerning the systematic torture and murder of civilians by the Nazis and Japanese with particular emphasis on the barbaric campaign of extermination waged by the Nazis against the Jews. The statement points out that with the Jews in the Balkans now facing annihilation as the result of Hitler's recent moves in that area, it is fitting to proclaim again the determination of this government to pursue and bring to justice all who participate in these acts of savagery. The United Nations have made it clear that this is their intent and that this "warning applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries," the President stated.

The statement called attention to Hitler's claim that these acts were being committed in the name of the German people. The President therefore called upon every German and every other person under Nazi domination "to show the world by his action that he does not share Hitler's insane criminal desires."

The President further stated that until victory is won this government "will persevere in its efforts to rescue the victims of brutality of the Nazis and the Japs, using all means at its command, so far as military operations permit, to aid the escape of intended victims." He called upon "the free peoples of Europe and Asia temporarily to open their frontiers to all victims of oppression." He also reaffirmed the determination of this government to find havens of refuge for these people and to find the means to maintain and support them until their homelands are freed and they may return.

Since the effectiveness of the President's statement will depend largely upon the extent to which it is publicized in German-controlled Europe, we prepared and the State Department very promptly transmitted cables to our Missions at

Bern, Stockholm, Lisbon, Madrid, Ankara, and Cairo, which contain the statement issued by the President and request our Missions to see to it that the utmost publicity is given it immediately in local newspapers, radio, and in any other manner feasible. These Missions are also being requested to endeavor to have this publicity included in the foreign radio broadcasts emanating from the countries to which they are accredited. We are also suggesting to our Missions in these countries that they attempt to obtain and publicize favorable comment on the President's statement from prominent government officials or other personages in said countries. The Missions are also being asked to report the measures taken to comply with these instructions together with the results thereof.

We have also prepared cables to be sent to Winant and Harriman asking them to make the President's statement available to the British and Russian Governments and to emphasize to such governments the importance our government attaches to the value of a psychological program designed to change the actions and attitudes of the enemy, particularly his satellites, functionaries and subordinates. Winant is also being asked to call the President's statement to the attention of the representatives in London of the governments-in-exile and to advise them of our desire that it be given widespread publicity.

Wilson and Ackerman in Algiers are also being furnished with a copy of the President's statement and we are likewise requesting them to have it publicized effectively.

OWI is employing its full facilities to give publicity to the President's statement.

2. APPROACH TO THE SATELLITES

In view of German military operations in Hungary and reports of increased Nazi pressure on that country to deport Polish and other Jews who have found refuge there, we have sent a cable to State to be transmitted to Norweb at Lisbon, asking him to approach the Hungarian Government through available channels and make it clear that notwithstanding Nazi pressure, any action by the Hungarian

Government to inflict new persecutions or to continue existing persecutions of Jews will be looked upon with the greatest disfavor by this government and will be taken into account in the future, Norweb is also being asked again to approach the Rumanian Government, through similar channels, and advise it that this attitude of our government likewise applies to any such action by Rumania.

We have also transmitted to the Apostolic Delegate in Washington a copy of the statement issued by the President and have asked him to suggest to the Holy See that action on its part may facilitate the adoption of measures by the people and governments of Hungary and Rumania to protect the Jewish population of these countries.

3. COOPERATION WITH OTHER GOVERNMENTS

(a) British

A reply has been received through the London Embassy from the British Foreign Office to the suggestion made by this government that the British authorize the allocation of immigration certificates to children so as to permit them to enter Palestine within the total allowed under the White Paper. The suggestion by this government had been made in connection with the Swiss effort to obtain exit permits for Jewish children in France. The British have replied that since the Swiss have not yet obtained any promise of exit permits and have made no representations to the Intergovernmental Committee or British Government regarding conditions upon which they would receive the children, the question of the children eventually going to Palestine is entirely hypothetical. The Foreign Office therefore feels that "it would be undesirable to freeze any substantial number of certificates for cases which may never arise." However, the Foreign Office states that it will give appropriate consideration to this matter if and when the Swiss Government approaches the Intergovernmental Committee for concrete assurances. Our Embassy in London has also been informed by the Foreign Office that the unused balance of the quota of 75,000 Jewish immigrants for Palestine

fixed by the White Paper has now been reduced to approximately 25,000. The Secretary of State for the Colonies said in Parliament in November 1943 with respect to the balance admissible under the existing Palestine quota system that those unable to reach Palestine by March 31, 1944, would not be excluded by the time factor and that "no effort will be lacking on the part of His Majesty's Government to facilitate their arrival subject to the criterion of economic absorptive capacity."

(b) United Nations

We have been advised by Schoenfeld of the substance of conversations he has had with Count Czapski, Deputy Secretary General and Head of the Refugee Department of the Polish Ministry of Foreign Affairs. Czapski is in full accord with the policy set forth in the Executive Order creating the Board and indicated that we would receive the fullest possible cooperation from his government. He stated that because of the great number of Poles held in concentration camps by the Germans, the small percentage who do manage to escape makes up a considerable number of people. He mentioned as the principle obstacles interfering with the rescue and relief of Nazi victims the failure of some of the governments of the countries where the victims attempt to find refuge to give sufficient cooperation, the problem of passports, the matter of obtaining necessary funds and the visa problem. We felt that an important thing to be done immediately was to provide more passports entitling Polish refugees in Switzerland to go to South America. Czapski stated the most helpful measures this government could take for the rescue and relief of refugees would be to intervene with the governments of these countries in which the United States is represented, to assist with the passport and visa problems and to permit funds to be transferred from this country to Europe for relief and rescue work.

We have also received a report from Schoenfeld of his conversations with Dr. Scwerlin, who is in charge of refugee matters for the Norwegian Government-in-exile. Dr. Scwerlin stated that this Government's refugee policy has the full sympathy of the Norwegian authorities and that they would cooperate with us in every way that might be

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possible. He stated that there was no difficulty in the way of Norwegians escaping to Sweden once they reached the frontier. The chief obstacle to their escape lies in their inability to move about within Norway. According to Dr. Sewerin, approximately 24,000 Norwegians have thus far escaped to Sweden and about 2,000 have escaped to the United Kingdom and other areas. The Jewish population of Norway amounting to about 870 was deported to Poland, and the Norwegian Government has no knowledge of their fate. The report also states that between 6,000 and 8,000 Norwegians are now in Germany, 2,000 of these are being held as prisoners of war and the remainder are in concentration camps or are in prison as the result of court martial.

(c) The Neutrals

(1) Switzerland

In a cable to Minister Harrison now pending at State, the Board refers to certain apparent inconsistencies between the official statement of Swiss Government policy with respect to the admission of refugees and actual practice at Swiss frontiers, as reported by the Union of Orthodox Rabbis, in refusing entry to various categories of persons whose lives are in danger and whom we consider to be political refugees. Since the question appears to be the interpretation Swiss authorities place on the term "political refugees," we are asking Harrison to approach appropriate officials of the Swiss Government with a view to ascertaining the extent to which Swiss authorities - including the Swiss Foreign Police Department, border guards, and cantonal police - consider the following to be political refugees: stateless Jews, Jewish nationals of United Nations now occupied by the Germans, Jewish nationals of Germany and her satellites, and nationals generally of United Nations now occupied by the Germans. At the same time we are asking Harrison to make clear to the Swiss Government our belief that persons in all four of these categories should be considered political refugees and should, after appropriate security checks, be afforded temporary refuge without regard to age, sex, or the existence of close relatives in Switzerland.

(11) Turkey

We have been advised by Hirschmann that the Turkish Government is making available the "S.S. Tari," a 4,000 ton passenger vessel having a capacity of 1,500 persons, to evacuate refugees from Constanza to Istanbul. However, the Turkish Government will not permit the vessel to continue with this evacuation work after the completion of the first trip unless by that date this government has made a substitute vessel available to the Turks. Thereafter Hirschmann went to Istanbul regarding the charter of the vessel. He has informed us that our Naval Attache, Black of the War Shipping Administration, the Turkish Naval Attache, and himself were agreed that the "S.S. Tari" is highly desirable for our purposes and that it will sail for Constanza as soon as supplies have been loaded, charter price agreed upon, safe-conduct obtained and insurance placed. Hirschmann reported that we probably would be required to pay about \$4,000 per day exclusive of insurance. The length of the voyage has been estimated at from thirty to thirty-six days. Hirschmann requested authority to enter into a charter party on behalf of the Board with the Turkish State Steamship Lines for the charter of the "S.S. Tari" for one voyage at \$4,000 per day. He also estimated that the premiums for insurance on the vessel would amount to approximately \$80,000 if the insurance were placed in Turkey. Hirschmann also asked that this Government give the Turkish Government a guarantee of replacement in the event of the loss of the "S.S. Tari" similar to that given the Turks in the case of the "S.S. Vatan." We have cabled Hirschmann authorizing him to enter into a charter party for the "S.S. Tari" at the price indicated and to place the insurance on the vessel in Turkey. We also obtained the requested guarantee of replacement from the War Shipping Administration and the Foreign Economic Administration and have advised Hirschmann of this.

The International Red Cross is attempting to obtain safe-conducts for the "S.S. Tari" from all belligerents except Russia. Safe-conduct from the latter has been requested through the Russian Ambassador in Ankara.

At Hirschmann's suggestion we have cabled to Harrison at Bern instructing him to ask the Swiss Government to support the International Red Cross request for safe-conduct.

We discussed with the War Shipping Administration the matter of this Government's making a substitute vessel available to the Turks so that the "S.S. Tari" may make additional voyages to evacuate refugees after completion of its initial trip. They have cabled their representative in Turkey for further information and have advised him that any recommendation made by him will receive sympathetic consideration even if practical difficulties are involved. The War Shipping Administration is also cabling its representative in Algiers to ascertain if the French or Italians are willing to charter a vessel for this purpose or if there is any small freighter available in the Mediterranean which could be chartered to the Turks. However, the War Shipping Administration is of the opinion that the best solution of this problem would be to treat it as one of allocation and attempt to work out an arrangement with the Turks whereby an equivalent amount of space on an Allied vessel proceeding to the eastern Mediterranean would be made available for Turkish requirements in lieu of chartering a vessel to them. We are advising Hirschmann of these developments, pointing out to him the difficulties in the way of putting a vessel in the hands of the Turks by the date of the completion of the "Tari's" first voyage and suggesting to him that, if he could induce the Turks to accept an arrangement whereby equivalent space on an Allied vessel would be made available to them in lieu of a substitute ship, such an arrangement would be more feasible from a shipping standpoint.

In connection with the projected voyage of the "S.S. Tari," the representative of the Jewish Agency in Ankara has informed Hirschmann that it will be five or six weeks before a sufficient number of refugees at Constanza will be ready to embark despite his previous assurances that they would be ready to embark on ten days notice.

- 4 -

We have also been advised by Hirschmann with respect to the proposed purchase of the "S.S. Necat" for donation to the Turkish Red Crescent, to be used for evacuation work, that the Turkish Government deems it impossible to withdraw a second ship from its small supply to be used for evacuation purposes. We have asked Hirschmann if he has explored the possibility of the Turks making the "S.S. Necat" available for use by the Turkish Red Crescent as soon as the "S.S. Tari" completes its voyage in case arrangements cannot be made to have the "S.S. Tari" make repeated voyages. Hirschmann has also advised that if this government will donate a vessel to the Turkish Red Crescent, the Turks would be willing to have the Turkish Red Crescent operate it under the Turkish flag to evacuate refugees for the duration of the war, the vessel to become the property of the Turkish Red Crescent.

Hirschmann was informed on March 16 by the Rumanian Ambassador to Turkey that the latter had received a reply from his government to the effect that it had decided to transfer to Rumania proper all Jews in Transnistria at the present time and that the Government of Rumania will facilitate in any possible manner the emigration of Jews. The International Red Cross has reported that this movement from Transnistria to Rumania has already begun and that 48,000 Jewish refugees had been moved up to March 20th.

We have also advised Hirschmann of information received from the International Red Cross to the effect that the Bulgarian ship "Bellacitta" is available to transfer 150 refugees weekly from Mangalia to Istanbul and that two other Bulgarian ships are available for this purpose, the "Maritza" and the "Milka." Presumably, the latter two ships are not now usable since Turkey is only permitting rail transport to Palestine at the rate of 150 persons weekly, and the "Bellacitta" would supply this number. We are asking Hirschmann to do everything possible to enable these vessels to evacuate refugees and have cabled Harrison requesting prompt action by the Russians on the International Red Cross request for safe-conduct for the "Bellacitta."

A full report has been received from Steinhart in response to the circular airgram of January 25th which we are now studying.

Hirschmann will return early in April to report personally on the situation in Turkey.

(iii) Spain

Our cable to Hayes, containing the new measures we are suggesting to facilitate the evacuation of refugees to Spain, is still pending at State.

A cable has been received from Hayes with respect to the license issued with our approval to the JDC for the purpose of evacuating refugee Jewish children from France to Spain. Hayes has not advised Sequerra, the JDC representative, of the terms of this license, taking the position that Sequerra's loyalty to the Allied cause is doubtful and that all JDC business with the Embassy, as heretofore, should be transacted through Blickenstaff. More important is Hayes' objection to any American charitable organization engaging in the clandestine operations contemplated by this license as it is his opinion that such actions could jeopardize the position of such organizations in Spain and might be turned by the Germans to their own advantage and used as a device for getting their agents into Spain and Allied Territory.

We received another cable from Hayes in which he states his opposition to the War Refugee Board's sending a representative to Spain and recommends that if the Board wishes to work in Spain, it should work through Blickenstaff, thereby obtaining the value of his experience in this field. Blickenstaff, Hayes is certain, would be acceptable to the Spanish, while a representative from the outside would not, as the Spanish would feel such designation contrary to the agreement centralizing refugee work in Spain in the hands of Blickenstaff.

We have proposed to State that the Unitarian Service Committee be permitted to operate in Spain with offices at Barcelona and that a cable be sent to Hayes, asking him to obtain the consent of the Spanish Govern-

- 12 -

ment. We believe this organization would be of considerable assistance in carrying out the War Refugee Board policies in Spain.

With respect to the movement of stateless and enemy national refugees from Spain to Camp Lyautey, we received a cable from Ackermann that the French were objecting to the admission of certain stateless persons upon the ground that they were not refugees as they had not been in Spain prior to 1938. Since we do not appear to be receiving the full cooperation of the French Committee on National Liberation in connection with this program, we have discussed the matter with Jean Monnet, stressing the various problems involved, the delays attendant upon existing procedures and the necessity for general cooperation. Monnet has agreed to cable Algiers on the matter.

(iv) Sweden

With the approval of the Treasury Department we cabled Minister Johnson that subject to his consent we propose to appoint Iver Olsen, Treasury Representative in Stockholm, as the Special Representative of the War Refugee Board in Sweden. It is also contemplated that State will designate Olsen as Special Attache to the Legation on War Refugee matters.

(d) Latin American Countries

(i) Paraguay

Ambassador Frost has advised us that Paraguayan officials are now at work on plans for immigration and colonization and in this connection are bearing in mind the problem of evacuating and relieving European refugees.

(ii) Bolivia

In a communication from our Embassy in Bolivia we have been advised that it is practically impossible to determine under present circumstances (and, as directed, without approaching present Bolivian authorities) to what extent Jewish war refugees are permitted to enter Bolivia. In the course of previous diplomatic corres-

- 11 -

pendence the revolutionary government is reported to have indicated that, as a member of the Intergovernmental Committee, "its conduct with respect to Semites will be in accordance with that adopted by the other nations of the continent. Within the country, nationals and foreigners shall enjoy the same guarantees under the Political Constitution of the State without distinction as to whether they are Jews or not."

The Embassy also reports a general resentment that Jewish immigrants admitted to Bolivia in recent years have competed with established Bolivian merchants and small shopkeepers when many of these immigrants were officially admitted with the understanding that they were to engage in agriculture.

(iii) Haiti

In a reply from Ambassador White in Haiti we are advised that a Committee of Aid for Refugees has been appointed by the Haitian Government. At its first meeting on February 7 the Committee is reported not only to have endorsed the objectives of our Government with respect to refugees, but also to have voted to obtain funds by a special state lottery for \$10,000 and by a special issue of five-centime postage stamps. Monies obtained in these ways would be devoted to refugee projects, perhaps through the United States War Relief Fund.

(iv) Peru

Reports have been received from our Embassy in Peru with respect to the Peruvian attitude toward the rescue and relief of the Jews of Europe and other victims of enemy persecution. Pending the receipt of a formal reply on refugee policy from the Peruvian Ministry for Foreign Affairs (which the Embassy expects to be non-committal or negative as well as delayed), we are advised that little assistance or real sympathy can be expected from Peru.

(v) Mexico

Ambassador Hegerwerth has followed up his preliminary report on the possible Mexican attitude with respect to the rescue and relief of European refugees with a review of his discussions with a spokesman for the Mexican Ministry for Foreign Affairs. In far as the question

of Mexican hospitality to Jews is concerned, Messersmith reports that there is no particular problem there, Mexico having afforded refuge to large numbers of refugees without question as to their religion. We are advised, however, that, while Mexico is entirely in sympathy with the proposed activities of the Board, it, nevertheless, cannot take any active part in the transportation of refugees to this continent nor can it assume any responsibility for the maintenance of such refugees in Mexico.

(vi) Nicaragua

After further discussion with the Nicaraguan Foreign Office as to that country's willingness to rescue refugees, our Embassy advises that information will be required regarding the practical steps envisaged by the Board to put our Government's policy into effect, such as the probable number of persons to be received by the United States, the facilities for transport which may be available, the time of the expected evacuations, the nationality of the refugees, etc. With respect to the possibility of the Nicaraguan Government's issuing a public statement on the subject, our Embassy believes that embarrassment might result from our requesting such a statement at this time.

4. COOPERATION WITH THE INTERGOVERNMENTAL COMMITTEE

Myron Taylor, after discussing with Secretary Morgenthau the respective fields of action of the Intergovernmental Committee and the War Refugee Board, suggested that Emerson and Malin of the Intergovernmental Committee come to Washington to discuss this subject further with Secretary Morgenthau, Mr. Pehle and others interested. We have been advised by Winant that Emerson will arrive here shortly for this purpose.

The plenary session of the Intergovernmental Committee has been called for June 19, unless the director and chairman find it impractical to hold such meeting at that time.

5. SPECIAL PROJECTS

(a) Relief of Refugees on Mauritius

In response to our cable to our Consul in the Union of South Africa, asking that a check be made to report on the results of the effort that Greek and Jewish refugees on the British Island of Mauritius were suffering.

from disease and inadequate living conditions, we have been advised that malnutrition is general on Mauritius and that there is some malaria and other diseases. Food, clothing and medicines are needed.

(b) Evacuation of Refugees from Rab

We were advised by the British that they had facilities for making local funds available for the evacuation of refugees on the Island of Rab. We approached the JDC, which was willing to furnish \$25,000 for this project. A license has been issued under which the JDC has remitted that amount to the Finance Officer of the British Foreign Office. The lira equivalent will be made available by the British Paymaster in southern Italy.

(Signed) J. W. Pehle

cc: Miss Chauncey (for the Sec'y) Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Rains, Sargoy, Standish, Stewart, S. D. White, Pehle, Files

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

CK-10m:fp

INTER-OFFICE COMMUNICATION

DATE MAR. 25, 1944

TO : Secretary Morgenthau

FROM : J. W. Pehle

If you agree, I propose to have the following minute inserted in the Minutes of the Third Meeting of the War Refugee Board:

- "5. The Board discussed naming Pehle as permanent Executive Director and it was agreed that provided the President concurred Pehle should be so designated. (The Acting Executive Director was not present during the discussion of this item.)



35

March 25, 1944

3:30 p.m.

TO WILSON FOR ACKERMANN FROM WAR REFUGEE BOARD

This is WRB Cable to Algiers No. 2. The following is for your information. On March 23, 1944 we talked with Jean Monnet about the desirability of securing better cooperation from the French Committee of National Liberation on the matter of evacuating stateless and enemy national refugees from Spain to French North Africa. We particularly stressed the security problem, the delays attendant upon existing procedures, the problem of Sephardic Jews, and the necessity for general cooperation.

Monnet agreed to cable Algiers promptly and indicated that he thought Fresnay, a member of the Committee, would be the one to handle the problem. He thought that Fresnay would probably contact Ackermann.

JHMurphy:dh 3/24/44

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

29  
DATE MAR 25 1944

TO Secretary Morgenthau  
FROM Mr. Penle

The attached memorandum from Dr. Nahum Goldmann of the World Jewish Congress will be of interest to you in connection with the reaction in Great Britain to the establishment of the War Refugee Board.

*J. Penle*

Washington, D. C.  
March 23, 1944

MEMORANDUM: War Refugee Board

During my stay in London, I had occasion to meet with the various governments-in-exile, with members of the British Foreign Office, with Sir Herbert Emerson and his staff, a great number of British members of Parliament, journalists, publicists, and leaders of public opinion. They were all deeply interested in the news of the establishment of the War Refugee Board. Some attempt was made, unofficially, in British circles to whittle down the impression made by this news, by characterizing it as window-dressing and a political manoeuvre in an election year. I did my best, and, I believe, with some success, to convince all those with whom I talked and the private groups which I addressed, that the War Refugee Board meant real business and was set up because of the sincere desire of the American Government to do something effective to save the Jews of Europe. On the whole, though, the creation of the Board made a very deep impression.

I suggested to various governments-in-exile, that they take similar action and establish War Refugee Boards of their own on which should be appointed high officials assigned to deal exclusively with the problem of saving European Jews. The Polish Government decided to set up such a Committee, which will soon be announced. The French Military Association agreed to appoint a high official in Algiers to deal with the question of the rescue of Jews and has instructed M. Boris, its representative in London to lend his support. A similar assurance was given to me by President Benes and Mr. Masaryk, whose department is in charge of such activities. The representatives of the Dutch, Belgian and Norwegian governments had several talks with representatives of the World Jewish Congress in London concerning their participation in such work and are prepared to allocate considerable amounts of money for saving deported or hidden Dutch, Belgian and Norwegian Jews.

In general, I am convinced that the creation of the War Refugee Board has helped enormously to save all

- 2 -

these governments conscious of their responsibilities in this matter. I came back from London with the definite impression that all these governments, not excluding the British, will sooner or later follow the policy of the American Government, which today, is the farthest ahead in its understanding and methods. But the initiative will have to continue to come from Washington. As regards Great Britain, public opinion was also greatly impressed by the creation of the War Refugee Board, as indicated by numerous articles in the British press. Wide sections of Parliament, especially the Committee to save the victims of the Nazi terror, of which Miss Eleanor Rathbone, M.P., is the leading member, were ready to renew their public campaign in order to get the British Government to adopt policies similar to those of the War Refugee Board.

Nahum Goldmann

TELEGRAM SENT

PLAIN

March 25, 1944

U.S. URGENT

AMEMBASSY,

LONDON.  
2277, twenty-fifth.  
FOR WINANT

Mr. Taylor requests that you suggest to Emerson that Malin's participation in proposed conversations in Washington will be helpful and that he arrange to have Malin come to Washington with him.

HULL  
(GLW)

WRB:GLW  
3/25/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMEMBASSY, London  
DATED: March 25, 1944, 5 p.m.  
NUMBER: 2292

CONFIDENTIAL

Department's telegram of January 14, 1944 no. 371 is referred to herewith.

One of the most pressing and immediate problems before the War Refugee Board is the finding of havens where refugees may remain for the duration of the war.

In the opinion of the Department and the Board, Cyrenaica and Tripolitania might be suitable for this purpose.

Ever since the Bermuda Conference, at which it was specifically recommended that admission of refugees to Cyrenaica be considered by the British, Cyrenaica and Tripolitania have been under consideration as havens. Thereafter, when agreement was reached to consider a refuge camp in North Africa, the President in a message to Prime Minister Churchill commented on his interest in the possibility of using Cyrenaica and Tripolitania as havens of refuge. The suggestion was again made to the British informally in the manner described in the aforementioned cable as recently as January of this year. No decision has apparently yet been taken in this important matter although many months have passed. It is requested that you reopen the matter at once and raise with the British Government the question of using Cyrenaica and Tripolitania as havens of refuge, subject, of course, to the later approval of the Combined Chiefs of Staff. The consent of the British should be secured before any approach is made to the Combined Chiefs of Staff. You should inform the British Government that this Government is prepared to share the responsibility for financing the establishment and maintenance of camps in Cyrenaica and Tripolitania, including the cost of transporting the refugees to these camps. We are

confident

confident that part of this cost may be borne by private refugee agencies if it later seems desirable. The transportation problem can be worked out cooperatively between the British Government and ourselves.

With respect to Cyrenaica and Tripolitania a division of obligations and responsibilities between the two Governments, similar to the case of the transfer of refugees from Spain to North Africa, can be worked out.

It is extremely important that havens of refuge be established in Cyrenaica and Tripolitania. The War Refugee Board is convinced that there is a real opportunity for bringing many refugees out of occupied areas, especially from areas contiguous to Turkey and the Black Sea. The Board is determined to do everything it can to rescue refugees in as large numbers as possible, as you have previously been informed. Once these refugees are evacuated to Turkey it is important that areas be found to which they can be removed expeditiously.

For this purpose camps in Cyrenaica and Tripolitania could be used. Also such camps would facilitate the escape of refugees from other areas. For instance, refugees from Southern Italy can be removed from camps there to Cyrenaica and Tripolitania, thus making room for other refugees who are successful in escaping from Italian occupied areas.

It is requested that you give your urgent and personal attention to this matter and inform the Department of the progress of your conversations at the earliest possible moment.

HULL

PARAPHRASE OF TELEGRAM COPY

FROM: Secretary of State, Washington  
TO: AMEMBASSY, London  
DATED: March 25, 1944, 9 p.m.  
NUMBER: 2303

CONFIDENTIAL

The message given below refers to our telegrams of February 29 and March 10, 1944, nos. 1503 and 1812, which partially presents the steps the War Refugee Board has taken or is prepared to take in order to implement the board's announced policies. The more detailed statement given below is for the British and refers to remittances of funds and similar transactions which have been authorized following the War Refugee Board's recommendation.

Relief and specific rescue projects:

A number of private organizations in the United States have been granted authority to carry on evacuation and relief operations in occupied Europe. Following the Board's recommendation, the Treasury Department has issued licenses granting the representatives of these organizations in Switzerland permission to finance their operations by acquiring the requisite local currency if necessary from persons in enemy territory against the payment of free exchange and to carry on such communications as may be necessary with persons in enemy territory. The Board, Treasury and State Departments have taken the position that in these cases the main consideration is the saving of lives and that this is paramount to the possibility that certain amounts of free exchange may become available in enemy territory. Among the relief and rescue projects the execution of which has been facilitated by the Board and which have been sponsored by private organizations are the following:

1. Evacuation from

- 4 -

1. Evacuation from France to Switzerland.

(a) Evacuation of Abandoned Jewish Children.

There has been issued a license for one rescue program involving abandoned children in hiding in France numbering several thousand who may be deported to Poland in the near future. Attempts are being made to sustain and keep alive these children in France but they cannot be brought into Switzerland in large numbers until some assurance is received by the Swiss Government that the children will be removed after the hostilities end. The Board has proposed that this Government give the Swiss assurances that American visas will be granted to 4,000 children from France entering Switzerland and that removals will be granted for these visas as necessary.

(b) The removal of Political and Christian Refugees and Scholars. Also steps have been taken by the Board to facilitate the operations which several private organizations are carrying out designed to rescue and give relief to political and Christian refugees and scholars who have been unable to leave France. Upon the recommendation of the Board, the Treasury issued licenses to make funds available in Switzerland for use in carrying forward this program.

(c) World Jewish Congress Program. With the aid of the Board, the World Jewish Congress has worked out a program to evacuate refugees into North Africa, Switzerland and Spain from Rumania and France. The Treasury Department has issued licenses authorizing the necessary operation up to a total cost of \$100,000 of which amount \$25,000 has already been sent to Switzerland.

2. Evacuation from Poland to Hungary.

Between the War Refugee Board and the Union of Orthodox Rabbis of the United States and Canada there has been worked out a plan to evacuate Jews from Poland to Hungary. In Hungary there are persons who are in a position to aid refugees across

the Polish

the Polish border into Hungary where there is already a large Jewish community to help the refugees and aid them to become absorbed into the Hungarian economy. The Union has been granted authorization to communicate with and transmit funds to these persons. To meet the requirements of this plan, \$100,000 has been sent to Switzerland.

3. Program for Feeding Internees in Croatia, Hungary, Rumania and Czechoslovakia.

The International Red Cross has informed the Intergovernmental Committee of an urgent need for funds to purchase foodstuffs for distribution to internees in Czechoslovakia, Rumania, Hungary and Croatia. A large private organization in the United States provided \$100,000 at once after an approach was made by the Board. Under Treasury Department license, this sum has been remitted to Switzerland which permits the buying of the required foodstuffs not only in neutral countries but in Hungary and Rumania as well.

4. Plans for the Relief of Refugees in Shanghai.

Relief is presently being administered to 10,000 stranded refugees in Shanghai pursuant to licenses granted by the Treasury Department at the request of the Board to two private organizations. Authorization is given by these licenses for the borrowing of funds in Shanghai against a promise for reimbursement after the war's end.

HULL

BJR - 5  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

London

Dated March 25, 1944

Rec'd 9:20 p.m.

Secretary of State.

Washington.

2453, March 25, 10 p.m.

Please inform Leavitt Schwartz has departed for  
Lisbon (see Embassy's 2245, March 20, 5 p.m.) and  
Department's 2224, March 23, midnight, therefore has  
not been delivered.

WINANT

WTD

March 25, 1944

2:30 p.m.

AIRMAIL

To the American Embassy

Port-au-Prince, Haiti

Reference to your report No. 2521 of January 31, 1944.

It was a source of satisfaction to the War Refugee Board to learn of President Lescot's plan to make available \$10,000 to be used in refugee work. Your report of February 10, No. 2559 brings further encouragement through the announcement of the establishment of a committee by President Lescot for the aid of refugees and by the fact that a portion of the above sum has been made available for immediate use.

Please express to President Lescot the sincere appreciation of the War Refugee Board.

If a definite plan presents itself in which Haiti can render concrete assistance, it will be submitted to you for your consideration and counsel. The Board is aware of the limited possibilities in Haiti for a program for the immigration into Haiti of refugees, but it hopes that small numbers ~~at least~~ may be absorbed by the Republic.

ALaughlinlr 3/24/44

March 23, 1944 67

CALLS TO LISBON

4:40 p.m.

From War Refugee Board to Warsaw

Please deliver the following message to Joseph J. Schwartz,  
242 Rua Aurea, Lisbon, from M. A. Leavitt of the American Jewish  
Joint Distribution Committee:

"Can Saly Mayer make discreet inquiry regarding request  
for funds to rescue Jews from Northern Italy made by Donati,  
Volobrand, Lopez as representatives Italian colony. Cable  
reply"

FH:lab 3/24/44

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMEMBASSY, LISBON  
DATED: MARCH 26, 1944  
NUMBER: 860

CONFIDENTIAL

The following is the substance of a message from the War Refugee Board from Joint Distribution Committee for Joseph Schwartz, Care of Donald Hurwitz, 242 Rua Aurea, Lisbon.

Nothing is known here regarding any remittance of two hundred thousand dollars for medical supplies and food to Intercross. Joint Distribution Committee remitted one hundred thousand dollars for purchases of food and other supplies in Switzerland, Hungary and Rumania to be distributed by Intercross in Czechoslovakia, Hungary, Yugoslavia and Rumania. Our first remittance of one hundred thousand dollars to Ankara probably caused the confusion. An inquiry as to who remitted two hundred thousand dollars should be made through Saly Mayer from Intercross. The Joint Distribution Committee is prepared to make an initial grant of one hundred thousand dollars for expense of bringing children into Spain. If abandoned children are brought from France to either Spain or Portugal, we expect United States Committee guarantee will be available. We have requested Washington to confirm this to the Legations in Spain and Portugal so that required assurances can be given to each country. We have remitted ten thousand dollars to you for Portugal under special license no. W-2134 and twenty-five thousand dollars under special license no. W-2155 as first installment toward expense of children from France into Spain. The Legations in Madrid and Lisbon will supply you with information about these licenses. It is especially important that you ascertain London policy and procedures with respect to issuance of certificates for Palestine after March 31. It is sincerely hoped that the procedure can be greatly simplified so as to facilitate the issuing of certificates with the least possible delay taking into consideration the potential emigration from the countries of the Balkans. You should keep us informed through the War Refugee Board and the Legations.

THE UNITED STATES OF AMERICA  
DEPARTMENT OF STATE  
OFFICE OF THE LEGATION

AMERICAN LEGATION

Lisbon, March 25, 1944

Subject: Transmitting Reports and Suggestions from  
Lisbon Representative of World Jewish Congress  
in Connection with War Refugee Board

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

Sir:

I have the honor to refer to the Legation's despatch no. 217, February 16, 1944, transmitting memoranda containing comments and suggestions from four relief organizations in Lisbon on the subject of relief for the victims of Nazi oppression in Europe, and to submit herewith two additional reports, with enclosures, prepared on the same subject by Mr. Isaac Weissman, local delegate for the World Jewish Congress.

It will be noted that in both his reports Mr. Weissman advocates Portugal as a reception center and first point of refuge for persons evacuated from enemy-dominated areas. On page 3 of his report entitled "Children in Distress", accompanying his letter of March 17, 1944, he states his reasons for preferring Portugal to Spain for this purpose. With these reasons I am essentially in accord, assuming that Portugal would grant entry permits

... a substantial number of such refugees and that this country could be assured that, within a reasonable period of time, the persons admitted will have a further destination. In his second report, however, accompanying his letter of March 20, 1944, he suggests that Portugal be requested to admit ten thousand refugees. I am confident that Portugal not only would not, but could not accede to such a proposal. The number of permanent refugees now in this country has for some time fluctuated between 700 and 800 persons and existing facilities for their care and supervision have been somewhat taxed. Hotel and housing accommodations are such that an influx of only an additional one thousand persons, as occurred at the time of the recent "GRIPSHOLM" exchange, leaves hotels and pensions in the Lisbon area completely occupied. Likewise, it is now nearly impossible to secure housing accommodations in the town of Caldas da Rainha, designated for forced residence of refugees, although only some 300 persons are now segregated there. Any considerable number of persons admitted into Portugal would, in order to be accommodated, have to be dispersed throughout the whole country. For political and security reasons, in view of the small area and population of this country, I am sure that the Portuguese Government would refuse entry to a large number at once.

The greatest factor, however, tending to operate as a deterrent to Portuguese acceptance of Mr. Weissman's proposal, is that of food supplies sufficient to maintain any additional influx of persons. The country has long been an importer of food supplies, and current poor crops coupled with shipping shortages, have necessitated a curtailment of food supplies to restaurants and hotels, as well as a carefully regulated consumer rationing system. The present relatively small population of Portugal is constantly confronted with the fact or the probability of shortages of various types of foods, and this food problem is always an element in the granting of any individual visa to Portugal, let alone visas for some thousands of persons.

I do not believe that the economy of Portugal can, without assistance, support as many as several thousand additional refugees. Likewise, because of existing shortages, I do not

- 3 -

Feel that the Portuguese Red Cross will be able to transmit any large quantity of food parcels to refugees in the concentration camps of enemy-dominated Europe, unless such food is supplied by the Allied Nations.

Respectfully yours,

For the Minister:

Edward S. Crocker  
Counselor of Legation

Enclosures:

1. Letter of March 17, 1944,  
with report and enclosures from  
World Jewish Congress, Lisbon
2. Letter of March 20, 1944,  
with report and enclosures from  
World Jewish Congress, Lisbon

300  
MCR/mvd

Reference No. 1 to Dispatch No. 20, dated March 11, 1944, from  
the Legation at Lisbon.

MEMO

WORLD AFFAIRS DIVISION

Delegate for  
Portugal and Spain:  
Isaac Weissman.

330 West 42nd Street,  
New York

Lisbon, March 17th, 1944

Dear Mr. Crocker,

Referring to our conversation of yesterday, I enclose a Report (confidential) as suggested by you and should you require any further information I am entirely at your service.

With regard to your very kind offer to intervene together with your British colleague with the Portuguese Police, I would like to draw your attention to the fact that Mr. J. Hart, of the British Embassy, has already had satisfactory conversations with the Chief of Police regarding the rescue of the children.

I saw Mr. Hart again after our conversation who informed me that he was only awaiting instructions to go ahead immediately.

I should be extremely grateful to you if would come to a very early decision with your colleague of the British Embassy as you can readily understand that the matter is an urgent one.

I would like to repeat that my collaborators the ~~Union~~ and the American Friends Committee are in complete accordance with our plan.

Yours sincerely,

/s/ Isaac Weissman.

Edward J. Crocker, Esquire,  
Legation of the United States of America,  
LISBON

Delegation for  
Portugal and Spain  
Isaac Wilenski.

107 West 42nd Street,  
New York.

CONFIDENTIAL

Report.

CHILDREN IN DISTRESS

The Life of Jewish Children in France  
is in grave danger

Last December we received reports from France, gathered in the month of November, informing us that the Germans were organizing a hunt against the remaining Jewish children living in hiding in France, and that some of the reception centers had already been ransacked by the Gestapo and the children and personnel deported en bloc immediately. These reports make special mention of the Brout-Verbot center, directed by Mr. Joseph Cogan; the arrest of Madame Nicole Weil, who directed the Jewish welfare societies in Nice and the closing of many reception centers in Savoy, the regions of Marseille, Nice, Limoges, Aveyron, La Creuse, etc.

We immediately applied to the French Government in Algiers, in the persons of Monsieur Masigli, Foreign Minister and Monsieur Mendes-France, Finance Minister, requesting them to appeal to the population of France to assist in saving the children from certain death by keeping them hidden from the German authorities. Attached are copies of this correspondence for your information. This request was complied with, as can be seen from the attached copies of letters from Monsieur Mendes-France, dated January 3rd and 21st, 1944.

We are, however, fully aware that these measures are only palliative ones and that the persecution of our children is likely to break out again with unpredictable atrocities in its trail. The only certain way we have of saving them is to get them out of France and away from the clutches of the Germans.

- 2 -

Therefore, on February 1st, 1944, I wrote a further letter to Monsieur Stokes-France, of which letter I am also attaching a copy, requesting the French Government to help us to evacuate these children through their underground organisation, or through contact with the Allied Nations rescue facilities.

In the meantime, to be precise on February 18th, 1944, I left for London for the special purpose of discussing with our organisations the possibilities of rescuing our children from France. It was agreed that our immediate efforts be concentrated on this task.

It became clear to us that this rescue work could and should be possible in view of President Roosevelt's recently created War Refugee Board. In this order of ideas, Dr. Nahoum Goldman, president of our Administrative Committee, has submitted to the United States Ambassador to London a plan of rescue which Mr. Wynant forthwith cabled to Washington with his recommendation.

On the other hand, we contacted the Polish, Dutch and Belgian Governments and with the London representatives of the French authorities in Algiers. To all these Allied Governments we appealed for help through their underground channels for evacuating Jewish children from France.

These negotiations had the following results: - The POLISH Government, informed us through their Minister of Interior Monsieur Benacyk, that they fully agree to assist us in this task through their own special channels and specified that they had received information from their offices in Spain that this could be done on a large scale and that they propose to utilize these facilities to their full extent for bringing important groups of children across the border.

The DUTCH authorities informed us, through the Chairman of the Governmental Repatriation Committee, Monsieur Ferwerda, that they are willing to place at our disposal, and to that of the rescuework of Jews in general, important sums of money. On the other hand, from our conversations with the heads of the underground organisations resulted the following:- 1) Recommendation to a person actually in London who would personally organize such rescue work for us, for which effect this person would leave London; 2) Their connections in Lisbon and Madrid would be informed of my return to Lisbon and instructed to grant us all possible assistance.

- 3 -

From the FRENCH authorities we obtained two interviews with Monsieur Borris, head of the French Delegation in London. Monsieur Borris in the first place rebled our suggestions that a special department be created by them in accordance with the aims of the War Refugee Board, to Algiers. Secondly, and after consultation with their respective underground connections, Monsieur Borris informed us that they had decided to create a special team which would be used in our rescue work, and cabled to Algiers submitting a plan by which a number of young men and women would be enrolled and start work after a six weeks' period of instruction. At the same time, they for their part and our organisations themselves are taking steps to obtain from the respective British authorities an agreement to these French decisions.

The decision of the BELGIAN authorities is not yet known to our organisations, but I expect to hear of them from London within the next few days.

To all this we must add that we have already succeeded in rescuing some children who left on the s/s "Nyassa" and have already arrived in Palestine. These rescues were made possible through the offices of professional smugglers, which course involves immense funds.

On my return to Lisbon, on March 12th, I found a letter awaiting me from our connections in Barcelona informing me that four more children had arrived there in the meantime and that twenty more were expected at the end of this week.

Whilst in London I was also informed that a Monsieur Jean Chatain (formerly a well-known French official whose connection with this case can be explained verbally) who lives in Madrid, is conducting conversations with Count Jordana, Spanish Foreign Minister with a view to obtaining permission from the German authorities for the release of children up to 10 years of age registered by the Germans. These registered children number between 2,000 and 3,000. Monsieur Chatain requests us to guarantee transport and maintenance expenses should these endeavors be successful. On my return to Lisbon, I telephoned through to Monsieur Chatain who confirmed his efforts and expressed his hopes of good results. I wrote him on March 14th and attach a copy of my letter.

\*\*\*

The reasons to be offered for reception centers to be created in Portugal and not in Spain are:- 1) It should be considerably easier in Portugal to obtain permission for these centers to be organized; 2) Greater nutrition facilities; 3) Possibilities of departure to final destination wider than in Spain.

Once the Portuguese authorities consider favourably the creation of reception centers in Portugal, the Spanish authorities will raise no difficulties of letting children through whose identification or other documents have been taken by the German authorities. But to obtain this agreement of the local authorities, the International Police will have to be approached at once and directly.

The necessary means for the installation, feeding and clothing of these rescued children will at first hand be provided by us. But no sooner do we obtain the permission of the Portuguese authorities than we shall be able to contact the other locally represented organisations, such as the Joint, the American Friends Service Committee and the Unitarians with a view to their participation in these expenses. On the other hand, as soon as the nationality of the children can be ascertained, the respective legations will be expected to care for their nationals.

-END-

Memorandum No. 2 to Department No. 100, dated March 25, 1944, from the Legation at Lisbon.

            
WORLD JEWISH CONGRESS

Delegate for  
Portugal and Spain:  
Isaac Weissman.

330 West 42nd Street,  
New York.

Lisbon, March 20th, 1944

Dear Mr. Crocker,

Following up my letter of March 17th, and at your request, I now enclose our suggestions for further rescue work, in connection with the WAR REFUGEE BOARD recently created by President Roosevelt.

No doubt I shall hear from you in this respect, and, needless to say, I await your views with the greatest interest.

Yours sincerely,

(Signed) Isaac Weissman.

Enclosure.

Edward J. Crocker, Esquire,  
Legation of the United States of America,  
LISBON.

ARRANGEMENTS FOR RESCUING EVACUATED PEOPLE IN OCCUPIED EUROPE IN CONNECTION WITH THE WAR REFUGEE BOARD CREATED BY PRESIDENT ROOSEVELT

Whilst such European neutral countries as Sweden, Switzerland and Turkey have offered asylum to tens of thousands of war victims, such refuge has so far been refused by Spain and Portugal and only transit visas have been facilitated.

It is also a fact that whilst tens of thousands of refugees, fleeing from certain death and travelling without papers, have in the former countries automatically been legalized and received, those unfortunate persons who clandestinely crossed into Spain or Portugal were imprisoned and, in Spain, even concentrated into camps. This consciously inhuman attitude on the part of Spain must be attributed to the influence and demands of the Germans.

On the other hand, Portugal's anxiety for strict neutrality has led her to misinterpret her role in this connection, and to overlook her humanitarian duty as a neutral country in the face of such overwhelming European disaster.

It must be said in all fairness, however, that the Portuguese authorities have always lent a sympathetic ear when approached on humanitarian issues. Towards the end of 1942, we intervened in the question of clandestine immigrants, at that time a delicate one, but the Portuguese showed understanding and came to the agreement laid out in the enclosed photostat of a letter dated December 12th, 1942. Thanks to this arrangement, the total number of these so-called illegal immigrants (about 200), living in hiding in this country, were legalized and about 50 more released from prison, amongst which latter number were some who had been for more than 18 months in custody for no other reason than that of having entered the country without visas. To all these, refuge was granted at Ericeira, under a regime of enforced residence, as suggested by us. This led a few weeks later to the release by the Spanish authorities (and subsequent legalization) of thousands of refugees from prisons and even of a large number from the concentration camps in Spain.

- 2 -

These various results lead us to believe that as soon as the local authorities are approached by the United States and Great Britain, Portugal will be encouraged to participate in the rescue work to be undertaken through the offices of the RED CROSS.

- - - - -

The World Jewish Congress submits the following three points:

- 1) In our opinion, it would not be exaggerated to apply to Portugal for permission for entry into this country of some TEN THOUSAND REFUGEES. We give the example of Switzerland, where supplies of food are much more difficult to obtain than in Portugal, but who nevertheless has so far taken sixty thousand refugees. In this way, numberless people could be saved from Slovakia and Hungary. Portugal would have to guarantee refugees these new arrivals until after the war, but on the other hand, the United States and Great Britain should guarantee to Portugal their evacuation up to a period not exceeding one year after peace.
- 2) Portugal should also immediately authorize the Portuguese Red Cross to transmit food parcels, such as chocolate, coffee and other essential foodstuffs, on a large scale to the concentration camps and ghettos for the purpose of saving the internees from certain starvation. At the same time, parcels of old clothing should also be permitted to be sent via the Portuguese Red Cross - as this channel is the surest means of ensuring their safe arrival at their ultimate destination.
- 3) Once permission is granted by Portugal for the entry of the 3000 registered Jewish children in France, an urgent appeal should be made by the Portuguese clergy to obtain their immediate release by the Germans.

These steps should be undertaken only with the full official and solemn support of the Portuguese Government, and, incidentally, the more the Portuguese Press campaigns for these measures, the wider the possibilities of success.

On the other hand, Portugal must be assured that no financial collaboration in connection with this plan will be expected from her, and that she will be guaranteed the necessary navy and landwards for the parcels.

- 2 -

We believe that an agreement with the Portuguese authorities would have immediate repercussions with the Spanish authorities, as witness the example given in the last sentence of para. 4, page 1.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 25, 1944  
NUMBER: 1840

CONFIDENTIAL

Following is the substance of a message for Dr. Stephen S. Wise, President, World Jewish Congress, 330 West 42nd Street, New York, from Gerhardt M. Riegner, World Jewish Congress, Geneva:

Because of recent political developments in Hungary I'm most anxious about latest report Hungarian Jewry numbering about 800,000 and only existing important section European Jewry. Anglo-Saxon personalities, Jewish and non-Jewish, including leaders of Protestant and Catholic Churches and outstanding Americans of Hungarian origin have suggested that a world-wide appeal be addressed to Hungarian people warning them to endeavor to keep Jews by every possible means from falling into German hands and not to permit application of policy of extermination of Jews by Hungarian Quislings or German butchers.

That one of the most important tests of behavior to be considered by the United Nations in post-war peace settlement will be the attitude of the Hungarian people towards Jews should be particularly a part of the warning.

Similar broadcasts should be made in Hungarian language every night during the next few weeks.

HARRISON

PARAPHRASE OF TELETYPE RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 25, 1944  
NUMBER: 1850

CONFIDENTIAL

Reference is made to Legation's telegram of March 23, no. 1774.

It is stated by Intercross that recent developments in Balkans necessitate change in entire plan of action and that they doubt whether it is possible to obtain from Hungary any more foodstuffs. In a few days Intercross will report further, according to their statement.

HARRISON

PARAGRAPHS OF TELEGRAM SHORTED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 25, 1944  
NUMBER: 1851

CONFIDENTIAL

Given below is the substance of a message for transmission to World Jewish Congress at Department's discretion from Gerhart Riegner (see my cable no. 1160).

Have transmitted so far 4,000,000 French francs to France against the counter value of 71,600 Swiss francs. In order to include Belgian Jews in evacuation action and place at their disposal through France sums for evacuation from Belgium to France, working arrangements have been established with the National Committee for Defense of Jews in Belgium affiliated to Belgian Front of Independence. Correspondents in Holland authorized to raise local currency up to 12,000 Swiss francs for evacuation of Dutch Jews to France from where evacuation may be financed by French center. Similar measures are being negotiated for evacuation from Northern Italy and 15,000 francs are being reserved for this purpose. Several hundreds of persons have been hiding until now in Nice region provided with Aryan identity papers and ration cards. Similar measures have been taken in Paris whence several hundreds have been transferred to less dangerous regions and are awaiting evacuation. Last weeks first contingent of fifty persons have been sent to Spain by our evacuation center in Southern France; all arrived. Further groups active Spanish frontier are helping others cross and when relieved are ready to cross themselves. A certain number of children have been placed with non-Jews. Last week approximately 120 children passed the Swiss frontier. A certain number of persons, especially compromised in resistance movement, have been hidden and their arrest prevented. Prospects of further action are encouraging especially since Spring will facilitate the crossing of the Spanish frontier. The transfer of an additional \$50,000 is urgently requested for enlarging and continuation of rescue activities. In no way should the above information be disclosed, especially that concerning Switzerland, which is strictly confidential.

XXXXXXXX

24

PARAGRAPH OF TELEGRAM MESSAGE

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: March 25, 1944  
NUMBER: 1852

CONFIDENTIAL

Reference is made herewith to my cable of March 25, no. 1851.

The summary report from Riegner regarding the third financial transaction undertaken in accordance with license Y-2115 as amended.

Arrangements have been made by Riegner to purchase 2,000,000 French francs from Rene Bickert, stated by R to be a Swiss citizen and a prominent member of the Geneva Jewish community. The rate is 1.78 Swiss francs per 100 French francs. Until presentation of receipt signed by R's representative in France, the Swiss francs counter value deposited with Armand Brunschwig former President Geneva Jewish community. It is stated by R that Bickert has produced convincing evidence of ownership of several millions French francs in investments in France dating from before the war. In view of the necessity to take advantage of the possibility of communications with France, he states that he is unable to consult Legation before arranging the transaction. R states that the above names are not to be divulged under any circumstances.

HARRISON

March 28, 1944  
1853

CONFIDENTIAL.

The following message is for War Refugee Board's attention.

We refer herewith to your telegram of March 24, 1944, no. 991.

A distributing agency servicing 165 Swiss papers will be given the President's statement.

One hundred or more will carry it, according to past experience. We will contact several leading editorial writers with a view for favorable comment. We will approach two well-known Swiss commentators and ask them to give the statement prominence during their broadcast.

The official Swiss radio will be requested indirectly to broadcast the announcement in German and French as a news item. Clandestine tracts will be printed and distributed across the border. It is suggested that leaflets be dropped on enemy territory by Allied aircraft.

1853

March 23, 1944

10:30 a.m.

CALL TO NEW

From War Refugee Board to Harrison

Please deliver the following message to Isaac Sternbuch,  
3 Tsufener Strasse, St. Gallen, from the Vaad Hahatzala Emergency  
Committee:

"Greatly concerned fate Lithuanian Jews. Do everything  
possible to save maximum number especially great religious  
leaders Stop Take all available addresses from Boteko, Eis,  
Erlanger and others Stop Consult Griffel in Turkey about  
all phases rescue work send him money for rescue if re-  
quired. Expand rescue work in every way. Give us concrete  
plans and money will be no object. Advise if received  
answer from Shanghai. Please send periodic reports on all  
phases of rescue program."

Filelab 3/23/44

67  
March 25, 1944

3:30 p.m.

CABLE TO HARRISON FROM WAR REFUGEE BOARD

Please deliver following message to the International Red Cross, Geneva, from War Refugee Board:

"In view of German occupation of Hungary, War Refugee Board urges that Intercross send effective representation to Hungary in order to protect the well being of groups facing persecution"

FH:lab 3/25/44

March 22, 1944

10:30 am

CABLE TO TANGIER

From War Refugee Board to Childs

Please deliver the following message to Renee Reichman,  
25 Rue Moliere, Tangier, from Rabbi Abraham Kalmanowitz and Stephen  
Klein of Vaad Hahatzala:

"Green wald received your letter detailing possibilities  
send food parcels to Jews in ghettos Stop We guarantee  
payment up to \$3,000. Send immediately parcels to all pos-  
sible ghettos of Slovakia, Poland, Lithuania elsewhere Stop  
Contact Aaron S. Cohen Stop Availability of further funds  
dependent on licenses which will be issued providing you  
can let us have information assuring War Refugee Board  
packages delivered to bona fide persons. Contact American  
Legation Tangier consult reply via Legation"

FH:lab 3/14/44

March 25, 1944

10:20 a.m.

CABLE TO STEINHARDT FOR HIRSCHMANN FROM WAR REFUGEE BOARD

This is WRB Cable to Ankara No. 14 - Refer your No. 455 of March 16, 1944.

Notwithstanding delay in transmission to Washington, Board desires to have pictures of evacuated refugees coming from Balkans through Turkey. Board appreciates your caution against publicity in the United States at this time regarding your efforts in Turkey. Pictures will not be used until you agree to their publication.

FH:lab 3/24/44

TELEGRAM POST

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

March 25, 1944  
1 p.m.

PLAIN

AMEMBASSY,

ANKARA.

256  
FOR HIRSCHMANN FROM PEHLE.

This is War Refugee Board's No. 9.

Your return to the United States to report to the War Refugee Board has our full approval. We are taking up with the War Department the matter of priority. The swell job which Ambassador Steinhardt and you have done has received the highest praise. We obviously desire the continuance of your activities on behalf of the board and I will discuss this with you when I see you.

HULL  
(GLW)  
HULL

WEB:GLW:ANN  
3/25/44

EE

72  
March 25, 1944

3:55 p.m.

CABLE TO ANKARA

From War Refugee Board to Ambassador Steinhardt.

Re your 508. Army Transport Command Cairo has been requested by War Department to grant Hirschmann No. 2 priority.

This is Ankara Cable No. 15.

WStewart: pdk 3/25/44

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

SECRET

Dated March 25, 1944

Rec'd 11:22 p.m.

Secretary of State

Washington

525, March 25, 10 p.m.

FOR DEPARTMENT AND WAR REFUGEE BOARD, Ankara's number six.

Hirschmann who plans to leave here March 30 en route to Washington has requested that there be available for him immediately upon his arrival a full set in paraphrase of all telegrams which have been exchanged with this Mission relating to his work.

STEINHARDT

EDA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: March 25, 1944  
NUMBER: 527

CONFIDENTIAL

The following message from Hirschmann for the WRB.  
No. 8.

Reference is made to Department's cable No. 230.

For over a month, we have been aware of the desire of certain individuals to make use of Bulgarian boats MILKA and MARITZA to transport Jewish refugees from Constanza to Istanbul but due to objection of International Red Cross representative in Bucharest to the use of these two vessels as unseaworthy, have taken no action in the matter. On the other hand, since the BELLACITTA is regarded as seaworthy, we are attempting to expedite her from Constanza which is being delayed from day to day for a reason which we have been unable to discover. Either the failure to receive Soviet safe conduct thus far or some connection with illegal traffic in refugees may be the reason for delay.

STEINHARDT

OFFICE OF THE APOSTOLIC DELEGATE  
UNITED STATES OF AMERICA  
177 Massachusetts Avenue  
Washington, D. C.

March 25, 1944

My dear Mr. Pehle:

I acknowledge your esteemed letter of March 24, 1944, with the enclosed copy of the statement issued by President Roosevelt in behalf of civilian victims of the war.

It is a pleasure to inform you that I have already sent a communication to His Eminence, the Cardinal Secretary of State, invoking every possible assistance by the Holy See, through its diplomatic representatives, the Bishops and clergy, that the lot of these unfortunates may be rendered less difficult.

I am confident that the Holy Father personally, and the agencies of the Holy See will cooperate to the utmost in the humanitarian cause.

With the assurances of my highest consideration, and of my deep personal regard, I remain

Yours very sincerely,

/s/ A. G. Cloognani

Archbishop of Laodicea  
Apostolic Delegate

Mr. John W. Pehle  
Executive Director  
War Refugee Board

cc: Miss Chauncey (For the Sec'y) Abrahamson, Akzin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, Macnon, Marks, McCormack, Murphy, Paul, Pehle, Pollak, Rains, Sargoy, Smith, Standish, Stewart, Weinstein, H. G. White, Files

Information received up to 12 A.M. 25th March 1944.

1. NAVAL

ADRIATIC On 19th combined British/American Commando Force raided SOLTA Island. Entire German garrison of 106 eliminated, 98 prisoners taken. Our casualties 1 killed, 1 wounded. Germans reported evacuating HVAR.

2. MILITARY

Italy 24th. CASSINO. Our troops have made little progress. German opposition continues stubborn.

Russia Russians have crossed SERET North of TARNOPOL and have cut road and railway thence to LWOV. South of TARNOPOL in four days advance they have reached DNEISTER at ZALESCHIKI capturing much booty. They are fighting in outskirts of PROSKUROV and BALTI and have captured VOZNESENSK on lower BUG.

Burma CHINDWIN Strong Japanese attack repulsed with heavy casualties and our attack on Japanese astride road North West TUITUM and South of TAMU has made progress. Other parties Japanese continue to advance parallel to and further up roads to IMPHAL.

Hukawng Valley Chinese and U.S. Forces, despite Japanese counter-attacks, are closing in on SHADUZUP from North and East.

3. AIR OPERATIONS

Western Front 23rd/24th. 298 tons dropped at LAON and 51 at LYON.

24th. Fortresses bombed FRANKFURT 341 tons and SCHWEINFURT 115 tons, both blind. Liberators bombed airfields ST. DIZIER 414 tons and NANCY 84 tons. 51 Fighter bombers attacked military constructions Northern FRANCE and 87 bombed a NORMANDY Airfield, destroying a hangar and headquarters building.

Days Total:

Aircraft despatched: 593 bombers, 627 Fighters  
Enemy casualties: 3 Fighters destroyed,  
Our Casualties: 3 Fortresses, 9 Fighters missing.

24th/25th. Aircraft despatched:- BERLIN 811, Mosquitoes against airfields 19, KIEL, WUNSTEN and WUISBURG 15, Intruders 36, Leaflets 5.

Berlin Preliminary reports: Visibility good, bombing, though scattered at first, well concentrated later. Fires well grouped mainly in South and South East of City. 72 Bombers at present outstanding. Intruders (2 missing) shot down 1 Fighter over BERLIN Area and destroyed two and damaged three on airfields in GERMANY.

70

Brief German raid by 5 aircraft on Coastal districts South East ENGLAND followed by attack by about 115 aircraft most of which flew to GREATER LONDON. At least 5 destroyed by night fighters. Bombs mainly incendiary scattered widely over South Eastern Counties and LONDON where 23 Boroughs affected but attack nowhere concentrated. One large fire in city. Killed so far reported 26.

Italy 22nd/23rd. Liberators and Wellingtons :  
dropped 161 tons at PADUA.

23rd. Marauders dropped 120 tons at FLORENCE railway centre and Mitchells effectively attacked railway bridge at PONTASSIEVE. Gun positions and transport in battle area attacked by 123 fighter bombers: railway bridge hit near ANCONA.

OFFICE OF THE SECRETARY OF DEFENSE  
1944 MAR 27 10 22 AM '44  
TREASURY DEPARTMENT

... this morning actor torpedo boats attacked 3  
off LUBJAN. Numerous hits claimed on 2 of them.  
... probably sank a 1,000 ton tanker off West  
... Early 25th one of H.M. Destroyers rammed and sank  
... and took 2 German and 5 Italian prisoners.

MILITARY

ITALY. To noon 25th. CASSINO. No further progress in town. Our forward troops who had been holding the feature on MONASTERY HILL, called HANGMAN'S HILL, and other troops on a feature southwest of the town were withdrawn night 24th/25th.

RUSSIA. Russians have captured PROSKUROV and have widened their salient southwest of the town reaching outskirts KAMINTS PODOLSK. More progress southwest and south of MOGILEV PODOLSK and north of RIBNITSA. Russians now within 2 miles of NIKOLAEV.

BURMA. Chindwin. Japanese are increasing their pressure against TAMU and have made more small infiltrations towards IMPHAL. HUKAWNG VALLEY - U.S. and Chinese troops have occupied SHADUZUP.

3. AIR OPERATIONS

WESTERN FRONT. 24th/25th. BERLIN. 973 tons H.E. and 1,267 tons incendiary dropped including 396 4,000-lb. bombs. Medium cloud with some breaks. Visual identification possible, but strong winds met. A Mosquito pilot over BERLIN at 10:30 a.m. 25th reported fires still burning and several columns of smoke rising from POTSDAMER and ANHALTER Station areas. German raiders destroyed - 5 by night fighters, 3 by A/A. 25th. 146 escorted Marauders dropped 240 tons at HIRSON Railway centre in good visibility with fairly good results. Intense A/A fire. Enemy observations 4, 5, 7. Ours 4 bombers, 2 fighters missing.

25th/26th. Aircraft despatched.

Railway Centre AULNOYE	
(South East VALENCIENNES)	192
Aero engine works near LYON	22
BERLIN	10
HAMM	2
Intruders (1 missing)	13
Sea mining	14
Leaflets	11

W. AIRCRAFT weather good and attack considered successful

ITALY. 25th/26th. Allied bombers dropped X tons on ... railway centre - 1 missing.

... escorted ... heavy weather ... dropped ...

77-104

PLATE

Lisbon

Dated March 25, 1944

Rec'd 10:25 a.m.

Secretary of State,

Washington.

905, Twenty-sixth, 4 p.m. (SECTION ONE)

Department's 850, March 24.

President's statement on refugees was prominently published in all Lisbon and Oporto morning papers of March 25 with sole exception of A VOZ. DIARIO DE NOTICIAS largest Portuguese daily printed statement at top of front page as did PRIMEIRO JANEIRO leading Oporto paper and JORNAL DE NOTICIAS of Oporto. Other papers carry statement prominently on main inside news pages. Typical headlines were "United Nations fight for world in which all races may live with peace, honor and dignity, says Roosevelt" and "Roosevelt appeals to free peoples of Europe and Asia to give shelter to victims of persecutions". Sending clippings by next air pouch.

NORWEB

EDA

BJR - 150  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

Lisbon

Dated March 26, 1944

Rec'd 4:51 p.m.

Secretary of State,

Washington.

905, March 26, 4 p.m. (SECTION TWO)

No editorial comment has appeared as yet but will endeavor to utilize press contacts to give statement fullest discussion. We are arranging for commentary over local commercial station.

NORWEB

EDA

TRANSMISSION OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking  
TO: Secretary of State, Washington  
DATED: March 26, 1944  
NUMBER: 531

SECRET

1. A cable requesting authorization to explore in informal discussion with Kung a new approach to the question of financing our military expenditures was sent to War Department for Somervell and Clay by headquarters on March 25. (It has been requested by us that State and Treasury receive a copy of that cable). Of course, we do not know whether Generalissimo and Kung will be more receptive to this approach than to the ones made previously but it is felt by us that it may offer an opening for a possible solution from the Chinese viewpoint, especially since it would accomplish the vitally important consideration of saving the Generalissimo's face with respect to the question of official rate of exchange. There is no need for us to try to impress upon the Department how concretely and overwhelmingly important considerations of face are to Chiang or to the Chinese in general. These are considerations which War and Treasury officers, who have not previously been confronted with the peculiar difficulties of dealing with the Chinese, may not fully comprehend and therefore we express earnest hope that the suggested approach will be given the support of the Department, at least as basis for further discussion with Kung.

2. We are sending this cable urgently in order to communicate the above information to the Department and make comments. In our opinion, the question of trying to reach final agreement with the Chinese should not at this particular time be rushed. If our understanding of the military factors involved approaches ~~correctness~~, the essential thing is to get the air fields and other installations constructed and in operation. Construction is going forward at the present time and as long as the Chinese continue to advance funds for that

purpose and the work advances at a reasonable speed, it might not be to our disadvantage if a definite showdown on the question of rate of conversion is avoided until completion of the construction project. We understand that the principal and most urgently required fields will probably be completed by the middle of next month and it would help carry us up to that time if the proposal suggested by headquarters were discussed with the Chinese.

GAUSS

sh: copy  
3-29-44

March 27, 1944  
1110 a.m.

## DISPOSAL OF SURPLUS PROPERTY

Present: Mr. Bell  
Mr. Sullivan  
Mr. Tickton  
Mr. Haas  
Mr. Gaston  
Mr. O'Connell  
Mr. McConnell  
Mr. Thompson  
Mr. Smith  
Mr. Loeb  
Mr. Frey  
Mr. Mack  
Mr. Widmann  
Mrs. Klotz

H.M.JR: Afraid you won't find me in a very good humor this morning on Procurement, Mr. Sullivan. In the first place, I got these criticisms and I have got the answers. If you don't mind my saying it, I don't think the answers were at all satisfactory.

MR. SULLIVAN: I am sorry, Mr. Secretary. I thought you wanted a factual report.

H.M.JR: Yes, but this doesn't answer the criticisms.

MR. SULLIVAN: You mean it doesn't explain them away.

H.M.JR: Yes.

MR. SULLIVAN: I can't explain them away when we have been wrong.

H.M.JR: Yes, but it doesn't say so. You have given them a sort of white-wash.

MR. SULLIVAN: I beg your pardon. I think not.

H.M.JR: I will prove it to you. Take this thing on publicity, for instance, using direct mail circularization - "We have never used paid advertising" - "Mailing lists are developed from trade directories" - and so forth. In other words, I call that white-wash because it didn't give them satisfactory publicity. (The Secretary refers to Memorandum of March 25, 1944, from Mr. Sullivan, attached) <sup>p. 132</sup>

Months ago I suggested that every time they have anything for sale they give it to the press room - give out publicity, and so forth and so on.

MR. SULLIVAN: On a new technique, certainly. And we have done that.

H.M.JR: Not only on a new technique, on every article. The answer is, just using the old method. When the Air Corps wanted to sell something, they had an exhibit, and everything else, and they have let the people come in and see the things. They bring it to the public so the public knows.

MR. SULLIVAN: Yes, and we intend to do that when we get stuff in volume to sell.

H.M.JR: What are you waiting for?

MR. SULLIVAN: Because we haven't got the stuff.

H.M.JR: What do you mean "stuff"?

MR. SULLIVAN: Not in any great volume.

H.M.JR: No new techniques have been developed. I made suggestions as to how to bring it to the attention of the public when we have things to dispose of.

MR. SULLIVAN: I beg your pardon, Mr. Secretary. The trade magazines in automotive equipment have been full for three weeks of our stuff. I will be glad to get you a file on it.

H.M.JR: (The Secretary quotes from Memorandum of March 25, 1944, from Mr. O'Connell) "There is no central point where buyers can go to obtain direct information, and certain regional offices offer items not offered through other regional offices."

That is the same thing on publicity.

MR. SULLIVAN: That is one of the things that I have corrected. That is being set up here in Washington right now. That charge has been true in the past. There was no central inventory; there was no central record.

H.M.JR: Where is there one now?

MR. SULLIVAN: Right here in Washington. It will be partially ready by April 15. It will be in full operation by July.

H.M.JR: How many million dollars are we handling a month, now?

MR. TICKTON: You only have thirty-two million dollars on inventory on hand at the moment. Seven million of that is automobiles which are going to be sold to Government agencies.

H.M.JR: Those same automobiles we were talking about last December?

MR. TICKTON: No, they got them in January.

MR. SULLIVAN: Yes, seventy-five hundred, of which there are now three thousand left.

H.M.JR: That is inexcusable. What else do they have?

MR. TICKTON: They have a very long list of items, most of which are small amounts.

H.M.JR: What is some of the bigger stuff?

MR. TICKTON: They have some metal working machinery which they have had on hand since January - some furniture since January. The items that they got two weeks ago, for example, were turned out two weeks ago. They had a lot of steel and construction machinery turned over in the same period they got it. The things they have on hand now are primarily things they have had on hand since January.

Everything they have had since January has been turned over about the same time they got it.

MR. HAAS: Takes a couple of months.

MR. TICKTON: The procedure they have set up would take two months from the time they get the material until it has been offered to the Federal agencies and into the State and local governments, and then to private parties. They allow two weeks for the Government to take it, and another week for State and local governments, and three or four weeks for private parties, so that in the normal course it would take two months from the time they get the material until it is disposed of and goes to private parties.

MR. BELL: Is that a priority fixing?

MR. TICKTON: Government gets first crack at it, and gets two weeks. If the Government wants it, they put their bid in within two weeks.

As far as automobiles are concerned, I am told the Government indicated they wanted them, but they are tied up with getting allocations among Government agencies and they spent some time at the Budget Bureau.

H.M.JR: I meant the 16th, 17th, and 18th of December. They told me to move the automobiles and move them fast - these same things.

MR. SULLIVAN: We didn't have them.

H.M.JR: I can't help it. You knew about them. They have served notice on you for either six or seven thousand passenger cars.

MR. SULLIVAN: We were going to get them.

H.M.JR: You knew about them - you had time. You could turn around and sell them in a month.

MR. SULLIVAN: We have to give the other Government departments their opportunity.

H.M.JR: What are we operating here for, just to give automobiles to other departments? If they can't get them, get them into the trade. To hell with the Government people if they can't operate any quicker.

MR. SULLIVAN: I am sorry. The statute says--

H.M.JR: Why should I sit here and have to take all the criticisms on the Hill? I would like to know who is to answer.

MR. SULLIVAN: I am to answer, Wednesday.

H.M.JR: And all of the last week and you wait until Wednesday to answer it. The time to answer is the same day.

MR. SULLIVAN: I know, but when a Committee adjourns there isn't anything I can do about it.

H.M.JR: But the public - what about informing the public? It sinks into their minds for one week and nobody from the Treasury comes to the Treasury's defense.

Here is a memorandum from you about these beans. There is no answer as to whether we did or didn't.

MR. SULLIVAN: There will be when I testify Wednesday.

H.M.JR: If you want to take the attitude that everything over in Procurement is fine - if you say to me, "Look, boss, I have done the best I can. It is a lousy outfit and I can't do anything" - and come over on my side of the table - O.K.

MR. SULLIVAN: I thought I was very frank in this memorandum, acknowledging the things that are wrong. Now, there have been mistakes - there have been a number of mistakes.

H.M.JR: Yes, but how long is the Office of the Secretary of the Treasury going to have to take this thing? When these people made these criticisms, before the sun set there should have been an answer. Here I asked for the answers on these seventy-five thousand bags of beans, and I haven't got the answer now.

MR. SULLIVAN: I will tell you about the bags of beans. The information the Committee got was that somebody on the staff went to this concern here in Washington, and the person on the staff said that the beans were bought from Treasury Procurement in Atlanta. We have checked with Atlanta. There is no record of any such sale. We believe that the person who made the remark was not telling the truth. There are a lot of people who advertise Government surpluses, who have no Government surpluses. We are hoping to get them.

H.M.JR: Where is the answer on the beans? Do you mind finding it for me?

MR. O'CONNELL: Paragraph E at the bottom of the first page. (Refers to Mr. Sullivan's memorandum)

H.M.JR: (reading) "We can find no such sale of  
pigs beans as Congressman Crawford referred to."

We either did sell them or we didn't.

MR. SULLIVAN: We say we didn't.

H.M.JR: That doesn't say you didn't. You tell me  
that the records of Procurement are no good. Maybe we  
did sell them.

MR. SULLIVAN: That is why we checked by telephone  
with Atlanta.

H.M.JR: But this is written on the 25th.

MR. SULLIVAN: That is right.

H.M.JR: Did we or didn't we sell them?

MR. SULLIVAN: So far as we know, we did not.

H.M.JR: Can you take an oath on it?

MR. SULLIVAN: I think so.

H.M.JR: But you are not sure.

MR. SULLIVAN: I will tell you why I am not sure.  
There is an item here about nine hundred and sixty-six  
pounds of copper. The charge there was that the invita-  
tion to bid did not contain the warning that the purchaser  
would have to have a WPB priority. The information I  
had Saturday on that item was that there was only nine  
hundred and sixty-six pounds, and it was all sold to the  
City of Minneapolis under the misapprehension that  
there was no need of a priority because it was a tax-  
exempt institution. That quite begs the question, be-  
cause the charge is that the warning was not on the invi-  
tation that went out to all bidders.

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Yesterday afternoon we learned of another three hundred pounds that went to the State Prison at Stillwater, Minnesota.

Now, I have acknowledged errors in this memorandum and I am not taking the position that they haven't made any mistakes over there. They have made mistakes. I think that in comparison to the amount of work they are doing, the fact that they are shifting from one type of business to another, they might have been very much worse.

We are trying very hard to do everything we can to correct these errors, but if you expect me to say that it is all black or all white, I am afraid I can't oblige you, because it isn't so.

H.M.JR: Well, let's have the other people. Do you mind if I jump on these people direct instead of doing it through you?

MR. SULLIVAN: Not at all. You handle it any way you want to.

H.M.JR: Well, I asked, for instance, Mr. Mapes to come over here, who was here on the 15th. I hear he is in Chicago. Why did they move him out?

MR. SULLIVAN: Because he was very unsatisfactory.

H.M.JR: When they are here I am not going to jump on you in their presence.

MR. SULLIVAN: It won't bother me a bit if you do, sir.

H.M.JR: Now, I have a memorandum here for February 3, as follows: "Bell, Thompson, Blough, McConnell, Lynch, O'Connell, Sullivan met with HM, Jr. On disposition of surplus, Sullivan says Procurement is lacking in records of any kind, no centralized record of inventories or sales or prices and no master record in the field offices.

wants permission to get 4 or 5 good men with experience in various types of merchandise and would like permission to talk to Nelson about borrowing Eddy Locke. O.K. with H.M., Jr. H.M., Jr. does not want anybody to sit around and wait for him to come back."

So I gave you carte blanche on February 3. What has happened?

MR. SULLIVAN: We got the IBM in and we set up a system of record that is in process of being set up, which Mr. Tickton has had a chance to take a look at, and which he just told me he thinks is very comprehensive and will do the job. In the various commodity fields we have been getting people; we expect to get many more.

H.M. JR: Have you got four or five good men with experience in various types of merchandise?

MR. SULLIVAN: Yes, sir.

H.M. JR: You have? Who is going to tell me who they are?

MR. SULLIVAN: They will tell you about them.

MR. HAAS: You had better point that out.

MR. TICKTON: A system is being set up by IBM with an eye to giving you everything you wanted. It will depend on who is running it after the thing gets into operation, but the mechanics of the system are scheduled to give you all the kinds of things that are needed.

Of course, one of the problems is the shortage of machine operating men around the country. All the mechanics, as far as IBM can go, were set up in the last week and they expect to have it in operation the middle of April.

H.M. JR: What about the horses and mules and the tracks and motor cycles which have been in the shop

for months? Have they been cleared?

MR. TICKTON: Maybe Mr. Mack can tell you about the horses and mules. The trucks and motor cycles are still here. Here are the largest items they have on hand. (Hands the Secretary the attached list of surplus property, dated December 22, 1943)

Two months from the time they get them to the time--

H.M.JR: Two months!

MR. TICKTON: The reason it takes two months, they allow the Federal Government two weeks, State and local so many, and private parties so many. It takes them time to get the stuff priced and quoted and put in catalogs. The running time is two months, assuming nothing goes wrong. If something goes wrong it will take longer.

H.M.JR: I knew about the motor vehicles on December 17.

MR. TICKTON: I said, if nothing goes wrong.

H.M.JR: I asked whoever the man now in charge is to bring them along. (Mack)

MR. SULLIVAN: John Loeb and Al Frey.

H.M.JR: He brought somebody else when I asked for Mapes.

MR. SULLIVAN: Widmann.

H.M.JR: who is he?

MR. SULLIVAN: He has been in the Service. He is an excellent man.

(Mr. Loeb, Mr. Frey, Mr. Mack, and Mr. Widmann entered the conference)

H.M.JR: Mr. Mack, I am considerably disturbed over the criticism of Procurement before Banking and Currency last week, and that there has been no answer made publicly. How long do we have to wait before we get answers?

MR. MACK: We have prepared the material to answer those charges.

H.M.JR: Why don't you try to answer them? They should be answered the same day they are made or not later than the next day.

MR. MACK: I believe they have been answered promptly.

H.M.JR: To whom?

MR. MACK: As each of these allegations came out we prepared explanations and I think Mr. Sullivan--

MR. SULLIVAN: If I may interrupt just a moment, I called the Chairman of the Committee Thursday and told him that I wanted to come up to answer these. He said he thought they might be closing the hearing. He then wanted to know about the Hancock bill and I talked with him. He talked with Hancock and it was at that time it was arranged that I would testify the next time the Committee met.

H.M.JR: Do you mind letting Mack - he started telling me what he was going to do with it.

MR. SULLIVAN: I was just telling you that he had gotten the information promptly to me.

MR. MACK: The information which I have prepared has gone to Mr. Sullivan.

H.M.JR: Did you or didn't you handle any pea beans?

MR. MACK: We did not. The information was that our Atlanta office had sold some pea beans to the Surplus Sales and Salvage Company. We checked with our Atlanta office and they said very definitely that it was not our transaction.

H.M.JR: Well, now look, Mack, I met with you on December 16, 17, and 18 about some automobiles, see?

MR. MACK: Yes, sir.

H.M.JR: And we decided to go ahead and I stressed to you that I wanted to move them and move them fast - everything.

MR. MACK: That is right.

H.M.JR: Now, on January 1 you had three million six motor vehicles on hand, and right up to date I can't see you have moved but very few. You have seven and a half million on hand now. How long does it take you to move this stuff?

MR. MACK: Well, the automobiles are broken down into two major groups, one would be passenger cars and those were held up because the Bureau of the budget wanted first to determine what the Federal needs would be, because that is a first consideration in moving surplus property. That has been determined, and sales are now being made to tax-supported organizations.

As to the others--

H.M.JR: It doesn't show in the work that Mr. Tickton has done that you are moving it. I mean, we have discussed it. December 17, that is, three months have passed.

The same thing holds true on metal-working machinery and furniture - leather goods. The stuff lies around. I mean, the time to learn how to sell stuff is before this stuff is dumped. We went all over this with you and Mr. Hayes at that time.

I told you, the building organization, to handle this staff, and now I have got to wait until I am publicly criticized, and it is the Treasury. I am not going to let the Treasury be besmirched. I am not going to take it.

I want to know what you have done since December 17. I met here on February 3 and I told the people - "Don't sit around and wait for me. Get anybody that you want." I told that to Mr. Sullivan on the 3rd of February.

I want to know how many you have had since I first started to talk on December 15. And I told Mr. McConnell that we would build an organization and he could tell that to Mr. Baruch. Now, what has happened? What have you done?

MR. MACK: Well, since that time I think there has been quite a lot done. We have made a number of changes in our field organization. We have made changes here in our Washington office.

H.M.JR: Specify them.

MR. MACK: For example, Mapes was in charge here. He has been transferred to Chicago. Widmann was brought in.

H.M.JR: Remember what you said about Mapes - what a wonderful fellow he was? I got the report you gave me on Mapes. The sun rose and set with Mapes. Everything was wonderful. Do you remember?

MR. MACK: That is right.

H.M.JR: Now he is no good.

MR. MACK: That isn't it. I think that we need the strength in our field organization.

H.M.JR: You sent him out because he is good?

MR. WACE: No, I sent him out because I felt that by having a switch of Widmann to the headquarters organization and Wapes to the regional office that it would be better for the organization as an over-all.

Now, since that time Mr. Sullivan has brought in Mr. Frey and organizational recommendations have been made by him. I think Mr. Sullivan has those. We have interviewed a number of commodity specialists and all of this has taken some time.

H.M.JR: Too much. Which is Mr. Frey?

MR. FREY: Right here, sir.

H.M.JR: Mr. Frey, would you mind telling me what has happened that you can tell me, who has been brought in to strengthen this organization?

MR. SULLIVAN: I will give you a memorandum right here, sir. (Hands the Secretary attached list of new personnel, dated March 27, 1944)

MR. FREY: I have been on the job one month and studying to find out what the job is all about in order that I might make some good recommendations as to the organization.

I am prepared now to suggest what the organization should be. We have accumulated the names of a number of men who are possible candidates for positions in the organization. We are not ready - we will be by the end of the week - to present some specific names of men whom we will stand behind as being of proper caliber. But I have had nothing to do with adding anybody as yet. I am collecting the information.

H.M.JR: You are making a survey?

MR. FREY: Yes, sir.

H.M.JR: Well, of course, here you have got this organization and you can't even move three or four million dollars' worth of automobiles. I just can't understand it.

Just from previous experience of handling Treasury surplus, if you can't handle a couple of million dollars' worth of stuff, why should I be convinced that this organization can handle ten times or a hundred times that stuff?

MR. MACK: Well, the actual situation is this, that we have disposed of about seventy million dollars' worth of surplus.

H.M.JR: In what time?

MR. MACK: That is from July 1, 1943. We have received a hundred and four million, and, of course, we have the inventory of the difference.

H.M.JR: Yes, but the things you have got are easy by comparison to what we are going to get. I mean, shoes - all of these things are easy. But when you begin to get the odds and ends they are going to dump on us, how are you going to move?

MR. MACK: They look easy, but now you spoke of motor vehicles; weeks have been spent to try to get the OPA to establish price ceilings. Now, that isn't Procurement Division; that is a job of going to OPA, establishing price ceilings, and then, following that, the Office of Civilian Requirements has to get into the picture.

H.M.JR: Look, Mack, you have been around here a long time. Nobody has served notice on me that there is any trouble until I read about it in the paper, and I get it Thursday morning in a press conference and they ask me a lot of questions about blankety-blank horse shoes, and a lot of other stuff, and nobody prepares me.

I have talked to you before about getting memoranda to me and preparing me so when I have to meet the press, and I have got to take it for the Treasury, I am prepared.

MR. MACK: There isn't an item that has come out in the Congressional Record that I have not answered. Memoranda have been prepared, and on the horse shoes, I gave Mr. Sullivan a memorandum on that.

H.M.JR: Yes, but it doesn't help me. I have to defend the Treasury. I have to sell twenty or thirty billion dollars' worth of bonds to one hundred and thirty-six million people, and I can't let the Treasury be bismirched and I am not going to. My job is to finance the war, it is not to sell a lot of junk. The Treasury's credit and name has to be the best in the world and I can't be fussing around with a lot of stuff and be faced at a press conference, when I want to tell them about the Fifth War Loan, and have a lot of horse shoes thrown at me, or a lot of this other stuff.

I have told you again and again, if it is OPA or something else - I don't know whether you put Mr. Sullivan on notice - I haven't been put on notice. I have to have somebody like Mr. McConnell come and tell me that the people who are friendly, like Will Clayton, and so forth, are worried, that they have gone down the line because I told them we could do it. Now Will Clayton is worried.

What have I got to tell them? I have got Lt. F.W. Brill in charge of Chemicals. I don't know who he is. (reading from attached personnel list) "Construction Equipment - Mr. Art Jenvy, Industrial Specialist. Frederick T. Walker - Industrial Specialist" - maybe these are all the greatest people in the world, but I would like to stack them up against Will Clayton or Beruch or Hancock.

MR. SULLIVAN: These aren't top men. These are specialists in the individual commodities that we have gotten in to help us get ready for stuff when it comes.

H.M.JR: Again, on February 3 you had a list of twelve people.

Mr. SULLIVAN: Yes, and we have a much bigger list right now.

H.M.JR: As far as I know, from the outside, you haven't added one person except Mr. Frey, and he is studying.

MR. SULLIVAN: Mr. Secretary, there is a lot of talk about how much stuff is coming. We have understood for six weeks that we were getting a hundred million dollars' worth of drugs. We haven't gotten them. We are going to be ready to do this job, but we are not going to be ready to do this job by rushing pell-mell to get stuff out as quickly as we can rather than formulating, in the first instance, the right kind of a plan.

Now, we have had our difficulties with OPA--

H.M.JR: That has nothing to do with bringing ranking people from industrial and commercial worlds into Procurement to assist us, which we agreed on during the month of January.

Mr. SULLIVAN: Certainly, and we are going to.

H.M.JR: When?

Mr. SULLIVAN: We want our plans perfected and approved before we go ahead and bring people in pell-mell.

H.M.JR: Pell-mell isn't it. When you begin to talk about the thing the middle of December - when was it we had that luncheon with Baruch and Hancock, and I assured them we could do this?

MR. McCONNELL: I think in January, sir.

H.M.JR: The time to bring the people in is to help build the organization, before we get the stuff, and not after.

MR. SULLIVAN: That is right.

H.M.JR: From the outside, I would like to know one top industrialist or merchant who has been brought in.

MR. SULLIVAN: There hasn't been one.

H.M.JR: I think that is wrong and leaves us in a very awkward position. And as I say, if you had said to me, "Well, look, boss, you wanted to pass on every one yourself" - but on February 3 I told you you could bring in anybody you wanted. Today is March 27 and nobody has been brought in.

MR. SULLIVAN: That is right.

H.M.JR: I think it is wrong.

MR. SULLIVAN: Maybe I am. But we have tried to get on top of this job, to learn what our job is going to be, and we think that when we know that, that is the time to talk with these people.

H.M.JR: If you don't mind, I have felt I had a smooth-running organization and had learned from experience how to dispose of small amounts; that we could bring in able people from the business world which would strengthen the organization; and then we could go ahead and multiply the thing by a hundred, and it hasn't been done.

MR. SULLIVAN: I beg your pardon. I think a great deal has been done. I think the organization is vastly better than it was three months ago.

H.M.JR: But I can't understand - why do I have to send Tickton over to get information like this?

MR. SULLIVAN: You don't. We could have given you that.

H.M.JR: Do you mind if I question you?

MR. SULLIVAN: Not a bit.

H.M.JR: What is your answer to that, Tickton?

MR. TICKTON: Well, I got that out of reports that they sent over to Mr. Sullivan. The difference between that report and the one that Mr. Sullivan had is that I have given you other reports that looked like that before, and it is all in this report, though it has to be dug out.

H.M.JR: It is a question of rearranging it?

MR. SULLIVAN: That is right. It has to be rearranged. I told you that.

H.M.JR: Well, my impression, Mack, is this: I am terribly disappointed, see? My main job is to finance the war. What I have got to think about is, can I fuss with this Procurement Division. I mean, can we afford to take the public criticisms which evidently will come?

From my way of sizing up Procurement, we are not ready to do the job. Mr. McConnell and I have gone off on the deep end and told these people we could do it. Nothing has been said here this morning that makes me think we can do it. I don't know why when we go into a thing like this, we suddenly have to go through a reorganization of Procurement - why you people weren't ready. Why do we have to get IBM to come in and set up reports? What have you been doing over there? Why do we suddenly have to do this thing?

MR. MACK: Mr. Morgenthau, seventy million dollars' worth of stuff has been moved since the first of July. This matter of reports that you speak about was started months ago. It is a classification system of over a million items which are in several different degrees of condition.

As a result of having started it seven or eight months ago, we will have a report at the end of next

Smith, and we will be the only agency in the Government that will have such a report that will break down the description in a much more detailed way than the report you now have.

As a matter of fact, RFC are copying, or at least indicate that they want to use our method.

H.M.JR: Do you want to say anything, McConnell?

MR. McCONNELL: I don't think so.

H.M.JR: Would you mind telling them--

MR. SULLIVAN: I would like to hear about Will Clayton.

H.M.JR: Do you mind telling them about the impression that is around? God, you can talk as frank as I can!

MR. McCONNELL: Clayton has asked once or twice what the setup was at Procurement. I haven't been able to answer him. I don't know it.

As you know, at the luncheon with Baruch and Hancock they discussed the question as to how Procurement was organized and set up to handle the large amount of material that will be forthcoming as soon as surpluses begin to fall on you.

Clayton hasn't, Mr. Secretary, evidenced any apprehension. He has evidenced interest, just on one or two occasions, as to what progress was being made in getting ready to dispense with this material. Hancock has mentioned it once or twice, but not pointedly.

In the first instance there was some question, as you know, as to whether it would be good policy to move Procurement away from the Treasury Department. That we worked successfully, and arranged the present setup, which I understood was entirely satisfactory with everyone in the Treasury.

In doing so, however, I think the Treasury has indicated that they are prepared to handle the job as it comes to them.

As you know, I have been submerged with this other business, and I have no knowledge whatsoever to give you on the question of whether or not you are prepared.

H.M.JR: Look, Mack, I got a report from you, December 1 to 21, 1943, "Surplus Property Reported to the Procurement Division by the War Department." (Refers to attached report)

I would like to know how much of this stuff listed between December 1 and December 21 has been disposed of, and what is left on hand, see?

I just don't know whether I am going to have the time. I have so many things to do. If I have got to take the time, personally, to build this organization the way I want to see it built, I just don't know whether I am going to have the time.

I am very disappointed that since the middle of December to the end of March, the thing that I wanted - the thing that I stressed about bringing top people in - you had carte blanche to do anything that you wanted. According to Mr. Sullivan, nobody from the outside has been brought in. It is very disappointing.

MR. MACK: You are disturbed because of these complaints that have come out of the House Currency and Banking Committee. I think you should have the story as to that.

H.M.JR: No, that was the red flag that went up. I always say, in Washington you get three warnings. That is the first one. I am not going to wait for the third.

What disturbs me is here we have been fooling around, and I can't see any concrete evidence that we are building an organization to handle the thing, which I said we would handle.

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That is what disturbs me. There is no evidence of it. Without in any way trying to embarrass this gentleman, I would like to have his record. You put him in. I would like to have his previous experience to handle such work. What makes you think he can handle it?

MR. MACK: Mr. Widmann for the past two and a half years has handled the inspection, expediting the movement to port areas, of all Lend-Lease material, running from six hundred thousand to a million tons a month. My thought is that on surplus property, which is very similar - the examination, the appraisal, the movement and such - that that experience is just made to order.

H.M.JR: Well, it doesn't sound that way to me.

With all due respect - I mean, I am human. You may be right and I may be wrong, but it doesn't sound that way to me.

MR. WIDMANN: I think I can handle it, Mr. Secretary.

H.M.JR: Handle me?

MR. WIDMANN: No, the operating job.

H.M.JR: You answer it. All this stuff is here. What makes you think you can handle that?

Instead of having two and three million dollars' worth, you are going to have thirty and forty million dollars' worth of each item.

MR. WIDMANN: Well, we certainly have to build our organization to an extent greater than it is today.

H.M.JR: When is it going to happen? When the war is over?

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MR. WILLIAMS: It should happen pretty soon.

H.A. JR: It should have happened. You are new - I mean, it should have happened from February 3 on.

Well, now, let me say this. I want to caution the people who have never attended a meeting before. What goes on in this room I don't want discussed out of this room. I don't want to read it in a column. It is my privilege to talk freely in this room. I don't want anybody to gossip about it, and I don't want any of this conversation repeated. I have to talk, so please, everybody in Procurement - my own Treasury people understand this - no discussion of what has taken place in this room. I am going to think this thing over. When I have decided what I am going to do, I will let you know.

I am very, very much discouraged and disappointed. The war doesn't wait for anybody. You just can't sit here and wait. I can't wait. And I have got to decide whether I want to take the time myself to get into this thing and have it done the way I want it done. I don't know whether I have the time.

I am not going to let the Treasury Department - we have got all these millions and millions of bondholders buying these things on faith - I just have to protect the Treasury's reputation. That is my job.

Now, whether I can take on Procurement or not, I don't know.

Anyway, thank you all.

(Mr. Loeb, Mr. Frey, Mr. Widmann, and Mr. Mack left the conference.)

2.2.55: Dan, the thing I want you people to think over is this: I have done a lot of thinking about this over the week. I can smell this thing, see? It smells to high heaven. Now, I just don't know whether I have the personal energy to throw myself into this thing. And what do I want to do it for? I have two things I am interested in. One is to help win the war, and over the week end I have added something new which I have started, that is, how to end it quicker. This thing doesn't fall into either one of these categories. It won't help win the war or bring it to an end any sooner.

Frankly, it sounds terribly conceited, and so forth, and so on, but unless I throw myself into this thing personally--and the way I feel now, I don't want to. I just don't think it is worth my time. I can spend my time for the Government to better advantage. You people can think it over. Anybody talk up. John, hit just as hard as I have hit.

MR. SULLIVAN: Frankly, I think there is an awful lot of smoke here for a very little fire. I am the fellow who should be as equally disturbed about the situation, if there is anything to be disturbed about, as you are. I am not disturbed. There hasn't been as much progress made as I would like to have seen, but there has been a great deal of progress made.

Something was said earlier in the morning about Mr. Clayton being disturbed about this situation. I talk with Clayton at least once every other day. I meet with him at least once a week. He has evidenced a great deal of satisfaction with the way things are going in his conversations with me. I am convinced we are going to work this thing out, and it isn't going to require your personal attention, either. I can do this job, but if you think that I or anybody is going to do this job without criticism, I think you should be disabused of that idea right now, because whenever you are going to make a sale to a man in business, vis-a-vis a speculator, there is going to be criticism. There isn't any way that this surplus can be handled without some criticism. That doesn't disturb me either.

H.M.JR: McConnell warned me of this thing before I got into it, and I didn't listen to him. I wish now I had. But it is not too late, and I am just going to let the thing simmer. My estimation of the situation is different from yours, as I evidenced here this morning.

MR. SULLIVAN: Apparently you have heard other things that I haven't heard.

H.M.JR: I haven't heard anything but what I have here, but, my God, I don't need anything more. I can't do what I did with the Russians on Procurement and the rest. But I could practically go to the docks myself and load this stuff, which we practically did, and get the President of the United States to give the kind of directive which he gave me so I could get the stuff for the Russians. I burned myself out on the thing, and it was worth burning myself out for. We got the stuff and piled it up so on the docks that I made everybody's life around here miserable until we got the stuff down to the docks for the Russians, which the President gave me a little chit for.

Now, I'll go all out on that. Tickton used to go out on the docks. I had Lew Douglas and Admiral Land and Bob Patterson and the whole Army on their ear until we got the thing settled. That is worth doing. And I just drove Procurement crazy. I thought, as a result of that, that they had an organization that we could build on. But, by God, we had the stuff there! No ship had to wait, did it?

MR. TICKTON: That was right.

H.M.JR: It was the bottom cargo, and it had to go on the bottom, so it had to be there first. That is worthwhile. But I want somebody to sell to me why this is worth while.

MR. SULLIVAN: I tell you, you can't name any one thing that is going to have a more direct effect on our post-war economy than the intelligent disposal of these surpluses.

H.M.JR: I agree. But it doesn't fit my pattern.

MR. MCCONNELL: Of course, Mr. Sullivan has said just what I tried to say in the beginning, that it is subject to criticism and there is no other way out of it. You are going to be criticized even if you do a perfect job.

H.M.JR: I don't mind criticism - I get it, anyway - if I feel at the end of the day I have done something.

MR. SULLIVAN: Let's just see if we are not changing our position. The attitude you took that I expressed to committees on the Hill, that I expressed to Baruch and Hancock, was that the Treasury Department was not out looking for new fields to conquer. On the other hand, we would not shirk a job if, after a considered survey of the whole situation, it was decided that we were better equipped than anybody else to handle certain things. As a matter of fact, we came out of the split-up of the disposal of different types of property far better than anybody else. We didn't get any of the dangerous stuff; we didn't get any of the dirty stuff. We got the cleanest-cut classification of goods to dispose of that we could possibly hope for, and I think Bob will agree with me that a far better solution than we had at any time dared hope for.

It was given to us because they all felt that we were in a better position to handle this than anybody else. I think we are. However upset you are about this thing, you are not half as much upset as I have been at many things in Procurement. I haven't come running to you with a lot of little things, but there have been times when I have been much more disturbed than you are this morning.

H.M.JR: Just so we get this thing straight, nobody has run to me with anything on Procurement other than what I have said here today. I have got no pipeline into Procurement.

MR. SULLIVAN: I wasn't concerned about that.

H.M.JR: I want that understood. All I know is what McConnell has been telling Bell and the other people. I have no pipeline into Procurement. I could have one, but I haven't got one.

MR. SULLIVAN: I see no reason why you shouldn't have, Mr. Secretary.

H.M.JR: I don't want one. I don't do business that way. But I want you to know, everything I know is here and nobody is feeding me stuff out of Procurement.

MR. SULLIVAN: Certainly, there is nothing in what Bob said this morning that should upset us.

MR. BELL: I think, Mr. Secretary, that John has been the strongest critic of Procurement over the past three or four months. He has come to me several times with his worries, and I certainly think you shouldn't take on this job. You have enough to do in other lines - let John go ahead and see if he can't strengthen the organization along the lines you have indicated. I think he has had it in mind; he has been the strongest critic.

MR. SULLIVAN: I got Dan to give us a couple of people to inspect our accounting system over there.

H.M.JR: Yes, but I can't get through my head, why do we have to send inspectors over there now? Why do we have to?

MR. SULLIVAN: Because it wasn't done two years ago.

H.M.JR: Why wasn't it?

MR. SULLIVAN: I am sure I don't know.

H.M.JR: Mack was there.

MR. SULLIVAN: I think he has been there three or four years.

H.M.JR: I didn't want to be too sarcastic, but if Mack instead of writing a book--

MR. SULLIVAN: Just a minute. He hasn't made one speech since I have been handling Procurement, and he has had at least fifty invitations.

H.M.JR: This Government thing that he goes around on.

MR. BELL: Government business organization.

H.M.JR: He still travels on that, doesn't he?

MR. SULLIVAN: Very little, sir.

H.M.JR: But he did spend an awful lot of time on that Government thing and on the book.

MR. SULLIVAN: And in making a lot of speeches. That has been stopped. I stopped it, myself.

H.M.JR: But the part that bothers me is, I thought here was a nice little organization, well-run, everything. Mack has been there - I don't know - two or three years.

MR. SULLIVAN: I never shared that view.

H.M.JR: I did, because when I put the heat on them on the Russian thing, they did come through, didn't they?

MR. TICKTON: Yes, sir.

H.M.JR: Everybody was pleased, and they got the stuff there first. I thought here was a nice little organization, just like if I give Haas a job I know the thing is going to come out. He will get it here ahead of schedule for me. I don't have to worry. If I throw something at Bell, I know the thing will come out. I just thought we could throw this thing at this group and they could pick it up, and here ~~was~~ an organization that could expand. But now the time is being spent trying to correct it.

MR. SULLIVAN: And there isn't any other answer to that, Mr. Secretary. It has to be corrected. The organization was not there to dispose of surplus property. I told you that.

MR. GASTON: I think you recall, Mr. Secretary, how John came to be appointed in Procurement. You thought the organization was good, but I got some evidence and Mr. Bell got some evidence that it wasn't so good, that it needed supervision that it wasn't getting. And that isn't so very long ago.

H.M.JR: How long has John been in there?

MR. SULLIVAN: To tell you the truth, I don't know. It seems forever.

MR. O'CONNELL: A little less than a year.

MR. SULLIVAN: It seems a lot longer.

MR. GASTON: I don't think it is over six months.

H.M.JR: It must be a year.

(The Secretary asks Miss Chauncey over the phone to bring in the order placing Mr. Sullivan in charge of Procurement.)

H.M.JR: Anyway, let me ask you this question. Again, I am purely thinking out loud. Is there a way of saying to the Baruch Committee that we don't want to handle this surplus, or do you have to say to them, "Take Procurement and give it to some other Department"? Is there a half-way way of doing it?

MR. THOMPSON: No, I think you have to follow through with Procurement to do the job.

H.M.JR: Now wait a minute. I mean, can you say that we will let Procurement go along handling the odds and ends for the Government, I mean, the way we always have?

MR. THOMPSON: You mean a new agency to take over the war job?

H.M.JR: Or, do you have to say that if you are going to do the war surplus you have to take Procurement along?

MR. BELL: They have always split the war surplus, and the discretion is with the Administrator to give any one of these designated agencies any part of the surplus.

MR. SULLIVAN: Along certain lines--I mean, if you have a question whether something is a consumer's goods

or capital goods, then Will has the power to say which is which.

H.M.JR: What would be the answer to my question?

MR. SULLIVAN: I hadn't thought of it, because I think it would be a very, very bad thing for the country. This thing has been set up; it is going along; we are every day receiving expressions of confidence from the public about the way we are going to handle this thing. I think if you tried to change now, the results would be very unfortunate.

H.M.JR: For whom?

MR. SULLIVAN: For the Administration and for the public.

H.M.JR: I mean, who else is there in the Government who could handle this?

MR. SULLIVAN: I don't know. There isn't anybody else who is as well-qualified to handle it.

H.M.JR: Didn't the Bureau of the Budget want Procurement?

MR. BELL: They wanted to dictate the policy.

MR. THOMPSON: Procurement has been building up every day and enlarging their regional office.

H.M.JR: My God, when I questioned this fellow, whatever his name was--this fellow who was here in December--Cliff Mack said he was a world-beater.

MR. SULLIVAN: I will tell you what a world-beater he was. I argued for three days, not about the kind of central records, but the necessity of central records. He still today doesn't think there is any need of having in Washington a central inventory as a central record of prices.

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MR. HACK: What is Mapes doing now?

MR. SULLIVAN: Running the regional office in Chicago.

H.M.JR: Is he good enough?

MR. SULLIVAN: I don't know. I would rather have him there than here.

(Miss Chauncey brings in memorandum requested by the Secretary.)

MISS CHAUNCEY: May 27, 1943.

H.M.JR: I will give it back to you.

MISS CHAUNCEY: Oh, thank you.

(Miss Chauncey leaves the conference.)

H.M.JR: As I say, I am still asking the question, if I said I didn't want to handle this thing, where could it go to?

MR. BELL: To the RFC, some subsidiary of RFC, or it could remain in the Departments like the War and Navy.

MR. O'CONNELL: The bill that was being discussed at the hearing when Crawford and Patman made the criticisms of the Procurement Division was a bill which would have put the whole job into the Reconstruction Finance Corporation, which is a partial answer to your question. Legally, I take it, without any legislation they could recruit this baby and put the whole job in RFC. As it now stands, a part of the job is in the Procurement Division.

Now, there are a lot of practical reasons why, having gone this far -- dividing it up and having the Procurement Division handle part of the job--it would seem to me to be very difficult to take that part of the job away from the Procurement Division. It would be a terrific slap at Procurement. It seems to me it would make more sense to

let Procurement go to RFC and continue to do the job than to try to pull back from taking on the job that we said in December and January we could do.

H.M.JR: You mean let Procurement go, too?

MR. SULLIVAN: Yes, if you are going to drop it, that is the way.

MR. O'CONNELL: I think that is better than to try to pull back from taking the job and let Procurement go back to its old job of purchasing Government-owned property, because that would be an admission that the Procurement Division was not equipped to do the job. They are better equipped than anybody else, but it is only because it is the only outfit in town that has any personnel. It is a relative thing, but there isn't anyone here who wouldn't believe there are a lot of weak spots in the Procurement Division.

I have been looking at it from the outside longer than anyone else here, and I don't think there are three top-notch men in the whole Division. At least I haven't met three.

H.M.JR: Who are the three you would name?

MR. O'CONNELL: I couldn't name three. I don't think there are three. I was being safe. But when they had a regular routine job for Procurement to do they didn't have so much trouble. This is a new type of job, and a terrific job, too.

H.M.JR: In all sincerity I sold the idea to Mr. McConnell that we could do this. Mr. McConnell took me at good faith, I take it, based on what I have done here, and sold it to Mr. Baruch.

MR. McCONNELL: That is right, yes, sir. Of course, the principal argument, Mr. Secretary--at least Hancock's argument at the time was that the Government corporations had more latitude, more elbow room in performing a job of this sort, that they could contract it out, and they didn't

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have to abide by Civil Service rules or departmental rules in Government. That, I don't know about.

H.M.JR: You think you have sold it.

MR. SULLIVAN: Yes, I do, sir.

H.M.JR: You weren't at the luncheon.

MR. SULLIVAN: I beg your pardon; I was at the luncheon.

H.M.JR: If you think it is so, we had better put the entire responsibility on you.

MR. SULLIVAN: I thought so from the very beginning, Mr. Secretary.

H.M.JR: Well, I don't agree with you.

MR. SULLIVAN: Certainly it is very childish for us to be arguing about who sold it.

H.M.JR: It isn't childish, but I just noticed you were smiling. I felt the responsibility personally for telling you people to do it.

MR. SULLIVAN: So did I.

H.M.JR: Well, there is nothing here to convince me. The more I listen to Joe--evidently the Procurement Division is terrible.

MR. GASTON: I think it is undoubtedly a better Division than it was in May a year ago, a much better Division. There was a very bad situation a year ago, in May of last year. They had no supervision, and they lacked it badly. Joe was disturbed about it; Dan was disturbed about it; I was disturbed about it. The organization had gone to pieces.

H.M.JR: I am sure it improved under Sullivan, but it is too slow.

MR. SULLIVAN: Well, that may be, Mr. Secretary. On the other hand, there is such a thing as going at it too fast. That is all a matter of judgment. As I said, I am not as disturbed about this as you are. I am confident a good job can be done. Sure, you are the general, but I am the colonel, and I have just as much at stake here as you have.

H.M.JR: Yes, but I am the boy who takes it publicly. That is the only difference. And I should.

MR. SULLIVAN: Yes, I think that is true.

H.M.JR: What do you think, Joe? Do you think we should?

MR. O'CONNELL: I think we have got to, for the time being, try it out a little more than we have. I think this meeting has been very helpful.

H.M.JR: Wait a minute. If we are going to make a change, isn't the time to make a change through this bill on the Hill?

MR. O'CONNELL: This bill, I think, on the Hill has been killed temporarily.

MR. SULLIVAN: The new one comes in Wednesday.

MR. O'CONNELL: That will be broad enough so that I think the change can be made under the bill without having to have a specific provision in the bill which will transfer the Procurement Division to some other agency. The President has the authority now to transfer functions, and so forth. That bill, which will set up an administration in the Division of War Mobilization, the function of which will be to handle the disposition of surplus property--that setup will have, as I remember the bill, pretty broad power, and I think we may be able to do it.

I think it would be a mistake to suggest specific legislation transferring the Procurement Division to the SPA. I don't think it is necessary at this time. I am not sure it will be necessary at all. I think that we will

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realized in December that there were weak spots in Procurement, but we did have something no other agency had, and that was an organization. We had five thousand people and fourteen regional offices. There was no other outfit in town that had anything, and such experiences as existed in the Government was in the Procurement Division.

Now, all that has happened, it seems to me, is that we have not done as much as some people, and I am one of them, think should have been done in getting ready to meet this problem that we are coming into. My own view is that Cliff Mack and the two or three or four men upon whom he relies are completely inadequate to do the type of job that the Procurement Division is going to be called upon to do. I wouldn't hesitate to say that to Mr. Mack or the men I am thinking of. The answer to that, I thought in December, and I still think, was that we had to move more rapidly in the direction that you mentioned early in the meeting of getting top-notch men in here to look the situation over, and help us to re-staff that organization. Now, I don't think it needs a thousand people. I think you need a few top-notch people with a little more freedom of mind, and so forth, than Mr. Mack and some of his immediate assistants have.

I have not talked particularly with Mr. Sullivan in the past two or three months about this situation. It may be that the situation has progressed more rapidly than my remarks would seem to indicate, but I have felt disturbed right along. I have felt that we are not moving as fast as we could, and that one day we were going to have not only the sort of criticism that we got last week, only a part of which could be considered as justified, but we might have a big flood of legitimate criticism if surplus property begins to come to us in great volume and we are not ready to move.

H.M.JR: What I want you people--if you are not ready to answer it, you don't have to. Here you are my Acting General Counsel. Here we are on the 27th of March. Is there something that I should take on and try to sweat through? Is there something worth while?

MR. O'CONNELL: Well, the job is a terribly important job, not only for the post-war period, but certainly it is an important job to be done between now and the end of the war, because, depending on the volume of this stuff, it is certainly entirely possible there will be literally billions of dollars' worth of inventory and materials owned by Government industry that should be disposed of during the war.

H.M.JR: Don't avoid me, Joe. If you say you want twenty-four hours to think it over, that is all right. But from what you know and what you have heard, if you want to think it over, I want advice.

MR. O'CONNELL: I would like twenty-four hours then, because I don't know the answer.

H.M.JR: I am going to ask everybody in the room the same question.

MR. SULLIVAN: What is the question, sir?

H.M.JR: Whether we should decide that I should sweat this thing through or whether I should take the steps to see that the Procurement Division is transferred out.

MR. SULLIVAN: Whether you should handle the thing personally?

H.M.JR: Well, I don't want to put it just that way.

MR. BELL: Whether the Treasury should continue to handle the disposal of surplus property or should the Secretary recommend it be transferred to some other agency?

MR. GASTON: I think the Treasury has accepted a certain responsibility, and it is a logical responsibility in view of the function that we have had over here in the Procurement Division, and I think it would be a terrible black eye to the Treasury Department if we should attempt now to wiggle out of it. I think we have to go through with it, and I am not at all sure--this material we have heard talk

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...ing is a little confusing, and I wouldn't want to  
make a judgment on this particular thing, but I have a  
general impression that our organization over there  
needs some decided rebuilding, and I think probably  
John feels the same way about it.

MR. SULLIVAN: I do.

MR. BELL: I think we ought to keep the Procurement  
Division and go on with this job. As far as the Procurement  
Division is concerned, I don't think it makes much difference  
whether you transfer it out of the Treasury to some place  
else. I don't know where it would go. I think it just as  
logically belongs in the Treasury as some place else.

H.M.JR: Well, I will have you in again most likely  
sometime tomorrow, but I have been doing a lot of thinking  
about this thing since Friday, and I am more discouraged  
after this conference than I was before. What you are really  
saying to me is, Cliff Mack isn't up to his job. If he was,  
he would be ahead of it. Instead of that, he is dragging  
his feet.

MR. O'CONNELL: It was almost by accident that Cliff  
Mack became the Director of Procurement. He was an investi-  
gator, and was sent down with Harold Graves to look the  
place over.

H.M.JR: And he did a good job. The time I was close  
to the thing and we were handling the purchasing for Lend-  
Lease, we were all up and on time, and the stuff was there  
alongside shipboard. That was what we were interested in.  
We ran a tight schedule, and I knew what happened. There  
never was even a smell of graft or anything else. We ran  
that thing, and it went like clockwork. It was based on  
that, that I thought we could do this.

Now, maybe they did it without any record, but at least  
the stuff got there, and we were crowding every other agency  
in town to take the stuff off the docks and out of our ware-  
houses. I know that to be a fact, because I have followed  
it day and night. And when we did that job, we were ahead  
of everybody. Maybe we were only ahead of everybody because

everybody else was so lousy. At least our stuff was there and went in the bottom of the ships. Is that right?

MR. TICKTON: That is right.

MR. HAAS: It got there after you worked on it a while. You stayed right on it personally.

H.M.JR: Sure, I did.

Now, am I going to take the time out to sell a lot of automobiles and a lot of dishes, a lot of second-hand trucks to see that they move out into consumption? I don't mind the criticism if the job is worth while. I can't see it right now, if it is going to fall on me. I just can't see it.

MR. SMITH: If you are going to give it up, shouldn't you give it up before you get another beating in Congress? Before they do make a bill, if you decide to do it, just write the President and say that it would be in the interest of keeping all of Procurement in one agency, suggesting that you let RFC have it. Then you don't have this business of criss-crossing agencies' responsibilities, which has been criticized so profusely.

MR. SULLIVAN: I beg your pardon. Where has the criticism been?

MR. SMITH: I am not talking about us; I am talking about general criticism that comes out with OPA, WPB-- everybody has to go to seventeen agencies to get something done.

MR. SULLIVAN: That is the very thing that is solved in this problem by this Executive Order. Up to now you have had the Army and Navy and everybody in the world selling this same article.

MR. SMITH: Wouldn't it be solved more if it were all one agency?

MR. SULLIVAN: I think not, Fred. I think that the trend of the conversation indicates that you think if we are going to handle this you will have to handle this thing personally. That raises a very pertinent question as to whether or not you think I can do the job. If you think I can't, I think right this morning is the time to say so.

H.M.JR: I will say this, as long as you are asking, I am disappointed in what has been done to date.

MR. SULLIVAN: That is evident. I am perfectly willing to give this up, Mr. Secretary, if you have somebody you would rather put in charge.

H.M.JR: Look, John, I have nobody, nothing up either sleeve. You know everything that I know. There is nothing hidden, see? Now, you know me when I say that, because that is true. I am not gunning for John Sullivan. I am not gunning for anybody. I am simply facing this thing. It is my fault that I haven't faced it before, but I have been awfully busy. And now suddenly this very minor picayune criticism has brought Procurement to my attention. And as I look at it, I don't like it. I feel, as I say, it sounded conceited, but in order to lick it I would have to take off my coat and roll up my sleeves and do it myself. If I don't do it, I don't think it will be done.

Naturally you differ with me; you think you can do it; without being discourteous, I don't. I think that the things you have done on the Hill recently for me have been magnificent. I think the way you have handled Internal Revenue is swell. I have no criticism whatsoever. It is entirely satisfactory.

MR. SULLIVAN: I think I am doing a far better job with Procurement than I am with the other.

H.M.JR: It isn't that I am dissatisfied with John Sullivan. I think on these things you have done, every evidence is swell. On this other thing, I just feel that the time has rolled by; there is no evidence. Still feeling around: They started in the middle of December, and I think

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By now the thing should be running with a lot of capable people. We put Mr. McConnell in on General Acilina. He got three or four top-notch people and went in there and licked the job. If at the end of three months he was still studying it, I would say at the end of three months he wasn't the man to do the job.

MR. McCONNELL: Of course, I say again, Mr. Secretary, this job is a type of thing that is going to be criticized. I am just repeating; it is a question of whether the Treasury is in a position to take that criticism.

What you said about the bond sales and the question of confidence of the people in the Treasury--the question in my mind has always been as to whether this type of disposal of surpluses, which is going to be criticized if it is done one hundred percent right--I think there will be elements who are able to criticize anything you do, no matter how right it is. That is the whole point that I have always had with that question. When you get into large figures and Government surpluses, it seems to me that it is inevitable that that criticism is going to flow, no matter how good a job you do.

H.M.JR: As well as I understand, supposing we do it as near perfect as anybody could, we will still have criticism, and that in turn will hurt things like our bond sales.

MR. McCONNELL: That is the only thing that worries me.

MR. SULLIVAN: But we are all forgetting, Bob, that there is a great deal of credit that can go with doing this job well.

MR. McCONNELL: That is true.

MR. GASTON: I don't think we should handle it solely on a basis of whether we get blame or credit; I think there is a responsibility here. It is logically the responsibility of the Treasury Department, and we have already taken it on. I don't think we ought to try to squirrel out of it.

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MR. McCONNELL: You have the best part of it. Mr. Clayton, I think, is the very best man in Washington to undertake the job over there.

H.M.JR: I didn't think he was under RFC.

MR. McCONNELL: I understand the brickbats that he is going to get on any kind of a job he does. The most difficult and most subject to criticism will be the scrap materials.

MR. SULLIVAN: And your defense plants.

MR. McCONNELL: We are out of those.

MR. SULLIVAN: Scrap was coming here, and didn't.

MR. McCONNELL: You have the cleanest part of it, the best job of the whole to do. But still it is one of those things, I think, you can expect to be criticized for, no matter how well you do it.

MR. BELL: There wasn't much criticism throughout the last war, was there?

MR. SULLIVAN: A great deal.

MR. BELL: In the Treasury?

H.M.JR: Don't you remember that fellow up in New York who had all that second-hand stuff? This fellow bought some underwear or something from the Army that never left his warehouse, and Sears Roebuck paid him fifty cents for the same stuff without his ever touching it. It was some fellow who more or less controlled the whole thing. That is just one item that Nelson told me about.

MR. O'CONNELL: That was all pretty much direct Army and Navy sales.

MR. BELL: The Treasury also disposed of a lot.

H.M.JR: Well, think the thing over, in the long run what is best for the Treasury. When does this bill come up?

MR. SULLIVAN: Probably I will testify Wednesday.

H.M.JR: Do you have to know before then?

MR. SULLIVAN: Oh, yes, surely. I can't go up there and tell them what we are going to do on Wednesday and then on Thursday have it announced we are not going to do anything about it.

H.M.JR: What committee is it?

MR. SULLIVAN: Banking and Currency.

H.M.JR: You are testifying in support of what?

MR. SULLIVAN: You see, there were several Congressional Committees who were dealing with this problem, discussing legislation, when the Hancock-Baruch Report came out, and the Executive Order. Since that time, Baruch and Hancock-- or rather, Hancock has been trying to iron out with these Committees the differences between the procedure as set up in the Executive Order and the proposals they were considering. They now have a bill that would formalize by legislation most of the provisions of the Executive Order. There are a few points, such as whether Clayton will have an advisory council or whether there will be a board, and he will run it under the direction of the board, and a few questions of that kind. That comes up Wednesday. According to present plans I may be called upon to testify before the Banking and Currency Committee of the Senate tomorrow on the work that the salary stabilization unit has been doing, and I am very sure that at that time they will ask me questions about the disposal of surplus.

H.M.JR: But the deadline would be Wednesday?

MR. SULLIVAN: Yes, and it would be a lot better if I could get the bill going to the Senate I want up there Tuesday.

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H.M.JR: That is rushing a little bit. Do you go before Banking and Currency?

MR. SULLIVAN: In the Senate.

H.M.JR: Tomorrow?

MR. SULLIVAN: It may be tomorrow.

H.M.JR: But you are not sure?

MR. SULLIVAN: No.

H.M.JR: If it is tomorrow, will you let me know?

MR. SULLIVAN: Sure.

MR. O'CONNELL: That is on another subject, John.

MR. SULLIVAN: Yes, but I am sure they will ask questions about this.

March 25, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

From: Assistant Secretary Sullivan

I wish to briefly summarize the answer of the Treasury Procurement Division to the charges made this week before the Banking and Currency Committee of the House as outlined to you in Mr. O'Connell's memorandum:

A. The Procurement Division always uses direct mail circularization of prospective purchasers. We have never used paid advertising but have released information of special items to the appropriate trade journals.

B. Mailing lists are developed from trade directories and classified listings. The field has been directed to avoid transactions with speculators.

C. All information is now available centrally here in Washington. The transportation situation requires us to dispose of most of the goods in the same region in which we acquire them.

D. Every effort is made to supply purchasers with complete descriptions. I believe there is still room for improvement in this field. (The sale of airplane parts is still being checked. I do not believe it was a Treasury sale.)

E. Treasury Procurement sells very little stock—mostly excess goods. We are glad to see such sale of post bonds as the Commission has indicated.

- 2 -

F. 966 pounds of used copper sheets were sold to the City of Minneapolis without priority clearance. The St. Paul office has been warned again that no invitations to bid on critical materials should be issued without containing the notice that a WPH priority is required.

G. Errors of this type have been made. Instructions have been given the field and I believe that this has been remedied. In most instances where unrelated commodities have been offered in one lot, they have been in very small amounts.

H. The testimony on the Fort Worth offering of electrical items is correct. The Regional Director was instructed to reduce the size of the lots the day we here in Washington learned of the offering.

I. The Navy was fully advised about the soup plates and rejected them. (I suspect that the "U.S.Q.M.C." on the plate may have affected their decision.)

J. Mr. Patman's information on the horse shoe transaction is incorrect. We sold horse shoes in Cincinnati on December 22, 1943. Our last purchase of horse shoes was on February 16, 1943. FEA is now processing a requisition for horse shoes of different sizes and weights than those we sold in Cincinnati, but we have not yet been authorized to buy any. We had no notice that FEA would require any horse shoes until more than two months after the Cincinnati sale.

CONFIDENTIAL 427

Inventory of Federal Surplus and  
Excess Property by Major Items

Commodity class	1944					
	Jan. 1	Jan. 15	Jan. 31	Feb. 15	Feb. 29	Mar. 15
	(In millions of dollars)					
Motor vehicles and parts..	3.6	6.4	6.4	6.6	7.0	7.4
Metal-working machinery...	2.9	4.1	4.0	3.9	3.8	3.5
Furniture.....	1.2	2.1	2.3	2.4	2.4	2.3
Leather and products.....	*	1.9	1.9	1.9	1.9	1.9
Apparel (except shoes)....	1.4	1.7	1.8	1.8	1.8	1.6
Fabricated metal basic materials.....	1.1	1.6	1.6	1.7	1.6	1.6
Finished products-metal working industry.....	1.2	1.6	1.6	1.5	1.5	1.4
Miscellaneous end products manufacturing industry..	.4	1.2	1.1	1.2	1.3	1.3
Lumber basic materials....	.9	1.4	1.4	1.4	1.1	1.1
Special industry machinery	.9	1.2	1.1	1.1	1.1	1.1
Electrical machinery and apparatus.....	.6	1.0	1.0	1.0	1.0	1.0
All other.....	<u>4.3</u>	<u>7.4</u>	<u>8.0</u>	<u>8.0</u>	<u>7.9</u>	<u>8.4</u>
Total.....	<u>18.5</u>	<u>31.6</u>	<u>32.2</u>	<u>32.5</u>	<u>32.4</u>	<u>32.6</u>

Office of the Secretary of the Treasury,  
Division of Research and Statistics.

March 22, 1944.

\* Less than \$50,000.

March 27, 1944

NEW PERSONNEL ALREADY HIRED FOR PROCUREMENT

Chemicals - Lt. F.W. Brill, Medical Division, U.S.  
Coast Guard.

Construction Equipment - Mr. Art Jenvy, Industrial  
Specialist, Used Machinery  
Section, Construction Machinery  
Division, War Production Board

Electrical Supplies - Mr. Frederick T. Walker, Industrial  
Specialist, Conservation Division,  
War Production Board.

Automotive Supplies - Mr. D.C. Barnhart, Senior Business  
Specialist, Automobile & Parts  
Section, OPA.

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SURPLUS PROPERTY REPORTED TO THE  
PROCUREMENT DIVISION BY THE WAR DEPARTMENT  
FROM DECEMBER 1 TO DECEMBER 21, 1943, INCL.

<u>COMMODITY</u>	<u>QUANTITY</u>	<u>ESTIMATED VALUE</u>	<u>IN THE PROCESS OF DECLARING</u>
Horses	2,299	\$ 68,970	
Mules	258	22,770	
Harness	22,000 sets	889,247	
Smoke Pots	108,000	1,620,000	
New Cars	6,483	5,500,000	10,500
Trucks			
WAC Buttons	8,733,450		
Clothing & Shoes	181,900	352,700	
Sandbags	3,900,000	400,000	
Gauze, Bandage	24,790 pkgs.	2,479	
Burn Ointment	7,683 sets	2,100	
Cement	15,000 bags	7,500	
Bolos & Scabbards		28,000	
Electrical & Plumbing Supplies & Material	190 page (no values listed on declaration - listing to be appraised)		4,000,000 sq. ft. 3,600 pieces
Shearlings			
Construction Equipment			
Butyl Alcohol	45,313 gals.	51,656	
Drill, Cotton	65,000 yds.	18,411	
Bars, Steel	589 lbs.	468	
Tool, Steel	200 lbs.	150	
Tire Repair Material	3 lots	18,153	
Caustic Soda	670 STN	30,150	
<b>TOTAL</b>		<b>\$ 9,012,754</b>	<b>10,000,000 approx.</b>

In addition to the foregoing, normal surpluses are being declared directly to our eleven Regional Offices.

(s) Clif Mack  
Clifton E. Mack  
Director of Procurement

NEW PERSONNEL ALREADY HIRED FOR PROCUREMENT

Chemicals - Lt. F. W. Brill, Medical Division, U. S. Coast Guard.

Construction Equipment - Mr. Art Jenvy, Industrial Specialist, Used Machinery Section, Construction Machinery Division, War Production Board.

Electrical Supplies - Mr. Frederick T. Walker, Industrial Specialist, Conservation Division, War Production Board.

Automotive Supplies - Mr. D. C. Barnhart, Senior Business Specialist, Automobile & Parts Section, OPA

Acquisitions and Disposals of Federal Surplus  
and Excess Property, Two Weeks Ended  
March 15, 1944

Item	Acquisitions	Disposals	To inventory
(In millions of dollars)			
Steel.....	\$4.0	\$4.0	\$ *
Construction, mining, and excavating machinery..	2.3	2.2	+.1
Fabricated metal basic materials.....	2.1	2.1	*
Tractors.....	.6	.6	*
Motor vehicles and parts	.5	.1	+.4
All other.....	<u>1.3</u>	<u>1.5</u>	<u>-.2</u>
Total.....	<u>10.8</u>	<u>10.6</u>	<u>+.2</u>

Office of the Secretary of the Treasury,  
Division of Research and Statistics.

March 22, 1944.

Note: Figures are rounded and will not necessarily add  
to totals.

\* Less than \$50,000.



Dec. 15, 1943 (Continued)

Mack does not think Procurement should have anything to do with defense plants operated by RFC: Sullivan, O'Connell and Mapes agreed. On consumer goods, dry goods, horses and mules, will work on merchandising men who have been advising also on purchases.

McCConnell asked if Mack wanted the junk business and scrap metal; Sullivan said somebody has to do it; HM, Jr said just because it is a tough job we should not duck it.

Group let except Mapes. See below.

Dec. 16, 1943

Mapes met with HM, Jr. following above meeting. On sale of used autos and trucks, HM, Jr suggested bringing in three big financing companies. HM, Jr would invite them down for Saturday and then bring them over to HM, Jr after Mapes has told them the problem. HM, Jr said there are some small ones we should invite in. Mapes agreed.

Dec. 17, 1943.

Sullivan, O'Connell, Mapes, Mack, HM, Jr met with HM, Jr. HM, Jr annoyed at Mapes (with whom he has only met twice) because yesterday he agreed with HM, Jr's suggestion re bringing in three big financing companies and yet he has not asked HM, Jr. HM, Jr can't see any connection to his talking these people to them but how they do the best-  
 and whether they would handle it for us.

Dec. 19, 1943.

Sullivan, O'Connell, Mapes and HSK met with representatives of automobile financing concerns.

HM, Jr told them the problem of receiving a lot of surplus materials, not only automobiles, and it isn't a question of financing, but wondered if they could not help us in repossession and reselling.

Each representative gave description of how he operates and his ideas on disposition.

Dec. 22, 1943.

List of surplus property reported to Procurement by War Dept from Dec. 1 to Dec. 21, 1943.

Dec. 23, 1943.

Sullivan and Mack met with HM, Jr on surplus items received by Procurement. Discussed disposal of horses, harnesses. Attached is memo "PROGRAM FOR DISPOSITION OF SURPLUS LIVE STOCK"

Jan. 2, 1944.

Sullivan, Mack and Fox met with HM, Jr to discuss proposed reply to Mr. Brown's list of complaints.

Jan. 7, 1944.

Sullivan, O'Connell and HSK met with HM, Jr. Sullivan said that at first Mack was opposed to setting up central inventory system.

Sullivan said Sen. George very cordial at his meeting this morning on post-war committee. Main issue is whether or not Congress should set up over-all commission to dispose of surplus materials and plants.

Jan. 15, 1944.

Mr. Sullivan attaches Mack's report on disposition of surplus property from July 1, to Dec. 31. Form of report will be improved.

Feb. 3, 1944.

Be 1, Thompson, Blough, McConnell, Lynch, O'Connell, Sullivan met with HM, Jr.

On disposition of surplus, Sullivan says Procurement is lacking in records of any kind, no centralized record of inventories or sales or prices and no master record in the field offices. Wants permission to get 4 or 5 good men with experience in various types of merchandise and would like permission to talk to Nelson about borrowing Eddie Locke. W.L. with HM, Jr. HM, Jr. does not want anybody to be around and wait for him to come back.

1944.

Mr. Watson. Go ahead.

Ellis.

Watson: Good morning, Mr. Secretary.

HMJr: Good morning. I'm sorry I couldn't talk earlier.

S: I understood fully. You asked me to call you before 9:30....

HMJr: Yes.

S: .... and I didn't get in until 9:30 and I went over some names here.

HMJr: Yes.

S: So that was the reason I didn't call you sooner.

HMJr: Right.

S: Now, I didn't see Mr. Potter because he's at home and still suffering from the broken tendon, so I didn't trouble him.

HMJr: Yes.

S: But I've got you a list of names here.

HMJr: Good.

S: And I -- we haven't, of course, tried to check with anybody because that was not our business. I was just to give you the names.

That's right.

Yes, the first name -- if you'd like to have your secretary take this down, or you, either one....

That's all right.

All right. The first -- the first name that I'd like to give you....

Yes.

.... is a man that I know intimately.

Yes.

S: His name is Dr. W. -- William G. Lee, L-e-e.

HMJr: L-e-e.

S: He's the Chairman of the First National Bank and Trust Company of Macon, Georgia, but he's not active.

HMJr: I see.

S: He's about sixty-four years of age.

HMJr: Yes.

S: If anybody knows values, he does.

HMJr: I see.

S: Because he's been a farmer.

HMJr: Yes.

S: He's now spending most of his time growing flowers.

HMJr: Is that right?

S: He made his money selling mules.

HMJr: Selling what?

S: Mules.

HMJr: Mules?

Mules and horses.

Really?

Yes. And he's a very conscientious, energetic and successful man.

I am.

And one of the finest men I know.

Is that right?

He's a Democrat.

HMJr: Yeah.

S: And a great backer of the President.

HMJr: Oh, really?

S: Yes.

HMJr: Funny I haven't heard of him.

S: Well, he's a very modest fellow.

HMJr: Yes.

S: Now, he's a man that would not be interested in any way himself in purchasing from the Government....

HMJr: Yeah.

S: ....but he'd be a fellow that would protect everything....

HMJr: Yeah.

S: ...~~that~~ he has anything to do with.

HMJr: Well, he....

S: He's just the type that I should think you'd want if you can get him.

HMJr: Right.

Now, he's just lost, about six months ago, two of his boys in the flying service.

That's the best.

So, he's a man that would be interested in purchasing from the Government.

He's a sign.

It is interested at all.

That's right.

Now, I give you his name with an unqualified recommendation because I know this fellow. I grew up with him.

MMJr: Oh, really?

S: Yes.

MMJr: I didn't know that you came from that part of the world.

S: Yes, I did. I came from that -- that city; been here twenty-eight years.

MMJr: I see.

S: I lived there all my life up to the time I came here.

MMJr: I see.

S: So, I give you his name as a man that if you get, he could organize this department for you, if you needed him to do it.

MMJr: Really? He's big enough for that?

S: Oh, yes. Oh, my, yes.

MMJr: I see.

S: He's quite a fellow and if you could get him to come to see you....

MMJr: Yes.

...it would be very helpful and I'm satisfied that he would come if you called him up and asked him.

Well, that's an interesting case.

... haven't said anything to him about it.

Now, I took the liberty....

Yes.

....on Friday....

WJr: Yeah.

S: ....to call in one of our Vice Presidents....

WJr: Yes.

S: ....who knows -- uh -- who is the head of all of our credit work of the entire bank.

WJr: Oh, yes.

S: His name is Henry Stevens.

WJr: Henry Stevens?

S: Now, he went out to get me some names because I knew he could get them much better than I could.

WJr: Yes.

S: And he's here now....

WJr: Yes.

S: ....and with your approval, I'm going to put him on the phone.

WJr: Right.

S: And he will give you the names and tell you about any of these people because he's had them checked.

Good.

And if you need it again, call me and I'll get you the names.

Thank you.

Thank you.

Thank you.

(Aside: This is Secretary Mergenthal.)

Stevens: Good morning, Mr. Secretary.

HMJr: Hello, Mr. Stevens.

S: The first name that I have here is a man named Howard Veit, V-e-i-t.

HMJr: B-e-i -- what was that, B like in "berry"?

S: V for victory.

HMJr: Oh, V for "very!" V-e-i-t.

S: That's right.

HMJr: Howard.

S: That's right.

HMJr: Yes.

S: Box 176, Pebble Beach, California.

HMJr: I see.

S: He was, for many years, an executive of -- Vice President of M. Lowenstein and Sons, one of the leading textile houses here. You may know who they are.

HMJr: No, I don't.

Well, it's a very prominent textile house. Mr. Veit had his own business for many years....

...was well connected with various business.  
...of the kind with this M. Lowenstein and Sons  
...

And he's pretty well fixed, I think. He retired from active business in 1940.

Yes.

He's had a great deal of experience in merchandising and in managing textile operations.

HMJr: I see.

S: And, I think, is a very promising candidate for such work as you are seeking.

HMJr: Right.

S: Now, the next man is Z. -- Z for zebra ....

HMJr: Yes.

S: G. for George.

HMJr: Yes.

S: McGee -- M-c-G-e-e.

HMJr: McGee, yes.

S: 120 Broadway, New York.

HMJr: Yes.

S: He's a young man about forty years of age.

HMJr: Yes.

S: He's now with the Allen Property Custodian....

Oh.

...in charge of liquidation.

I see.

It seems to get out of that work.

I see.

He was in here just two weeks ago and I talked with him and several others of our officers, and he, I think, is a very competent man.

I see.

He's been working for several years in disposing of various kinds of property and has had a wide experience.

HMJr: Good.

S: The third name is Richard Large, L-a-r-g-e.

HMJr: Large, yes.

S: Who is now Special Deputy Superintendent of Banks of New York City.

HMJr: Oh, yes.

S: He was in charge of the Bank of Chosen, the Japanese Bank -- I think you know that name.

HMJr: Oh, yes.

S: It was taken over by the New York State Superintendent of Banks....

HMJr: Yes.

S: ....and naturally, Mr. Large had to be investigated pretty well because of his having had a connection with the Japanese Bank.

HMJr: Yeah.

S: And after he was investigated, he was appointed a Special Deputy Superintendent to continue the liquidation of this bank and other Japanese banks that were taken over.

HMJr: Right.

and he's now with the New York State Superintendent of Banks at 111 Broadway, New York.

HMJr: Yes.

Q. The next name is James H. -- is that David --  
 H. H. H.

That's right.

Q. Yes.

Q. 21 East 40th Street.

Q. Yes.

Q. He's a partner in the Asset Realization Company.

Q. S. S. ?

Q. A-s-s-e-t.

Q. Well, when you get through, I'm going to ask you to drop me these so I'll sure have the right names.

Q. Yeah, I'll do that. I have them -- I'll mail this to you.

Q. Yes.

Q. Care of the Asset Realization Company, 21 East 40th Street.

Q. Yes.

Q. He formerly was an officer of this bank.

Q. Yes.

He left here about a year ago to go into business for himself and while he was with the bank, he worked in -- in our liquidation department and over a period of years has had quite a substantial experience in disposing of various kinds of commodities.

I see.

Q. Let's see, would it be all right if I asked you to drop me a copy of the report that you had and a copy of the report of the bank?

The next name is Richard V. Waller, W-a-l-l-e-r --  
 Chief Engineer.

Chief Engineer -- D-o-e-r-l-i-n-g.

Yes.

Way, Cranford, New Jersey.

Oh, yes.

He's had about twenty-five years experience in industrial management, including quite a lot of foreign service.

Yeah.

In 1941 he spent six months with the British Purchasing Commission in charge of rifle procurement.

Oh, yes.

And in 1940 he was in France and he organized and headed a Company which manufactured uniforms for the French Army.

I see.

That project, of course, closed up when the Country was invaded.

Yes.

The next name is Albro, A-l-b-r-o.

Yes.

O. -- C for Charles.

Yes.

Charles, Philadelphia.

The next name is...

Hello.

I see.

He's with the Witherby-Sherman Corporation at Port Henry, New York.

Oh, yes. Now, have you got many more?

Just one.

HMJr: Right.

S: The next name is H. -- H for Henry -- M. for Michael -- Fick, F-i-c-k.

HMJr: Fick.

S: Care Harry Harris and Company at Kearney, New Jersey.

HMJr: Yes.

S: K-e-a-r-n-e-y.

HMJr: Yes.

S: He's had about twenty-five years experience in sales and liquidation and credits, all in connection with the steel business.

HMJr: I see.

S: That's the complete list, Mr. Secretary.

HMJr: Well, you've gone to a lot of trouble and if you will -- wouldn't mind to just -- I don't want it confirmed, but I'm not sure that I got them all down.

Yes.

And if you would send it to me Air Mail, Special Delivery, I'd have it the first thing in the morning.

Very much, and thank you very much for your address list.

and address it to the Treasury but put it on the outside, "Attention of Mrs. Klats, 2-1-a-2-a."

Attention Mrs. Klats.

Then it goes directly to her office and I'll get it promptly.

and address it to you at the Treasury and send it Air Mail, Special Delivery?

HMJr:

Yes.

S:

I'll do that right away.

HMJr:

And then I'll get it.

S:

Yeah.

HMJr:

I'm ever so much o'bliged. I hope I haven't put you to too much trouble and I want to thank Mr. Stetson, too.

S:

All right. Thank you very much. I'll tell him.

HMJr:

Right.

S:

All right.

HMJr:

Bye.

# Guaranty Trust Company of New York

140 Broadway  
New York

Foreign Office  
Cable Address/Number  
London

New York Office  
140 Broadway  
Cable Address "Guaranty"  
1925 Broadway at 44th St.  
Cable Address "Guaranty"  
Madison Avenue at 60th St.  
Cable Address "Guaranty"

March 27, 1944

In replying please refer to

VIA AIR MAIL

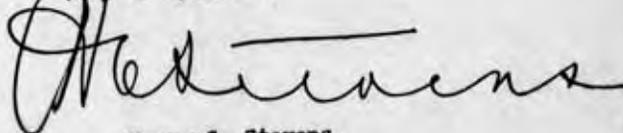
Honorable Henry Morgenthau Jr.  
Secretary of the Treasury,  
Washington, D. C.

Dear Mr. Secretary:

As you requested there is enclosed a list of the names, with brief information about each, which Mr. Stetson and I gave you over the telephone this morning.

If you shall desire additional information about any of the names on this list both Mr. Stetson and I will gladly respond to your further request, as it is a privilege to be of any service to you that we can.

Very truly yours,



Henry C. Stevens,  
Vice President.

Enclosure 1.

DR. WILLIAM G. LEE  
MILLS, GA.

Aged about 64. Chairman of the Board First National Bank and Trust Company, Macon, Georgia. Conscientious, energetic and aggressive; highest integrity. Has a splendid sense of values. A man of substantial means for his section, having made his money as a doctor of medicine, farmer, dealer in horses and sales and trader. Has a variety of interests. Is a hobby, grows azaleas and camellias. Is a Democrat and a strong supporter of the President. A man of fine character and habits. Somewhat inactive in the operations of the bank.

\*\*\*\*\*

HOWARD VEIT  
BOX 176  
PEBBLE BEACH, CALIFORNIA

Aged about 52. Lifetime experience in textile management and merchandising. Retired since 1940. Excellent qualifications.

\*\*\*\*\*

Z. G. McGEE  
120 BROADWAY  
NEW YORK CITY

Aged around 40. Now with Alien Property Custodian, New York office, in charge of Liquidation.

\*\*\*\*\*

RICHARD LARGE  
SPECIAL DEPUTY SUPERINTENDENT  
OF BANKS - NEW YORK STATE  
526 BROADWAY, NEW YORK CITY

Aged around 50. For many years managed Bank of Chosen (Japanese bank). Is American citizen. Taken into Superintendents office when Bank of Chosen taken over. Substantial experience in liquidation and disposal of various kinds of merchandise and property. Good executive.

\*\*\*\*\*

JAMES D. ORR  
c/o ASSET REALIZATION CO.  
21 EAST 40 STREET, N.Y.C.

Aged around 52. Former bank executive - substantial experience in liquidation and property disposal.

\*\*\*\*\*

RICHARD V. WALLER  
16 DOERING WAY  
CRANFORD, NEW JERSEY

Aged about 51. 25 years experience in industrial management - including foreign service. Six months with British Purchasing Commission in 1941. In 1940 headed a company in France manufacturing uniforms for French Army.

\*\*\*\*\*

ALBRO C. FOWLER  
c/o WITHERSPEE SHERMAN CORP.  
FOUNT HENRY, NEW YORK

Aged around 50. General management, sales and reorganization experience - largely in heavy industry - machinery manufacturers - paper company - iron ore mines - rubber company. Recent connection - managing executive of named iron ore mining company.

\*\*\*\*\*

H. W. NICK  
C. W. NICK & CO.  
CRANFORD, NEW JERSEY.

Aged around 50. 25 years experience in sales, liquidation and credits pertaining to steel business.

\*\*\*\*\*

Presented by Mr. Richard and Mr. Harry Stevens,  
 Executive Trust Company, New York, N.Y.

March 27, 1954

WILLIAM G. Lee  
 (64 years old - inactive)  
 Chairman, First National Bank and Trust Company  
 Macon, Georgia

Howard Veit  
 (retired)  
 Textile business  
 Box 176, Pebble Beach, California

Z. G. McGee  
 (40 years old)  
 Alien Property Custodian's Office  
 120 Broadway, New York, New York

Richard Large  
 Special Deputy Superintendent of Banks of  
 New York City  
 526 Broadway, New York, New York

James D. Orr  
 Asset Realization Company  
 21 East 40th Street, New York, New York

Richard V. Waller  
 16 Boering Way  
 Cranford, New Jersey

Albro C. Fowler  
 Witherby-Sherman Corporation  
 Port Henry, New York

W. S. Foss  
 Ocean, New Jersey

March 11, 1944  
1:30 a.m.

A: Hello. Here's the Judge.

Bello. Hello.

We're coming right on, sir.

Bello.

Wojanowicz: Henry?

WJW: Yeah.

B: This is a very important call.

WJW: Yes.

B: I want to know what you know about the weather at the Homestead this time of the year.

WJW: The weather at the Homestead? My....

B: (Laughs)

WJW: You mean my place?

B: Oh, no. The Homestead, West Virginia.

WJW: Oh, well, if you really want to know, I'll call up Secretary of Agriculture and get a....

B: (Laughs)

WJW: ....first-hand report.

B: No, I -- don't you -- don't you go there frequently?

WJW: No.

Then I'm all wrong. I thought you did. I wanted to go down this week and I was wondering whether it was going to be too cold.

Well, what kind of underwear were you put?

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Q: And, roughly,

how high?

(Laughs)

A: So, I haven't been there, oh, in ten or fifteen years. I should think it would be pretty good but it's up pretty high. I wouldn't know.

Q: Okay.

Q: What else do you know?

A: Sorry to bother you.

Q: You haven't bothered me yet.

A: That's all I wanted to know.

Q: Is that all?

A: That's all.

Q: All right.

A: All right. Thanks very much.

Q: Good bye.

A: Bye.

March 27, 1944  
11:35 a.m.

WJG: Hello.

WJG: Mr. David Niles.

WJG: Thank you.

WJG: No ahead.

WJG: Hello.

WJG: Hello, Mr. Secretary. This is David Niles.

WJG: How are you? I see -- the papers say that you're trying to get rid of Farley.

WJG: Yeah. I didn't succeed.

WJG: No.

WJG: (Laughs) Well, you should have given me better instructions.

WJG: You go on.

WJG: (Laughs)

WJG: If I had, maybe you'd have been successful.

WJG: (Laughs) Mr. Secretary, what I called you about, Thursday, April 6.

WJG: Yes.

WJG: Five to five-thirty, the Jewish Welfare Board -- that's part of the U.S.O., you know ....

WJG: Yeah.

WJG: ... are sending a broadcast to our boys all over the world. You see?

WJG: Yeah.

WJG: And they'd like to have you participate in that program with a ten-minute word to those boys.

WJG: Yeah.

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W: You can broadcast right from your office.

HMJr: April....

N: 6th.

HMJr: 6th.

N: From five -- the broadcast -- a half an hour broadcast from five to five-thirty.

HMJr: Who's handling it? Who's in charge of it?

N: Mr. Phil Schiff.

HMJr: Phil?

N: Philip Schiff.

HMJr: Philip Schiff?

N: Yes. Jewish Welfare Board. And he can sit down with your people.

HMJr: Well, would you tell him to talk to Frederik Smith in my office?

N: Yes.

HMJr: And I will tell Fred that he will hear from him.

N: Yes. Well, now, can I tell him that you'll do it?

HMJr: Well, I'd like to think about it.

N: I see.

HMJr: I'd like to think about it.

N: Well, then I'll have him talk with your office.

HMJr: Smith is my manager.

N: Okay. (Laughs)

HMJr: You tell him to talk to my manager.

N: All right.

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After all, if a prize fighter can have a manager, why can't I?

Q: You should have a manager.

EMJr: I do.

W: Okay.

EMJr: Well, thank you for thinkinf of me anyway.

W: Well, we really think that you're the -- you're the top man to do this job. Really.

EMJr: Well, I'll be interested and I'll tell Fred to think about it and this is not a run-around.

W: No, no.

EMJr: No.

W: Okay.

EMJr: Thank you.

W: Thank you.

March 27, 1968  
10:45 a.m.

Mr. Secretary.

Mr. Secretary, I've just learned that because of the recess the Senate is taking -- the Congress is taking, I will not be testifying tomorrow on that bill and probably will not testify this week. I thought I'd better let you know because that gives you more time.

WJr:

Which bill do you mean?

S:

That's on the Economic Stabilization....

WJr:

Oh.

S:

....bill.

WJr:

Oh. But you still may go up Wednesday?

S:

I hope to go Wednesday, yes.

WJr:

But you don't know?

S:

No.

WJr:

But I don't have to make up my mind by tomorrow?

S:

That's right. I thought I'd better tell you so.

WJr:

And what else?

S:

That's all.

WJr:

Cheerio.

S:

Thank you.

March 27, 1944  
2:06 p.m.

Well,

They don't know when to expect Dr. Aughter and  
the secretary is out of the room for a few minutes.

I see. You mean, they don't know when to expect  
him?

Operator: No, sir, they say he is not in and they don't  
know just when he will be in.

Operator: Well, when will his secretary be in?

Operator: She'll be back in just a few minutes.

Operator: Well, the thing that I -- find out from her who  
in the Department there looks after ornament --  
I'll tell you -- don't I get something out of --  
I talk to somebody in the Secretary of Agriculture's  
office? Give me his secretary.

Operator: All right.

2:06 p.m.

Operator: I wish you could help me out. I don't know who  
in the Department looks after ornamental shrubs.  
I know you have somebody.

Miss  
Loose: Yes, we would have.

Operator: And I'd like to find out about the latest variety  
of Azaleas which will grow in the Hudson Valley --  
either Azaleas or Mountain Laurel.

Operator: Either Azaleas or Mountain Laurel?

Miss  
Loose: Yeah, both.

Operator: Yes, both. Is that  
all right?

Miss  
Loose: And where are the best varieties that you can buy  
today?

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All right.

And if there are any particular new colors. You see?

Uh huh.

Now, do you think you could get that out still today for me?

Oh, I'm sure I can.

And get it over here?

Yes, sir. I'll have a little memorandum prepared for you.

And then, if possible -- if there's some one person who follows that in the Department -- if you could give me his name and I might want to ask him some questions.

All right. I'll put that in the memo.

But they have to be of a kind that will grow -- well, around Poughkeepsie, you see?

Yes, sir.

And stand our winters.

Uh huh. Yes.

Thank you.

You are very welcome. Bye.

March 27, 1944  
3:32 p.m.

WJ: Hello.

WJ: Yes, Mr. Secretary.

WJ: Oscar, when are you going to be free? I've got a red-hot idea.

O: Any time that will suit you.

WJ: Well, when can you come over?

O: I can come over right away.

WJ: You could?

O: Yes, sir.

WJ: Well, come on over. I've got something that I think can -- it's worth something.

O: All right. I'll be right there.

WJ: Okay.

O: Bye.

March 27, 1944  
3:40 p.m.

PRESIDENT'S COMMITTEE - ECONOMIC WARFARE

Present: Mr. White  
Mr. O'Connell  
Mr. Pehle  
Mr. Luxford  
Mr. DuBois  
Mr. Cox  
Mr. Abrahamson  
Mrs. Klotz

H.M.JR: Here is the fellow (Cox) who is responsible for your being here.

MR. ABRAHAMSON: We are contemporaries, you know, born in the same town and went to school together.

H.M.JR: Really?

MR. COX: I can still see him cutting paper dolls!

H.M.JR: When he said you went to Bowdoin College-- I forget the remark that White paid to Bowdoin College.

MR. WHITE: He is starting me off on the right foot, isn't he?

H.M.JR: I got an idea over the week end which I think has great possibilities, and that is this: Up to now those of you who have worked with me right along know I have only had one objective, and that is, what can we do to win the war? I would like to add another one. What can we do to shorten the war?

With that in mind, I started you (Luxford)--there is a man loose in this town whom I thought I might get to help me. He is General Strong. I have been thinking of

the possibility of setting up a committee at the front similar to this one, with Mr. Hull, Mr. Crowley, and myself, whose object would be to prepare stuff for the President on how to shorten the war, with General Strong as director.

I had General Strong over here, and he is very enthusiastic; he was kind enough to say there was nobody in town he would rather work for than me. He would love it, provided you would throw diplomatic protocol out the window and get tough. Then he said that all kinds of things could be done.

Now, I tried this out at lunch on General Arnold, how he felt about General Strong, because we, none of us, have time enough. He said, "For heaven's sake, start with ball bearings and Sweden."

MR. COX: That is right.

H.M.JR: We have these eight or ten million tons of steel from Sweden, the ball bearings, and so forth, and so on. I don't think I am breaking any confidence in this crowd. Strong said, "Well, I know what Sweden wants. They don't want very much, and I think you can get it. They want a few Curtiss-Wright engines. They want a few repairs for their airplanes. There are a few things like that," he said, "which you have to get over the dead body of Robert Patterson."

Now, I know about the ~~chrome in Turkey~~, because a year and a half ago when Mr. Churchill took me down to Dover, he took the Ambassador with me and asked me to be nice to him. They had a steel mill half completed. They have never gotten the parts as far as I know. And in those days you could have done something with Turkey. But there is chrome that I know about, eight or ten million tons of steel, the ball bearings from Sweden, and so forth. I am sure everybody in the room here, as we know--the diamonds and the platinum from South America which we know is going in, and these things which could very easily shorten the war from three to six months--

MR. COX: That is right. It is more complicated than you have given on the Swedish thing, but that doesn't mean it isn't a good idea.

... But now look, Oscar, how would Crowley and you people feel if the President did this thing, that we could be stepping across you?

MR. COX: I wouldn't feel that way at all. I would be all for it, for the simple reason we could convince Crowley, too, this involved the combination of diplomatic pressure, or chucking it out the window, the use of all the weapons you have in the economic sense and being tough at this course of the war, because all the neutrals know pretty damn well you are going to win. They have certain interests in being on the winning side, but you have to be pretty tough with them at the same time.

I would think we would all be for any assistance that would go toward shortening the war, and I should think this would.

MR. WHITE: I would like to introduce a little sour note into this. I don't think you can shorten the war one hour by small steps. I think the idea is excellent, provided you want to take on some real fights, and then, I think, you can do a great deal to shorten the war, or you can shorten the war by a great deal, let me say, if you use the full power of the United States against these neutral nations.

I don't think the approach in getting a little more ball bearings or less, a little more of this item and less of that item is going to affect the war at this stage of the game at all. They have been trying that, and I think that any attempt to buy Sweden off in any case is in the wrong direction. I think that with your objective, if you could outline the policy--and I am a little skeptical about your achievement, because you are running counter to some very large forces, which require an entire reversal in our attitude toward neutral nations. The time being with us, then I think you can accomplish something, but I think the approach must be on some very drastic reversal of our foreign policy and not through methods of--

MR. COX: Do both, Harry. The reversal has already begun to take place. For example, in the case of Spain--

we tried solely preclusive buying of wolfram, which we  
isn't an effective thing until the pressure got so  
strong on the State Department that they made three clear-  
cut demands on an oral basis to the Spaniards. One was  
that they clear the spies out of Tangiers, that they  
release some of the Italian ships they had, and cut down  
on the shipments of wolfram to Germany. That was on the  
diplomatic front. At the same time, it doesn't exclude  
the other.

On the Turkish thing, in addition to preclusive and  
getting them supplies--and this is very much off the  
record--the President has just sent a letter to Inonau  
in which he says, without making any threats, "Won't you  
do something to cut down the chrome shipments to Germany?"

Now, the Turks know. They happen to be a people that  
know when you say that--they always figure out what you are  
going to do if you don't do it. You have to combine all  
these technical things.

But I would say in hastening the pressures on the  
tough basis that Harry is talking about, I think this kind  
of board would help.

MR. WHITE: Only if that were its objective.

H.M.JR: Let me put it the other way, Harry. Supposing  
if Oscar Cox says, "Look, Morgenthau, everything is being  
done; there is no room for such a board."

MR. WHITE: Everything is being done, or almost  
everything is being done at the low level which in my  
opinion is wholly ineffectual.

MR. COX: It is being done at higher levels.

MR. WHITE: I am very skeptical of that.

MR. COX: It is not enough.

MR. WHITE: I can't think anything like the sort of  
thing we are talking about is being done at the high  
level.

H.M.JR: Now look, Harry, can we get a little rough around here?

MR. WHITE: If we can't, we won't get anywhere.

H.M.JR: If you don't mind, I think for once you have a very defeatist attitude. I am talking about a group working with the President, supplying the material to the President so that he will use it. I am giving the window dressing with three Cabinet Officers and suggesting putting a fellow in like Strong, who knows his stuff, and has an accumulation and is rough and tough. I know it, and he is willing to take chances. In other words, what I was trying to duplicate on this front is something which has worked, like having Pehle and having us stuffed shirts up front.

All Strong said was that he needs two people. That is all he wants. Then this thing would be fed to the President and explained to the President, and if necessary a little pressure put on the President. We can satisfy that to do this thing.

MR. DuBOIS: I want to say that the defeatist attitude that Harry has, or whatever you want to call it--it seems to me that what you are really asking for is some group that is going to be able to change our State Department's policy. That is a big order.

MR. LUXFORD: That is right.

MR. DuBOIS: That is the basic difficulty, as I see it.

MR. COX: Let me give you an illustration of the proof of the Secretary's thing. One--

H.M.JR: No--may I interrupt you? You are my guest; you talk first.

MR. COX: No, after you.

H.M.JR: These fellows amaze me. Now listen, the only thing the President can put in a positive foreign policy

After last week's attack on Hull and him is the first paragraph of this Refugee Committee. Read that. You don't have to ask.

Now, if my guess is right, I think it would fall on most welcome ears, and he would love it. Let's be a little bit practical. Just as this thing was timely because Congress had a bill, there isn't a man, woman, or child who hasn't some relative in service; and if the President of the United States begins to talk about doing this, that, and the other thing to shorten the war, my God, I don't see what is the matter with you fellows. If the President doesn't want it, he can say so, because in the first place, why do I go on? I go on there to be the SOB on the thing. Hull and Crowley can say, "We don't need Morgenthau; that is none of his business. We don't need General Strong; that is none of his business." But if the President says, "I want Morgenthau and I want Strong to feed this stuff to me and he is welcome to it," what more do you fellows want?

The President has to say, "I want it. I want to know what I can do. I will handle this myself."

MR. LUXFORD: Mr. Secretary, I think that all we are saying is--

H.M.JR: You fellows had better get some fresh air.

MR. LUXFORD: There is a battle that in any way you slice it is with the State Department. You just can't get away from it. That means even against the President.

H.M.JR: You are wrong there. Listen, you fellows, I have forgotten--I can take care of the Democratic State Chairman in three seconds, and I will be back.

(The Secretary leaves the office temporarily.)

H.M.JR: Have you gotten anywhere?

MR. COX: I think we have moved Harry a notch.

MR. WHITE: He has moved me over to his position, but I misunderstand. Now that I understand your position is

what it is, I gather it is the same as mine. It is fine.  
(Laughter)

I am willing to agree with him since he believes as I do.

MR. COX: Monday afternoon double talk. Tell him what we agreed on.

H.M.JR: Somebody will have to take the Professor from Bowdoin afterwards out of here and explain to him that these things go on every day.

MR. COX: You don't need to.

H.M.JR: Is he all right?

MR. COX: Yes.

H.M.JR: Harry, now I find myself in the same position as you.

MR. WHITE: No, I want to make certain that Oscar is interpreting you correctly. He seems to be pretty certain that that is his view.

MR. COX: I didn't say it was his view, but I said it was my view.

MR. WHITE: Don't back down.

H.M.JR: Can Oscar talk for himself?

MR. WHITE: Yes, while we are here, sure.

MR. COX: My major point as to the advantage of this thing, Mr. Secretary, is that it gives you direct access to the President, out from under any particular views that may be imbedded in the State Department or any inertia. I can give you three examples. In the first place on Turkey, Win Riefler went in to see the President for a few minutes. He talked about preclusive buying. At Cabinet meeting, I understand the President turned to Stettinius and Crowley and said, "Why don't you buy some chrome for cash in Turkey?"

Of course, we have been buying for cash, and that wasn't the problem at all. Apparently nobody has ever told the President what the problem was in the chrome shipments from Turkey to Germany, and they were going up. Win was just on his way back and was caught at that point, and the State Department was on this preclusive thing.

MR. WHITE: Didn't Riefler explain to the President?

MR. COX: No, he just happened to mention it in passing. The President got it in his mind and mentioned it at Cabinet. Riefler got up after clearing with the State Department and Crowley this letter to Inonau, which makes sense and is adapted to the particular thing.

H.M.JR: Do you have a meeting going on in your room, Harry?

MR. WHITE: I had a group coming at four. They are our boys, and they should discuss it for twenty minutes before I come in.

MR. COX: The second thing is the Spanish thing where certain people in this town were pressing. At first the Combined Chiefs of Staff said, "Lay off being rough on Spain until we are ready." Then they gave the green light after some pressure. They got a little bit tough.

Now, the Swedish and ~~the~~ Swiss things are the two weakest ones. You have particular problems. Acheson has always had strong views as to how you should deal with Sweden. That viewpoint is the only one, if presented at all to the President. I bet you fifty to one today the President hasn't any idea what the policy on Sweden is. Nobody has taken any initiative on putting it up to him.

I say at this stage of the war if you say to the Swedes, "If you don't cut down your iron ore by fifty percent to Germany we will take rough measures," they will do it. That is the most effective thing you can do, quite aside from supplying them with engines or other things which may be part of the bait. But I think you can do a good job.

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H.M.JR: What I wanted from you was, if you tell me, "Now, look, please keep out of this; everything is lovely"--

MR. COX: I can't tell you that; I don't think everything is lovely.

H.M.JR: I don't know what Harry was talking about. I just can't get it. I am talking about supplying materiel to the President so that he can act. I should think all of you would be delighted with that.

MR. WHITE: I am very skeptical, but it is all right. I am skeptical that you are not going to shoot at drastic enough measures. I gather from Oscar that I am wrong. If so, fine!

MR. COX: I think Harry's quarrel, which is sound, is that if you only go to Sweden and say, "Now, look, stop sending ball bearings, and we will get you some airplane engines," that isn't enough at this stage of the war, because victory is sufficiently close, and the Swedes are worried about how they will stand with the Scandinavians and with us in terms of trades. If you are absolutely tough with them and say, "Now, look, a lot of people have been killed in this war so far; you haven't taken the responsibility; you are sending so much iron," they will come back and say, "We need coal from Germany." You will say, "Well, you will just have to put up with less coal, and you will have to use all the methods in your hands, which are blockades, cutting off all supplies, if necessary." But be absolutely tough and get the thing done.

Now, the State Department is not ready to act in that way on that particular problem. I think by access to the President you can get a lot tougher action than you would if you didn't have this group.

MR. WHITE: May I follow that line of thought? You see, the attempt to do that up to now has failed, and it would have been too difficult to do it.

Now, there is something new in the situation, which is, I think, a special point of your idea, and that is

...the victory seems so close that it is possible that you could start an avalanche of the neutral nations suddenly being shut off very hard on Germany, then I think you might well hasten the end of the war. You couldn't have done that before. You may be able to do it now.

H.M.JR: I haven't made myself clear at all here. I have to be a little franker.

MR. COX: I get it.

H.M.JR: No, I mean they have no head start on you (White) other than their own brain.

MR. WHITE: Well, their brain is better than mine.

H.M.JR: I am not saying that. What I am trying to get over is this: We keep talking about Hull all the time. Mr. Roosevelt is Commander-In-Chief; he has a brain of his own. Now, if you get certain things to him in spite-- I mean, the best illustration--John and these fellows know what I have gone through the last six weeks, I mean, to get the thing through. I am not going to tell them. They know. Despite Judge Rosenman and his publicity man over there, we have gotten this out.

MR. COX: It is one of the best damn things that has come out.

H.M.JR: But if you sit back and say, "Here everybody in the White House is against it; you shouldn't start," all right, that is the same theory. "Everybody is against the thing." But finally the President makes up his own mind that he wants to do it.

Now, all I am saying is where I differ, I don't think victory is in sight, and I haven't yet talked to a top ranking soldier who has convinced me that we are going to get a beach-head. I don't think you can leave a stone unturned to make this operation, when it comes, a success, and you just can't sit back and say that with these troops that we

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love, and so forth, and so on--as General Arnold said to me today--I don't know whether the estimate is correct--he said, "Do you know how many men the Russians have thrown into this?"

I said, "No."

He said, "Twenty-five million."

Put that in terms of the United States. And we sit back here and we still aren't really getting down to cases in this war. And I don't think that anybody that I have talked to has convinced me that it is a foregone conclusion that the spring operation is going to be a success.

I think the President, himself, has to make up his mind that he is really going to get tough and not leave a stone unturned anywhere in the world to keep the stuff from going into the hands of the Germans. Now, in order to do that, he has to do things differently than he has ever done them before. I have enough energy left and enough daring to be willing to be the spearhead on this thing, and have it known around Washington that I am the spearhead on this thing.

I am going to explain it to him in advance, and he can say, "Henry, this is none of your business. Please keep out." But if he says, "No, I would like you to do it," what have I to lose? And if, for instance, somebody has done the most terrific job on the President--Hull said last week they have no foreign policy with the exception of the Jewish Proclamation.

Suddenly somebody like Mr. Willkie is going to be smart enough and simply ask the President point blank, "What have you done to shut off the neutrals?" When he is asked that, what is his answer going to be? He hasn't any. And I am saying that I think, according to my judgment, the time is right to feed this stuff to the President, and I think there is better than a fifty-fifty chance he will take it.

MR. WHITE: That is fine.

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W.F.JR: Don't be so patronizing; I am really talking about getting rough.

MR. WHITE: I am not patronizing. I am directing my remarks to your original remarks in which you said you would get General Strong and he would give various ideas. One of his first ideas was that Sweden would stop sending ball bearings to Germany. I think that is peanuts.

H.M.JR: General Strong said he wasn't interested unless all protocol went out of the window. Maybe you didn't hear me say that. He said, "There is no use talking, Mr. Morgenthau, unless you agree from the start all protocol is out, State Department is out."

MR. WHITE: That presents possibilities; it is very worth while exploiting, sure.

MR. LUXFORD: But do you think that the State Department is going to agree to that, that Hull is going to agree? Let's go a step further. State is going to begin slugging you at once, saying you are leaving Britain in a wonderful position. We are going in and making all the sacrifices and Britain gets all the post-war markets. They won't go along. It will be the same story as Argentina.

H.M.JR: You can't tell, after what Mr. Hull went through last week. He may wake up some morning and decide he is going to get tough. If you had told me a couple of months ago that he would let the cables go out that have gone out from his place, I would have laughed at you. I wouldn't have believed you.

MR. PEHLE: I think we tend to forget how impossible it would have looked.

H.M.JR: You had better shout in this room.

MR. ABRAHAMSON: I think, in that connection, it was a very pleasant shock to me over the past month to see what the War Refugee Board is doing. For twenty-two months I was with a private agency on the outside wondering why things weren't done, and you can say - and I can still be detached about it - that every reasonably promising idea in the field of refugee work is being followed and followed rather toughly - sometimes a little brashly - but even that is good.

Now, I think that there may be some analogy here, that just as the President was happy to use the Proclamation, not only for its intended purpose, but as a statement of foreign policy, that some group like this, particularly if it has ingenuity, can furnish him, and maybe Mr. Hull, with some ideas which they would find useful.

MR. COX: There is one other factor here that is of tremendous importance to my mind, and that is the American public has understood the connection between foreign policy and lives. I don't think, as far as the President is concerned, that the initiative, in terms of the regular agency, is ever going to get off the defensive in terms of protection of the President - in addition to its other merits - unless you do something like this kind of thing, followed through, because the President has no access to these problems. He doesn't know - the chances are better than even that in almost any of these cases you follow through and you will have an open road and publicly foreign policy is made up out of a bunch of concrete things, and it is pathetic that he had to fall back on this statement as one of the concrete things to indicate what the foreign policy was.

MR. ABRAHAMSON: And then you had the follow-up in every newspaper, almost - "This is a fine statement, Hull's Seventeen-Point Plan - but what, specifically, are you going to do about Spain, about France, about

South Africa?" And then they wanted implementation in terms of actual policies.

MR. JR: My guess is the Republican National Committee has done a job. It smells like it and it looks like it. They have gone to work on it.

MR. COX: They will keep it up through the campaign, no question about it.

MR. ABRAHAMSON: Look at that group led by our Congressman, Robert Hale. He led seventeen people in to see Secretary Hull and they came out and said the American foreign policy seems to be silence. And Hull had to come out and say, "I was misquoted, as frequently happens when a small group gathers, off the record. They didn't quote me correctly." Then a few days before that he had to say to reporters, "I don't want to talk specifically about foreign policy because I am preparing a radio broadcast. I don't want to take the edge off of it."

I think they are on a spot.

MR. COX: One key illustration in this particular field, and that is in the field of Federal alloys. Since the Russians have recaptured Nikopol, most of the stuff, steel-making in terms of alloy steels, comes from Switzerland, Sweden, Portugal, and Spain, with some from Rumania. Now, if you can close off the neutrals you have done a major job in terms of war-making.

MR. WHITE: No question about that, if you can close them off.

MR. COX: But it is worth a try.

MR. ABRAHAMSON: Your point is, if you go into this, you go in in a tough way.

- 11 -

MR. DuBOIS: In other words, the Secretary has to be prepared to spend a lot of time on the thing. That is what it boils down to, Mr. Secretary. If you are prepared to spend a lot of time--

MR. WHITE: For big stakes.

MR. DuBOIS: For real big things, that is something different. But going in for the sort of things that I understand, I don't see much hope. But if you are going in with full responsibility for the conduct of it, then there is hope.

MR. LUXFORD: The square issue is; one, we are going to have to change it from the State Department policy to a fundamental policy. If we are willing to take that job on, we may be successful, but we can't do it with instinct.

MR. WHITE: Let's not lose sight of what has just emerged from the last ten minutes. The avenue the Secretary has provided, the plan he has provided - the only thing that there has been some disagreement about, and the only thing I would like to see clarified, and is being clarified, is that what you have gone after through those channels are the big stakes.

MR. PERLE: Major foreign policy.

MR. WHITE: Major matters.

MR. PERLE: Including the whole attitude toward Spain.

H.M.JR: This is what I dictated on my machine at home. I dictated this as a memorandum: "Suggestions for the President; that he set up a Committee of Hull, Crowley, and myself, with General Strong as Director and Executive Secretary, to push economic warfare on our enemies with the objective to deprive them of highly critical strategic materials. The motto of this Committee should be, 'What can we do to end the war sooner?'"

That is what I just dictated out of my head as a  
copy. It may not be English.

MR. COX: I would make it broader.

H.M.JR: I just wanted to say, Harry, that I  
wasn't thinking of a pea-shooter.

MR. WHITE: Well, I was misled by your illustra-  
tion.

MR. COX: The only other question - not knowing  
Strong well enough - is he the kind of fellow you want  
as Executive Director of the thing?

H.M.JR: Well, he talked about bringing two people  
over with him - what is his name?

MR. WHITE: Neff.

H.M.JR: No.

MR. PEHLE: Towson.

H.M.JR: Towson and Walter Smith.

MR. WHITE: Neff would be a good man.

MR. ABRAHAMSON: You would have to get the people  
under Strong, I think, to be a little more shrewd on  
on the economic side than Strong has been. From some  
experiences I have had, I think it is fair to say that  
even just before he retired, Strong had a very imperfect  
knowledge of the economic strength of the enemy and of  
the neutrals, and there have been occasions when his  
Colonels have been willing to subtract as high as  
twenty or thirty or forty percent from the figures he  
had been using. A lot of that comes in on the OSS busi-  
ness, which probably wouldn't have been set up if he  
had an adequate--

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MR. WHITE: I would rather see Strong a member of the Board, just have a General on the Board and get the benefit of whatever knowledge he has, and then have an Administrative Secretary, somebody who is much more powerful than Strong ever gave any suggestion of being.

MR. COX: One other question here you ought to consider pretty carefully. If you can bring the Combined Chiefs of Staff in, in the sense that you have a link to the people on the Staff, then you can get more effective action.

In other words, even if somebody in the State Department stands up in the way, and the Combined Chiefs of Staff say, "All right, we want to go ahead, and we will take the risk" - as they did in Spain, then you can go ahead.

MR. WHITE: Combined Chiefs of Staff? That includes England.

MR. COX: Yes.

MR. WHITE: England--

MR. ABRAHAMSON: I thought you meant the Joint Chiefs.

MR. PEHLE: I don't think you can get anybody with the Combined Chiefs.

MR. COX: No, but somebody to talk to the people on the Staff, somebody who knows Arnold. I think Strong would fit that part of the bill. The only question I have is whether he is tough enough and smart enough.

MR. WHITE: I have a suggestion, Mr. Secretary. The one who has been the toughest and has fought right along and has, I think, exactly the same views as you have on this thing, is Patterson.

H.M.JR: He says Patterson would be one of the stumbling blocks.

MR. WHITE: Not on Sweden, Switzerland, and Spain.

MR. PEHLE: He was very good, and the man, Neff, is excellent.

H.M.JR: On getting material out of the country.

MR. PEHLE: I don't blame him for being stuffy because you send it out and it doesn't accomplish a damned thing because the State Department's policy is to let Sweden send anything in, anyhow.

MR. ABRAHAMSON: You know, where Hopkins was Chairman, and Lubin was - the Munitions Assignment Board, which reported directly to the Joint Chiefs of Staff, is sort of going out of business.

MR. COX: Burns is sick. He would be all right for this sort of thing because he knows all those fellows on the Joint and Combined Staffs. He is an active guy. York is taking his place.

MR. PEHLE: The kind of guy I think you ought to get for Executive Secretary is Colonel Bernstein, then you would have something. Then you would have somebody who is really going to drive and see it in big terms.

MR. LUXFORD: Couldn't have a better one. If you want to put Bernie under Strong and Strong is going to be the figurehead, and let Bernie operate, it will be all right.

MR. WHITE: Strong shouldn't be on the Administrative Board.

MR. PEHLE: Bernie would make the difference between success and failure, I think.

H.M.JR: Are you fellows beginning to like the idea?

- 13 -

MR. ABRAHAMSON: Wouldn't you gather so?

MR. COX: You don't ask the girl whether she wants the engagement ring unless you like her. They have come around.

H.M.JR: God! I never worked so hard in my life!

MR. WHITE: Your sights are in exactly the same place as they were when we started, but we have seen them differently.

H.M.JR: That is right.

No, I am going on the assumption that the President has to do something in the foreign policy field which is quite different from anything he has done before. And he needs help to do it. Where is he going to look for it? Is Crowley going to give it to him, personally? I mean, is Crowley going to walk over there and say, "Mr. President, I think you ought to get tough and rough with Sweden"?

MR. COX: Well, he has done it with the State Department, but he hasn't done it--

H.M.JR: My question is, with the President?

MR. COX: I doubt it, unless you get this kind of a mechanism, because the principal advantage, as I see, of this is if it is a Board set up by the President, you have direct access as a board, and you don't have to clear everything with the State Department. If you have two votes on the board, even if there is a dissenting vote, you can deal directly with the President. It has an enormous advantage.

MR. ABRAHAMSON: I think the analogy with the War Refugee Board is very good.

H.M.JR: That is where I got the thing going over the week end.

MR. CURRIE: It is a good analogy.

MR. HAYFORD: It is a good idea if you have a strong man as the Executive Secretary.

MR. WHITE: Currie would be a good man, in FEA. He would be a logical man. He certainly would be much better than Strong. I think Strong is a good man, but I think he belongs on the Board, if anywhere, as an adviser. The very fact that he didn't see Patterson's point in this thing shows he has missed the boat, completely.

Patterson has fought against giving Sweden even nickel and a few other items because he has said that whatever we give Sweden is a help to Germany and we can't trust her. In other words, what he has conceived to be Patterson's obstacle is, in effect, Patterson's strength.

H.M.JR: Is Neff an attorney?

MR. WHITE: No, an economist. He is a very deceptive fellow. He acts about sixty. He is very shrewd, very persistent, very capable, and his heart is in the right place.

H.M.JR: Where is he deceptive, Harry?

MR. WHITE: ~~He~~ He looks ineffectual when you first meet him.

MR. PERLE: But he is very good, particularly on these questions.

MR. WHITE: He has been Patterson's adviser for the last couple of years.

MR. O'CONNELL: He is a deceptive poker player, too. He is much better than he would appear to be. (Laughter)

MR. H.M.JR: There is one fellow - I don't think he will have an administrative job - General George Spaulding.

... the brightest guy I have seen in the Army in this  
... or is retired now.

MR. WHITE: I don't think you need a bright guy  
... is problem, I think all you need--

MR. COX: I mean, he sees the objective with great  
clarity.

MR. ABRAHAMSON: Has to be willing to slug.

MR. WHITE: The objectives are much clearer. I  
don't think you need nearly the ingenuity and imagina-  
tion that you do in this other job.

MR. COX: Why don't they go into subcommittee and  
recommend names to you.

H.S. JR.: I am not worried about names. I just  
wanted to talk the thing out and see that I was in agree-  
ment with you people.

MR. WHITE: Doesn't the Directive in the FEA include  
the same thing as Board of Economic Warfare, or has it  
been modified?

MR. COX: No Board.

MR. WHITE: I mean, haven't they carried over?

MR. COX: They have carried over all the functions,  
yes.

MR. WHITE: And this economic warfare is a function.  
... reason why this shouldn't go forward, but I think it  
... reason why they have got to appear to play a major  
... it.

... So, I am acting as though I just came to  
Washington and wanted to get something done; that I

- 22 -

Don't know anything about Washington or anything else.  
Want to get something done, see?

MR. COX: He is having unusual trouble!

H.V.JR: O.K. I enjoyed myself. I hope you all  
did.

March 27, 1944  
4:30 p.m.

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Hello.

Yes.

Is this the secretary to the Secretary of Treasury?

No, this is Mr. Morgenthau speaking.

Mr. Morgenthau?

Yes.

This is Ambassador Gromyko's secretary.

Yes.

I would like to speak to the secretary -- that's all right. You see, a week ago Mr. White was here at the Embassy and he saw one of our pictures.

Yes.

And he asked if it will be possible for us to send it to the Treasury Department....

Yes.

....for the Secretary.

Yes.

And the Ambassador promised to send it....

Yes.

....and he would like to send this picture today.

Yes.

And to whom shall we address -- I'll send my chauffeur with this picture.

- 2 -

You ask for Mr. FitzGerald.

Mr. ....

HMJr:

FitzGerald.

S:

Fitch?

HMJr:

Fitz.

S:

Will you spell it please?

HMJr:

F like in Frank.

S:

Yes.

HMJr:

I.

S:

Yes.

HMJr:

T.

S:

Yes.

HMJr:

Z.

S:

Z.

HMJr:

G.

S:

G.

HMJr:

E.

S:

E.

HMJr:

R.

S:

R.

HMJr:

A.

S:

A.

HMJr:

L.

S:

Yes.

HMJr:

D.

- 3 -

1-1. Uh huh. At the Treasury?

Yes. He's in my outer office.

S: I see.

WMJr: And this is Mr. Morgenthau you're speaking to.

S: Uh huh. Thank you.

WMJr: You're welcome.

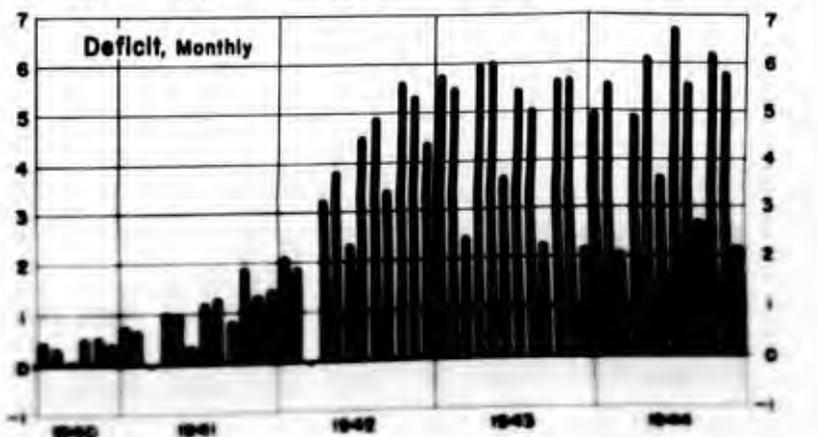
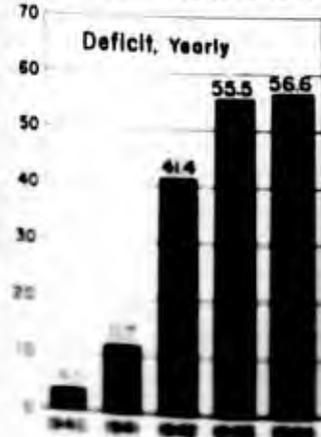
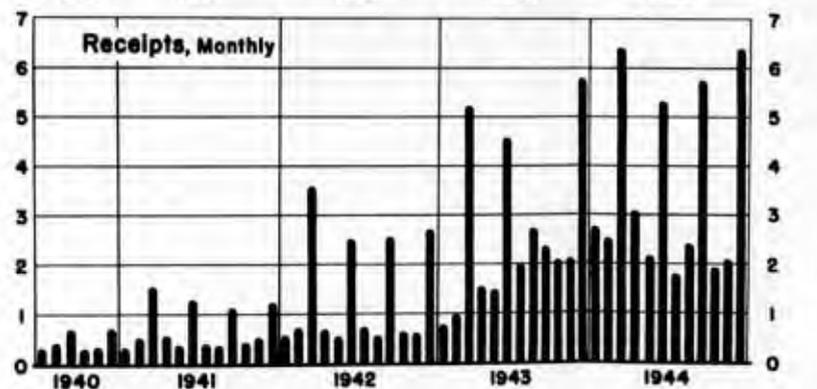
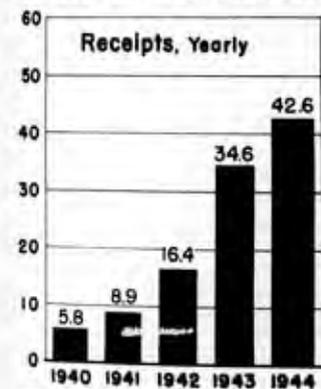
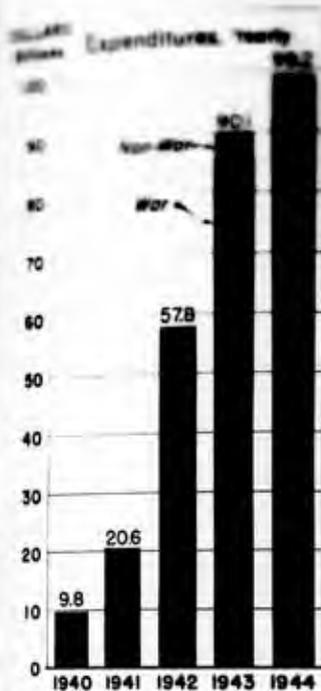
S: Thank you, sir. Bye.

Given to the Secretary by Mr. [Name] on 3/27/44.

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# FEDERAL EXPENDITURES, RECEIPTS AND DEFICIT

With Estimates for 1944 Accounting War Continues in Europe and Pacific  
By Calendar Year



Note: Includes surplus from and net Treasury receipts to Government corporations.  
Receipts: excludes effect of Government department receipts to Treasury.

MAR 27 1944

Dear Mr. Wiggins:

I have your letter of March 24, 1944, advising me of the names of the individuals appointed to the subcommittee of the American Bankers Association Committee on Treasury War Borrowing to work closely with the Treasury on banker participation in the next War Loan Drive.

I am very well pleased with the individuals appointed to this committee and I appreciate your taking such prompt action. I am sure that the committee will be very helpful to all of us.

Thanking you for your splendid cooperation, I am

Sincerely yours,

(Signed) H. Morganthau, Jr.

Mr. A. L. M. Wiggins  
President  
American Bankers Association  
Hartsville, South Carolina

DWB:NLE

*DWB*

THE AMERICAN BANKERS ASSOCIATION  
OFFICE OF THE PRESIDENT

HARTSVILLE, SOUTH CAROLINA

New York, N. Y.  
March 24, 1944

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

Dear Mr. Secretary:

In accordance with your suggestion at our conference on Tuesday, with which we are in full agreement, I am pleased to appoint a subcommittee of the American Bankers Association's Committee on Treasury War Borrowing to work closely with the Treasury on banker participation in the next War Loan Drive. The members of this committee are:

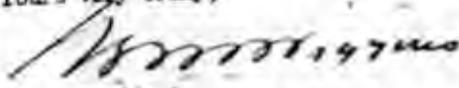
Tom K. Smith, President The Boatmen's National Bank,  
St. Louis 2, Missouri, Chairman  
W. Randolph Burgess, Vice Chairman of the Board The  
National City Bank, New York 15, N. Y.  
E. M. Edwards, President South Carolina National Bank  
Columbia, Box 750-E, South Carolina  
Robert V. Fleming, President The Riggs National Bank,  
Washington 13, D. C.  
Charles E. Spencer Jr., President First National Bank,  
Boston 6, Massachusetts

Bankers throughout the country have been glad to make a substantial contribution to the success of all the War Loan Drives, and I am sure they will be willing to put forth the extra effort that will be needed to make the Fifth War Loan Drive a success.

I am notifying Under Secretary Bell and Mr. Gamble of the appointment of this committee and of the readiness of the committee to respond to the call of the Treasury at any time.

On behalf of our committee, I wish to thank you for your hospitality and for your consideration of our recommendations.

Yours very truly,

  
President

MAR 27 1944

Dear Randolph:

I have your letter of March 22, 1944, enclosing a memorandum of recommendations concerning the Treasury's financing program for the next few months as submitted by the American Bankers Association Committee on Treasury War Borrowing.

I appreciate the splendid work this committee is doing in helping us make plans for our financing program for the months ahead. It is very helpful to me in every way.

Sincerely yours,

*(Signed) Henry*

Mr. W. Randolph Burgess  
Vice President  
American Bankers Association  
22 East 40th Street  
New York 16, N. Y.

DWB:NLE

*swrB*

THE  
AMERICAN BANKERS  
ASSOCIATION

22 East 40 Street, New York 16, NY

BRANCH OFFICE  
719-15 STREET, N.W., WASHINGTON 5, D.C.

March 22, 1944

CHAIRMAN  
PRESIDENT  
V. B. MORTON  
L. S. BROWN  
WALTER W. FOSTER  
WALTER S. FRENCH  
EDGAR E. MOUNTJOY  
WILLIAM POWERS  
MERLE S. SELEGMAN

SECRETARY  
RICHARD W. HILL  
CONTROLLER  
J. J. ROONEY

*Beu*  
*C. H. ...*

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

Dear Mr. Secretary:

In accordance with Mr. Wiggins' undertaking yesterday, I enclose herewith a transcript of the findings of the Committee on Treasury War Borrowing of the American Bankers Association which were given orally by Mr. Wiggins at our meeting yesterday afternoon. May I add that we have all enjoyed this opportunity to participate in the planning which you and your Department are doing in connection with this important national undertaking.

Yours sincerely,  
*W. Lawrence Burgess*  
Vice President

WLB:TR  
Enc.

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Memorandum to the Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury

From the Committee on Treasury War Borrowing of the  
American Bankers Association  
Meeting - March 20 to 21, Treasury Department  
Washington, D. C.

The following were present:

A. L. M. Wiggins, President Bank of Hartsville,  
Hartsville, South Carolina, CHAIRMAN  
Robert V. Fleming, President The Riggs National  
Bank, Washington, D. C., VICE CHAIRMAN  
Harold Stonier, Executive Manager A.B.A., 22 East  
40th Street, New York City, SECRETARY  
J. E. Drew, Deputy Manager A.B.A., 22 East 40th  
Street, New York City, ASSISTANT SECRETARY  
Edward E. Brown, President First National Bank,  
Chicago, Illinois  
W. Randolph Burgess, Vice Chairman of Board The  
National City Bank of New York, New York City  
B. M. Edwards, President South Carolina National  
Bank, Columbia, South Carolina  
R. B. Newell, President Hartford National Bank and  
Trust Company, Hartford, Connecticut  
Tom K. Smith, President The Boatmen's National Bank  
St. Louis, Missouri  
Robert Strickland, President Trust Company of Georgia,  
Atlanta, Georgia

The Committee discussed the financing program with Mr. Daniel Bell, Mr. Ted Gamble, Mr. George Haas, and other Treasury experts. It has reviewed three confidential memoranda. It then devoted most of its time to the problems of the 5th War Loan and particularly to the specific problems suggested in an agenda presented to it by Mr. Daniel Bell.

Before recording the resolutions reached on specific parts of the program the general comment should be made that the Committee was impressed by the increasingly difficult problems offered in connection

with the 3d War Loan Drive due to the facts that insurance companies and savings banks in the earlier drives have used up their cash reserves and funds made available by the sale of other obligations; similarly that wealthier individuals have also bought bonds in previous drives out of capital and this operation cannot be repeated. Higher taxes are also a handicap. Much of the newly created funds are in areas less readily reached. The Committee found no magic formula for overcoming these difficulties, but concluded that the prime necessity was careful planning and hard work to sell as large as possible a sum to non-banking investors and keep at a minimum the amount of securities necessarily absorbed by the banks with their consequent inflationary dangers.

(a) DATE OF DRIVE. We recommend that the drive begin June 7 and end July 5, thus bringing in the 4th of July holiday for its concluding effort. We recommend that savings bonds received during the full months of June and July be included in the drive. We believe the drive for all types of investors should be simultaneous as in the 3rd Loan.

(b) BASKET OF SECURITIES. We recommend that the following securities be offered: Series E, F, and G Savings Bonds, Series C Tax Notes, a One-Year 7/8% Certificate of Indebtedness, a 2 1/2% bond of approximately 25 years under the same general restrictions as the long-term bond in previous loans, and a 3% market bond of approximately 10 years maturity.

(c) PARTIAL PAYMENT PLANS. We do not favor the setting up of a new partial payment plan through the banks. The banks do not have available the extra clerical help for this purpose and it is doubtful whether any substantial additional subscriptions would be received. Those desiring to make such purchases have available the \$25 bond and savings stamps.

We recognize, however, the great value of the partial payment plan under the payroll savings program which already covers a large percentage of all bond buyers and we believe that these plans should

by further extended to cover more plants and raise more money. A comparison should be studied in the plan tried in New York of making plant quotas for the War Loan on three-month payments under the payroll savings plan in addition to extra bond subscriptions.

(d) DEFERRED PAYMENT FOR INSURANCE COMPANIES, ETC. We approve a plan of deferred payment for insurance companies, savings banks, pension funds, and similar institutions under which these institutions may purchase bonds against deferred payment for a period of three months following the drive.

(e) INVESTMENT OF SAVINGS FUNDS BY COMMERCIAL BANKS. We recommend that commercial banks be permitted to subscribe for any of the long-term securities in the basket (except E bonds, and subject to the usual limitations in respect to F & G) up to 10% of their savings deposits or \$500,000, whichever is less, but that in the definition of savings deposits, time certificates of deposit of a type similar to savings deposits be included. We believe the experiment in this direction which was tried in the last loan was successful, but that the limit should be raised to take care of medium size banks which are doing a substantial savings business corresponding to the business of mutual savings banks. In a number of States time certificates of deposit take the place of savings pass books and the definition of savings deposits needs to be modified to make this provision applicable to these States.

(f) WITHDRAWAL OF COMMERCIAL DEPOSITS TO PURCHASE GOVERNMENT SECURITIES. The banks of the country generally have encouraged the purchase of bonds by their customers through a withdrawal of deposits. A large number of the banks have made a thorough-going canvass of their customers for this purpose. This has proved to be one of the most

...ive way of selling bonds. The practice and the results are not uniform, however, throughout the country and we believe that results can be improved through a further additional program on the part of the Bankers Association. This Committee will undertake to follow up this matter and will see that the question is fully discussed at the meeting of the Executive Council of the Association in Chicago in April. This Council is the governing body of the Association between meetings of the annual convention. We recognize that in addition to this effort within the banks that the primary source of new funds must be wage-earners in war industries who can probably be reached best by the payroll savings mechanism described above.

(g) SIZE OF DRIVE. We recommend a drive quota of \$14 billion, the same as in the 4th drive. As previously noted, certain types of buying will be reduced, such as that by insurance companies, savings banks and wealthier individuals. To offset losses from this source it would probably be desirable to include in this drive quota subscriptions received from commercial banks for their savings departments. A more vigorous canvass of corporations will also be necessary and increased sales effort among workers receiving high wages. This will require an intensified effort.

(h) ISSUE OF CERTIFICATES MAY 1. The Committee has carefully considered the proposal to issue on May 1 an additional market issue of 2 billion dollars of 7/8% one year certificates. As many corporations could purchase these certificates, the funds available for the 5th War Loan campaign would be reduced. The Committee also believes that, unless the cash balances of the Treasury would in the judgment of the Secretary

be inadequate, the issuance of these certificates eligible for bank purchase should be deferred until later in the year.

(i) REDEMPTION AND HOARDING. The Committee has considered the desirability of lessening the redemption of savings bonds and the amount of hoarding of currency and believes that advertising and other publicity should be studied to counteract these tendencies. It recognizes, however, that the subject is a delicate one and must be handled carefully.

(j) TREASURY BILLS. We believe the Treasury should continue to issue 90-day bills rather than longer maturities. We approve the proposal for a gradual increase in the amount of bills issued when and in the amount required to enable the Reserve System to make available the increased bank reserves probably required by the proposed financing program.

(k) POSTAL SAVINGS DEPOSITS. Except in New Jersey, the same rate of interest has been paid on Postal Savings Deposits since the inauguration of the System. Consequently the rate is much too high in relation to bank interest rates and the yield on government securities, and should be lowered. The present increase of \$200,000,000 a month in Postal Savings Deposits interferes with the War Loan Campaigns.

March 27, 1944.

My dear Admiral Halsey:

I have received your letter of March 18 with its enclosures telling about the Ingenuity Contest sponsored by the Red Cross Service Clubs among servicemen in the South Pacific area. We shall be very glad to discuss with Miss Colletta Ryan methods of making use of the exhibit in War Bond sales.

Knowing what responsibilities you have on your shoulders and the incessant demands on your time and energy that must result, I appreciate more than I can say your kindness in writing to me about this project. We shall try to make it so useful that your men who have participated in it will feel rewarded when the word gets back to them.

We continue here at home to watch the achievements of the South Pacific Force with the most intense interest and with the highest admiration for the great qualities of leadership its Commander has displayed and is displaying.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Admiral William F. Halsey, U.S.N.,  
Commander, South Pacific Force,  
Fleet Post Office,  
San Francisco, California.

March 24, 1944

My dear Admiral Halsey:

We have not yet heard from Miss Colletta Ryan, the Director of the American Red Cross Service Clubs in the South Pacific Area; but when we do, we will ask her to lend us the display. We have many uses for exhibits of this sort in connection with War Bond drives, and I am sure this one will be helpful.

Thank you for calling it to my attention.

Sincerely,

Admiral W. F. Halsey, Jr., U.S.N.  
Commander, South Pacific Area  
U.S. Pacific Fleet Headquarters  
Fleet Post Office  
San Francisco, California

WJ:alf  
CC: to Mr. Ted Hamble

SOUTH PACIFIC FORCE  
OF THE UNITED STATES MARINE CORPS  
HEADQUARTERS, P.O. BOX 233, HONOLULU

13 March 1944.

Dear Mr. Secretary:

The enclosed copy of a letter from the American Red Cross Service Club, with accompanying photographs and descriptions presents a remarkable exhibit which I have viewed personally.

It occurred to me that it might be a very interesting and appealing collection to display in conjunction with the War Bond drives, and I have requested Miss Colletta Ryan, the Director of the American Red Cross Service Clubs in the South Pacific Area, who has returned to the mainland for a speaking tour, to present to your department the availability of this exhibit.

Sincerely yours,

*W. F. Halsey*  
W. F. HALSEY.

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



## AMERICAN RED CROSS

Service Club,

HONOLULU.

February, 25, 1944.

Admiral W.F. Halsey Jr. U.S.N.  
Commander South Pacific Area.

---

Dear Admiral Halsey,

With reference to the Ingenuity Contest sponsored by Lucy  
Cressett which you were kind enough to suggest sending to the United States  
for display, I enclose a series of photographs and descriptions which would  
be of interest to anyone desiring to show it.

All of the entries which were made in spare time from materials  
at hand were submitted by servicemen in the South Pacific Area. None are  
for sale but the contributors would be glad to have them shown in the States.

If this collection could be of any value in a War Bond Drive,  
the contributors and we ourselves would be delighted to have it so used.  
Any help you could give us in furthering this would be immensely appreciated  
and we are all grateful for your interest.

Very sincerely yours,

(Isobel Lee)  
Assistant Club Director.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE March 27, 1944

TO: Secretary Morgenthau

FROM: Mr. Moore

Subject: The Business Situation,  
Week ending March 25, 1944.

Summary

Industrial production: The FRB adjusted index of industrial production for February rose to 243 from 242 in the previous month. The slight rise was entirely due to seasonal adjustment factors as the unadjusted index of production showed no change from the previous 2 months. Despite the slight gain in February, the adjusted index for the month was 4 points below the war-time peak reached last October and November.

Employment: Factory employment showed a further decline of 100,000 in February, reducing the total number of factory workers to less than 13.6 millions as compared with 14 millions at the war-time peak last November. The reduction was due in part to production cutbacks, and in part to the manpower shortage, which is becoming a more serious factor in industry.

Stock market: Stock trading on the New York Exchange declined in volume last week, while the Dow-Jones price average of 30 stocks at the close on Saturday was about 1 percent lower than a week earlier. Railroad stocks continued to display somewhat greater strength than industrial or utility stocks.

Commodity prices: While considerable strength was evident in the grain and cotton futures markets, spot commodity prices moved irregularly last week. The BLS index of 28 basic commodities, which has shown a gradual rise since last December, declined slightly. In the week ended March 18 the BLS all-commodity index rose 0.2 percent, but at 103.6 the latter is only 0.6 percent above that of a year ago.

Planting intentions: Farmers' planting intentions indicate a record crop acreage this year, almost 4 percent larger than last year. Most of the expansion in acreage is for grains, tobacco, and certain vegetables, with other crops showing decreases in acreage. Fear of labor shortages and a tight feed situation appear to be having considerable influence in shaping farmers' plans.

### Industrial production steady

Despite numerous cross currents due to shifts in war production, aggregate industrial output in recent months has been very steady, with the FRB unadjusted index of production in February showing no change from the level of the two previous months. Since a slight decline in industrial output is customary in February, the FRB adjusted index of industrial production for the month advanced slightly to 243 from 242 in January. The index, however, was still 4 points below the war-time peak of 247 attained in October and November of last year.

Steel output rose in February, but nonferrous metal production showed little change as curtailment of aluminum output was offset by increases in other metals. Production of fuels rose slightly, with production of soft coal and crude oil maintaining high levels, while anthracite coal output jumped sharply in reflection of the 7-day work week in effect during the month. Activity in the transportation equipment and machinery industries, which are heavily engaged in war work, decreased very slightly in February.

Consumer goods production, after allowance for seasonal factors, showed an insignificant increase last month. Cotton production and rayon deliveries increased very slightly while output of manufactured food products declined less than seasonally, despite a noticeable drop in hog slaughtering from exceptionally high levels attained in January. Chemical output declined as explosives and small arms ammunition production showed further curtailment.

### Factory employment lower

Last month's steady industrial output was achieved in the face of an estimated decline of 83,000, or 0.6 percent, in the number of factory workers employed. From the war-time peak of nearly 14 millions last November, factory employment has shown a gradual reduction to less than 13.6 millions in February. The largest decline during the month occurred in the transportation equipment group, principally engaged in turning out aircraft, ships, and other war material. The manpower shortage, which is becoming more serious, has apparently been a contributing factor in the employment decline, but production cutbacks were responsible for some reduction in employment in the chemical, machinery, and steel industries. The largest increase occurred in the electrical machinery industry, in reflection of expanded production for radio and communication equipment.

As a result of a further reduction of 210,000 employed workers in February, total agricultural employment during the month was 22,200, or 2.4 percent, less than a year earlier.

the past year all major industry divisions except transportation and public utilities have shown declines in output. However, the overwhelming proportion of the total production has been due to a 54 percent drop in output in construction activity.

BLS basic commodity index slightly lower

Spot commodity prices moved irregularly last week and the BLS index of 28 basic commodities declined slightly. (See Chart 1.) Noticeable declines in hog and steer prices more than offset continued small advances in cotton and rosin prices.

In the week ended March 18 the BLS all-commodity index advanced 0.2 percent, due largely to higher prices for grains, livestock, and cotton. The index, however, has moved within a very narrow range during the past year, and at 103.6 percent of the 1939 average is only 0.6 percent higher than the corresponding week of last year. It is 38.1 percent above the pre-war level of August 1939.

Futures prices show strength

In contrast to the slight declines in spot commodity indexes last week, the Dow-Jones futures index registered a noticeable rise largely due to strength in grain and cotton futures. An accentuation of the corn shortage, which has resulted in a WFA set-aside order, together with an increase in the Canadian export tax on oats, had a bullish effect on grain futures, which are generally below ceiling levels. (Since most spot grain prices are around ceiling levels, no significant changes occurred in the spot markets.) The rise in cotton futures reflects in part heavy demands of the armed forces and lend-lease for cotton textiles.

Both the Dow-Jones futures index and Moody's spot index have shown a rising tendency since last November, although there has been a considerable degree of variation in the intermediate movements of the two indexes. (See Chart 2.) This variation is due to differences in the items included in the two indexes, and their relative weights. Hog prices, for example, which have an important influence on Moody's index, are not included in the Dow-Jones futures index.

Stock prices and trading activity decline slightly

Stock prices and trading activity both declined somewhat last week, after advancing to a new high for the year on the preceding week in the week ending March 11. At the

...the Dow-Jones average of 30 stocks was ... lower than a week earlier, while the volume ... New York Stock Exchange was noticeably

...of stock prices to make further headway ... apparently generated a more cautious attitude ... of traders and investors, and on Friday stock ... on the New York Exchange dropped below the ... daily rate for the first time since March 9. ... Chart 3 will disclose that, despite the ... heavy volume of trading since the date mentioned, ... railroad stocks as a group showed any net advance by ... of last week.

Railroad stock prices rise despite less favorable earnings

Following persistent gains in January and February, railroad stock prices in the past 2 weeks have again displayed greater strength than industrial or utility stocks. The rise in railroad security prices in recent months has occurred in the face of a generally declining earnings trend, which has been in evidence since last May. (See Chart 4.) Monthly net railway operating income (earnings after taxes but before interest and other fixed charges) of Class I railroads has fallen consistently below year-earlier levels since May 1943. Contrary to the customary trend, railroad earnings failed to show the usual seasonal expansion last fall and were actually lower than in the spring. In addition to the adverse effect of a reduction in freight rates last May, railroad earnings have been cut by increased operating costs, including a retroactive wage increase, and the virtual exhaustion of excess profits tax credit carryovers.

Despite the drop in the latter half of 1943, railway operating income for the year as a whole was only 8 percent below the 1942 peak and stood 17 percent above the 1925-29 average. In sharp contrast, railroad stock prices in 1943 were not one-fourth as high as in the 1925-29 period. As Chart 5, the relationship between railroad earnings and stock prices has diverged widely during the war, with 1943 actually averaging lower than in 1938 despite a considerable increase in earnings.

RAILROAD STOCK AND EARNINGS

...average of ... to affect operations ... 1943 ... 1938 ...

- 1 -

... 75 percent of present stocks and future receipts  
 ... customers. Eligible purchasers of the set-  
 ... stocks, to be designated by the WFA, will  
 ... with the elevators.

... if corn forced the Corn Products Refining Company  
 ... to suspend operations at its large Kansas City  
 ... Two other plants of this company have only enough  
 ... to take them through the middle of this week,  
 ... reported. Moreover, a survey of the Corn Industries  
 ... Foundation revealed that the Keokuk, Iowa plant of  
 ... the Midinger Company had been closed all last week, Anheuser-  
 ... Busch's St. Louis plant was operating on a reduced scale,  
 ... and several other plants faced a shutdown if corn supplies  
 ... were not obtained within the next few weeks. These processors  
 ... make corn products needed for the production of critical war  
 ... materials as well as for essential civilian uses.

While corn marketings increased somewhat during January  
 and February, in recent weeks they have been less than half  
 as large as during the corresponding period of last year.  
 The fundamental factor in the shortage of corn has been  
 the greater profitability of feeding it to hogs than selling  
 it under the existing price ceilings. A recent factor has  
 been unfavorable weather in the Corn Belt, closing country  
 roads and hindering farmers in marketing their corn.

Milk production shows normal seasonal increase

Milk production has shown about the usual seasonal  
 increase in the last few months, but continues slightly below  
 the levels of a year ago. Production in February was about  
 2 percent larger than that of last year, due entirely to the  
 extra day in the month, since on a daily basis it was slightly  
 less than in February 1943. (See Chart 6, upper section.)  
 An increase in dairy production subsidy payments, which should  
 raise the March milk-feed ratio to one of the best for the  
 month in recent years, and widespread rains aiding the  
 improvement of spring pastures, should help stimulate milk  
 production this month.

Butter production, while increasing seasonally, has  
 been running substantially below the levels of a year ago.  
 There is some evidence, however, that the limitation on the  
 distribution of fluid milk and cream, which was instituted  
 last fall, and the subsidy payment program to offset higher  
 feed costs, have had a favorable effect on butter production.  
 The movement in civilian butter supplies has occurred in  
 ... results of action.

The Government has not been purchasing butter during the last several months, but has been meeting its requirements from the large stocks accumulated last year. While Government purchases will be resumed starting April 1, manufacturers will be required to set aside only 10 percent of their output as compared with the 30 percent required last April. Despite the large requirements of the armed forces and lend-lease, stocks of butter on March 1 were almost 9 times as large as a year ago, with over two-thirds owned by the WFA. (See Chart 6, lower section.)

Crop acreage near record levels

With farmers pushing production close to the limit of their resources, total acreage of crops is likely to be almost 5 percent greater than was grown last year and but slightly below the record crop acreage of 1932, according to the prospective plantings report released by the Department of Agriculture last week. Practically all the increases in acreage over last year will be for grains, tobacco, and certain vegetables. (See Table I, column 1.) The wheat acreage will show the largest gain, consisting of about a 25 percent increase in winter wheat and nearly a 15 percent increase in spring wheat. A noticeable expansion in the acreage of oats is indicated. The prospective acreage to be planted in tobacco shows a sharp increase over that of last year while, on the basis of incomplete reports, the acreage of truck crops harvested for the fresh market may show an increase of almost one fifth.

On the other hand, substantial decreases in the acreage of important war crops are indicated. The prospective flaxseed acreage shows the largest decrease, over 31 percent, but decreases of from 7 to 10 percent are noted for peanuts, dry beans, dry peas and potatoes.

A marked divergence between the 1944 goals set for various crops and the prospective acreage of these crops is apparent. For wheat, corn, rice and tobacco does the prospective acreage approximate that of the 1944 goals. (See Table I, column 2.) While the acreage to be planted in oats is slightly larger than the 1944 goal calls for, the prospective acreage of many important crops falls considerably below the goals. The prospective acreage of sugar beets is well below the 1944 goal.

The failure of farmers to follow more closely the 1944 goals in deciding upon their plantings appears to be due to the fear of a labor shortage and to the tight feed situation. Although farmers' plans show a desire to produce more crops, farmers feel compelled to shift their crops to those for which they have adequate machinery and equipment.

...all require a minimum dependence upon labor  
...but their families can provide. Moreover, the  
...report indicates that the individual farmer intends  
...every effort to secure an adequate supply of grain  
...livestock. Other factors affecting the crops planted  
...: (1) farmers' plans seem to have been influenced more  
...usual by prices and profits during the past year, and  
(2) unfavorable experiences in some parts of the country with  
...crops last year have made farmers reluctant to try the  
...crops again this year.

#### Rains improve crop outlook

Heavy precipitation during the past two months has improved the crop outlook, as all the principal agricultural areas are now supplied with ample, or more than ample, moisture for present needs. The moisture situation has completely reversed itself, for drought conditions in the fall and early winter had caused considerable apprehension with regard to the winter wheat crop. Spring planting, however, is now being delayed in the southern and central portions of the country by rains which are keeping fields too wet for operations.

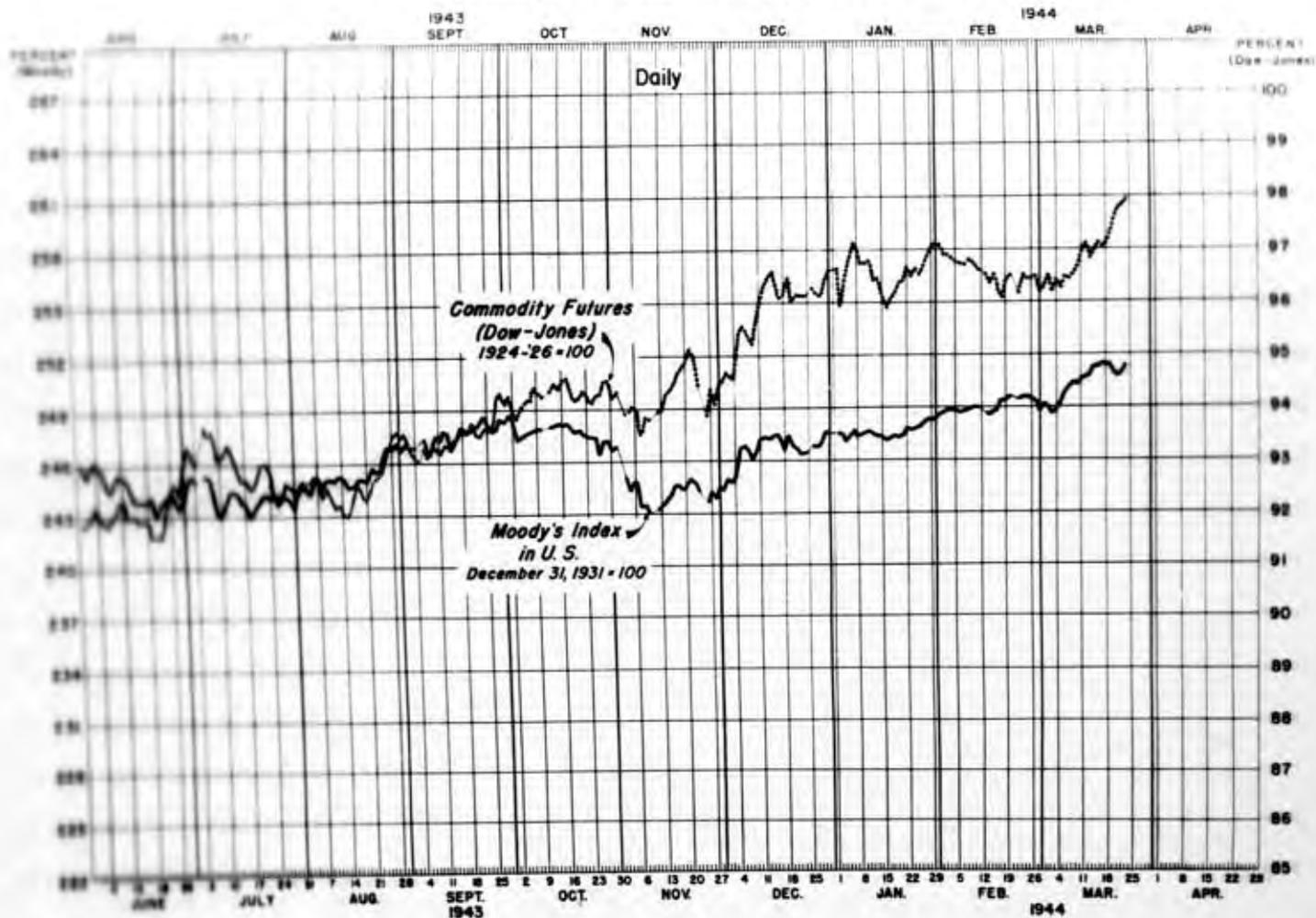
Truck crops in the South have been making good progress, and recent rains have greatly helped the Florida citrus fruit groves. In California, however, rather serious losses have developed in navel oranges because of decay and water rot, according to the Weather Bureau. While early fruit trees in the southern half of the country are abnormally advanced, the Weather Bureau reports no frost damage from the recent cold wave except in portions of the southern Plains, particularly in northern Oklahoma.

#### Department store sales rise

Stimulated by Easter buying, department store sales in the week ended March 13 rose to a new high for the year, 17 percent above the corresponding week in 1943. (See Chart 7.) Since Easter this year falls on April 9 as compared with April 25 last year, it has been estimated that earlier Easter alone should cause March 1944 sales to rise 4 percent above March 1943. It now seems likely that this figure will be exceeded. In addition to favorable seasonal influences, the last week in March undoubtedly will be swelled by tax-free buying of jewelry, furs, and other items subject to the new excise taxes effective April 1.

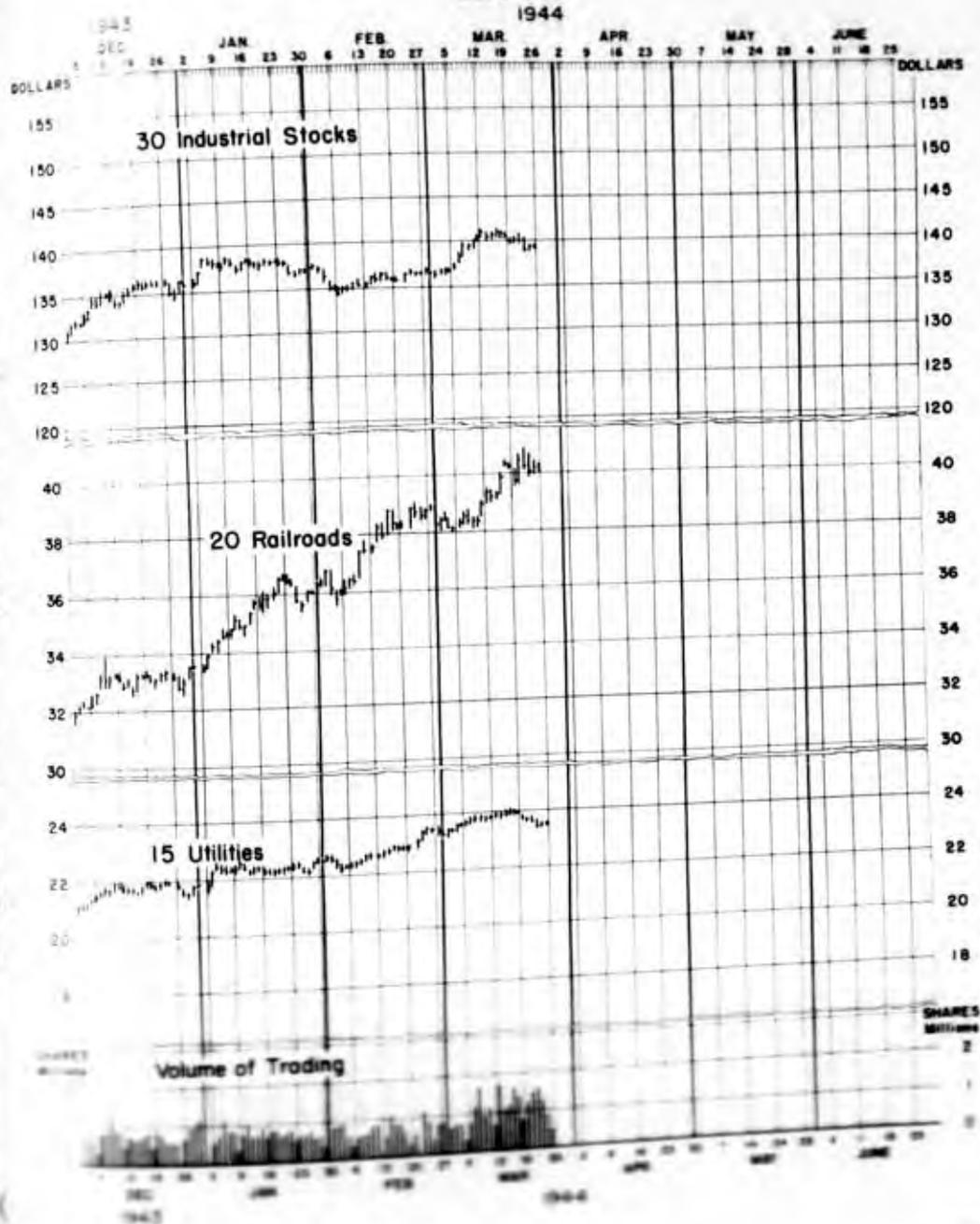


# COMMODITY PRICE INDEXES IN U.S.



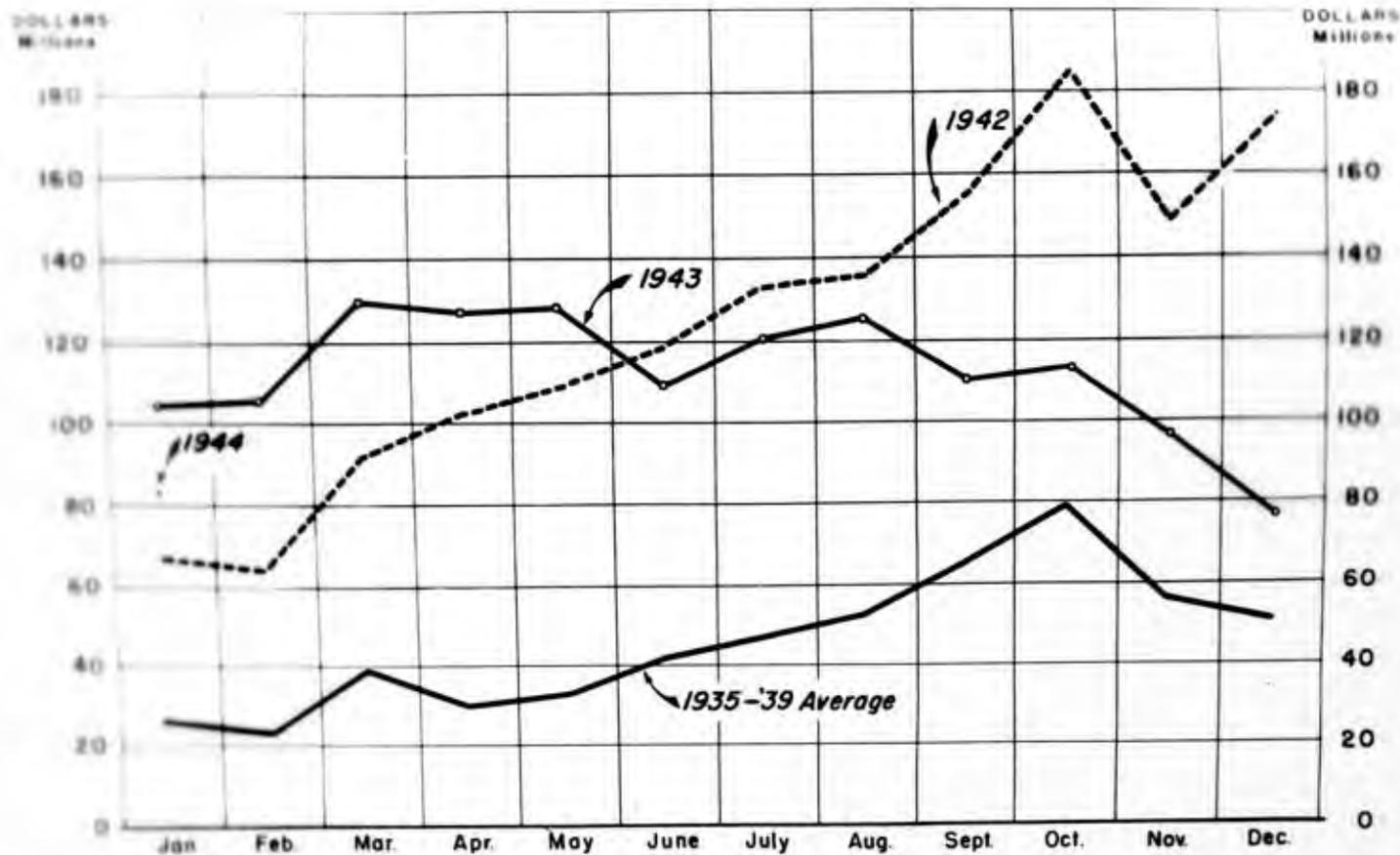
# STOCK PRICES, DOW-JONES AVERAGES

Daily



# RAILROAD EARNINGS

## Net Railway Operating Income\*, Class I Railroads



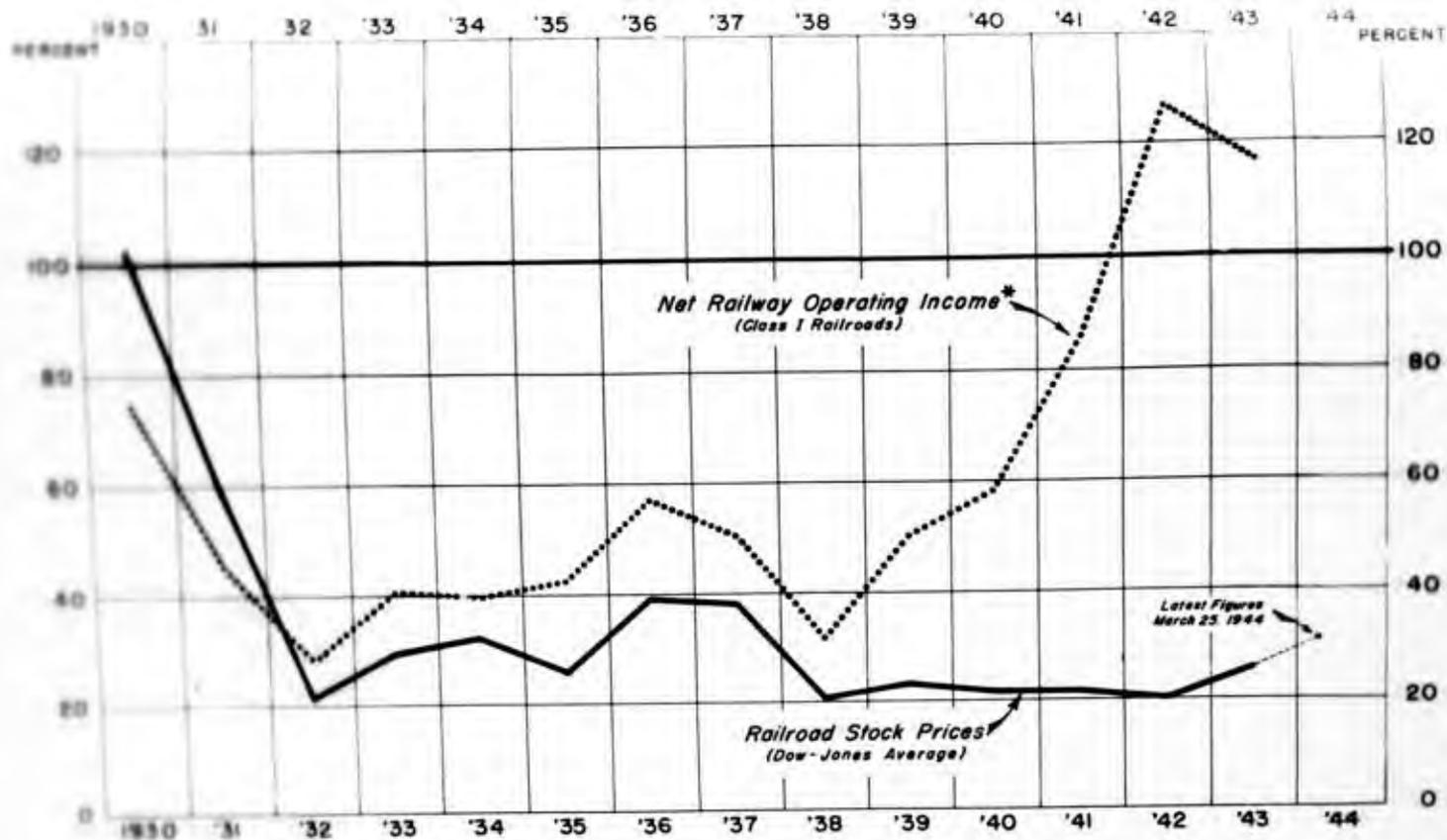
Office of the Secretary of the Treasury  
Bureau of Economic Warfare and Finance

\*Earnings after taxes, but before interest and other fixed charges.

C-483-A

# RAILROAD EARNINGS AND STOCK PRICES

1925-'29=100



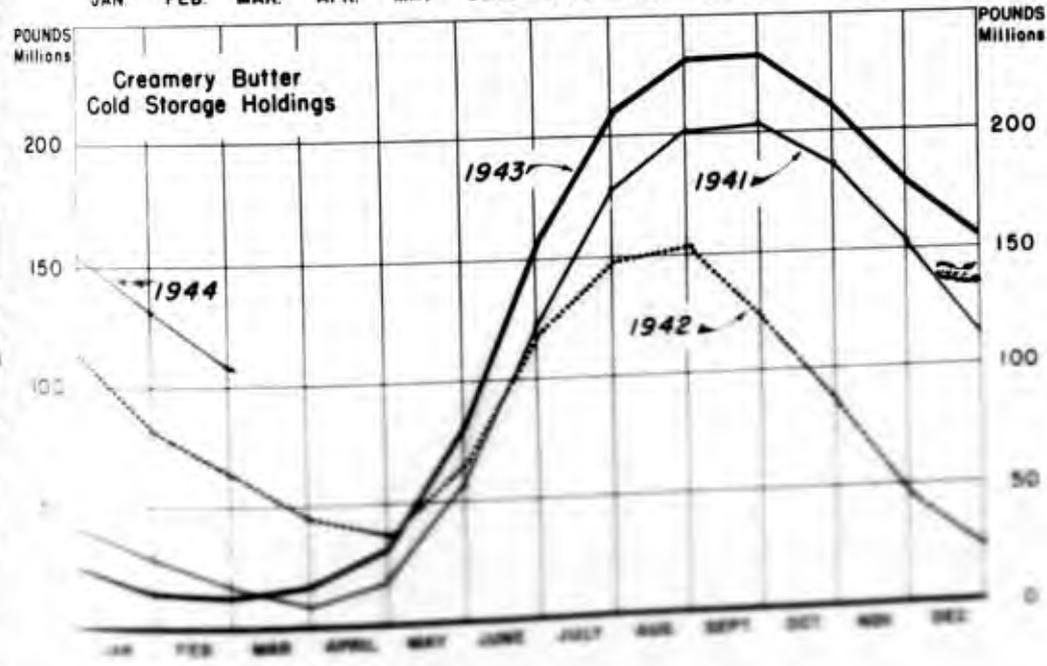
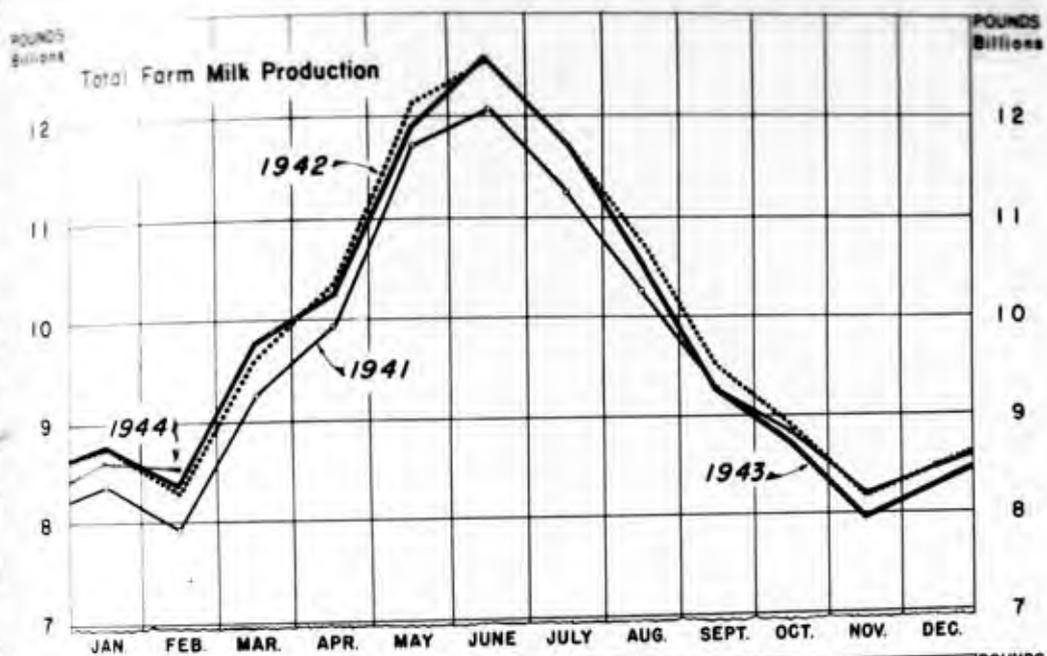
\*Earnings after taxes, but before interest and other fixed charges.

Office of the Secretary of the Treasury  
Bureau of Research and Statistics

P-253

Sheet 1  
211

# MILK PRODUCTION AND BUTTER STOCKS



Source: U.S. Dept. of Agriculture

1-148214

Table I

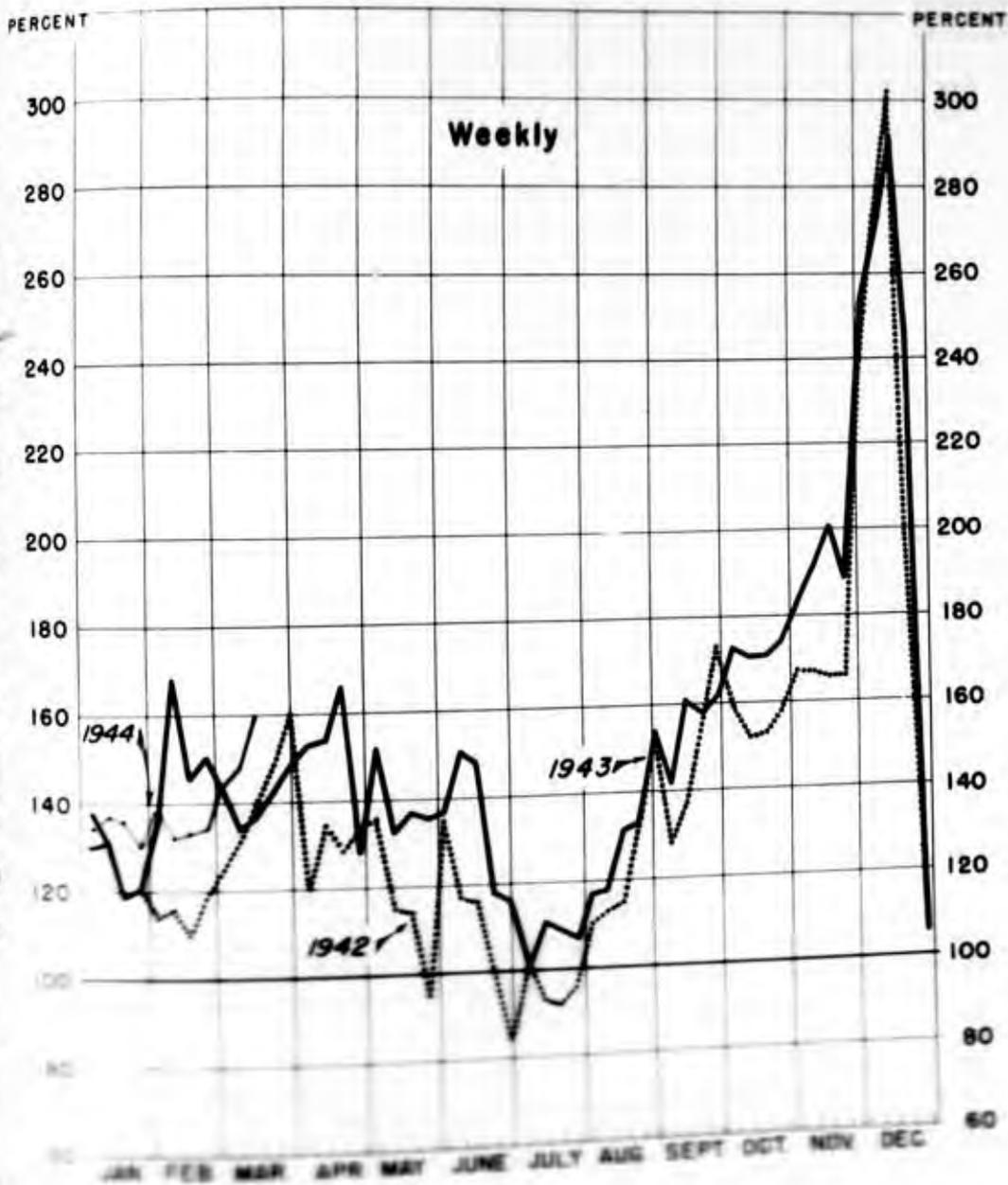
Comparative plantings for 1944 compared with plantings  
in 1943 and goals for 1944

Commodity	Indicated 1944 acreage as percent of 1943	1944 goal as percent of 1943	Indicated 1944 acreage as percent of 1944 goal
<b>Main crops:</b>			
Wheat	121.5	121.6	99.9
Corn	102.5	103.2	99.3
Oats	107.7	92.3	116.7
Barley	87.0	100.2	86.8
<b>Oil crops:</b>			
Red beans for beans <u>1/</u>	102.6	126.2	81.3
Peas	90.4	118.4	76.4
Flaxseed	68.8	93.3	73.8
<b>Vegetable crops:</b>			
Potatoes	92.7	102.6	90.4
Sweet potatoes	100.4	117.6	85.4
Dry beans	92.5	111.5	82.9
Dry peas	92.7	107.6	86.1
Winter beets	99.4	153.6	64.7
Turnips <u>1/</u>	117.4	120.1	97.7

U. S. Department of Agriculture.  
Acreage harvested.

# DEPARTMENT STORE SALES

1935-39 = 100. Unadjusted



Source: The Secretary of the Treasury  
Bureau of Economic Warfare

# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: March 27, 1944

Secretary Morgenthau

Mr. White

Subject: Effect on China's economy of U. S. Army expenditures.

1. On March 11 cable was sent to Adler instructing him to send immediately his evaluation of the economic situation in China, with particular reference to the effects of our present and projected military activities. He was asked to comment especially on the relative importance of our military expenditures in bringing about the rapid rise in prices as compared with the other causes of inflation and the imminence of an economic collapse.

2. On March 25 a cable was received from Adler dated March 23, copy of which is attached hereto, replying to our cable. In general Adler takes the position that the economic situation in China is very serious. In 1943 prices trebled, while in 1944 prices are rising even more rapidly. Production is declining and the Chungking Government continues to finance its expenditures largely by the use of the printing press. Adler points out that the basic causes of China's economic difficulties are the growing disintegration of the military and political power of the Central Government, the isolation of China from the outside world and the failure of the Government to make necessary internal reforms.

3. With regard to the effect of the contemplated U. S. Army program, he concludes that while the Chinese economy might be able to stand this extra strain -- and he emphasizes the "might" -- he feels that it is highly questionable whether we should incur the risk of imposing this strain on her unless the Army has over-riding strategic reasons for doing so. He recommends strongly that the Army should not make plans for further construction projects after June, 1944 which would entail the heavy expenditures which are contemplated for the first half of this year. At present projected expenditures for the three months, April to June, 1944, are \$282 billion and actually are more likely to exceed \$282 billion.

4. Adler's cable bears out our feeling here that the Chinese economy is in a very serious state.

- 2 -

...caused by factors other than the United States Army military program, and that these would continue to grow even if our military program was sharply curtailed. The decision, however, to carry out our contemplated military program at this stage of economic deterioration will gravely accentuate China's economic difficulties and the Army, by insisting on continuing without reduction its contemplated program is, of course, assuming a grave responsibility which can be justified only by important military considerations.

*Mr. Brewster*  
The Secretary of State  
Dept. of State  
Washington, D.C.  
No. 122-122 & Chungking via N.R.

SJR - 122

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (S000)

Dated March 23, 1944

Rec'd 3:40 p.m.

Secretary of State,  
Washington.

DEPARTMENT OF STATE  
MAR 23 1944  
COMMUNICATIONS  
AND RECORDS

517, March 23, 1 p.m. (SECTION ONE)  
TO SECRETARY OF TREASURY FROM ADLER

One. Fully agree with the conclusions of Ambassador's cable of March 8. Re your 331, March 11. (All sums in CN dollars unless otherwise specified.

Two. Over all picture. Economic situation in China while extremely unstable will not come apart from undue strain from expansion of American military operations, collapse for some time as long as harvests continue satisfactory. Growing disintegration of military and political power of Central Government, weakening of its war effort such as it is and of its military potential, and spread of malpractices inevitable unless and until (A) China's isolation is broken (B) internal reforms take place - a remote contingency.

Three. Last years harvest slightly larger than 1942 though

-2- #517, March 23, 1 p.m. (SECTION ONE) from Chungking  
via N.R.

1942 though there were again acute localized famines; it is too early as yet to predict 1944 crops. Decline in industrial production can be expected to continue. Prices in 1943 more than trebled and note issue more than doubled, i.e. rate of increase in both was only slightly greater than in 1942. (Published and official price data are becoming increasingly unreliable. Since beginning of year, however, there has been a spectacularly sharp rise in prices. Preliminary estimated increase in average of retail prices in leading cities (February level 300 times 1937) is about thirty percent for first two months of year. Increase in Chungking retail index for same period only 12 percent but this obviously incorrect as even official opinion estimates it at nearer sixty percent. In Kweilin same index shows rise of over forty percent while ~~Bank~~'s wholesale and cost of living indices for Chengtu show increases of 65 percent. Causes of this sharp spurt partly seasonal partly impact of United States expenditures (as in Chengtu, CP. by 382, February 29), increasing speculation in commodities with fluctuations in price of gold and United States currency and of course cumulative long

run fact

-3- #517, March 23, 1 p.m. (SECTION ONE) from Chungking via N.R.

run fact or of expanding note issue. Unfortunately recent marked upward trend in prices still being maintained, seasonal pre-harvest factor likely to continue and United States expenditures to increase for some months.

Four. Budgetary situation. 1943 expenditures were about 48 billion and revenues under 20 billion (preliminary). It should be noted that for first time expansion of note issue of over 40 billion was substantially higher than official deficit of 30 billion due to direct United States Army expenditures of over two billion, probable existence of concealed deficits and fact that Government banks used newly issued notes to make loans for Government approved projects. This year estimated expenditures are 80 billion and revenues 35 to 40 billion but actual expenditures will probably be nearer 100 billion and actual revenues nearer 25 billion. Thus apart from concealed deficits and Government bank loans note issue will double i.e. increase by 75 billion in 1944. Given same rate of increase as last year it will expand by nearly 90 billion. Above estimates do not (repeat not) allow for heavy contemplated increase in expenditures to suit for United States Army during 1944.

WATTS

WTS

-134  
 This telegram must be  
 paraphrased before being  
 communicated to anyone  
 other than a Government  
 agency. (SCOO)

Chungking

Dated perch 23, 1944

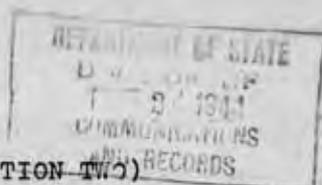
Rec'd 4:00 p.m.

Secretary of State,  
 Washington.

517, March 23, 1 p.m. (SECTION TWO)

Impact of United States Army expenditures.

One. Up to end of 1943 United States Army had spent directly under two and one-fourth billion, while according to Kung's message to YFC of January 24 Chinese Government had spent five and three-fourths billion in connection with our Army operations. Since then Army has spent directly one half a billion yuans, Ministry of Finance has advanced one billion a month for direct expenditures in February and March. In addition Ministry has spent one point four billion in January and February for Chengtu projects, an unspecified but much smaller amount for construction and maintenance elsewhere and for living costs of American Army in China, and has allotted one point seven billion for construction projects in March. All in all under eight billion were spent by us for United States Army in 1943 and another six billion



Two. This

1947, March 23, 1 p.m., (SECTION T/O) from Chungking.

Two. While these expenditures undoubtedly contributed to aggravating inflation, especially in areas in which they were concentrated (Kunming, Kweilin and Chengtu), they did not constitute an intolerable burden on Chinese economy, as is borne out by fact that 1943 rate of increase in prices and like issue was not perceptibly greater than in 1942. Total expenditures by and for United States Army in 1943 constituted 20% of expansion of note issue and less than one-fourth of budgetary deficit. In Yunnan United States Army direct expenditures totaled one point four billion in 1943 and three-fourths billion for January February 1944, and in Kwangsi one billion and under one hundred million for same periods. While no breakdown of Central Government expenditures in these areas is available, presumably a substantial portion of its disbursements of three billion in 1943 and three-fourths billion in January February 1944 in Yunnan and of one point one billion and three hundred million in Kwangsi for same periods was incurred in connection with United States Army operations.

Three. The immediate impact of these expenditures in these areas was to push up prices, to intensify speculation and hoarding in anticipation of further United States Army expenditures and thus aggravate price

-3- #517, March 23, 1 p.m., (SECTION TWO) from Chungking

rice situation still further (this process inevitable in absence of effective government economic and political controls given which problem would have been much more tractable), to create acute shortages of (\*) maintenance of even a few thousand American troops also taxes food supply in areas where they are located owing to huge discrepancy between war and normal Chinese living standards. Rate at which this impact is transmitted to other cities and country as a whole is slow in China its economy is so loosely integrated. Data on differential impact of Army expenditures and speed of its transmission inconclusive. Farmers Bank retail index reveals increases in Kweilin and Kunming of three and one-half and over three times in 1943 as compared with somewhat under three times in Chungking and Chengtu, cities where United States Army expenditures were small in 1943; but too much weight cannot be attached to this index. Thurbucks Chengtu cost of living index just about quadrupled in 1943, while 1944 rate of increase in Chengtu prices under impact of heavy Army expenditures since beginning of year is only slightly greater than in Chungking. Even in case of Kunming where prices are highest in China it took the land as far back as 1938.

Four. It

-4- 4517, March 23, 1 p.m., (SECTION TWO) from Chungking

Four, It is important to bear this qualification in mind in view of noticeable tendency increasingly prevalent in Chinese Government circles to lay responsibility for inflation on our Army expenditures in order to: (a) strengthen their bargaining position with respect to current financial negotiations (b) put themselves in a better position should they make another request for a loan, (c) find a convenient alibi for a situation which they have been very far from handling as well as they could (d) make us morally responsible for extricating them from the collapse if and when it comes.

GAUSS

EDA

(\* ) Apparent omission.

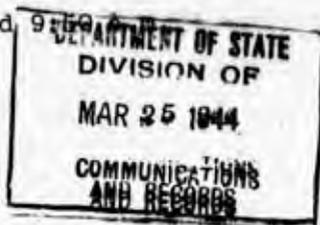
FMH-3

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

Chungking via N.R.

Dated March 23, 1944

Rec'd 9:10 AM



Secretary of State,  
Washington.

517, March 23, 1 p.m. (SECTION THREE)

ONE. But (repeat but) scale of expenditures for US Army now contemplated far greater than in west and will moreover be superimposed on a more advanced stage of inflation. Projected expenditures for April June 1944 are twelve billion not allowing for increase in prices in interim and are much more likely to exceed fifteen billion. Even with active sale of gold and US currency, by far largest part of these expenditures will have to be met by expanding note issue. Given continuance of present Chinese attitude towards sale of gold and US currency, with the implementation of US Army plans there will be an increase in note issue of eleven billion a month for next three months (six billion for the "normal" increase and five billion for our army). While Chinese economy may (repeat may) be able to stand this extra strain it is highly questionable whether we should incur

the risk

-2- #517, March 23, 1 p.m. (SECTION THREE) From  
 Chungking via N.R.

the risk of imposing it on her, unless army has overriding strategic reasons for doing so. Subject to this suggest figure it is desirable not to exceed is three billion per month for next three months.

Two. Certainly Army should not make plans for further construction projects entailing such heavy expenditures after June. I understand its present plans call for a tapering down of expenditures after June; it is to be hoped these plans will not be revised, as otherwise note issue fight increase by anywhere between 120 to 150 billion in 1944.

Three. Note that:

(a) Chinese Government has avoided and will probably continue to avoid suggesting limits to Army expenditures in China for reasons of diplomatic prestige, in spite of fact that it has been asked to do so.

(b) Army is already experiencing difficulties in letting contracts and spending money at speed it would like and which is necessary for completion of its projects on schedule, particularly in Chungking. While such limits expenditures in immediate short run, projects will save the longer they take to complete.

Four. China's economic situation such that it is possible

-3- #517, March 22, 1 p.m. (SECTION THREE) from  
Chungking via N.R.

possible only to recommend palliative measures as follows:

(a) Aggressive sale of gold and US currency to mitigate to some extent however slight inflationary effects of Army expenditures. Unfortunately in spite of his recent request for US ten million of gold and US twenty million of US currency Kung is at present apathetic to such sale (with continuance of his present attitude it is impossible to clarify request in your 314 of March 8) I suggest your considering personally recommending to him more active sale of gold and possibly US currency.

(b) Shipment by air from India of token amounts of commercial goods to China.

(c) Improvement in US Army's methods of contracting and purchasing. There is sufficient evidence that contracting and purchasing is often left to inexperienced younger officers who seem to pay little attention either to cost or to normal Chinese commercial practice, which makes them easy victims of unscrupulous businessmen. This both increases burden on US taxpayers and adds to inflation in China. Civilians here carry little weight with Army and pointing out to them that they should employ wisecrackers experienced in contracting  
in Interior

-4- #517, March 23, 1 p.m. (SECTION THREE) from  
Chungking via N.R.

in interior China and reliable Chinese has had little  
effect.

FIVE. Letter by pouch month ago contains further  
information on Army expenditures and possible sale of  
gold and US currency.

(END OF MESSAGE)

GAUSS

WFS

MUSEUM 3013.

216-L

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

PERSONAL

27th March, 1944.

Miss Henrietta Klotz,  
Private Secretary to Mr. Secretary Morgenthau,  
Treasury,  
WASHINGTON, D.C.

My dear Henrietta,

I attach another letter for the  
Secretary, and shall be most grateful if  
you will pass it on to him.

With kindest regards to you and  
yours, I am

Yours very sincerely,

Enclosure.

216-M

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

27th March, 1944.

MUSEUM 2810  
PERSONAL

Hon. Henry Morgenthau,  
Treasury,  
WASHINGTON, D.C.

Dear Mr. Secretary,

Since my letter of March 10th, some rather disturbing rumours have come to my notice, about which I feel I ought to inform you. While the matter may not as yet be one of practical politics, yet it does seem to me to call for careful watching, if only because it seems so very plausible. We hear that Lord Moyns has been asked to try and induce the Arabs to agree to a Jewish immigration of something like 25,000 a year for the next ten years. This would obviate the need for any change in the White Paper (which expressly provides that immigration can proceed after March 1944 if the Arabs agree). It would also take some of the sting out of the situation, and might save a good many non-Jewish consciences, - and even some Jewish ones, e.g. Proskauer and Lessing Rosenwald. It would not alter the political situation, since after the ten years, the relative proportions of the populations would remain unchanged - 25,000 a year being just about enough to balance the Arab natural increase. We would, therefore, at the end of the ten years, still find ourselves in a one-third minority; but by then it would be very much more difficult to reopen the struggle for our rights.

I do not for a moment believe that this proposal emanates from the War Cabinet, or that it has the approval of the P.M. But it may well have appealed to people in Cairo and Jerusalem, and may certainly make things more complicated and difficult for us.

There is another consideration: our enemies know very well that pressure from Poland and Central Europe may decrease after this war, because Hitler has killed off a good part of the Jewish populations. (Though there will still be Jews in Hungary, Roumania, and other places, and may also be some emigration from South America and the States.<sup>x</sup>) Therefore, 25,000 or so a year taken out from the remnant will not look such a negligible figure. Of course, nobody mentions it now, because it would look ungracious to try and make political capital out of the unspeakable disaster which has befallen the Jews. But after the war, when the facts become known and speak for themselves, the conclusion will be inescapable.

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<sup>x</sup> Since writing these lines, the position in Hungary and Roumania has radically changed.

/Please

Please understand that the above is pure conjecture. But the more one thinks about it, the more one is driven to the conclusion that it is a piece of low cunning which may serve to embarrass us very considerably.

Incidentally, all this goes to show how dangerous it is to postpone decisions on important matters until after the war. I feel certain that when the war is over, the world will be tired out, and there will be so many other problems having priority over ours that I dread to think of the place we shall occupy in the queue. I therefore believe that decisions have to be taken now; they need not necessarily be announced, but they have to be taken. The conduct of affairs in Palestine now should be modified with an eye on the long-term policy to be produced after the war. Otherwise, all the hostile forces in Cairo, in Jerusalem, and here, will go on sapping and mining, and may eventually force the hands of the leaders on the upper level. We are trying to impress this point of view on the people here. We have seen from the practice of the last twenty-five years how, in spite of a friendly attitude on the part of the Government at home, the local administration has succeeded in thwarting our efforts at every turn: untold energy has had to be expended to counteract all the chicanery to which we have been subjected. It is a commonplace now that, if the Mandate had been carried out in the spirit and in the letter, and not subjected to misinterpretation all these years, we would by now have been a majority in Palestine, and been spared many of our troubles. But progress has been retarded through the grudging attitude of the administration, which has consistently interpreted the Mandate against us, and not for us. I dread a repetition of the same story now. We may have the support of Mr. Churchill and Mr. Roosevelt, but they are both very busy, deeply pre-occupied with great affairs, and with little thought or time to give to a problem like ours. Thus the opportunity is created for all our opponents to do their worst in devising schemes which are likely to prejudice the situation in Palestine.

Generally, in surveying administrative practice in Palestine in the last few years, one is forced to the conclusion that there is one law for the Arabs and another for the Jews. For instance:

(a) When an Arab is caught with illicit arms, he is usually brought before a civilian tribunal, and gets off with a few months' imprisonment or a small fine. A Jew, similarly accused, gets a severe sentence of eight

or ten years from a military court - and a great deal is made of it in the international press.

(b) The Government always says its main object is to maintain the status quo, so as not to disturb the peace or interfere with the war effort. We would gladly accept this point of view, if we did not see every claim of the Arabs encouraged both by British and Americans in Cairo and Jerusalem. In fact, Kuri Pasha, who is at present playing a leading part in the preliminaries to the so-called (and very problematic) Arab Federation, when asked whether his activities were known to his British friends, replied that he would never have thought of taking any such steps without informing the British Government. No doubt some of Mr. Eden's statements, vague as they are, may have encouraged the Arabs to take these steps in the direction of an Arab Federation. Not that we have any quarrel with these activities of the Arabs: it is their business, and they are perfectly entitled to do as they please. But if direct encouragement is given by the British, this is clearly in contradiction to the maintenance of the status quo.

(c) Legislation is now being enacted in Palestine imposing heavier direct taxation. Now of the total income tax paid in Palestine, 72% is paid by the Jews (who constitute one-third of the population), 18% by the Arabs (two-thirds of the population), and 10% by a very few British officials, foreign companies, etc. It is clearly ridiculous and unfair, and means that in effect the Jews are paying for the Arabs. The Government knows this, but does not mean to disturb the Arabs. There are substantial Arab towns which have as yet paid nothing, or almost nothing, in income tax.

(d) The Ministry of Information is sending to America speakers - like Freya Stark - who are definitely anti-Zionist.

We have no redress against all these things. I hear that Mr. Stettinius, who is coming over here shortly, has instructions to get into touch with us, and ascertain our views. As already mentioned, the President has made a very important and useful statement, which has given us all great encouragement. But I see that Mr. Stettinius is to be accompanied by Mr. Wallace Murray - a definite and overt opponent of ours. Probably the same applies to the other two people who are coming with them. So whatever good the people on the upper levels may try to do for us will certainly be destroyed by those on the lower levels of the administration. I feel that we are threatened with very grave dangers.

I thought I ought to let you know all this, though I do not know whether there is anything that can be done to change matters. We seem to be beset by a great many enemies - so many attacking so few, in fact.

*With love and respect  
from  
Chaim*

SECRET

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

27th March, 1944.

Meyer W. Weisgal, Esq.,  
341 Madison Avenue,  
NEW YORK, N.Y.

My dear Meyer,

I have been writing to you from time to time, and no doubt Goldmann will have given you a full report, so that it is not necessary for me to send you anything in the way of a comprehensive statement. There are, however, one or two points about which I would like you to know.

1) The President's statement has made matters a little easier, and will be helpful. I still do not understand why we rushed the whole adventure of the Resolution without making very sure of the attitude of the Government. Felix P. should have seen Stimson and made sure what the view of the War Department would be. However, I don't want to indulge in ex-post-facto criticism, particularly as the damage is perhaps less than we feared it might be.

2) I have heard lately of a proposal which, though it may not be a matter of practical politics, yet requires watching, because it seems so plausible. I understand that Lord Moyns has been asked to try and induce the Arabs to agree to a Jewish immigration of something like 25,000 a year for the next ten years. This would obviate the need for any change in the White Paper (where express provision is made for immigration to continue after March 1944, if the Arabs consent). It would also take some of the sting out of the situation, and might save a good many non-Jewish consciences - as well as some Jewish ones, e.g. Freshkauer's and Lessing Rosenwalds. It would not alter the political situation since after the ten years, the relative proportions of the populations would remain unchanged - 25,000 a year being just about enough to balance the Arab natural increase. We would, therefore, at the end of the ten years, still find ourselves in a one-third minority; but by then it would be very much more difficult to re-open the struggle for our rights.

I do not for a moment believe that this proposal emanates from the War Cabinet, or that it has the approval of the P.M. But it may well have appealed to people in Cairo and Jerusalem, and may certainly make things more complicated and difficult for us.

There is another consideration: our enemies know very well that pressure from Poland and Central Europe may decrease after this war, because Hitler has killed off a good part of the Jewish populations. (Though there will still be Jews in Hungary, Roumania, and other places, and may also be some emigration from

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from South America and the States). Therefore, 25,000 a year taken out from the remnant will not look such a negligible figure. Of course, nobody mentions it now, because it would look ungracious to try and make political capital out of the unspeakable disaster which has befallen the Jews. But after the war, the facts will become known and speak for themselves, and the conclusion will be inescapable.

Please understand that the above is pure conjecture. But the more one thinks about it, and more one is driven to the conclusion that it is a piece of low cunning, which may serve to embarrass us very considerably. I was anxious to let you have word of it, and am also writing to Mr. Morgenthau on the same subject. I would urge you to try and see him.

Incidentally, all this goes to show how dangerous it is to postpone decisions on important matters until after the war. I feel certain that when the war is over, the world will be tired out, and there will be so many other problems having priority over ours that I dread to think of the place we shall occupy in the queue. I therefore believe that decisions have to be taken now; they need not necessarily be announced, but they have to be taken. The conduct of affairs in Palestine now should be modified with an eye on the long-term policy to be produced after the war. Otherwise, all the hostile forces in Cairo, in Jerusalem, and here will go on sapping and mining, and may eventually force the hands of the leaders on the upper level. We are trying to impress this point of view on the people here. We have seen from the practice of the last twenty-five years how, in spite of a friendly attitude on the part of the Government at home, the local administration has succeeded in thwarting our efforts at every turn: untold energy has had to be expended to counteract all the chicanery to which we have been subjected. It is a commonplace now that, if the Mandate had been carried out in the spirit and in the letter, and not subjected to misinterpretation all these years, we would by now have been a majority in Palestine and been spared many of our troubles. But progress has been retarded through the grudging attitude of the administration, which has consistently interpreted the Mandate against us and not for us. I dread a repetition of the same story now. We may have the support of Mr. Churchill and Mr. Roosevelt; but they are both very busy, deeply preoccupied with great affairs, and with little thought or time to  
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give to a problem like ours. Thus, the opportunity is created for all our opponents to do their worst in devising schemes which are likely to prejudice the situation in Palestine.

3) Generally, in surveying administrative practice in Palestine in the last few years, one is forced to the conclusion that there is one law for the Jews and another for the Arabs. For instance:

(a) When an Arab is caught with illicit arms, he is usually brought before a civilian tribunal and gets off with a few months' imprisonment or a small fine. A Jew, similarly accused, gets a savage sentence of eight or ten years from a military court - and a great deal is made of it in the international press.

(b) The Government always says its main object is to maintain the status quo, so as not to disturb the peace or interfere with the war effort. We would gladly accept this point of view, if we did not see every claim of the Arabs encouraged by both British and Americans in Cairo and Jerusalem. In fact, Nuri Pasha, who is at present playing a leading part in the preliminaries to the so-called (and very problematic) Arab Federation, when asked whether his activities were known to his British friends, replied that he would never have thought of taking any such steps without informing the British Government. No doubt some of Mr. Eden's statements, vague as they are, may have encouraged the Arabs to take these steps in the direction of an Arab Federation. Not that we have any quarrel with these activities of the Arabs; it is their business, and they are perfectly entitled to do as they please. But if direct encouragement is given by the British, this is clearly in contradiction with the maintenance of the status quo.

(c) Legislation is now being enacted in Palestine imposing heavier direct taxation. Now of the total of income tax paid in Palestine, 72% is paid by the Jews (who constitute one-third of the population), 18% by the Arabs (two-thirds of the population), and 10% by a very few British officials, foreign companies, etc. It is clearly ridiculous and unfair, and means that the Jews are, in effect, paying for the Arabs. Government knows this, but does not mean to disturb the Arabs. There are substantial Arab towns which have as yet paid nothing, or almost nothing, in income tax.

(d) The Ministry of Information is sending to America speakers - like Freya Stark - who are definitely anti-Zionist.

Against all these things we have no redress. I hear that Mr. Stettinius, who is coming over here shortly, has instructions to get into touch with us and ascertain our views. As already mentioned, the President has made a very useful and important statement, which has given us all great encouragement. But I see that Mr. Stettinius is to be accompanied by Mr. Wallace Murray - a definite and overt opponent of ours. Probably

the same applies to the other two people who are to come with them. Whatever good the people on the upper levels may try to do for us will certainly be destroyed by those on the lower levels of the administration. I feel that we are threatened with very grave dangers. We seem to be beset by a great many enemies - so many attacking so few, in fact!

I thought I ought to tell you all this, though I hardly know whether there is anything that can be done to improve matters.

4) There is another matter which worries me greatly. I can see that the work for the Institute in Rehovot does not prosper. There was some talk about creating a fund on the occasion of my seventieth birthday, but so far all I gather is that the collections in Chicago and Philadelphia, and most certainly in New York, have been a dismal failure in 1943, and that the position is gradually decaying. Nothing came from Canada. I really don't know what to do. The only men who seem to be doing a job of work are Dewey Stone and Harry Levine. It is important not only that Rehovot should exist, but that it should be reconstructed and enlarged after the war, and funds for that should be built up now. Please advise me what to do. I don't want to write to Josef - I am too angry with him now, and may say something that might be too hurtful.

5) Thanks for your telegram about Blumenfeld. It is a riddle to me that he never writes or telegraphs, though he solemnly undertook to send reports every fortnight. He is supposed to be dealing with some of my chemical affairs, but I have had no word from him since Bergmann arrived here. What a crew!

Love,

*Chaim*

James V. Belegard, Esq.,  
1 Madison Avenue,  
New York, N.Y.

Dear Meyer,

I was very happy to receive your long letter of March 2nd. Of course, a good deal of anything one says is obsolete by the time letters arrive, and one has already heard the results of action reported in letters. I believe myself that the hearings were good and useful, but whether the set-back we have suffered has been neutralized by the favourable effect of the hearings, it is difficult to say. I still believe it would have been a good thing not to have embarked on this project at all. But I am not going to conduct any post mortems. Our enemies here are certainly rejoicing over it; myself, I am not too depressed.

What I am far more worried about is the lack of co-ordination and discipline among ourselves. But of this a little later on.

The paramount question to-day, to my mind, - what governs and will increasingly govern; the situation - is the disappearance of the Jews of Europe. Now that Roumania and Hungary have fallen into the clutches of the Germans, and that preparations are already being made for the extermination of these last groups of European Jews, we shall be left in Europe with one huge cemetery of everything Jewish that has been built up over the last thousand years. So the picture which presents itself to one's mind to-day is roughly as follows:

There is one large community in the Americas; a few small communities in the British Empire; and an important community in Palestine, which though numerically much smaller than the Americans, differs from it in quality and is in many respects superior to it. But in spite of obvious differences, these two communities have a great deal in common. If I may speak frankly, both are young - without traditions; both are more or less provincial; both are excitable, and apt to overplay their hands. In the past, this lack of balance has always been counteracted by the Europeans, who had traditions, who were inured to suffering, and who with it had learnt patience. With this community gone, I can see grave dangers looming ahead of us. The next Congress - should we live to see it - will consist of two great delegations: the American and the Palestinian. I confess I find it something of a nightmare to contemplate: it is as if lightning had struck an old tree-trunk, and cleaved it into two, totally destroying half of it; one feels doubtful if the other half will survive. I have been wondering what measures we can take by way of at least a partial remedy. Of course, it is not within the power of one man, or of any group of men, to counteract the effects of a world-wide catastrophe, but there are one or two things which it seems to me that we might do, and do now. First of all, a group of young men - this man - from Palestine should go to the United States and draw the attention of the community to these problems. Even more important, however, is that steps should be taken to induce American young men to go and settle in Palestine as soon as ever possible - in other words, the very moment that a regular, absolute movement of sizeable contingents, say, without waiting to the end of the war. I realize that now, if our young men were to go to the land - I see quite a good deal of them here - that we might be making the problem of fifteen or sixteen, like the Israelis here, and perhaps more to go to Palestine in a year or two.

... the world's political position may be vitiated by the disappearance of the Jewish people. The main argument based on present

... to anti-semitism loses its force if only a very small number of Jews remain alive in Europe after this war. I am quite sure that our opponents are already reckoning on this in their own minds, though they do not speak about it yet because it would be very ungracious to make political capital out of such a catastrophe. But when everything is over, and the facts become known, they will speak for themselves. And any demand of ours based on the imperative necessity of transferring large numbers of Jews speedily to Palestine will then fall to the ground. This emphasizes the importance of a movement in American Jewry, particularly among the young people, in favour of emigration to Palestine. I do not see how they can possibly bar American citizens from settling in Palestine if they choose to do so. All this requires imagination, thought, and rapid action.

We have discussed it here among ourselves. Moshe will be in Palestine very soon, and will return here shortly. I have asked him to discuss it with our colleagues there, and also to select a group of young people to go to the States on this mission. We are prepared to finance it from here.

Now I believe, dear Meyer, that this is a matter of paramount importance which over-rides almost everything else, and I want you to consider it carefully with our colleagues and friends: with Wise, Lipaky, Silver, Rothenberg. Our friend will be travelling back here, I understand, in a very short time. You can ~~write to me~~ - and certainly you will send me a telegram on receipt of this letter.

*is a message from him.*

2. Now a few words about the Hays report, the summary of which arrived with your letter of March 2nd, and which I am studying very carefully. Of course, I am a layman, and am at a great disadvantage in these matters. But I admit I found the report somewhat disappointing. First of all, I think it is no use our counting on being able to use the waters of the Litani for irrigating the Emek and the Negev. It will take a very long time to bring either Arabs or French (much less both) to let us use this water, even though they may not need it themselves. I well remember how difficult they all were when we were trying to delimit the frontiers between Palestine and Syria after the last war. If not for Mr. Lloyd George's insistence on the present frontiers (themselves far from ideal) our case would have been hopeless. We have therefore to reckon only with the other projects, which altogether would give us about another million dunams of irrigated land, of which almost a quarter will be in Transjordan, and probably out of reach for Jewish cultivation. Some of the land in western Palestine will, of course, also be Arab-owned. So I think we can count on some 600,000 dunams accruing to us under these schemes (i.e. without the Litani). It is not negligible: it means another 30,000 families. And for every family on the land, experience shows that one can settle three families in urban pursuits. Say a total of about another half-million people.

Another difficulty I can see is the removal of Tel-Or, which is no easy matter. I don't see very much in the report about the rest of the Negev, which according to other experts can be utilised, and at least in part irrigated. I was always under the impression that quite a good deal could be done there with rainwater stored from the Jerusalem and Hebron areas, and conducted from reservoirs into the plains of the Negev. So much rainwater is, in winter, carried down to the sea by the Audja, Jordan and other rivers, and other streams, that if proper arrangements were made for catching it, we might do a fair amount of irrigation in the Negev from that source alone. I am a little surprised to find no reference to this possibility in the report.

I have read Wise's letter with great care, and it seems to me that the real trouble is more personal than political: he and Goldmann don't seem to get on very well. Of course, there is something in what he says: they must each be watching on each other's toes in Washington. But if some common personal relations, this could be avoided - or would not matter.

ter so much. But here I fail to see what I can do from London. I get in his heart of hearts everybody in America has almost written European Jewry; they are already preparing to take over the inheritance. There may be some lack of piety in their haste, but from a business point of view, it might be a good practical proposition. You are right that it reminds one a little of 1921 - except that we can't expect to bear the forces which we mustered in Europe in 1921. So I am afraid that the whole thing will have to be left to the Americans to fight out as best they can for themselves, - so long as they don't do anything to injure the general political position, which is not at all good either here or in the States.

4. Talk of partition is still going on, but I have not so far been able to gather anything about its direction. Nor do I know when we are likely to hear anything definite. The fact that Dr. Stettinius has brought with him Wallace Murray and Bowman does not sugar too well for the attitude which America is likely to take up in our affairs. By the way, I heard from Isaiah that the President, in his talk with Wise and Silver, is supposed to have said that he would instruct Stettinius to get into touch with me here. So far I have heard nothing. I have written to the Ambassador asking him to arrange an interview, but I should imagine that Stettinius is very busy; he is staying here only a limited time - I hear a fortnight at the outside - and no doubt there is a long queue waiting to see him. My priority in the queue is probably a low one. I would therefore suggest that you should see Wise without delay, and that he should try and arrange for a telegram to be sent at once to London, instructing Stettinius to see me. This is particularly essential in view of the presence of Wallace Murray, who no doubt will find good friends here, who see eye to eye with him on many points concerning us.

5. There are a few minor matters which I would like to mention:

(a) I do not hear anything from Josef about his doings on behalf of the Institute. Neither has any word reached me about the plans which you and others had in connection with raising a fund for the Institute on the occasion of my seventieth birthday. All I have had from Josef is a Pass-over telegram, informing me also of the important fact that he is having his Seder with the Haiditchos - which, in the midst of a world-shaking war, would appear to argue some lack of a sense of proportion.

(b) Then I must postur again about Blumenfeld. He did undertake to watch over my chemical affairs. No doubt he has done nothing at all - but I would like to hear from him that he has done nothing at all, and then I shall stop worrying. Then Bergmann, who is an inco-rigible optimist, arrived here, he assured me that all these matters were in very good hands. I fear Bergmann's judgment in these matters is not nearly so sound as his chemistry. Do please advise me what I am to do. It is serious, as a great deal of work and effort expended during my stay in America is going by the board. Something was to be done also by Andre, but after what you write I doubt whether you will feel able to approach him in this matter. I have written to him myself, so don't trouble if you don't feel like it.

(c) We are writing by the same mail to a gentleman called Deutch, in Washington, who occupies a high position in Nelson's office. He is a son-in-law of the late Jean Fischer of Antwerp, and I helped him to get on his feet when in America. He has made a spectacular career there. He was dealing with my rubber problems in Nelson's office. I now hear that Dr. Baruch has been saying that he regrets that he did not accept my recommendations. I have written about this both to the Vice-President and to Ben Cohan, and now to Deutch. But I think Deutch has also to be seen, and I would like you to find out from him whether there is anything in the possibility of reviving the rubber programme or not. If not, I shall soon cut my losses and not bother about it.

*Deutch who lives in Wash DC  
has written when necessary  
to me and on his day  
at home but I don't know  
whether he is in Wash DC  
and I don't know where  
he is*

Could

...4..

Would you be so kind as to write and telegraph to me about all these questions?

I am afraid this letter is getting rather long, and would like only to add, in conclusion, that the conference of the Premiers, which will bring to London General Smuts, Mr. Mackenzie King, and others, may well be of importance for us, and that I shall watch it with great care. If anything definite concerning our problem should emerge, I shall naturally let you know. Thank you again for all your various messages. Is there any likelihood of seeing you over here?

Please give my love to everybody - particularly Wise, Lipsky, and Silver; my affectionate regards to Mrs. Shepard & Shirley of course.

Ever yours affectionately,

*Chaim*

P.S. I understand that George Backer has also written to Sam Rosenman about my seeing Stettinius.

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

SEP 27, 1944

Secretary Morgenthau

FROM Mr. Fehle

The War Refugee Board's experience indicates clearly the absolute impossibility in the present circumstances of obtaining the cooperation of Ambassador Hayes in Spain. It demonstrates the necessity of the President's appointing and sending to Spain at once an outstanding person, preferably a Catholic, as his personal representative to handle War Refugee Board matters. This seems to be our only hope of getting anything accomplished in this most important area. It is essential that the President confer on his representative such authority that his efforts cannot be hampered by the obstinacy of Ambassador Hayes.

The following is a brief record of Hayes' refusal to cooperate with the Board:

1. At the time the Board was established, Hayes was requested by the Board and the State Department to bring the President's policy to the attention of the Spanish Government and ask whether it was prepared to cooperate. Hayes curtly refused this request, stating that it was neither necessary nor desirable to explain our policy to the Spanish Government.
2. Subsequently, both the Board and the State Department presented to Hayes a detailed plan for increasing the flow of refugees from France to Spain. Hayes was requested to present this plan to the Spanish Government with a view to securing its approval. Hayes bluntly refused. In effect he indicated that for various reasons he believes that nothing worth while can be done in Spain to increase the flow of refugees.
3. The Board requested Hayes' consent to designate as its representative in Spain David Blickenstaff, whom Hayes had already put in charge of all relief organizations there. Hayes replied that he did not wish Blickenstaff to spend full time on the Board's work, indicating in effect that he would not approve the appointment if Blickenstaff were required to give up his other work.
4. The Board then, in view of the absolute necessity of having a full time representative in Spain, asked Hayes' approval for the nomination of William J. Saxton, Treasury representative in North Africa, as its temporary representative. Hayes flatly rejected this suggestion, indicating that he did not understand why the Board really needed any representative in Spain.

- 2 -

and expressed a preference for the designation of Blickenstaff, apparently on a short time basis, if the Board insists that someone be appointed. He has had occasion to indicate his view that there is nothing the Board can do in Spain.

5. In accordance with the settled policy of the Board, a Treasury license was granted authorizing the JDC representative in Spain to spend up to \$100,000 to evacuate refugees, principally children, from France to Spain. The license permits communication with persons in enemy territory. The Board requested Hayes to transmit a copy of this license to the JDC representative in Spain. Hayes most recent response is a flat refusal to do so, replete with a number of irrelevant and spurious reasons which indicate that he is simply opposed to extensive refugee operations in Spain.

Attached are the two most recent cables from Hayes.

From the record to date it is clear that Hayes does not intend to permit, if he can help it, the evacuation of any more refugees than possible from France to Spain, and that he is determined completely to bury the refugee issue, liquidating as soon as possible the very small refugee business now going on in Spain. He has rejected every request of the War Refugee Board even though such requests have had the full backing of the State Department itself. He has given as his excuse a variety of arguments which, while they may possibly sound reasonable to someone completely ignorant of the refugee problem, in reality add up to the simple fact that he intends to oppose the War Refugee Board's efforts actually to bring more people out of occupied areas into Spain.

As you know, the War Refugee Board's experience with Hayes is not the first one of its kind. You will recall that Myron Taylor voluntarily informed you that the Intergovernmental Committee had found it impossible to get any cooperation from Hayes on refugee matters. We have also been reliably informed that Hayes has made life miserable for other government agencies attempting to work in Spain. Apparently he has been responsible for having OSS representatives recalled from that country. In the refugee field he has hamstrung private organizations by making them all subject to the control of his assistant, Mr. Blickenstaff, who helped dispense relief on the Franco side during the civil war.

In the circumstances, the operations of the Board in Spain are completely paralyzed and we are losing practically the only opportunity we have at the moment for actually bringing people out of occupied territory.



## SUMMARY OF TELEGRAM RECEIVED

The American Embassy, Madrid  
The Secretary of State, Washington

March 20, 1944

974 (SECTION ONE)

## SECRET

Answering Department's message number 726 dated March 16 I would like to call attention to the considerations which my message number 683 dated February 28 raised.

In so far as it applies to Spain, it has not yet been demonstrated to my satisfaction that the proposed program of the War Refugee Board without incurring risks which would outweigh the possible humanitarian benefits could make any substantial contribution toward the rescue of refugees from German-occupied regions of Europe. I find myself firmly disagreeing with the Board as I have already pointed out, for reasons which my number 683 set forth regarding the efficacy and wisdom of the program which Department's number 453 dated February 18 outlined. The attempted implementation of the program would not only jeopardize the continued effectiveness of refugee relief operations being carried on by Elickenstaff's office and Allied missions by virtue of which more than twenty thousand war refugees were evacuated through Spain to further destinations during 1944 but also would endanger objectives of immediate strategic and military importance such as the control of German-occupied territory and the rescue of Allied and American airmen from German-occupied territory. Therefore what functions the Board's proposed war time representative would perform or in what manner he would be useful is not yet clear to me.

HAYES

974-1001  
3/20/44

Miss Channing (for the Sec'y) Abrahamson, Akzin, Bernstein, Cohn, DeBate, Friedman, Garton, Model, Laughlin, Lesser, Lufford, Mann, McCosack, Paul, Pollak, Rains, Standish, Stewart, H. D. White, Tele. Files

## PARAPHRASE OF TELEGRAM RECEIVED

218-B

FROM: The American Embassy, Madrid  
 TO: The Secretary of State, Washington  
 DATE: March 20, 1944  
 NUMBER: 974 (SECTION TWO)

SECRET

If the War Refugee Board wishes to work in Spain I am of the opinion that it should try to take full advantage of the experience which has been gained by those who have been actively working with this problem during the past fifteen months and should try to shape its efforts to fit conditions the existence of which have been shown by this experience. Since Elickenstaff has demonstrated his ability to cope with the problems of evacuation, relief and rescue as they exist here and is thoroughly familiar with them I feel for this reason that the Board should avail itself of his services. With reference to the feeling of the Board that it should have a full time representative here it is my feeling that the work which it could profitably do in Spain is already being done or can best be done by Elickenstaff's office and that the appointment of a representative from outside would involve a duplication of effort in addition to the waste of time involved in having to familiarize a "new" person with the Spanish situation.

I feel sure that the Foreign Minister would question the appointment of a representative from the outside as being contrary to the spirit of my agreement with him early in 1943 that activities of all American organizations desiring to participate in refugee relief work in Spain should be centralized in Elickenstaff's office and on the other hand I feel equally sure that in addition to Elickenstaff's other duties the Foreign Minister would give sympathetic consideration to the acceptance of him (Elickenstaff) as the Board's representative although I have made no approach to the Government of Spain regarding the Board's representation in Spain.

In view of the already large number of persons which other government agencies desire to send to Spain as attaches and in view of the desirability of keeping such appointments from the outside to an absolute minimum consistent with the effective prosecution of the war effort, the designation of Elickenstaff would be highly preferable. Moreover it would not be so likely to provoke German reaction which might embarrass the Government of Spain and make difficult its cooperation.

Because of the reasons given above I strongly recommend that Elickenstaff be designated as representative by the Board if it feels that it is necessary to have a representative in Spain at this time.

The foregoing repeated to London and Algiers.

HAYES

DCR:MPL

3/23/44

cc: Messrs. Chauncey (for the Sec'y), Abrahamson, Akers, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, McCormack, Paul, Pollak, Reins, Standish, Stewart, H. D. White, Feltie

DMR-53

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

Madrid

Dated March 22, 1944

Rec'd 1:30 p.m., 23rd

Secretary of State,  
Washington.

997, March 22, 6 p.m.

In light of following considerations I am not (repeat not) transmitting substance Department's 752, March 18, to Sequerra, JDC representative, Barcelona:

One. It is my understanding that principal JDC representative in Spain is not (repeat not) Sequerra but is David Elickenstaff and it is Embassy's practice to transact all business with that organization through latter.

Two. Although it has apparently not been brought to Department attention, Sequerra's loyalty to Allied cause is not considered beyond question. He is a Portuguese and therefore a neutral subject and, although he has apparently done effective refugee relief work, there is little if anything to indicate that he would be above dealing with our enemies, particularly if subjected to pressure. Sequerra's  
\*\* reputable individual who was refused Palestine visa by British because of suspicion that he had been giving information to the Germans. To entrust such a person with carrying out of operations described in Department's telegram would therefore appear to be inviting obvious and unnecessary risks which could have gravest consequences.

Three. Participation of any private American charitable organization or its representatives in such clandestine operations as those envisaged under authorization contained in Department's telegram might well prejudice entire position of such organizations in Spain. With Embassy's support these organizations, centralized in Elickenstaff's office, have won respect and confidence of Spanish Government and have been enabled thereby to do valuable work on behalf of stateless and unprotected refugees often to acute discomfort of Germans who would welcome pretext to force Spanish Government to suppress their activities. Their participation in operations authorized by license W-2155, which we must assume would not long remain unknown to Germans, would provide such a pretext.

\*\*Omission of following:

personal representative in Madrid, until recently, was dis-

3- 207, March 22, 8 p.m., from Madrid

Four. If on the other hand, Germans should consider it more profitable to turn these operations to their own ends they might by allowing them to continue provide themselves with an additional channel through which to send agents into Spain and Allied controlled territory.

Five. Of even greater importance is danger that such operations might compromise existing underground facilities within German occupied territory by means of which hundreds of American and Allied airmen have been enabled to reach the Spanish frontier without detection. It is my firm and determined conviction that, regardless of humanitarian considerations involved with which I am, of course, entirely in sympathy, no (repeat no) steps should be taken which might in even the slightest measure jeopardize the chances of escape of these airmen whose safety must have a prior claim on the efforts of our Government to that of any other class of refugees.

Six. In view of above consideration and of the inevitable military significance which we must attach at this crucial time to any activities involving passage of communications and persons into or out of occupied France, it is my feeling that any operation such as that envisaged in Department's telegram under reference should be submitted for prior approval to Joint Chiefs of Staff who shall be made acquainted with my views in the matter.

It is my intention to take no (repeat no) action on Department's 752 pending consideration by Department of points raised herein.

Repeated to London and Lisbon.

HAYES

WTD

cc: Cohn, Eidel, Loughlin, Pable, Abrahamson, Aksin, Bernstein, DeBois, Friedman, Garton, Lesser, Lufford, Mann, McCormack, Paul, Pollak, Sains, Standish, Stewart, H. B. White, Files.

MAR 27 1944

My dear Mr. Secretary:

There is attached hereto for your files a photostat of a memorandum, dated March 24, 1944, signed by the President approving the appointment of John W. Pehle as Executive Director of the War Refugee Board.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable  
The Secretary of State.

Enclosure

JWP:lhk 3/25/44

MAR 27 1944

My dear Mr. Secretary:

There is attached hereto for your files a photostat of a memorandum, dated March 24, 1944, signed by the President approving the appointment of John W. Pehle as Executive Director of the War Refugee Board.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of War.

Enclosure

JWP:1hhh 3/25/44

MAR 27 1944

My dear Admiral Land:

Thank you very much for the real assistance which you have given to the War Refugee Board in connection with the many shipping problems which it has encountered. As you know, shipping is one of the most urgent matters with which the Board must deal in its efforts to save the lives of innocent people. Your speedy and wholehearted cooperation in aiding our efforts to obtain ships for the evacuation of refugees to Turkey, and your help generally in these matters, has given us hopes of success in our endeavors.

I also sincerely appreciate your making available to the Board the valuable assistance of Lt. Commander Arthur M. Becker, Mr. Myron Black and others of your staff.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Emory S. Land,  
War Shipping Administrator,  
Washington 25, D. C.

JHM:JBF:lab 3/25/44

EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Mar. 23, 1944

TO Secretary Morgenthau  
FROM J. W. Pehle

As I have told you, Admiral Land has been very helpful in working out our shipping problems.

Accordingly it would be extremely helpful if you could telephone Admiral Land at your convenience to thank him for what he is doing for the War Refugee Board.

*af - sel JWP*

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMREP, ALGIERS  
DATED: March 27, 1944  
NUMBER: 919

SECRET

TO WILSON FOR ACKERMANN FROM WAR REFUGEE BOARD.

This is WRB Cable to Algiers no. 2. The following is for your information. On March 23, 1944, we talked with Jean Monnet about the desirability of securing better cooperation from the French Committee of National Liberation on the matter of evacuating stateless and enemy national refugees from Spain to French North Africa. We particularly stressed the security problem, the delays attendant upon existing procedures, the problem of Sephardic Jews, and the necessity for general cooperation.

Monnet agreed to cable Algiers promptly and indicated that he thought Fresnay, a member of the Committee, would be the one to handle the problem. He thought that Fresnay would probably contact Ackermann.

HULL

RGM - 491

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

Algiers

Dated March 27, 1944

Rec'd 5:35 a.m., 28th

Secretary of State,  
Washington.

1009, March 27, 3 a.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN.

War Refugee representative number 6.

Program mentioned cable Combined Chiefs of Staff, fan (fan) 347, being forwarded Marshal Tito for his views. AMFA (AMFA) has been designated as agency to handle financial matters. AMFA representatives inquire as to method of reimbursement, also raise question as to whom cost of caring for refugees will be charged once they arrive Italy. Cost of care for some earlier Yugoslav refugees charged to Italian Government on basis that they come either from Italian concentration camps or were refugees as a result of Axis oppression.

CHAPIN

WSB

EMBASSY OF THE  
UNITED STATES OF AMERICA

225

Bogota, Colombia, March 27, 1944.

No. 3511

Subject: Assistance to War Refugees.

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

Sir:

Supplementing the Embassy's despatch no. 3321 of February 4, 1944, and with reference to the Department's circular airgram of February 29, 7:30 p.m., I have the honor to report that the policies and activities of the War Refugee Board were again discussed today with the Acting Secretary General of the Ministry of Foreign Affairs. It was suggested that the Colombian Government might wish to implement its cooperation in the humanitarian work of the War Refugee Board by issuing a declaration of policy similar to that made by President Roosevelt, and issue instructions to Colombian representatives abroad to cooperate in the work of the War Refugee Board.

Dr. Caballero Escovar said that he would discuss with other officials the possibility of Acting President Behandía issuing a public declaration of sympathy and support for the work of the War Refugee Board, and seemed personally to be sympathetic to the suggestion. He was non-committal with regard to the possibility of sending instructions to Colombian diplomatic and consular officers. The Embassy will continue to follow this matter and keep the Department informed of developments.

Respectfully yours,

Arthur Bliss Lane

Original to the Department.  
800-Gen/840.1  
PCW/hl

EMBASSY OF THE  
UNITED STATES OF AMERICA

Ciudad Trujillo, D. R., March 27, 1944

No. 1635

Subject: Dominican Foreign Office Note  
Concerning Rescue and Relief of  
Victims of Enemy Oppression.

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

Sir:

1/2 With reference to the Department's circular  
airgram of January 26, 1944, 7 p.m. and the  
Embassy's airgram No. 62 of February 4, 1944,  
10:30 a.m., with regard to the President's  
Executive Order issued January 22, 1944, estab-  
lishing measures to rescue the victims of enemy  
oppression, I have the honor to enclose a copy  
and translation of Foreign Office Note No. 7164  
dated March 20, 1944 in reply to the Embassy's  
memorandum of January 31, 1944.

Respectfully yours,

/s/ A. M. Warren

A. M. Warren

Enclosures:

1. Copy of Foreign Office note.
2. Translation of Foreign  
Office note.

848  
HCR:eng

Enclosure No. 1 to despatch No. 1635, dated March 27, 1944 from the American Embassy, Ciudad Trujillo, D. R.

(Translation by:HGR)

Dominican Republic  
Department of State  
for Foreign Affairs

7164

Ciudad Trujillo, D.S.D.  
March 20, 1944

Mr. Ambassador:

I have the honor to acknowledge the receipt of the memorandum submitted to my Foreign Office by that Embassy on January 31 of this year in which Your Excellency is good enough to transcribe the declarations made by His Excellency the President of the United States in the Executive Order promulgated on the 22nd of the month and year mentioned above to the effect that the policy of the United States of America is to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death or otherwise threatened and to afford such victims all possible relief and assistance consistent with the successful prosecution of the war; Your Excellency adds that said order establishes special governmental machinery for executing this policy and that it furthermore creates a War Refugee Board consisting of the Secretaries of State, Treasury and War which is charged with direct responsibility in seeing that the announced policy is carried out. Your Excellency also adds that His Excellency the President of the United States has stated that he expected the cooperation of all members of the United Nations and other governments in carrying out this difficult and important task and that he would make use of the existing facilities of the State, Treasury and War Departments to furnish aid to Axis victims to the fullest extent possible.

On informing Your Excellency of the favorable disposition of the Dominican Government to cooperate with the policy announced by His Excellency the President of the United States I take pleasure in pointing

- 2 -

out that the high motives of that policy coincide with those which have been followed by the Dominican Government since the year 1937 when on the occasion of the Evian Conference His Excellency President Trujillo instructed our delegation to the effect that our country was prepared to receive up to 100,000 European emigrants and which began to be put into practice with the signing a short time afterward of a contract with the Association for the Establishment of Colonists in the Republic by virtue of which a great number of said refugees have found adequate protection.

I take advantage of this opportunity to renew to Your Excellency the assurances of my most distinguished consideration.

/s/ M. Pena Batlle

His Excellency  
Avra M. Warren  
Ambassador Extraordinary and Plenipotentiary  
of the United States of America  
EMBASSY

## TELEGRAM SENT

RMN

PLAIN

AMERICAN EMBASSY,

March 27, 1944

PORT-AU-PRING, HAITI.  
104, twenty-seventh

Reference to your despatch No. 2521 of January 31, 1944.

It was a source of satisfaction to the War Refugee Board to learn of President Lescot's plan to make available \$10,000 to be used in refugee work. Your despatch of February 10, No. 2559 brings further encouragement through the announcement of the establishment of a committee by President Lescot for the aid of refugees and by the fact that a portion of the above sum has been made available for immediate use.

Please express to President Lescot the sincere appreciation of the War Refugee Board.

If a definite plan presents itself in which Haiti can render concrete assistance, it will be submitted to you for your consideration and counsel. The Board is aware of the limited possibilities in Haiti for a program for the immigration into Haiti of refugees, but it hopes that small numbers at least may be absorbed by the Republic.

HULL  
(GLW)

WRB:GLW:VHJ

CCA

SWP

3-27-44

MO - 406

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

Lisbon

Dated March 27, 1944

Rec'd 9:02 p.m.

Secretary of State

Washington

918, March 27, 6 p.m.

Following message is for War Refugee Board for transmission to Moses Leavitt, Joint Distribution Committee, New York City.

"Your March 20, 5 p.m. Ira Hirschmann advises Turkish vessel has now been promised for Balkan evacuation therefore suggests we take no steps connection Portuguese steamer until number of refugees available for embarkation Constanza determined. Resnik informs us Turkish vessel for one trip Constanza to Haifa will involve cost approximately \$250,000 for 800 children and urges you provide funds War Refugee Board this purpose. Understand Hirschmann concurs this suggestion. Please discuss immediately with Pehle and advise".  
Signed Schwartz.

NORWEB

EMB

NO - 377

PLAIN

Lisbon

Dated March 27, 1944

Rec'd 8:15 p.m.

Secretary of State

Washington

919, Twenty-seventh. 6 p.m.

Following message is for War Refugee Board for transmission to Moses Leavitt, Joint Distribution Committee, New York City.

\*Your March 23rd 9 p.m.

Number Jewish refugees on our rolls after departure Canadian group approximately 500 Madrid and 1,050 Barcelona including about 560, Sephardic group leaving balance 990 most of whom stateless. Difficult estimate number refugees Spain not on our relief rolls but total does not exceed 450 excluding of course French who being constantly evacuated. Of total 1550 refugees our rolls 865 have applied for North African camp but French authorities have rejected approximately 10 percent making total likely to be moved about 775 which will include at least 365, Sephardic group. Believes some others might be willing depart after first group leaves provided French authorities accept additional groups but must point out very little enthusiasm among refugees for any type camp and difficult for Beckelman or us utilize suasion especially view uncertainties regarding right to work and other conditions which will prevail. Also many refugees especially Barcelona have close relatives in France whom they feel they can help from Spain therefore refuse to leave for any point from which contact impossible. Have nevertheless cooperated fully and you may be certain we shall try get out maximum number without using undue pressure." Signed Joseph Schwartz.

NORWEB

EJH

RECT-393

PLAIN

Lisbon

Dated March 27, 1944

Rec'd 8:36 p.m.

Secretary of State,

Washington.

920, 27th, 6 p.m.

Following message is for War Refugee Board for transmission to Moses Leavitt, Joint Distribution Committee, New York City.

"Your March 23rd, 8 p.m.

Have put off trip Algiers and will try visit Madrid if possible arrange quickly which uncertain. For time being will not be necessary utilize special license since all payments now in pesetas to Spanish nationals. Important however you transfer this connection 500,000 pesetas for which we asked. Will give full consideration possibility stationing Laura Margolis Spain connection this program although believe at least for time being Sequerra can handle it adequately". Signed Joseph Schwartz.

NORWEB

MRM

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMEEGATION, BERN  
DATED: MARCH 27, 1944  
NUMBER: 1023

## SECRET

FROM WAR REFUGEE BOARD TO HARRISON.

Please deliver the following message to the International  
Red Cross, Geneva, from War Refugee Board:

"In view of German occupation of Hungary, War  
Refugee Board urges that Intercross send effective  
representation to Hungary in order to protect the  
well being of groups facing persecution."

HULL

## PARAPHRASE OF TELEGRAM SENT

FROM: The American Legation, Bern  
TO: The Secretary of State, Washington  
DATE: March 27, 1944  
NUMBER: 1871

## CONFIDENTIAL

For transmission to the respective authorities of all three governments message has been passed on to secret intermediaries (your number 770 dated March 7, 1944). I am not able to predict ultimate delivery to destinies because of current developments.

HARRISON

DCR:MPL  
3/29/44

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: Amembassy, Ankara  
DATED: March 27, 1944  
NUMBER: 264

## CONFIDENTIAL

This is WRB Cable to Ankara No. 14. Refer your No. 465 of March 16, 1944.

Notwithstanding delay in transmission to Washington, Board desires to have pictures of evacuated refugees coming from Balkans through Turkey. Board appreciates your caution against publicity in the United States at this time regarding your efforts in Turkey. Pictures will not be used until you agree to their publication.

HULL  
(GLW)

TELEGRAM SENT

RESTRICTED

WAR REFUGEE BOARD

RMN

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

March 27, 1944

9 p.m.

ANKARA

268

FOR THE EMBASSY FROM THE WAR REFUGEE BOARD

In answer to your no. 508. Army Transport  
Command Cairo has been requested by War Department  
to grant Hirschmann no. 2 priority. This is  
War Refugee Board's No. 15.

HULL  
(GLW)HULL  
(GKW)

WRB:GLW: NE

3/27/44

BIR - 874

Ankara

This telegram must be

paraphrased before being

communicated to anyone

other than a Governmental

Dated	March 27, 1944
Fac'd	9 a.m. 29th

Agency. (9000)

Secretary of State,  
Washington.PRIORITY  
547, March 27, midnight

FROM THE AMBASSADOR AND HIRSCHMAN FOR THE WRB.

Department's 250, March 24, 10 p.m.

Ankara's 9.

(One) The Turk authorities have now agreed to a charter price of 175,000 Turk pounds (approximately \$77,200) for the projected voyage, eight days being allowed for embarkation and debarkation. For any period of time in excess of eight days required for embarkation or debarkation we will be required to pay 5833 Turk pounds (approximately \$3245) per day. In view of the fact that the Jewish Agency for Palestine had made a firm offer of \$250,000 (repeat dollars) for the charter of the SS VATAN for the projected voyage and was merely awaiting the consent of the Turk Government to the charter, and that we have obtained a desirable passenger vessel in lieu of an old cargo ship which would have required the installation of passenger facilities entailing a delay of two months, and which could not have carried more than half the passengers the SS TAHRI will take, we consider the price now agreed upon to be extremely favorable having regard to the exorbitant prices demanded for charters in these waters. Our financial negotiations were made difficult by the price offered the Turks for the SS VATAN. Black, who has been present throughout the negotiations, regards the price finally agreed upon as reasonable under all of the circumstances.

(Two) The Turk Government will not (repeat not) accept a replacement guarantee on the basis of "a cargo vessel of comparable age and tonnage" for the SS TAHRI, which is one of its six available desirable passenger vessels. The Turk Government requires a guarantee that the SS TAHRI will be replaced with a similar passenger vessel of comparable age and tonnage.

(Three) We, too, are assuming that there will be refugees available for examination when the voyage is undertaken and are relying on assurances to this effect from the representatives of the Jewish Agency in Istanbul, the representative of the International Red Cross in

-2- #547, March 27, midnight, from Ankara

Busharest and the Rumanian Minister in Ankara. Obviously having no control over the movement and departure of refugees Rumania at this time, we are in no better position than the Board to give positive assurances on this subject.

(Four) In view of the conditions of the charter which provides, as stated above, for additional payments in the event of delays in embarkation or debarkation on a daily basis; the board will be in a position to terminate excessive delays should the cost become too great. In this connection based on experience in this part of the world and existing conditions, we feel obligated to invite the attention of the Board to the probability of very great delay in connection with embarkation resulting either from failure of safe conducts to arrive, difficulties in moving prospective refugees to the port of Constanza, or other difficulties in connection with the documentation of refugees. In our opinion only exceptionally favorable circumstances will permit of the completion of the projected voyage within two months.

(Five) We invite the attention of the Board to the fact that we have now taken every step which it is within our power to take to obtain the German safe conduct. As the representative of the International Red Cross in Ankara informs us that he has received word from Geneva that there will be considerable delay in obtaining the German safe conduct and as the TARI which will be prepared to sail within a week, will not be permitted to depart until the German safe conduct is forthcoming, we urge the Board to exert every possible effort towards expediting the German safe conduct.

STEINHARDT

JT

NOT TO BE-RE-TRANSMITTED

COPY NO 11

SECRET

OPTEL No. 99

Information received up to 10 A.M. 27th March 1944.

1. NAVAL

On 25th/26th E-Boats off East coast were driven away by H.M. Destroyer and one of H.M. Corvettes. At least one E-Boat was damaged. Motor torpedo boats damaged an enemy trawler off the Dutch Coast.

On 22nd/23rd. Royal Marine Commandos landed without opposition on HVAR ISLAND and re-embarked on 24th/25th. On 20th one of H.M. Submarines in AEGEAN sank an armed Caique and on 26th probably torpedoed a German 2,000 ton ship.

2. MILITARY

Russia Russians have captured BALTI and have reached PRUTH on 50 mile front. They have further advanced South-west of TRANOPOL and south west of PROSKUROV and have surrounded the Germans in TARNOPOL and KAMENETS-PODOLSKI.

Burma About 500 Japanese have infiltrated into the area 7 miles North-west of BUTHIDAUNG. A Japanese force is moving North-west from UKHRUL (North-west of IMPHAL).

3. AIR OPERATIONS

Western Front 25th/26th. AULNOYE. 807 tons H.E. dropped. Clear weather, one particularly large explosion reported.

LYON. Aero engine work, weather clear, no cloud, most bombs appear to fall off the target.

26th. Totals of 1,008 bombers and 821 fighters despatched: 8 bombers, one fighter missing. Military constructions NORTHERN FRANCE attacked by 500 escorted Fortresses and Liberators and later by 146 medium and fighter bombers; total 1,268 tons dropped. Medium bombers dropped 657 tons in IJMUIDEN PORT Area and Mustangs bombed railway centres BEAUVAIS and CREIL. Good results reported everywhere.

26th/27th. Aircraft despatched: ESSEN 705 (9 missing). COURTRAI railway centre 109, Sea-mining 20, Leaflets 18, HANOVER, AACHEN, JULIANADORF and Intruder patrols total 68 Mosquitoes, ESSEN bombed blind through heavy cloud.

Italy 25th. Marauders dropped 27 tons RIGNANO and 42 tons LEGHORN. Warhawks attacked gun positions ANZIO area with good results.

Bulgaria 24th/25th. Wellingtons and Liberators dropped 97 tons at SOFIA, results unobserved.

OFFICE  
SECRETARY OF TREASURY

MAR 28 AM 9 31

ASURY DEPARTMENT