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May 26, 1944
9:36 a.m.

1

Steve
Early: Henry, good morning to you.

HMJr: Good morning to you.

E: Henry, I think....

HMJr: Yeah.

E:it would be awfully well....

HMJr: Yes.

E:instead of making some mystery about it....

HMJr: Yes.

E:to announce the place of this conference....

HMJr: Yes.

E:at the same time you make the other announcement.

HMJr: It's all right with me.

E: It is?

HMJr: Yeah.

E: Now, Henry, you told me the place yesterday and I've forgotten it.

HMJr: Bretton Woods.

E: Spell it for me, please.

HMJr: I think it's B-r-e-t-t-o-n.

E: B-r-e-t-t-o-n, Bretton Woods.

HMJr: Yes.

E: Where is that -- what State?

HMJr: New Hampshire.

E: New Hampshire. Thank you, sir.

HMJr: If that's not the correct spelling, I'll have someone call your secretary.

E: I can find it, Henry.

HMJr: Now, while I've got you on the phone.

E: Yes.

HMJr: Have my boys seen you about the President participating in a broadcast?

E: Well, Henry, they've talked to me about it, but I haven't -- I don't know what the hell the Boss is going to do.

HMJr: Yeah.

E: Do you? Has he told you?

HMJr: Well, I spoke

E: Well, I haven't talked to them yet about it because I haven't gotten anything from him and without that, I wouldn't be able to do much.

HMJr: Well, I talked to him about it.

E: Yes.

HMJr: And he said there's a fifty-fifty chance that he'd be around.

E: Yeah. Yeah.

HMJr: And he left me with the impression that he'd kind of like to do it.

E: Yeah. Uh huh.

HMJr: So, I

E: Has he fixed a date for that?

HMJr: Yes, it's the night of the 12th.

E: June 12th?

HMJr: Yeah.

E: Uh huh.

HMJr: And it's from Texarkana and the five Governors from the Gulf Southwest States will be there....

E: Uh huh.

HMJr: to open

E: And that's the opening of the Drive?

HMJr: That's right.

E: Right.

HMJr: And so I made this remark to him, I said, "Well, I'm going to take it that provided you're around you'll participate." And he didn't contradict me.

E: Yes.

HMJr: See?

E: I see. Uh huh.

HMJr: You know, he

E: Well, I'll try to follow that up this morning.

HMJr: Will you do that?

E: I'll do my best to.

HMJr: And....

E: Yeah.

HMJr: I'll talk to him about the newspaper men.

E: Uh huh. Good.

HMJr: Right.

E: Okay.

HMJr: Thank you.

E: I think it would be just as good an idea to say to him that -- on the press -- that you and the State Department feel that they should be accommodated as they were in Atlantic City at Governor Lehman's Conference....

HMJr: Yes.

E:and as they were in Philadelphia for the International Labor Conference. See?

HMJr: Briefly, how was that done in case he asks me?

E: Well, they were met and seen once a day.

HMJr: Yes.

E: There was an office in the hotel....

HMJr: Yes.

E:for them....

HMJr: Yes.

E:to come and to be met.

HMJr: I see.

E: Statements and anything that was given out in the way of publicity was -- however, they were not admitted to the hotel.

HMJr: I see.

E: They couldn't go to the rooms or sit around the lobby and things like that.

HMJr: Yeah.

E: Neither were they ousted and it worked all right.

HMJr: And they were happy?

E: They were, yeah, on that basis.

HMJr: Well, that's what I'll tell him.

E: They got -- and there were no complaints about that, but if you go back and remember the White Sulphur....

HMJr: Was terrible.

E: Conference, that was ruined before it started.

HMJr: Right.

E: Yeah. And fellows just went down there to write critical pieces....

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HMJr: Right.

E:and not to be helpful.

HMJr: Right. Well, did the State Department handle the I.L.O. one also?

E: No. No. I think Miss Perkins' crowd handled that -- I believe.

HMJr: I see.

E: Yeah.

HMJr: Okay.

E: Thank you, Henry.

HMJr: Right.

E: Bye.

May 26, 1944
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. C. S. Bell
Mr. White
Mr. Gamble
Mr. Blough
Mr. Haas
Mr. O'Connell
Mr. Smith
Mr. Sullivan
Mrs. Klotz

H.M.JR: Steve Early just called me, wasn't it all right to announce at eleven o'clock we were going to Bretton Woods? I said yes. He said he thought it was a mistake to make it any mystery. He wanted to know how to spell it and what state it was in.

Then I said, "Have you seen any of my boys about the President participating on the 12th on the broadcast?" He said, "I have talked to them on the phone." I gathered he hadn't seen them.

MR. GAMBLE: No.

H.M.JR: He really didn't say there was no use of his seeing them, but that was the purport. He said, "I can't find out what the President is going to do. Do you know?" I told him that I had spoken to the President, that he wasn't very enthusiastic, but said if it is convenient that he would and there is a fifty-fifty chance. I said, "Then I am going to take it that you are," and that is the way I left it. Steve said, "Well, with that information I will follow up now and see what I can do."

Now, do you want to give an official report of what you did?

MR. C.S. BELL: Well I went up there. It is a very desirable hotel, not unlike Wardman Park on the interior. The setting and the like. There is plenty there to keep everybody amused in the day at least, movies and orchestra at night. There is some complications in the telephone setup, but until the announcement today we didn't go too far with making our arrangements with the telephone people. Likewise on transportation, we couldn't make too many inquiries, because it would be buzzed around and the information would get out ahead of the President's announcement. But I think it will be a very satisfactory place, not unlike the White Sulphur setup. It is very high-class. I have a picture of it. (Hands Secretary illustrated pamphlet)

These facilities have been reasonably well assured. No one has any local labor up in that neck of the woods, to renovate or to bring in his waitresses and chambermaids and the like. These people are going to import their own labor. They have already gotten all of their key positions filled. Those keymen have been recruiting their own waitresses and cooks and the like. The possibilities at the lower location, Wentworth--

(Secretary holds telephone conversation with Will Clayton)

H.M.JR: The reason I am doing this, I have been trying, you know, to get these people.

But anyway he is a little hesitant and wants to talk to Justice Byrnes, and so forth. He will let us know Monday or Tuesday.

MR. WHITE: I'll call him up after the meeting.

MR. C.S. BELL: There are two main objections to the Portsmouth location. We couldn't get more than two hundred and twenty-five people in any assembly room in all of the hotels offered. Second, they had done nothing in the matter of recruiting personnel for those hotels.

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H.M.JR: I don't want so much detail. Is this place all right?

MR. C.S. BELL: This place is the best in New Hampshire.

H.M.JR: The only thing that bothered me was--is it new management?

MR. C.S. BELL: The new management started last January.

H.M.JR: Who were the people, do you know?

MR. C.S. BELL: Yes, Stoneman from Boston. He heads up a very wealthy corporation that had bought this and other hotels. He has engaged Davis, who has had considerable hotel experience. He operated the Grand Union at Saratoga and a couple of hotels in the Bahamas.

H.M.JR: Somebody said he had just bought a hotel in Palm Beach.

MR. SULLIVAN: Whitehall.

H.M.JR: Anyway, New Hampshire made it. It wasn't in your back yard, but they made it.

MR. SULLIVAN: That is all right with me. I think there were defects at New Castle and Rye and I was very anxious to get a place that didn't have those defects.

H.M.JR: Well, it's all right.

MR. C.S. BELL: Yes.

H.M.JR: O. K. You can begin to worry from now on, you and Harry. Thanks for going up. Anything else?

MR. C.S. BELL: No sir, we have a floor plan of the hotel if you want to see that.

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H.M.JR: No, I am not going to worry about it. If you say it's all right, we want you to look after the American delegation and the rest of us, and you add it to your other worries. O. K?

MR. C.S. BELL: Yes.

MR. D.W. BELL: The Senate Finance Committee voted the debt bill yesterday, you saw, and raised the limit from two hundred and forty to two hundred and sixty. I don't know exactly what happened, but I think Stam--

H.M.JR: To two hundred and sixty?

MR. O'CONNELL: They raised the House Bill. They did, but we asked them to.

MR. D.W. BELL: Yes, they went back to the two hundred and sixty which I originally recommended. The House went down to two hundred and forty.

H.M.JR: The upped it?

MR. D.W. BELL: Yes, I think what happened, Mr. Stam went in and tried to get them to add some language to clarify, so he said, the meaning of taking out the word "face" before "amount". It originally read and reads now, "face amount of obligations outstanding." In order to get rid of accrual on savings bonds we took out the word "face". They lowered it to two hundred and forty in the House. I think he is trying to see somebody under the bed and raise trouble that doesn't exist. He went before the Committee, I think, and explained all that and the reasons for his language. I think they thought, "We'll go back to two hundred and sixty and leave it alone." So we don't care one way or the other but it makes me a little peeved, he is a tax man, to think he would get in there. He is not a clerk of the Committee.

H.M.JR: If he is trying to mess the thing up and you got what you asked for first, why don't you like Stam?

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MR. D.W. BELL: As a matter of fact, I'd rather have it the other way, because it makes us go through a lot of complications.

H.M.JR: We ought to have two hundred and sixty. It looks like an Administration victory. Right?

MR. O'CONNELL: Right. The bill isn't out of conference, but at the moment I think it's good to have the two hundred and sixty.

MR. D.W. BELL: I don't think so much of the victory. Either way is all right, of course.

H.M.JR: All right? Sometime next week, I am leaving tonight, I'll be back late Monday night, will you take up with me what you and these fellows talked about on taxes? I'd like to discuss it with the whole group.

MR. D.W. BELL: When?

H.M.JR: The first time we have a staff conference next week.

MR. D.W. BELL: All right. I think it's a good idea.

H.M.JR: Will you bring it up?

MR. D.W. BELL: Yes.

H.M.JR: What we are doing at eleven o'clock, so you people know, Harry put up a couple of things to me yesterday and one of them is what are they going to do with surplus war material in Europe, how are we going to dispose of it in Europe. And the other one, I mean they don't seem very much related, but the other one is the first six months of the Army, how are we going to get the food and who is going to pay for it and let's make sure that England's contribution to this food isn't American Lend-Lease. Do you see? My thought was that those two things would be an awful good thing for Robert McConnell to get busy on, both of them.

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It's a full-time job. We have no representation on the Combined Food Board. We can put him on that and this whole thing. It sort of leads up, I think, into the whole question of raw materials and sort of leads into the thing that he is really interested in. So that is what the meeting is about. I am going to try to sell it to him at eleven o'clock. It's something new, nobody is on it and we need somebody. It's a full-time job for somebody.

MR. SULLIVAN: The first of those FEA is on, very much.

H.M.JR: Point granted.

MR. WHITE: Nobody is on it for Treasury.

H.M.JR: But they are looking to us and there is a lot of behind-the-scenes fighting as to who should have it, but Treasury has representation. Somebody has to sit with the Crowley organization.

MR. SULLIVAN: I think that the way surplus property is being divided up by Clayton, sale of surplus abroad is delegated to the FEA.

H.M.JR: We are not arguing.

MR. O'CONNELL: That is disposing of surplus.

H.M.JR: This is not surplus that is going to leave this country; it is Army surplus that is already over there.

MR. SULLIVAN: That is what he is going to dispose of.

H.M.JR: True, but Treasury has been consulted by FEA and I have to make decisions.

MR. SULLIVAN: I think he would be a very good man.

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H.M.JR: And I want him to sit on for the Treasury and advise me what to do. It's something entirely new.

MR. D.W. BELL: Is FEA authorized to dispose of all surplus property abroad now and after the war?

MR. O'CONNELL: They have as much authorization as Clayton could give them. They will be the disposal agency under present plans.

MR. WHITE: I think they feel that their executive order does give them that authority, and as a consequence of that and discussions that went forward with Will Clayton, that division was made, such as described by John Sullivan. They have come to us with respect to certain financing aspect of it.

MR. D.W. BELL: Through a special act in the last war, disposal was taken care of by United States Liquidation Committee headed by Judge Parker.

MR. O'CONNELL: The legislative situation there is no very good legislation with respect to the sale of surplus property at all, either here or abroad, but there is sufficient support for the proposition that there is inherent power to dispose of property that isn't needed and the executive order under which Will Clayton operates and the permanent divisions other agencies have are premised on the basis there is authority to do it. They are drafting a bill which will try to make a consistent pattern and get legislative sanction for some things that aren't too clear.

H.M.JR: These are two, not too related, things but they both have to do with over-seas. We are consulted and I have to make up my mind. I have to make policy decisions, and I want somebody to represent us as the thing grows.

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MR. SULLIVAN: Yes it will, a great deal.

H.M.JR: I think if McConnell will take it, he could do a very good job on it.

MR. SULLIVAN: So do I.

H.M.JR: Does anybody disagree?

MR. D. W. BELL: I don't.

That is all I have.

H.M.JR: Harry, I would like to call up the War Department and ask the question, whether they are in any way briefing our soldiers before they go to Europe as to what to spend and what not to spend. Do you know?

MR. WHITE: They were supposed to have a program over there. We have never received anything definite. I think it would be a good idea to ask them, because you remember--

H.M.JR: You don't have that information?

MR. WHITE: No, and you took the position that you supported the program that expenditures be curtailed in one fashion or another. And though they do have in mind placing certain areas of food sources out of bounds, and so forth, I would be curious. I would doubt that they have the kind of program that I think you would like to see them put into effect, and I think it is increasingly important as they go forward. They are very reluctant to do it, of course, and such pressure as would come, should come from the financial end.

H.M.JR: Well, I was talking at breakfast with the boys this morning, and another boy, and their reactions were very interesting.

(The Secretary holds a telephone conversation with Colonel McCarthy)

MR. WHITE: I should think discharged soldiers would be delighted with a job like that, and make excellent guards.

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H.M.JR: I suggested to them that returning soldiers in uniform--I mean the limited service people--they say they are gradually trying to, but up to now there are practically no physically able soldiers that have come back. I mean, that ship that Bob came back on was the first time they brought back any numbers.

MR. WHITE: But there must have been several hundred thousand soldiers who have been discharged because of age.

H.M.JR: Well, the Army doesn't want to re-employ them.

MR. WHITE: Employ them as guards.

H.M.JR: No, they all go into factories. If you had gone through the factories that I have, even six months ago--these fellows go into the factories. The factories like to have them. It is good for the morale to have a fellow that saw active service, and they like the wages.

MR. WHITE: But you can offer them security here, and they are beginning to worry about that. I should think it would be a fruitful field.

H.M.JR: They are trying their best to recruit them for our guards here. We are going to build this up first.

MR. WHITE: Well, are you familiar with what Fred is doing? One of his boys showed me a program. We went over it; I think it is excellent.

H.M.JR: Yes.

MR. SMITH: That boy is over now doing it for the Army.

H.M.JR: Fred speaks to me once a day!

MR. SMITH: Occasionally, but it is an Army job, and it is awfully slow-moving.

H.M.JR: Colonel McCarthy says he is sure there was such a program--they had it--and there is a copy here in Washington and he would see that I get it.

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Now, if there isn't such a thing--he goes very fast.

All right, Harry?

MR. WHITE: Senator McCarran has tried to get me several times. Finally his secretary spoke to me. He is interested, of course, in the conference. She asked me this, which I thought I would repeat for your interest and possibly amusement: "Wouldn't it be possible to have Senator McCarran invited as a delegate to the Conference?"

I said, "Well, of course, that is a problem for the President to handle. I haven't the slightest idea."

H.M.JR: I can't hear you.

MR. WHITE: I said the President was the one that appointed the delegates; I didn't have any idea. But it is of interest to know that McCarran is going to try to put silver in this and will probably contact the President to be appointed.

H.M.JR: That is your only contribution to this morning's conference!

MR. WHITE: My only contribution.

H.M.JR: Sixteen to one!

Anything else, Harry?

MR. WHITE: No, sir.

MR. D. W. BELL: I have a conference in my office with General Clay at ten o'clock--Harry and I.

MR. WHITE: To agree on an answer to K'ung's letter.

H.M.JR: Right. And when you see General Clay, find out whether Mr. Stimson got a copy of this which came in from General Clay yesterday. I want to be sure I get that back to take to Cabinet. I may mention it at Cabinet to show that the Army says they are satisfied. (Hands document to Mr. Bell) I want that back before two o'clock.

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MR. D. W. BELL: Okay.

(Mr. Bell and Mr. White leave conference)

MR. GAMBLE: I just have one thing. I talked to this man again last night in South Dakota. He hadn't understood about sending the letter. He is sending it today, and he is spending the weekend with Bushfield and will give us a further report. He had a wire from Bushfield saying he was coming home and would like to visit him. So he is spending the weekend with him.

H.M.JR: Oh, that is sort of good. I gathered from what Bushfield said that he was going to drop it, but--

MR. GAMBLE: He said he would send a letter in. He had no reason to have this wire from Bushfield to spend the weekend with him, other than as a follow-up to this letter.

H.M.JR: Oh, he had sent the letter?

MR. GAMBLE: He had sent the letter and a wire from Bushfield that he would like to spend the weekend at home with this fellow. So he will give us a further report on it.

H.M.JR: Oh, I didn't get it.

(Mr. White re-enters conference)

MR. WHITE: Since you were so interested in those rates, I thought I'd bring this in to you. This just came in. (Hands Secretary informal memo)

(Mr. White leaves conference)

MR. GAMBLE: That is everything, sir.

H.M.JR: I'll be glad to have you stay.

Does anybody else have any meetings?

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MR. O'CONNELL: John and I have one at 10:15 across the street.

Do you want this letter to Rentschler?

H.M.JR: Yes.

MR. O'CONNELL: Roy Blough has settled it.

H.M.JR: My son thought we were too argumentative.

MR. SULLIVAN: It is still argumentative.

(Secretary reads over Rentschler letter)

H.M.JR: You don't want to soften that up a little bit?

MR. O'CONNELL: Well, it depends on how soft you want to make it. It is a little softer than it was when I read it to you yesterday, and it is a little softer than it was when I thought of it the night before last. It depends on the climate!

H.M.JR: Let's see if I can't take a pencil and get the same results.

(Secretary revises letter)

How does this sound? "I have given serious consideration to the suggestion you made during your telephone call to me on Wednesday, that the Department should interest itself in proposed reduction of rates charged by the Consumers Power in Michigan, with a view to proposing such reduction. I do not share your view. I think it would be entirely inappropriate for the Treasury Department to give even tacit approval to such approach to public utility rates and public utility companies. Under the circumstances, no useful purpose would be served by discussion of this matter with you and Mr. Whiting."

MR. SULLIVAN: It depends on how much you want to have on the record as to your reasons.

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H.M.JR: I feel I am lecturing the fellow. Doesn't that say no?

MR. O'CONNELL: Sure, it says no.

H.M.JR: Isn't that enough without seemingly sort of lecturing the fellow?

MR. O'CONNELL: Well, I wrote the other one.

H.M.JR: Certainly my record is perfectly clear.

MR. O'CONNELL: There is nothing very clear from the telephone conversation, Mr. Secretary. All this says is no.

H.M.JR: This says, "No useful purpose would be served. I do not share your view. I think it would be entirely inappropriate," etc. Have a fresh look at it - do you mind? Simply say, "I am sure you will agree with me that under the circumstances..."

MR. SMITH: Do you have to put that in? You have already told him you are not interested. Why tell him you don't want to see him?

MR. O'CONNELL: He asked.

H.M.JR: Take another look at it.

MR. O'CONNELL: Do you see the difficulty I have with the short form, Mr. Secretary, is that nowhere does it appear that he has indicated the sort of Treasury interest that there is. He says, "Won't you oppose a rate reduction?" You say, "I won't oppose a rate reduction," but nowhere, except in his telephone conversation, is the argument that he made to you that you are a sort of senior partner.

H.M.JR: Well, you fellows think about it again and if you think my own position isn't sufficiently protected, then I'll do it the way you want it.

MR. O'CONNELL: All right, fine.

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H.M.JR: Don't you want to take Elmer with you?

MR. O'CONNELL: I don't think it is necessary.

MR. SULLIVAN: I wouldn't.

H.M.JR: Are you fellows sufficiently indignant on this thing?

MR. O'CONNELL: Yes.

MR. SULLIVAN: Oh yes, sure. Herb put on a wonderful show over there last night.

H.M.JR: I mean you fellows aren't going to do any buttering-up over there?

MR. O'CONNELL: Nope! Come out fighting.

(Mr. Sullivan and Mr. O'Connell leave conference)

MR. BLOUGH: They will do plenty of butting, but no buttering.

The pension trust hearing, as you know, begins this morning. The taxpayers are coming in. After today, it will be adjourned until next week. We should have a statement by around the middle of next week and I hope that early in the week you will have a little time to clear the policy as to what the Treasury should say. That is all I have.

H.M.JR: O. K. George?

MR. HAAS: I have nothing.

H.M.JR: George, in this weekly weather report of the Department of Agriculture, they say New England was hit very badly by the frost. I would like to know if any damage was done to the apples.

MR. HAAS: All right.

MR. SMITH: I have only one sensational piece of news. I talked with Dudley last night. General Arnold

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is still wiring down there wanting to find out why he isn't in the Army and he still isn't in the Army. He is still at New Haven.

H.M.JR: The wild-life historian!

MR. SMITH: He got another wire yesterday.

H.M.JR: And Arnold?

MR. SMITH: Arnold himself is wiring down there saying why isn't that man over-seas doing an Army job instead of puttering around radio?

H.M.JR: He can't find out?

MR. SMITH: He can't find out, and apparently it is a great Army. But Dudley is going over-seas anyway with Kirby on the net-work. So he is all right. He is being taken care of. Colonel Kirby is over there taking over the Allied net-work, and Dudley and the orchestra man are going over with him, so Dudley says.

H.M.JR: The thing that always amuses me is the fellow goes someplace, to London, BBC or something like that. They are over-seas. That is all right. Just as long as they are over-seas, but if he is running the radio station there, he is in the Army, but if he is selling war bonds here, he is not. These people come back with the ribbons just because they have been sitting in London.

MR. GAMBLE: We are taking Miller on tour, starting the ninth of June and running through the 21st.

H.M.JR: You are sure Miller isn't taking you on!

MR. GAMBLE: We have booked about seven cities.

H.M.JR: Where do you stand versus OWI this morning?

MR. GAMBLE: All right. I have heard nothing more from them, Mr. Secretary. I suppose you have heard that they got their appropriation approved by the Committee.

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H.M.JR: What is the name of this former Columbia Broadcasting man?

MR. GAMBLE: Klauber.

H.M.JR: Have you tried to butter him up?

MR. GAMBLE: No.

H.M.JR: They say he is a very decent fellow.

MR. GAMBLE: But Elmer Davis and Klauber work back in an iron cage. They never come out.

H.M.JR: If you want me to have Klauber over for lunch next week, I'll be very glad to.

MR. GAMBLE: All right, sir.

H.M.JR: He is about sixty-five?

MR. GAMBLE: Maybe fifty-seven or fifty-eight. He is former Vice President of CBS.

H.M.JR: Well, I have a way of approaching Klauber, so if you want to come over next week--

MR. GAMBLE: I'd like one day next week to have Duffield and one of his Navy people over.

H.M.JR: Not for lunch.

MR. GAMBLE: They made Duffield the No. 2 man in the Navy Department.

H.M.JR: Whatever you want from Gene, I can call him on the phone and tell him. I don't have to butter Gene up. He is No. 2 on what?

MR. GAMBLE: He is apparently acting as Forrestal's No. 1 man on everything that is going into the Navy.

MRS. KLOTZ: He deserves a lunch!

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H.M.JR: I am not going to call Gene over for that. If you want something from Forrestal or Gene, I'll do it direct. The attitude Forrestal showed at lunch the other day, anything we want we can have. That goes for Duffield, too.

Why don't you call up Gene and tell him you'd like to have him for lunch?

MR. GAMBLE: That was generally my idea, only I was going to have you have him for lunch.

H.M.JR: Oh, no, I am not going to call Gene over here to ask him to do something. I am going to have him here because I like him.

MR. BLOUGH: That is absolutely right.

MR. GAMBLE: That isn't what I meant, Mr. Secretary; I meant for the same reason that you are bringing Klauber over. He has been given an important assignment.

H.M.JR: I don't want to have Gene over when I want something. He will say, "What is the matter? Am I not working for you?" That is his attitude toward the Treasury. He's a grand fellow.

Okay.

May 26, 1944
9:40 a.m.

23

Operator: Go ahead.

HMJr: Hello.

William Clayton: Hello, Henry. How are you?

HMJr: Fine, Will. How are you?

C: Pretty good.

HMJr: Will, at eleven o'clock this morning they are going to -- the President is going to announce this World Monetary Conference.

C: Yeah.

HMJr: And he's authorized me to invite you to be one of the delegates.

C: Uh huh.

HMJr: And both he and I hope that you will accept.

C: Well, Henry, that certainly is a great honor. I -- you know what I'm up against here.

HMJr: I know.

C: What -- when will it be held and

HMJr: July 1 at Bretton Woods, New Hampshire, and they've got a thirty-six hole golf course.

C: (Laughs)

HMJr: How's that?

C: That makes me laugh. (Laughs)

HMJr: It's about twenty-five hundred feet up in the air.

C: I know where it is. I've been there. It sounds very alluring.

HMJr: Yeah.

C: How long will it take?

- 2 -

HMJr: Well, we've got to be out of there by the twentieth but that doesn't mean that you'd have to be there all the time.

C: No, I just couldn't do it, Henry.

HMJr: But you could be there at the beginning and when the thing gets hot.

C: You know, from your own experience....

HMJr: Yeah.

C: what a time a fellow has

HMJr: I know.

C: getting business men like Olrich and by the way, every day the more I see of Olrich, the more I like him.

HMJr: Well, you and me both.

C: I think that fellow is going to do you a swell job.

HMJr: Well, I think

C: He's helping me get a man that will act for us with him.

HMJr: Yes.

C: We got him here from St. Louis and had a long talk with him yesterday. He's a peach. He's just like Olrich and I think he's going to come.

HMJr: Good. He told me about it.

C: Yeah. It's just -- it is just like pulling eye teeth to get men of that type.

HMJr: Yeah.

C: Well, Henry, I -- I'll have to study a little about this and....

HMJr: Well....

C:I think I ought to speak to Justice Byrnes about it.

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HMJr: Well, that's up to you, but White can give you more details and if by Monday or Tuesday you can say "yes", I'd like it.

C: Yeah. Well, you -- you know I'd love to say "yes" because the whole thing intrigues me a good deal and I've taken a great deal of interest in it.

HMJr: Well....

C: It's just that -- that this is my -- this is my job.

HMJr: I know.

C: And I can't neglect it. You know that.

HMJr: I know but good men always have to take on a little more.

C: (Laughs) Well, thank you ever so much.

HMJr: But seriously, this is something where you could make a real contribution and you know this international situation so well, we really need your help.

C: Thank you ever so much and I -- I can assure you this, that I'll do everything I can to try to fix things so that I can do it. I -- I like the idea but I -- I'm a little worried about this job I've got and I -- I just -- that's my first responsibility.

HMJr: True. Well, you think about it and, as I say, if you want any of the details, White

C: I'll talk to Harry.

HMJr: ...has them and if I could hear from you Monday or Tuesday.

C: Thank you very much, Henry.

HMJr: Thank you.

C: Bye.

May 26, 1944
9:55 a.m.

26

HMJr: Hello.

Colonel
McCarthy: Hello, Mr. Secretary.

HMJr: How are you?

M: Fine, thank you, sir. I hope you're well.

HMJr: Very well. Colonel, I have on a number of occasions expressed an interest in what the Army's going to do in briefing our soldiers before they set foot on Continental Europe in regard to spending money.

M: Yes, sir.

HMJr: On account of the impact on the local population, inflation and the question of keeping the good will of the local population.

M: Yes, sir.

HMJr: We have not been able to find out what the Army is proposing to do.

M: Right, sir.

HMJr: I know when the soldiers first went to England, General Marshall was very much interested and I wish you could find out for me and if steps haven't been taken and the Army would want the advice of the Treasury, we'd be glad to work with you people.

M: Grand, sir.

HMJr: But I think it's very important that before the soldiers set foot on Continental Europe....

M: Yes, sir.

HMJr: That they be strongly briefed and ordered not to buy food and clothing and so forth from the local population.

M: Yes. I fully understand, Mr. Secretary, and I imagine those arrangements have been made in the theatre and we very probably have a report on it here, but I'll look into it, sir, and let you have something within the next day.

HMJr: That will be perfect.

M: Grand, sir. I hope the arrangements about Hyde Park were all right.

HMJr: Well, they didn't go as far as I wanted.

M: Nor as far as we wanted.

HMJr: But I --- after all, it's up to the President. I wanted one Company.

M: Yes, sir.

HMJr: And I thought sometime I would approach him on it again.

M: Well, sir, if you could get him to agree to that, it would certainly be fine with us. Our situation is this.

HMJr: Yes.

M: By law his security, of course, is vested in the Secret Service.

HMJr: Yes.

M: And we have felt that we should view our operation up there as supplementary.

HMJr: Yes.

M: And that we should never be in a position of furnishing less than the Secret Service wanted.

HMJr: Yes.

M: So, we'll be guided -- actually, we don't feel that that many men are necessary.

HMJr: I don't either but I think there's a local situation that there's -- up there -- I mean, it's -- I haven't had a chance to talk to the President about it. I hate to sort of bother him with things like that.

M: Yes, sir.

HMJr: But I thought I would -- the first chance I had I would mention it to him again. Now, I think the way it looks around the White House has greatly improved.

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M: Yes, sir.

HMJr: And we hope on this situation, if we can recruit some more guards, to relieve the Army of all responsibility of guarding the White House.

M: I see.

HMJr: So we're working towards that.

M: All right, sir. Well, Mr. Secretary, anything that you get in the way of reduction at Hyde Park we certainly will go along with.

HMJr: Well, I -- I have not lost sight of it.

M: All right, sir. And we're doing our best to feed some limited service and overseas personnel into that outfit up there.

HMJr: Well, I think that that would be helpful.

M: Grand, sir. I don't think we can transform it overnight.

HMJr: No.

M: But as replacements are needed, we'll see that overseas people go in.

HMJr: Wonderful.

M: Thank you, sir.

HMJr: Bye.

M: Bye.

May 26, 1944
10:51 a.m.

29

HMJr: Hello.

White House
Operator: All right, Mr. Secretary, Mr. Early.

HMJr: Thank you. Hello.

Operator: Here you are.

HMJr: Hello.

Steve
Early: Henry, in two minutes or so your story will break.

HMJr: Wonderful.

E: And in asking the President this morning if it was all right to name the place of the Conference....

HMJr: Yeah.

E:he said, "Yes".

HMJr: Good.

E: And then he brought up the press angle.

HMJr: Yes.

E: And I told him that it was the wish of you, the State Department and certainly mine....

HMJr: Yeah.

E:that it be handled upon the basis of the Philadelphia and Atlantic City meetings.

HMJr: Right.

E: He asked me what they were. I told him and he said, "Okay".

HMJr: Wonderful.

E: So now we don't have to bother that.

HMJr: So I don't have to bore from within?

E: Nope. Nope. He brought it up.

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HMJr: Wonderful.

E: Then he agreed to it when I explained the process.

HMJr: You're pretty good at it yourself.

E: Huh! Well, I'm such an old hand....

HMJr: Yeah.

E:that I -- I take a lot of discounting.

HMJr: Well, don't you think it would be good if you told the press that at eleven o'clock?

E: Well, they didn't ask me about it.

HMJr: Oh.

E: Now, when it comes to making the detailed arrangements for the conferences and so forth, then, I think, is the time to tell them that.

HMJr: Yes.

E: They didn't bring it up this morning and naturally I didn't because I didn't want to hark back to White Sulphur.

HMJr: Right.

E: Yeah.

HMJr: Right. Okay.

E: If I had brought it up this morning, it would have been -- well, extraneous and gratuitous.

HMJr: Yeah.

E: And then I think that they would probably have written a story that the President had relented.

HMJr: Yeah.

E: Or something like that. I wanted to avoid that.

HMJr: Right.

E: Yes, sir.

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HMJr: Thank you.
E: Right, Henry.
HMJr: Bye.
E: Bye.

MAY 26 1944

Dear Gordon:

I have given serious consideration to the suggestion you made during your telephone call to me on Wednesday that the Department should interest itself in a proposed reduction in rates charged by the Consumers Power Co. in Michigan with a view to opposing such a reduction. I gathered you believe a point should be made of the fact that a reduction in rates in this case will adversely affect the Federal revenues, since on the basis of present earnings the Company is paying several millions of dollars of federal excess profits taxes each year, and that if the movement should spread the adverse effect upon the revenue would be of that much more concern.

I do not share your view. I think it would be entirely inappropriate for the Treasury Department to give even tacit approval to such an approach to public utility rates and to earnings of public utility companies. Such rates are controlled by state public service commissions and companies under their jurisdiction are expected to content themselves with a modest, fair return. Quite contrary to your concept of the situation, it seems to me that in some cases it could be argued with a great deal of force that the obligation to pay substantial federal excess profits taxes by a public utility is a reflection of the fact that the existing rates of the company are too high, since the federal excess profits tax rates ordinarily begin to apply only after a fair return has been allowed the company.

I am sure you will agree with me that under the circumstances no useful purpose would be served by a discussion of this matter with you and Mr. Whiting.

Sincerely,

[Signed] Henry Morgenthau, Jr.

Mr. Gordon S. Bentschler
88 Wall Street
New York, New York

L.C:sgb

airmail

May 26, 1944
11:00 a.m.

SALE OF SALVAGE IN LIBERATED AREAS

Present: Mr. Bell
Mr. Sullivan
Mr. O'Connell
Mr. White
Mr. Aaronson
Mr. McConnell
Mr. Olrich
Mr. Hoffman

MR. BELL: Let the record show that I returned the document requested in Group, and that the Chinese memorandum was prepared by General Clay for Secretary Stimson with a covering note sending the original to the President.

H.M.JR: When did the original go?

MR. BELL: I don't know; the next day, I think, after the last Cabinet meeting - whatever date that is.

H.M.JR: Did you get together?

MR. BELL: Yes, we just quit.

H.M.JR: I want you (Olrich) to see all the free publicity we are getting for you.

MR. OLRICH: Good, bad, or indifferent?

H.M.JR: Good. Your company.

Now the class will come to order. Go ahead, Harry, please.

MR. WHITE: These various problems which are listed very briefly on this page have been a subject for discussion for many months, in varying degrees, and they

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have been discussed by several departments, chiefly State Department and Foreign Economic Administration, although the Army has also been in on discussions of certain parts of it. There may have been other departments that I don't know about.

The Treasury Department has participated in the discussions on most of these points, in view of the fact that they all, in one form or another, involve questions (a) as to how much of the cost shall be eventually borne by the United States and how much by the United Kingdom - and in some cases, how much by the Dominions.

And in view of the further fact that there are going to be some proceeds in various foreign currencies as well as in dollars, and the question is to whom that should go, in what proportions, and how it should be handled, and so forth.

There are, as I say, financial problems that run right through these, and it has been with respect to those financial aspects that discussions with the Treasury have gone forward.

Now, the status of the discussions on some of the points, we will make clear, have gone a long distance; on others, they are just beginning. And if you like, Mr. Secretary, we can take them up now in order and describe what the problem is.

H.M. JR: Go ahead.

MR. WHITE: The first question which we can direct our attention to is the problem of the sale of supplies to liberated areas for civilian relief purposes. That is distinct from the distribution of supplies which the Army itself makes right near the area of combat - which is practically regarded as part of their own combat program. They may distribute bread, and so forth, very soon thereafter; they do not treat that as Army distribution to their own soldiers, they regard it as distribution to civilian relief, and the decision has been

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made by the President that for the next six months or so the Army, presumably, would meet those expenditures out of its own appropriations. But that is only the United States Army. And since the relief is distributed by the British as well as the United States Army, the first question is who shall pay for how much, as between the United States and Great Britain.

The further question as to who shall pay - out of what appropriate fund it shall come - the United States' proportion shall come - is a separate problem we shall take up.

They have devised what they call a Plan "A." Plan "A" includes a list of items which they anticipate will be distributed in the form of civilian relief in the areas to be liberated. That amounts to from about six hundred million dollars, though they say it is quite rough and subject to subsequent modification. It does not include a number of other items.

MR. O'CONNELL: That has nothing to do with UNRRA?

MR. WHITE: No. The decision was made that UNRRA would not step in the picture until the Army stepped out. That decision will probably be modified later and it is not a clear decision, but for the time being, it is the working policy.

MR. O'CONNELL: The first sentence says, "Sales of supplies to liberated areas for civilian relief purposes." I was wondering - a sale is not what I would think of as a relief. (Refers to attached agenda)

MR. WHITE: That raises one of the problems. It has been our suggestion of policy that these goods be sold whenever, in the judgment of the authorities, it is desirable to sell them for local currency, and we will present the problem which arises as a result of--

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H.M. JR: Look, I haven't got too much time, so let's run through this thing and then, what I am going to do, you see, I am inviting Mr. McConnell to take this on for the Treasury. Do you see? I just want to give him enough - don't scare him too much. The way I see the thing is this: As far as I know, in discussing it, White put it up to me yesterday - this is a field that is going to get very much bigger and going to take the full time of somebody. We have got Mr. Olrich on sales within this country, which is his responsibility, but when it comes to selling abroad - dividing it - it is not our responsibility, but constantly our advice is sought. We are in a financial thing, and I think we ought to be completely up on the thing. And I hope Mr. McConnell will take this on and study the thing, so that the Treasury will be fully represented, because this runs into a lot of money and we want to be sure that, not only from the financial angle - that the job is well done, and so forth.

So, if you run through the thing - but it is a very big field which is opening, and we have all been too busy. It was never put up so definitely to me as it was yesterday.

Now, I am going to look to Mr. McConnell to take this thing on, attend these meetings and study the thing and advise us, and so forth and so on. And it would be a help to everybody. But it is an enormous field.

MR. WHITE: We haven't brought it to your attention partly because it hasn't crystallized enough.

H.M. JR: It is beginning to, now. After all, we hope we have some liberated areas to look after. The thing in Italy was done so badly - I hope they are going to do it better here. I mean, the last figures in Italy were, we put up about twenty-two million dollars and the English put up seven hundred thousand. That is one horse - one rabbit.

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MR. BELL: Small rabbit, at that.

MR. WHITE: I will just hit the high spots.

H.M.JR: Then if Mr. McConnell will say that he thinks it is a sufficient challenge, and he can get his mind on this, and also the Black Angus steers, maybe we can put him to work.

(The Secretary takes a telephone call from Mr. Brown)

MR. WHITE: You will have to find out whether he will play ball.

H.M.JR: He said if he was willing to take it he would come here next week to get the details.

Go ahead.

This trying to get people is something terrible - I mean on the phone.

MR. WHITE: The first question with regard to the sales to liberated areas would be who will pay for how much. Involved in that program is the fact that part of the goods which the United Kingdom agrees and is planning to send to the liberated areas, most of which will be sold, is goods which she has obtained on Lend-Lease from the United States or goods which are equivalent to goods which she has obtained from Lend-Lease in the United States. And the question is at once raised as to whether or not she should be permitted to consider that as part of her contribution, and whether or not she should be permitted to keep the proceeds from the sales of goods which have been given to her by the United States on Lend-Lease.

A second problem is the question of where these goods shall come from, because the decision as to the source of these goods, in part, will determine who pays for them. If it is decided that wheat shall come from the United States instead of Australia or Canada, then it

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is contemplated that that shall be regarded as the United States' contribution. The decision as to the source of the goods is made by the Combined Food Board insofar as it is a food item.

H.M.JR: May I interrupt you? I can ask Mr. McConnell to be on the Combined Food Board, can't I?

MR. WHITE: I think you can legitimately ask that.

H.M.JR: It is something he would want to consider.

MR. WHITE: We have never been asked to have a representative, because they have not regarded their decisions as being involved in any financial considerations. They have taken the position that they have determined the source of the food on the basis of shipping availabilities, on material availabilities, and so forth. It is our feeling that the British--

H.M.JR: I personally think the Treasury should have somebody, because this "one horse, one rabbit" business isn't so good.

MR. WHITE: We raised that very point at a meeting of the Civil Affairs Committee a number of months ago, and the Army seemed to agree with us, but we heard nothing from them.

H.M.JR: Well, I think we can get him on if we want - and if Mr. McConnell wants to be on.

MR. WHITE: That is one aspect of the problem. A second and related aspect is how to divide the proceeds which are obtained from the sale. They are obtained in a number of currencies. The currencies vary in potential value, and the question as to who shall get how much of which, must be decided.

Now, there have been some tentative decisions made on that. I take it it is not necessary to go into it here. We will bring him up to date when he decides to go along with it.

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The second problem is the large problem of the sale of surplus commodities in foreign countries - surplus, I gather, that will be in foreign countries. Probably salvage is a better name than surplus. The FEA has the responsibility for selling that material. It will run into a great deal of money, probably, and there are a number of policy problems that arise, and I suppose the Treasury is interested in it to see that those financial considerations be given appropriate weight.

Already there is some view being expressed to the effect that this stuff ought to be given away, and others that - in the press I saw a comment that that stuff wouldn't be worth anything to bring back, the transportation costs would exceed the value, and therefore we ought to just dump it. There are a lot of such problems.

The third problem is the question of sales, surplus stocks of salvage by the British Army. Now, the British Army will have a lot of salvage. Again, a good deal of that salvage originated in Lend-Lease. Is that wholly a matter of British concern, once the goods have been transferred, or are the Lend-Lease terms so written that one could take the position that if she no longer needs it, it either reverts to the U.S., and if it has any value, the proceeds ought to be given, either in part or in whole, to the United States?

Those, roughly, are the major categories of the problems which are related to that. A great many small ones stem from it. The State Department is close to the position of making an agreement with the British covering part of this area, and we have come to some tentative agreements, subject to approval by you. That is why we brought some of the questions up to you.

H.M.JR: What do you think, Mr. McConnell?

MR. McCONNELL: It sounds like a big order, sir. It is a lot of business.

H.M.JR: Do you want to study it?

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MR. McCONNELL: It intrigues me very much. I would like to talk to Harry if I could during the day or tomorrow.

H.M.JR: Who is working with you?

MR. WHITE: Unfortunately, the people who have been working in my shop have all gone in different directions. I don't know whether you knew, but Miss Kistler is no longer with us. She was ill, and she may not come back in the fall, or she may. But she has been out many months, now. The other men have gone away, so we are now introducing Mike Hoffman to the problem. He is with us now. He has been on it for some time and knows a good deal about it. For the Legal Division, Aarons has been following it, so if McConnell wants to talk to us, he ought to talk to those two, and myself, later. We will be able to bring him up to date.

MR. McCONNELL: This afternoon?

MR. WHITE: Whenever you wish.

H.M.JR: Supposing you soak it up. I will be back Monday night and we can have a talk about it Tuesday. But this does interest you, doesn't it?

MR. McCONNELL: Yes, sir.

H.M.JR: Somebody has got to give it full time and has to have enough assistance so we can watch this thing from a financial angle, and broader than that.

MR. WHITE: It will probably increase in scope as time goes on - at least in amounts involved, although some of the policy questions will have to be settled, probably, fairly quickly.

H.M.JR: Well, as they get some territory it has to be settled. And I know that Mr. Myron Taylor was in to see the President yesterday. The President said the people of Italy are starving. My son comes back and says you have to pay fifty lira for a loaf of bread,

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which is twenty-five cents. So they are not only starving, but they have inflation. Now that doesn't leave a very good taste in the mouths, as to how America and England can help liberated people--co-belligerents, they call the Italians.

MR. WHITE: Mentioning the Italians leads to another point. There has already been moneys in excess of what the Secretary mentions spent in Italy. These decisions which I am speaking of have come up for discussion with the British, myself, and the others. We could not come to an agreement. We have taken the position that we hold that matter in suspense until a decision is made, and that whatever decision is made shall apply retroactively to expenditures which we have already undertaken, partly jointly, in Italy.

H.M.JR: It is a full-time job. As Harry says, he hasn't got the help; he hasn't the time. Harry, now, has to devote himself to getting ready for this monetary conference. I do hope that you will take this on and get the people necessary to help you, so that I can be advised as to what direction I should move in.

Now you take, for instance - I don't say it is good or bad - the net result of the way the British and ourselves have conducted ourselves with the civilian population in Italy is that the Italian people today look to Moscow to take care of them, and Moscow hasn't spent one cent there.

MR. WHITE: Yes, we have failed.

H.M.JR: With the net result that the Italian people look to the Russian people for future salvation. And the same thing is true with the Yugoslavs. Now, we spend the money and get nothing except a black eye.

MR. WHITE: We haven't spent a great deal there, and then there is the coal question.

H.M.JR: The coal question I brought up. I brought

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that up the first time, months and months before we went into Italy - what we were going to do about coal.

MR. SULLIVAN: Did the British finally keep their commitment?

MR. WHITE: No.

MR. SULLIVAN: I asked that question yesterday and they said yes, they did.

H.M.JR: They went into Sardinia where we were and got coal - and I am talking stuff you know about - but there was no stove in Italy to burn the stuff, because it burned out every stove, the content of sulphur in the coal was so high - and they fooled around - it is over a year, isn't it, that I have been talking about coal?

MR. WHITE: Yes, it is.

H.M.JR: And Ickes said when we mentioned it, "Now, don't look to us for coal. I haven't enough for the Eastern border."

So the whole thing has been so badly handled, with the net result - and I don't want to be quoted on this thing - that the people of North Africa feel towards us as the French did in 1920. They have got no use for us. We have spent millions there. The people of Italy today have no use for us. And here we are going in to Europe some place, and I would like to have it so that at least we get something out of it.

MR. WHITE: Of course, the major difficulty is, we haven't sent the goods. It isn't so much the financing.

H.M.JR: But the net result, Harry, is we have no friends.

MR. WHITE: We are fast losing whatever we had there. There is another area, too, which really belongs in that; the question of exports from the liberated

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countries. Now, we are not getting into that; the question is who shall get the exports. England said they are not going to pay for the exports from enemy country, but it is going to be divided on some reasonable basis. It so happens that the kind of exports that these countries have to give - the Joint Committee which is responsible for deciding who shall get what, says, "We don't want that stuff; we have got enough. We even have to Lend-Lease that to England."

So, instead of our taking that shipping trouble, let England get these exports directly. The result has been that England is getting most of the exports from Italy, and plans to get most of it from the other areas.

H.M.JR: Take Sicily - the oranges, the olives--

MR. WHITE: That is also true of Sicily. So there is a problem there as to what shall be exported from these countries and to whom, and whether anything shall be paid for it, and in what form of currency, and so forth. Those are related problems.

MR. McCONNELL: This extends to the Far East, too?

H.M.JR: Just a few little problems!

MR. WHITE: The same problems will occur everywhere you go, except in a larger way as you get into Germany and Japan.

H.M.JR: We have been late; we have been out-smarted on every one of these fronts, and I can just see this stuff going through our fingers. It is going to happen as in the last war and we will end up with nobody loving us. We have spent our money, we have spent the lives of our youth, and we end as the sucker.

MR. WHITE: I don't know that this is going to get us any friends, but I mean, it is a question of arranging--

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H.M.JR: Well, McConnell can study this thing and have the facts, and I can bring it forcibly to the President's attention like I did the Argentine thing last week. At least I can stand up and fight, but somebody has to give it to me.

MR. WHITE: Supposing the salvage material is being sold in Europe and it may run into hundreds of millions of dollars. I should think that the Treasury would have an interest, in the absence of any particular Congressional authority, in seeing that a reasonable price is obtained for this, and then if you want to use the proceeds to help the country, that is a separate matter. But that might be an area, too.

MR. BELL: It will run into billions of dollars after the war is over. The last war it ran into three-quarters of a billion. It was about seven hundred million dollars of securities that we took.

MR. WHITE: I remember just a scene like this which must have been duplicated a hundredfold, and it stuck in my craw. As we were pulling out of France there were what looked to me, easily, three acres of typewriters piled up without any cover. Every company that left just threw its typewriter there--they get a new one.

MR. SULLIVAN: I knew a boy who was brought back here - mustered out - that went back there and bought them.

H.M.JR: Anyway, I want you to know about that, and the others to know about it. You have the surplus here. I hope McConnell will take the other thing, and you should know each other's feelings. I mean, you (Olrich) are starting something quite new here, and I wanted you to know about it from its birth.

Agenda for Meeting in
Secretary Morgenthau's Office
May 26, 1944
11:00 A.M.

1. Sales of supplies to Liberated Areas for civilian relief purposes under Plan A.
 - a. Under Plan A approximately half of the goods will be procured by U.S. and half of the goods by U.K.
 - b. U.S. proposal is that U.S. will finance one-half of Plan A and U.K. will finance one-half.
 - c. U.S. proposal also provides that proceeds from sale of goods under Plan A be divided in the same ratio as financing responsibility.
 - d. Inasmuch as a substantial portion of the U.K. contribution under Plan A will consist of goods originally provided by the U.S. under lend-lease, questions arise
 - (1) Should the U.S. receive all the proceeds from the sales of lend-lease stocks by the British,
 - (2) Should proceeds be divided according to some ratio which would take into account the lend-lease contribution to total British stocks.
2. Sales in foreign countries of surplus U.S. stocks and salvage.
 - a. Possible accumulation of foreign currencies in countries short of dollars.
3. American interest in sales of surplus stocks and salvage by the British Army.
 - a. Lend-lease goods will be included in surplus stocks and salvage of British Army.
 - b. Allocation of proceeds from sales of British surplus stocks and salvage.
 - (1) Allocation of proceeds to U.S. and U.K. on basis of ratio of lend-lease goods to total supply of such goods available to U.K.
 - (2) Allocation of all proceeds to U.S. to the point where the proceeds are equal to the value of lend-lease goods supplied.

This is the same problem raised under I-d above.

May 26, 1944
11:13 a.m.

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Operator: Go ahead.

HMJr: Hello.

Ed
Brown: Hello, Mr. Morgenthau.

HMJr: How are you?

B: First rate, thank you.

HMJr: Look, Mr. Brown, the President is announcing this morning that he's -- this World Monetary Conference that is to be called on the first of July.

B: Yes.

HMJr: And he has authorized me to invite you to be one of the American delegates. Now it's something that both he and I hope that you will be able to do and if you'd care to discuss it and find out all about it and so forth, why, Mr. White and I would be available any time next week.

B: Well, where is the Conference going to meet, Mr. Secretary?

HMJr: Well, it's going to meet at Bretton Woods, New Hampshire and it has a thirty-six hole golf course.

B: Well, I'm the worst golfer in the world. That doesn't interest me very much.

HMJr: Well, I didn't know. I just thought it might.

B: It is a tremendously interesting thing and -- but about how long

HMJr: Well, we've got to get out of there by the twentieth of July. That's the dead limit.

B: It'll be from the first to the twentieth?

HMJr: Yes.

B: Well, would you give me until tomorrow to

HMJr: Surely.

B:think it over.

HMJr: You think it over and then if you want to know about the plan and what....

B: I'll have to go down to Washington next week, then?

HMJr: Come down. I'll be in the country tomorrow -- Beacon, New York, 2-1-1.

B: Beacon

HMJr: Beacon -- like beacon light.

B: Yeah.

HMJr: 2-1-1.

B: Beacon, New York, 2-1-1-1.

HMJr: No, just two hundred and eleven.

B: Beacon

HMJr: Two eleven.

B: Two eleven.

HMJr: Yeah.

B: All right. Thank you very much. I'll call you up there then.

HMJr: And I hope that you'll give it favorable consideration.

B: Thank you very much.

HMJr: You will be the -- hello?

B: Yes.

HMJr: You will be the only representative of the banks if you accept.

B: Yes.

HMJr: You will be the only banker -- I mean, not counting Eccles -- I consider him Federal Reserve. But there'll be no other representative of the National Banks. You're the only one we're inviting.

B: Well, that makes me feel even more complimented.

HMJr: Pardon?

B: That makes me feel even more compli

HMJr: Well, all right. Good bye.

B: Bye.

May 26, 1944
11:40 a.m.

HMJr: Mr. Morgenthau speaking.

Rep. Lindley Beckworth: Secretary Morgenthau, this is Congressman Beckworth of East Texas.

HMJr: Yes, sir.

B: Longview, Texas, is in my District, and is the center of the East Texas oil field, of which I know you've heard and over which you doubtless have flown at times.

HMJr: Yes.

B: I have a telegram that came to me from the publisher of that paper there, Mr. Searle Parker, which I'll read to you.

HMJr: Please.

B: It's very short. "Would like to have Secretary Morgenthau come here after Texarkana program June the 12th for a District War Bond Rally and to inspect Lone Star Steel Plant at Dangerfield".

HMJr: Yes.

B: That's exactly what it says. Now the Lone Star Steel Plant at Dangerfield is about fifteen miles from Longview, and is the first effort, other than at Birmingham, Alabama, to make steel and to process iron ore in the South.

HMJr: How

B: And that's their request. Longview is a city of about twenty thousand people; the capitol, as I say, of the East Texas oil field, where there is a lot of money, incidentally.

HMJr: Right.

B: And it certainly, should you be able to make such a connection, would probably do the Government a lot of good, because I know it would stimulate them.

HMJr: How far is Longview from Texarkana?

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B: Longview from Texarkana is about sixty miles.

HMJr: I see.

B: Good road -- good railroad, but as far as that's concerned, we have, down in that section, people who own planes -- air planes. They could fly you down there, if - if time were a matter of essence.

HMJr: Well, Congressman, let me talk it over with the people who are handling this for me.

B: I'll do that, and I tell you what I'll do furthermore.

HMJr: Yeah.

B: I'll send you this wire down there.

HMJr: Fine.

B: And that would enable you to better know exactly the source of it, and naturally I will say, I would very much appreciate your being there. I'm a Member of Congress

HMJr: I know.

B: and I've been here six years, and although I haven't made so much noise, I've supported en toto the war program and all those people know it.

HMJr: Well, I feel highly complimented that you and your people would like to have me, and I'll give it serious consideration.

B: I certainly appreciate it, and again I do want to emphasize this, Secretary Morgenthau, I don't know of any more wealth in a small area than in that area. We have about thirty thousand oil wells

HMJr: Good night !

B: in and around Longview.

HMJr: My - my !

B: We have besides that one field, eight other small fields

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HMJr: Yeah.

B: so it is a mighty big proposition.

HMJr: Yeah, it sounds that way.

B: Well, thank you so much.

HMJr: Thank you.

B: Good-bye.

May 26, 1944 52^L
11:44 a.m.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello.

Marriner
Eccles: Hello.

HMJr: Marriner?

E: Oh, hello, Henry.

HMJr: How are you?

E: Well, I'm pretty good -- out in a pretty good country.

HMJr: So they tell me. I tried to get you yesterday at Ogden but they said that you had left.

E: Well, I got over in San Francisco yesterday morning.

HMJr: Oh.

E: And I was out in town all day. When I got back to the hotel last night it was too late to put in the call. It was about eleven o'clock Washington -- nine o'clock here.

HMJr: I see.

E: So, I didn't -- I didn't know who was calling but there was a notice to call Washington.

HMJr: Yeah.

E: Now, this morning I talked to -- I thought it was the Board.

HMJr: Yeah.

E: This morning I talked to Szymczak.

HMJr: Yes.

E: And so he advised that it was the Treasury that was trying to get me.

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HMJr: Yes.

E: That you were trying to get me and what it was about.

HMJr: Yes. Well, now, Marriner, we saw the President yesterday on this World Monetary Conference.

E: Yes.

HMJr: And he decided to go ahead with it and that they would announce it today.

E: Yes.

HMJr: And the President authorized me to invite you to be a member of the American Delegation.

E: Yes.

HMJr: And both the President and I hope that you will accept.

E: Yes.

HMJr: And that is the purpose of the call.

E: Yes. Well, I am -- I assumed after I had talked to Szymczak that he advised that the meeting is called -- is it Bretton Woods, New Hampshire?

HMJr: That's right.

E: On the first of July?

HMJr: That's right.

E: And that there would be in the American Delegation the Treasury and the State Department and Commerce.

HMJr: That's right.

E: And who else -- F.E.A.?

HMJr: No. No. No. The list hasn't been given out but the President is going to invite two Senators, two Congressmen

E: Yes.

HMJr: Yourself, and Will Clayton.
E: Well, I'm glad Clayton is going on.
HMJr: Will Clayton, and
E: He's taken an interest in it.
HMJr: Pardon?
E: Will Clayton has taken an interest in it.
HMJr: That's right. And Ed Brown of Chicago.
E: Oh, yes.
HMJr: And Harry White and myself.
E: Yes.
HMJr: Dean
E: Will there -- there'll be somebody from the State Department?
HMJr: Yeah, Dean Acheson.
E: And Dean Acheson.
HMJr: Yes. And some woman.
E: Yes. But no one from F.E.A.?
HMJr: No.
E: And no one from Commerce? Clayton will represent Commerce.
HMJr: That's right.
E: Yes. Would a delegate have an alternate?
HMJr: Well, we haven't decided that.
E: Yes.
HMJr: But....
E: You will go -- you'll be present yourself?

HMJr: Yeah, I'm the Chairman.

E: Yes.

HMJr: The President appointed me Chairman.

E: I say, you will go yourself, too, will you?

HMJr: Oh, yes. Oh, yes.

E: Now, I understand -- M.S. seemed to think that the technical staff....

HMJr: Yeah.

E:was going to work up the agenda.

HMJr: That's right.

E: And that there would be two members on the technical staff from the Federal Reserve.

HMJr: Well, I know that there'll be several members. We're counting on you heavily.

E: Yeah. Well, we figured on -- I talked to Szymczak about who would it be if we were asked.

HMJr: Yes.

E: See?

HMJr: Yeah.

E: And he -- we agreed on, of course, Gardner and Goldenweiser have both been devoting a lot of time.

HMJr: I know.

E: And so we would expect them to be there.

HMJr: Fine.

E: I wanted to say this that I expected Ransom would be in Washington while I was away.

HMJr: Yes.

E: But he -- he was down to the Springs -- he was sick and went down there....

HMJr: Oh.

E:and was expected to be back but his -- his wife got burned.

HMJr: Oh, I'm sorry.

E: And so he was delayed getting back after I left.

HMJr: How did she get burned?

E: Well, see, they -- a gas -- they had one of those houses down there and it has -- it apparently has a gas stove in it.

HMJr: Oh - oh.

E: And in lighting the thing, it exploded and burned her some, but she is getting along all right.

HMJr: I see.

E: And another thing, Mr. Clayton, who is my assistant, whose boy is in a flying -- in Italy, got word that he was seriously burned in a crash landing.

HMJr: Oh - oh.

E: And he was all -- so he's out. He was home. So things were pretty badly shot there.

HMJr: Yeah.

E: I just wanted to say that to you.

HMJr: Yeah. Well, Marriner, I hope that you will accept.

E: Well, I -- I'd like to discuss the matter with the Board....

HMJr: Right.

E:first. I would assume that my appointment....

HMJr: Yes.

E:would be as a representative of the Board.

HMJr: That -- I suppose that's correct.

E: And I would like, of course....

HMJr: Yes.

E:I would like, of course, to be able to speak for the Board.

HMJr: Yes, that would be good.

E: That to go there and speak for myself would not be very satisfactory.

HMJr: Well, we'd like to just have you speak for both the Board and yourself.

E: But what I mean is I would like to know that the Board would back me up.

HMJr: That's very important.

E: Now, I can say this, that I don't know that I would get unanimous backing from the Board but I am perfectly sure that -- that I would get -- I may get unanimous but I'm perfectly sure it would be a big majority.

HMJr: Yeah.

E: We've already discussed this thing. Before I left I discussed it.

HMJr: Good.

E: And I can say now that it will be merely a question of a formality; that so far as I'm concerned, I will accept.

HMJr: Fine.

E: And I'm sure that the Board would authorize me to represent them.

HMJr: Well, that's very encouraging.

E: Well, this is on June first -- I mean on July first.

HMJr: Yeah, and they've got a thirty-six hole golf course.

E: Well, I was just hoping that that might be the case.

HMJr: What's that?

E: I imagine that we -- the delegates may have quite a little time. The technicians usually do all the work.

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HMJr: Well, you'll have time. They say it's a wonderful golf course.

E: Yes. Well, that's very encouraging.

HMJr: Well, that's fine. That's very encouraging and if I get a chance this afternoon at Cabinet, I'll tell the President what you said.

E: Yes, well, all right then. Thank you, Henry.

HMJr: Thank you.

E: Good bye.

May 26, 1944
11:50 a.m.

HMJr: I don't know what the President said about pinning a ribbon on me but I think you should now. I just talked to Mr. Eccles. I've heard all his family troubles, all the troubles of everybody else on the Board.

Harry White: Uh huh.

HMJr: But Mr. Eccles accepts.

W: Well, that's fine.

HMJr: And he has the majority of the Board -- will back him up and they'll pass a resolution authorizing him to speak for the Board.

W: Well, we certainly ought to strike a medal for you.

HMJr: Well, you strike....

W: Okay.

HMJr:for he figuratively kissed my toe.

W: (Laughs) Okay.

HMJr: Well, you were worried about this.

W: Yes, I was.

HMJr: Well....

W: I'm glad to hear that he responds that way.

HMJr: All right.

W: That's fine.

HMJr: He was very nice about it.

W: Yeah. He'll take care of notifying his own Board because they've been calling up. We don't have to

HMJr: Yeah, he'll take care of that all right.

W: I said a word to Clayton in which I told him that I wanted to add my nickel's worth of pressure that he should take it and he is going to give it very

HMJr: Yeah.

W: /... careful consideration.

HMJr: Well, Eccles is in the bag, as they say.

W: Oh, well, that's good.

HMJr: Okay.

W: Fine. So you've heard from -- then, from all three -- Brown, Eccles and Clayton?

HMJr: That's right.

W: And about the woman, I'll be ready to talk to you about it at any time....

HMJr: All right.

W:you want to.

HMJr: Be sure you see me before I go away at five.

W: All right.

HMJr: Tell Fitz I must see you.

W: All right, I'll do that.

HMJr: Bye.

May 26, 1944
1:01 p.m.

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HMJr: All right.

Operator: Here you are.

Jack McCloy: Hello.

HMJr: Hello, Jack.

M: You called up this morning or sometime about reduction of soldiers' pay.

HMJr: Yes.

M: I want to let you know what we've done. We sent a telegram to Eisenhower on it

HMJr: Yes.

M: asking him, too, and then to tell him in the meantime we were studying here what we thought the limit was that we could go to.

HMJr: Yes.

M: And that we'd like to have him consider it at the same time.

HMJr: Yes.

M: With the idea of introducing all measures that we felt feasible.

HMJr: Right.

M: Before we -- as soon as we went in.

HMJr: Yes.

M: Particularly to do as much as we had done in North Africa, which had gotten our savings; that is, what the soldier had -- well, put it the other way around.

HMJr: Yeah.

M: We had gotten that down to a spending money basis of sixteen per cent.

HMJr: Yes.

M: Which was pretty good, we thought.

HMJr: Right.

M: And there's still resistance and there will be resistance over here to a -- to a non-voluntary gullotining of his pay beyond what the law already provides for.

HMJr: Well, Jack, I didn't have that in mind.

M: Yeah.

HMJr: But I was inquiring whether there weren't some rules and regulations governing what a soldier would do when he set foot on Continental Europe....

M: Yes.

HMJr:in regard to buying commodities from the local....

M: Now, what we asked -- now, what we're going to do on that -- he can't buy any rationed stuff.

HMJr: Yeah.

M: And he will -- we'll probably put into effect the same things we've had in effect in parts of North Africa where it was acute. They couldn't go into restaurants. They couldn't buy anything at a hotel.

HMJr: Yeah.

M: Particularly he couldn't get into any food situations. We let them buy all the trinkets they wanted to and then we had some sort of dragging our feet on exchange.

HMJr: Yeah.

M: In fact, there were several times when we thought the thing was difficult, why, we just didn't -- couldn't find the exchange rapidly enough for them.

HMJr: Now

M: And urged them at that time to send their money back, you see?

HMJr: Then it has not yet been tied up?

M: No, it was still in the process of working out exactly what the measures are going to be, but they will be at least that. They will be at least the rationing, that they can't buy any rationed goods. that's definite already.

HMJr: Well, then, my inquiry was timely?

M: Yeah.

HMJr: What?

M: It's right -- we're right in the midst of it. And there'll be from now on several exchanges of cables as to -- with Eisenhower from us as to what we think can -- between us is the complete program.

HMJr: Yeah. Well, I'm very much interested because if you don't mind my saying, I think it should have been done a little while ago.

M: In

HMJr: I mean, it ought to be all tied up by now.

M: Well, the devil of it is, you know....

HMJr: Yeah.

M: The reason it isn't tied up is because of -- they're on the agenda there but they haven't been able to talk to any Frenchmen about it.

HMJr: Oh.

M: That's why all this pressure the last few weeks -- is because of the lack of political directives.

HMJr: Any -- have those

M: Now, we're

HMJr: Are those cleared up?

M: No, they haven't cleared yet. Now, we're just going ahead on an "odd hop" basis.

HMJr: Well, if this would help you any -- the President cleared with us that we could invite the French Committee to participate in the Monetary Conference.

M: He did?

HMJr: Yeah, and when we were over there yesterday, Dean asked him particularly about it.

M: He did?

HMJr: The President said, "The French Committee?" and Dean said, "Yes", and the President said, "Okay, invite them."

M: Uh huh. Oh, well, that's good. That's all right.

HMJr: So that would -- he said, "Yes" on that yesterday.

M: Well, they're clear now because we told de France, or whatever his name was....

HMJr: Yes.

M:to send up his specialist.

HMJr: Yeah.

M: When ----- went back to send up all his financial people from Algiers to London....

HMJr: Oh.

M:and that we would clear them as soon as the British cleared them and we got that clearance.

HMJr: Oh, wonderful.

M: So that they're up to their -- if they're not there now, they're just about to get there....

HMJr: Oh.

M:to talk about all these problems.

HMJr: Good.

M: Okay.

HMJr: One other thing, as long as you've got me.

M: Yeah.

HMJr: On the question of the exchange rate on the mark....

M: Yes.

HMJr: I am going to be very adamant on the low rate. I mentioned it to the President yesterday.

M: What do you mean by low?

HMJr: Five cents.

M: Good God, way down there, huh?

HMJr: And the President, when I mentioned it to him, he questioned whether we ought to have any rate.

M: He's always had that in the back of his head -- mind, "What's the use of a rate at all?"

HMJr: That's right.

M: He's had that in respect to all these.

HMJr: But -- and you'll be amused -- with a twinkle in his eye, he said, "I see, Henry, you've fixed all of the rates. I was very interested in reading about it."

M: (Laughs) He did?

HMJr: Yeah.

M: (Laughs) It was wise we did that.

HMJr: Yeah. He -- he knew what I'd done. But that's all he did -- just with a twinkle.

M: Yeah. Yeah.

HMJr: So that's all right. But on the

M: You're going to be far -- you're going to be wide apart from the British and the State Department on that.

HMJr: Well, Dean was present when this conversation took place.

M: Yeah.

HMJr: But I'm going to fight like hell to get a rate in Germany that will improve instead of deteriorate from the time we go in.

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M: Yeah. Do rates ever go up?

HMJr: Yes. Yes, they can.

M: I never heard of one going up.

HMJr: Well, we're going to have one that will go up.
Well, thank you for calling.

M: Okay. Fine. All right.

May 26, 1944
4:00 p.m.

RE: CABINET

Present: Mr. Pehle
Mr. DuBois
Mr. Luxford
Mrs. Klotz

H.M.JR: I go into Cabinet and catch hell from all directions. You people give me the damndest things to bring up! I am the catch-all for everything, and I have to do all these fights.

Why does McCloy dump it in your lap and not tell Stimson about the thing? Well, I stopped it, anyway! The President said under no circumstances to turn these people back.

MR. PEHLE: Oh, wonderful.

H.M.JR: I let Hull read it first. Then I let Stimson read it.

Let me tell you what happened. I brought this question up and I let first Hull and then Stimson read this memorandum of yours (Pehle's). Then the President came in. I brought it up as the second thing.

The President's immediate reaction was, "Of course, we can't turn these people back." That was the first reaction. He was very emphatic about it.

Then the President said, "I have a new idea."

Stimson says, "I know what it is."

The President says, "No, you don't. You have never heard it before."

Before that I said, "Now here is a chance to bring these people over here." And the President said, "Yes,

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but I'm groping for a new name. I don't like the name."

So he said, "I have a new idea. There is a place in Sicily called Termini. It is a summer resort like Bretton Woods. Why don't you take them there?"

So he went on at length. I said, "Mr. President, I think there is a place called Cyrenaica ." The President tried to kid me out of it. I stuck with it.

I said, "There are some other places similar in northern Italy evacuated by the Italians. This city is empty, water works are there, and everything."

Well, nobody had ever heard of it before. This was after I saw he wasn't ready to bring them over here yet. He said, "It isn't a good name." He isn't ready.

Stimson got very cantankerous. He said, "The trouble is, McCloy takes too much on himself. He wrote you this letter, this memorandum I have, to please you, Henry Morgenthau."

I said, "Now wait a minute, Mr. Stimson. The letter isn't addressed to me. It is a conversation with Mr. DuBois, who is acting for Mr. Pehle during his absence, and it is McCloy because he happens to be a decent human being. And it isn't to please Henry Morgenthau!"

So Stimson said, "Well, I am sorry."

MRS. KLOTZ: This is at Cabinet?

H.M.JR: Oh, yes. He says, "I am sorry."

So Ickes spoke up and said, "Well, my first choice is a camp over here. The second one would be something like Termini." Then somebody said some other place.

Well, the thing kept going back and forth. So I said, "Mr. President, somebody has to carry this ball. I am willing to, or is it going to be Mr. Stimson? But let's decide this thing: who is going to carry this ball?"

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Stimson was very cantankerous. He said, "Well, this is up to the English; we have got nothing to do with it."

So I said, "But somebody has to say something."

So then I turned to this s.o.b. by the name of Biddle, and I said to him quietly, "You gave an opinion on this, as I understand it."

With that he jumped all over me: "I never gave an opinion - it wasn't a legal opinion."

So I said, "That is only half the truth." He said, "It could be done legally, but I am opposed to it."

Well, at the end I took him aside. I walked up to him and said, "Francis, why are you so unfriendly to me? I feel uncomfortable sitting next to you. What is the matter with you?"

He said, "Well, I don't feel that way." I said, "Yes, you do. I just feel uncomfortable."

He said, "I apologize, I apologize. If I have done anything, I apologize."

I said, "Well, I don't feel that way. Why do you always jump on me when I ask you a perfectly proper question?"

Well, the fellow just crawled all over me!

Now, it was left this way. I summed the thing up, that the President says under no circumstances should the people be turned back.

Then Stimson says, "Where is Pehle, where is Pehle?" I said, "I think he will get back this afternoon."

He says, "I want to see Pehle."

I just called McCloy, and McCloy is out of town. So

- 4 -

you have got this thing, and they said that they should look around and find some place like Cyrenaica, Termini, some place where they should go; but under no circumstances should they be turned back.

That ought to be enough for you, plus that Mr. Stimson wants to see you. Right?

MR. PEHLE: Yes.

H.M.JR: But Stimson is ducking the thing, trying to put it in an English area, and the English have to decide it. We'll let them come on in, do you see? You have the complete backing of the President. Everyone got in on the discussion.

MR. PEHLE: Did you get any backing on bringing these over? How about Hull?

H.M.JR: He said something - a mumble-jumble.

MR. DUBOIS: Do you think it is still hopeless?

H.M.JR: No, but his mind hasn't jelled on the thing. He says he wants a good name. But there is something, somewhere, that I think he is a little afraid of, that is all.

DUBOIS: You couldn't tell whether he had read Pehle's memo?

H.M.JR: I don't think I got his last memo.

MR. DUBOIS: I mean the one that was sent over last Thursday.

H.M.JR: No. I have asked three times. So at least I accomplished this much, the people come on. The President was absolutely adamant on it. He made the suggestion.

You have got to go over and see Stimson when he is awake! You will have no trouble from Hull. But he is sore

- 5 -

(Stimson) at McCloy. My answer was, "Well, McCloy is trying to be a human being."

I am not dramatizing it one bit. And I kept after the President and kept after him. "But we have to settle this thing, Mr. President. I am willing to do it, or Stimson. Who should do it."

Mr. Stimson is calling for you. Okay, boys?

MR. PEHLE: Sure. It is too bad, Mr. Secretary, that you have to do the dirty work, but nobody else is there to stand up.

H.M.JR: Now look, I blew off. I delivered the goods to you. We have held the fort; the people come on in. I am trying to do fifty things at one time. If I have done nothing else today--

MR. PEHLE: You will get some real satisfaction.

H.M.JR: All right. You boys mustn't mind. But when you sit next to a s.o.b. like Biddle--! I, as a layman, asked him a question. Instead of saying, "Is this legal?", I said, "You gave an opinion." With that he jumps all over me. To me, what is the difference between giving an opinion and saying it is legal? Will you explain that?

MR. PEHLE: He was just scared and running out.

H.M.JR: As he always does. Okay, boys.

MR. DUBOIS: One question. Is it out of order for Pehle to try to see the President after he sees Stimson?

H.M.JR: There is no use. He is leaving town again tonight. There is no use.

MR. PEHLE: We'll fight it through.

MR. LUXFORD: Nothing on the Swedes?

- 6 -

H.M.JR: Oh, yes, he said something about it. They have stopped one shipment. He said they would have to apply sanctions, and the President said, "Well, we have got to get tough with them, because I am convinced that Germany won't invade Sweden, so we have got to get tough."

The net result is what you wanted, and my introductory remarks served to release my blood pressure!

MR. PEHLE: You are entitled to do it. I don't blame you one bit.

H.M.JR: Why McCloy couldn't take time to--

MR. PEHLE: They protect Mr. Stimson. Bundy doesn't let anybody get to him. They don't disturb him!

HM Jr took this memorandum with him to
Cabinet on 5/26/44, and the President,
Secretary Hull and Secretary Stimson read it.

73

May 26, 1944

MEMORANDUM FOR THE FILES

Assistant Secretary of War McCloy called me today concerning the refugee situation in Italy. He said that cables had just come in from Cairo indicating that the situation in Italy was getting very critical; that the refugees were arriving at the rate of 1800 a week; that the military authorities in Italy could not take care of them; that there were not sufficient facilities for putting these refugees up in Africa; and that something would have to be done to stop the flow of the refugees at least temporarily. McCloy added that it had been his understanding that we would only be getting refugees out in small numbers; that the rate at which they were now escaping was such that it was putting a real burden on General Wilson.

I told Mr. McCloy that it was my understanding that the difficulty was not one of transportation but one of finding havens of refuge to which these refugees could be taken. McCloy said that this was correct; that there was ample shipping; that the problem was finding places to put the refugees. I said that we have been working hard on this problem of finding havens of refuge. I asked him to send us the cables which had come in as soon as possible and said that we would look into the matter at once and get in touch with him. He said that he would immediately call General Hilldring and have him forward the cables to us.

J. E. DuBois, Jr.
Josiah E. DuBois, Jr.

May 26, 1944

MEMORANDUM FOR THE SECRETARY'S INFORMATION

Lauch Currie called Luxford this morning and stated that Crowley was planning to raise the Swedish matter at Cabinet today and was hopeful that he could have Secretary Morgenthau's active support. He stated that Crowley would advocate the four point program which was discussed in Acheson's office.

This program is:

- (1) Blacklist Swedish SKF as well as other Swedish Firms furnishing aid to the enemy. (Presumably this also would mean blacklisting of all their Latin American subsidiaries.)
- (2) Stop the flow of supplies to Sweden from the Atlantic. This would mean a suspension of the Swedish War Trade Agreement. (It should be remembered that there is nothing in this agreement which prevents us from abrogating or suspending it at any time we see fit.)
- (3) Take over the supervision of SKF, Philadelphia. This could be done either by the APC vesting or issuing a supervisory order. This latter measure means the APC would manage SKF, Philadelphia and frequently precedes actual vesting.
- (4) Impose financial sanctions on Sweden. This would include revocation of Freezing Control General License and using our freezing control powers to regulate all financial dealings of Sweden or her nationals.

State has agreed to measures (1) and (2) above but disagrees with measures (3) and (4).

- 2 -

The British have agreed only to measure (1) and disagree with balance.

Currie stated that the matter was urgent because Dinglefoot (British Parliamentary Secretary for Ministry of Economic Warfare) and Rieffler (American Minister in London in charge of Economic Warfare) are on their way here. He said that they will want to appease and it is important to get a decision before they arrive.

Currie stated that the Army and Navy have already advised Crowley that they will support him on all four measures. Luxford advised Currie that Secretary Morgenthau already had indicated his approval of the four-point program and that he would see to it that Secretary Morgenthau was informed of Crowley's intention.

It is, of course, understood that the imposition of these sanctions is contingent upon our negotiations with the Swedes over ball bearings resulting in failure. The present discussion is merely for the purpose of having agreement between ourselves and the British regarding a course of action should these negotiations fail.

Joseph J. O'Connell

May 26, 1944

My dear Governor Kerr:

Mr. James Barnes of the White House talked to me some weeks ago about stopping over in Oklahoma City on my way to Texarkana. At that time I considered it seriously, but after consulting with others in the Treasury, we came to the conclusion that it would be impractical. I have commitments here which will keep me until Saturday; and I must arrive in Texarkana on Sunday because of the elaborate program which has been planned to launch the Fifth War Loan.

I hope you will give me a rain check, because I would like to come to Oklahoma City in connection with one of our future War Loan drives.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Robert S. Kerr
Governor of Oklahoma
Oklahoma City, Oklahoma

FS:mlf



STATE OF OKLAHOMA
OFFICE OF THE GOVERNOR
STATE CAPITOL

ROBERT S. KERR
GOVERNOR

May 23, 1944

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

Dear Mr. Morgenthau:

During these demanding days of war, we have been looking forward to some occasion that would bring you into Oklahoma or to some event of such importance and significance that would justify our extending you an urgent invitation to visit us.

We know that your presence would be a further inspiration to the valiant job that Oklahomans are doing in support of the war effort.

The Eighth Service Command has chosen Oklahoma City for a showing of the huge War Department battle spectacle and exhibit on the days and nights of June 9, 10 and 11 -- with a daily expected attendance in excess of 30,000 persons.

The War Spectacle, as you well know, is aimed directly at increased production in the war plants and dramatizes the need for war workers and all civilian services to finish the job. Moreover, the exhibit and war show here simultaneously will give a powerful stimulus to our ambitious plans for the Fifth War Loan campaign.

In view of your plans to be in Texarkana on June 12, our leaders of the War Bond Program and the cooperating groups on the War Show and Exhibit are most hopeful that you might stop over here on your way down with a minimum of inconvenience. We can assure you that it will be a highlight of your Southwestern itinerary. Our campaign opening on June 11 would be built around your visit with us.

Your acceptance would indeed be an honor to the people of Oklahoma and a public service for which we would be tremendously grateful.

May we have your assurance that you can accept this invitation on either of the dates mentioned, if at all possible?

Sincerely yours,

Robert S. Kerr
Robert S. Kerr
Governor

RSK:ls

May 26, 1944

My dear Mayor Hefner:

I regret very much that it will be impractical for me to stop over in Oklahoma City before the launching of the Fifth War Loan drive in Texarkana. I gave this serious thought a few weeks ago when I received an invitation through Mr. James Barnes of the White House, but we determined then that it would not be possible to make this additional stop.

I am hoping that I will be able to stop over in Oklahoma City on a future War Loan drive.

Sincerely,

(Signed) H. Mergenthau, Jr.

Honorable R. A. Hefner
Mayor of Oklahoma City
Oklahoma City, Oklahoma

FS:mlf

HEFNER
1704

COUNCILMEN

A. P. VAN METER
JOE C. CAMPBELL
RALTY FULLERTON
HARLOW GERR

LEONARD H. DICKERSON
L. I. BAKER
PERCY JONES
G. A. STARK

H. E. BAILEY
CITY MANAGER

THE CITY OF OKLAHOMA CITY

OKLAHOMA CITY, OKLA.

May 23, 1944

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

Dear Mr. Morgenthau:

Oklahoma City joins warmheartedly in the invitation of Governor Kerr urging your attendance in Oklahoma City during the Eighth Service Command War Show and Exhibit June 9, 10 and 11.

We know that your presence here before one of the large audiences of these patriotic events would magnify greatly the purpose of encouraging increased war production and enlarged purchases of war bonds.

You would be greeted by a huge and responsive audience of Oklahomans dedicated to speeding victory.

Your visit with us, however brief, would be a helpful inspiration and we would try to make it as pleasant as helpful. We are most hopeful that somehow you can arrange your busy schedule to be with us.

Sincerely yours,

Robert G. Hefner
R. A. Hefner
Mayor

RAH:mfd



May 26, 1944

Dear Mr. Kiley:

I regret very much that it will be impractical for me to stop over in Oklahoma City before launching the Fifth War Loan in Texarkana. Some weeks ago I received an invitation through Mr. Barnes of the White House, but we determined then that it would not be possible.

I hope that I can include Oklahoma in one of the future War Loans.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Glenn C. Kiley
President
Oklahoma City Chamber
of Commerce
Oklahoma City, Oklahoma

FS:mlf

Oklahoma City

*The Central City of
the Great Southwest*

TELEPHONE 2-5135



Chamber of Commerce

OKLAHOMA CITY FOUNDED APRIL 22, 1889 --- CHAMBER OF COMMERCE ESTABLISHED MAY 25, 1889

GLENN C. KILEY, PRESIDENT
J. S. HANLERT, VICE PRESIDENT
JOHN D. THOMAS, VICE PRESIDENT
FRANK R. DEWELL, VICE PRESIDENT
KIRKELL BROWN, TREASURER
STANLEY C. DRAPER, MANAGING DIRECTOR

Commerce Exchange Building

May 23, 1944

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

Dear Mr. Morgenthau:

The Oklahoma City Chamber of Commerce, working in closest cooperation with the Eighth Service Command in presenting the War Show and Exhibit here June 9, 10 and 11 and the Fifth War Loan drive which opens June 11, joins Governor Kerr and Mayor Hefner in sincerely hoping that you can be in Oklahoma City on one of these dates.

The huge war spectacle involving some 1,500 troops under the skilled management of Army specialists, and the tie-ins with speeded war production and stimulation of war bond sales will make these occasions the most significant probably of any public events in Oklahoma since Pearl Harbor.

With all of these elaborate plans being made for this war-support program, we frankly realize that nothing takes the place of the presence of our war time personalities like yourself.

All Oklahoma will be stirred and deeply complimented by your acceptance of the invitation to be here on any one of the three days that your crowded schedule might permit.

Your visit to Oklahoma City would be as memorable as it would be stimulating to this victory-devoted community and we are deeply hopeful that you can accept.

Sincerely yours,

Glenn C. Kiley
Glenn C. Kiley
President

GCK/pl

IR:CC:L&R:RPP
A-390498

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MAY 26 1944

My dear Mr. Smith:

Reference is made to H. R. 4646 (78th Congress, 2nd Session), entitled "AN ACT To provide for simplification of the individual income tax."

Part I thereof contains amendments to Chapter 1 of the Internal Revenue Code, relating to the income tax. These amendments, with few exceptions, are to be applicable with respect to taxable years beginning after December 31, 1943.

Part II contains amendments to Subchapter D of Chapter 9 of the Internal Revenue Code, relating to collection of income tax at source on wages. These amendments are to apply only with respect to wages paid on or after January 1, 1945.

These amendments may be summarized as follows:

For the purposes of the surtax on individuals there is a uniform exemption of \$500 for each person. Thus the taxpayer is allowed \$500, the taxpayer's spouse is allowed \$500, and there is a \$500 allowance for each dependent.

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Existing requirements that a dependent must be under 18 years of age or incapable of self-support are removed. Instead the taxpayer may claim as a dependent anyone for whom he furnishes more than half the support for the calendar year in which the taxable year of the taxpayer begins, provided the person claimed as a dependent is closely related to the taxpayer and is not required to file a return. Anyone having gross income of \$500 or more must file a return.

The victory tax is repealed. The present normal tax and surtax are combined into a single surtax. A new normal tax of 3 percent is imposed on an individual's net income in excess of \$500. In the case of the new normal tax no credit is allowed for dependents.

Supplement T of Chapter 1 of the Internal Revenue Code is revised and expanded by substituting a single tax table instead of what was in effect three tables in existing law and providing for its use at their option by taxpayers with adjusted gross incomes of less than \$5,000, regardless of the source of their income. Adjusted gross

- 3 -

income is defined to mean gross income less business deductions, deductions attributable to rents and royalties, and losses from the sale or exchange of property. The table is so constructed as to allow the taxpayer a standard deduction of approximately 10 percent of his adjusted gross income. Taxpayers with adjusted gross incomes of \$5,000 or more are permitted at their option to claim, in lieu of their actual deductions, a standard deduction of \$500.

Taxpayers filing declarations of estimated tax are given an opportunity to amend their declarations on or before January 15 next following the close of the taxable year, if the taxable year is a calendar year. The date corresponding to such January 15 is substituted therefor in the case of a fiscal year. The taxpayer may file his calendar year return on or before January 15 of the succeeding taxable year, and such return will serve as a return and also as the final declaration of estimated tax, provided certain conditions are met.

A farmer, that is, an individual whose estimated gross income from farming for the taxable year is at least two-thirds of the total estimated gross income from all sources

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for the taxable year, may make a final return on or before January 15 next following the close of the calendar year in lieu of making any declaration of estimated tax.

It is estimated that the number of individuals required to file declarations of estimated tax will be decreased by approximately four million under the new provisions. The taxpayers affected are those whose income not subject to withholding is \$100 or less. Such taxpayers will be relieved from filing declarations if single and their income is between \$2,700 and \$5,000, plus \$500 for each dependent, and if married and their income is between \$3,500 and \$5,500, plus \$500 for each dependent.

H. R. 4646 also contains provisions designed to establish uniformity in the Federal taxation of compensation paid for personal services of a minor child and thus remove the prevailing conflict between laws of the various States with respect to the rights of the parent to the services, and hence to the earnings, of the child. Accordingly, it is provided that such earnings shall be included only in the gross income of the child but that responsibility rests upon the parent for the payment of that portion

- 5 -

of the child's tax resulting from the inclusion of such earnings in the gross income of the child.

Among the more important technical amendments provided by H. R. 4646 are a new definition of the term "deficiency", the new limitation of 15 percent of adjusted gross income with respect to the deduction for charitable contributions, and the change in the provisions concerning the deduction for extraordinary medical expense under which only expenses in excess of 5 percent of adjusted gross income are deductible.

The present withholding system is modified so as to withhold approximately the full tax liability in the case of a taxpayer whose income is derived solely from wages not in excess of \$5,000.

Individuals whose gross income is less than \$5,000 and whose income not subject to withholding does not exceed \$100, may choose to have their tax determined by the collector if their income is entirely compensation for personal services, dividends, or interest. It is contemplated that the form for this purpose, in lieu of

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the regular tax return, will be the withholding tax receipt furnished by their employer.

It is the view of this Department that H. R. 4646 should be approved by the President.

There is enclosed a suggested statement which the President may wish to consider in connection with the bill.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harold D. Smith
Director, Bureau of the Budget
Washington, D. C.

RPP:AL
5-24-44

STATEMENT TO ACCOMPANY H. R. 4646

H. R. 4646, which was unanimously approved by both Houses of Congress and which I have just signed, greatly simplifies the individual income tax. This measure will save the taxpayers millions of hours of work. It puts the collection of the individual income tax on a sound wartime and peacetime footing. I commend the Congress for what I believe to be an outstanding tax reform.

RWWales;hdr
5-26-44

MEMORANDUM FOR THE SECRETARY.

May 26, 1944.

Mail Report

Mail receipts soared high this week as replies poured in from business firms and organizations to which the form telegram had been sent by the War Finance Division. While this office handled only 115 of the telegraphic replies, the others having gone directly to War Finance, there were many confirmations of telegrams and first replies that came by mail. Almost without exception, the messages expressed cooperation and confidence in success. Several company officials voiced doubt as to their ability to meet the quota of \$100 per person, while a few said they would not use pressure to sell to their employees. A number who answered by mail protested the expense of a wire, but assured their cooperation nevertheless. Just this morning there arrived two clippings of an editorial from the Hartford Courant of May 24 entitled, "Mr. Morgenthau's Telegram". This was the leading editorial of that day and was extremely critical of the use of telegraph facilities for messages of this sort.

Promotional material and ideas for the Fifth Drive, as submitted by individuals, are along the lines of earlier contributions of the sort. Among constructive suggestions the most popular is that "D" Day be made the occasion for the purchase of extra bonds.

Again there were very few complaints about failure to receive bonds already paid for, but complaints of failure to receive interest rose to 17. Bonds submitted for redemption totalled 53, 10 less than those sent in last week.

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Memorandum for the Secretary.

May 26, 1944.

Tax mail is still quite light. It concerns three subjects: refunds, H.R. 4646, and the cabaret tax. Requests for refunds increased both in number and in sharpness. Only 11 letters supported the campaign for adoption of the Curtis-Gearhart Bill in connection with the simplified withholding tax. Whereas last week's communications about the cabaret tax were definitely unfavorable to the Treasury, this week's were equally divided.

There was little miscellaneous mail, and almost nothing anonymous or abusive.

Ger. Forbus

General Comments

Senator Theodore Francis Green (Rhode Island) transmits the following letter he has received from Stephen C. Lyon, Providence, Rhode Island: "In talking over my treatment by the Treasury Department with several of my friends here in Providence, the suggestion has been made that you might be of assistance if you felt my side of the case had merit. At a sale of the estate of a stamp collector, I purchased a queer document dated 1879, entitled, "Postal Revenue Bond". Seeking further information, I wrote the Treasury Department and they requested me to send it for inspection, which I did, with the result that they confiscated it by classifying it as a counterfeit. This was in the latter part of 1939. Since that time I have learned the facts concerning its existence and the reason it is a stamp collector's item, and not a counterfeit in any sense of the word. * * * Proposed designs of stamps not accepted are called "Essays". They are illustrated and described in a special catalogue, and have been bought and sold by collectors more than 40 years. * * * If this and other Essays are 'potentially dangerous impressions of U. S. obligations' (as per letter of November 13, 1942, to me signed by D. W. Bell, Undersecretary of the Treasury), certainly the Department should proceed to lay claim to all Essays in the hands of people. Back in 1910 an action was brought by the U. S. Government involving a parallel case in seizing coins and resulted in the coins being returned to the owner. * * * Without citing the argument in detail, the final outcome was a discontinuance of the case by the Government, and a letter from J. W. Thompson, U. S. Attorney (District Attorney at Philadelphia) dated October 29, 1910, directing the U. S. Marshal at Philadelphia to return the seized parcel. * * * As this has only recently come to my attention, I am just now advising the Treasury Department regarding it. * * *"

- 2 -

John M. Moon, San Pedro, California. I have pleasure in enclosing herewith my check for \$150.00 made payable to the Treasurer of the United States. This will in some way offset the interest (an unknown quantity) that will come to me when I cash my War Bonds, as I find it difficult to think of these bonds as a "good investment". Your mere acknowledgment of this amount, which I send cheerfully, will be appreciated.

Mrs. D. Holmes, Quitman, Georgia. Enclosed find the numerous blanks you sent me to fill out and return. Financially, I am able to lose \$15.00, having checking accounts in three different banks in this part of Georgia. Physically, I am not able to get all this red tape in shape to collect the \$15.00. I have just recently lost my husband and am at the present time getting over a serious operation myself. We will consider this matter closed and forget it.

Edwin H. Stuart, President, Edwin H. Stuart, Inc., Pittsburgh, Pennsylvania. This is a typographic service organization furnishing typography to advertising agencies and industrial firms direct. We list among our clients such firms as Westinghouse, Dravo, Blaw-Knox, Union Switch & Signal, U. S. Steel, and scores of other firms engaged almost 100% in war work. We are capitalized at \$23,000. Our sales last year were approximately \$100,000. Last year we were permitted to make only approximately \$8,000. Today we have cash and accounts receivable \$21,268.00, and owe \$15,391.00. Of this \$15,391.00, approximately \$5,391.00 is current and the remaining \$10,000.00 is old obligations. This year we are permitted to make \$13,000.00. We already show a net profit of \$7,000, which leaves a lee-way of \$6,000.00. Of this \$6,000.00, \$2,400.00 will be deducted for corporation taxes, leaving a potential net profit possible for us for the remaining part of the year of only \$3,600.00. This means that we can only pay slightly more than one-third of our old obligations. We would like to know if there's

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not some ruling or that some arrangement could be made permitting us to make clean, decent, legitimate profits so that we may wipe out that old-standing debt. * * * No consideration has been given to good will or our plant, the catalogue replacement valuation of which is approximately \$125,000.00. We are ambitious to clear the plant of all debt so that we may make some sort of a cooperative arrangement with our faithful, old line employees, who have been with us for fifteen years or more, and one since the inception of the business in 1923, so that everybody working here will have a greater interest in his job than his weekly pay envelope. * * *

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Favorable Comments on Bonds

G. C. Dinwiddie, Hollywood, California. It is my personal opinion that more Americans than you imagine feel keenly that they are really able to do little for the war effort but buy War Bonds. A great many of us would like to give a portion of our War Bond investments, but there is a great bother, and very little satisfaction attached to making an outright donation, and in addition, no thinking citizen cares to contribute to any fund that is not definitely earmarked. I suggest that during the next War Loan Drive you offer citizens the opportunity to buy souvenir bonds of no value except as tax deductions, and other ten-year noninterest-bearing bonds whose cash value is perhaps slightly less than the original cost until maturity. In other words, \$25 Bonds that sell for \$25 and for the first few years are redeemable only at a discount. The Treasury would never get rich off me, but in the next Bond Drive I'm pretty sure that I could add five or ten dollars to the check as a donation, and take half my bonds in the noninterest-bearing variety at \$25 for a \$25 Bond. The interest to most of us doesn't amount to cigarette money, and I believe millions of us realize that.

Albert B. Alexander, Washington 9, D. C. I am an Honorably Discharged Veteran, having served in the European Theatre. There are no words in the dictionary eloquent and forceful enough to describe the urgency of every citizen to back our fighting men and buy bonds. I am submitting a few slogans that may help arouse every American. * * *

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Unfavorable Comments on Bonds

W. B. Carpenter, Minneapolis, Minnesota. Having more bonds than I can afford to keep without making any use of them, I desire to know if I can exchange my Series "E" Bonds for bonds that I can use as collateral if I desire to borrow money for short periods of time. Now, Mr. Morgenthau, I want a "yes" or "no" answer, no equivocation about this. I am working beyond my strength for a man nearly three score years old, and these bonds are absolutely worthless to me now, and likely always will be, as ten years is too long a time to wait for something to grow out of a bankrupt nation's mysterious manipulations with a debt now nearly double the total wealth of the entire country. * * * With the insane squandering of our wealth at the rate it has been spent during the last dozen years, we will be five hundred billion dollars in debt before this Administration is reduced to history. I intend continuing buying, but I know that unless every law of economics, every rule of bankruptcy in any court in the civilized world is erroneous, we are now hopelessly bankrupt. * * * However, I intend continuing buying but want to change to bonds that will be of some use to me which these are not now, and the chances are a thousand to one they never will be. * * *

Congressman Victor Wickersham (Oklahoma) transmits the following letter he has received from Mrs. John A. Elliott, Rt. 3, Gage, Oklahoma: "I am writing you in regard to two bonds of my husband's that have been taken out of his pay, but he or his parents have not received them. At the time he was having a \$50 War Bond taken out of his pay each month, and sent home. The bonds are -- December 1941, and January 1942. He has tried to get them, but was told that it was too late to do anything about them, and all records of bonds would be 'gone over some day' in Washington, and the mistake would be found then. * * * I'd like very much to get this matter straightened up as soon as

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possible as every penny will count when we start out on a farm, and also help with our family in the very near future. My husband, who is in India at present, and I will appreciate any information and help you can give us on this matter.

Benjamin E. Watson, Minister, Central Christian Church, Pasadena, California. In the promotion of the Fifth War Loan in our community, a pageant has been arranged for Sunday morning, May 21, in the famed Rose Bowl. This hour on Sunday is traditionally recognized and respected as a time of worship in our churches across the land. When the churches protested this announced plan for the pageant on Sunday morning at 11:00, we were told: "The plans came from Washington as a request from the Department of the Treasury, and certainly we want to cooperate". I want to assure you of our desire to cooperate, and I believe that the churches have a vital place in the life of our nation. Therefore I am writing to ask, is it necessary to have patriotic pageants at the worship hour on Sunday morning? Will you be good enough to give me this information? Did such an order for this Sunday morning plan originate in your office, or is the plan entirely local?
* * *

Fred Searls, Jr., President, Empire Star Mines Company, N.Y.C. (Telegram) This will acknowledge your night letter of May 20th sent to Grass Valley, California. The operations of the Empire Star Mines Company were shut down by Government Order L. 208 in October, 1942. Since that time we are forbidden to employ any men in gold mining, other than a maintenance crew of a few older men, unable to accept employment in war plants. These men are employed at the wages paid prior to closure of the mines, under which condition the company suffers a loss of one thousand dollars a day, which it cannot sustain for a long period. In view of the rise in cost of living, and probability - unless there should be a rise in the price of gold - of the abandonment of these mines and ruin of the communities in which they are located - I do not feel that the company

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can subscribe to the Fifth War Loan, or urge its handful of remaining employees to do so. In fact, we will be required to sell War Bonds already owned in order to prevent flooding the mines, unless there is some prospect of relief from L 208, and also an increase in the price of newly mined gold through permission to its producers to sell it in markets outside the United States. I regret to answer your telegram with such little prospect of cooperation. The support both by the company and its employees prior to closure of the mines was, I believe, all that could be asked, but you can't get blood out of a turnip.

Raymond L. Lee, Belleville, Ill. I own a group of War Savings Bonds, Series "E", on which I wished to change the beneficiary, but when I went to have it changed, I was told that I could not change the beneficiary until the named beneficiary had died. I am at home on a delay enroute from Camp Blanding, Florida, to Ft. Meade, Maryland, and I was told to see that all of my affairs were in order because I would probably go overseas within a short time. Part of getting my affairs in order was the changing of the beneficiary of these bonds because my mother, the named beneficiary, is in such a condition that the doctor expects her to live only a very short time. In addition since the purchase of these bonds, I have been married. When I inquired about making the change, I was told that the only way it could be accomplished was to cash the bonds and buy some new ones. This course is also unreasonable and impractical because I will not be around here, and may not even be in the country for the several weeks that it would require for me to get the payment. * * * Incidentally, this incident, together with other incidents of apparent unfairness and unnecessary trouble with War Savings Bonds has made me quite disgusted with them, and has made me question their worth as an investment.

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C. L. Campbell, President, The Connecticut Light & Power Company, Hartford, Connecticut. Your telegram of May 21 about the Fifth War Loan Drive has been received and you can count on our active support and assistance in this Drive. As a citizen, I would like to inquire why it was deemed necessary to send this communication of yours by telegraph. The Government and the telegraph companies themselves are urging citizens to abstain from using the telegraph system excepting when necessary. * * * It strikes me as ridiculous, in the face of these regulations, for the telegraph system to be used for such a message as this. The Drive does not start until June 12, so that there was plenty of time to have sent a letter instead of a telegram. From a taxpayer's standpoint, I object to the waste of money that is involved in such procedures. If this telegram was sent, as I assume it was, to many other people, the difference it cost between a telegram and a letter must have been very substantial. * * * I wish to add that notwithstanding my disgust and indignation at the manner in which this was handled, I shall still, as I have done in the past, actively and enthusiastically support the Drive for the Fifth War Loan.

Allan W. Fitzsch, President, The General Industries Company, Elyria, Ohio. * * * Several people in our organization have commented on your wire, as well as on wires received during previous campaigns, and they felt that the cost of sending wires to the thousands of concerns in the country could be substantially reduced if letters were sent out over your signature several days in advance, with a request that a letter from the management of the companies would suffice to pledge their all-out support. On the one hand you ask for money, and yet, at the same time, it seems that a great deal of money could be saved by use of letters instead of wires on Government business.

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J. F. Lincoln, President, The Lincoln Electric Company, Cleveland, Ohio. * * * We have from the beginning arranged for payroll deductions for any men who want to buy bonds, and many of the men from the first have been buying bonds this way. We will continue this, but as far as our putting pressure on our people to do anything, is contrary to our policy and contrary to the policy which has been worked out by the Advisory Board, which is a governing board elected by our workmen. I am sure our men do more than their fair share, but we do not do it by compulsion -- we do it in the way which is, I think, rightly called the American way.

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Unfavorable Comments on Taxation

"Disgusted Medford Doctor" sends copy of letter forwarded to TIME magazine. * * * Many U. S. citizens are selling their War Bonds because thousands upon thousands of disgusted and frightened citizens have been vainly trying to get back tax refunds and have failed completely. If the Government cannot afford to give back money that they should not have taken in the first place, what confidence can a bond buyer have? I am a doctor in a medium sized community, and to date here are my personal experiences. A patient of 22 had taken from her pay \$210 too much due to extremely heavy medical expenses last year. She asked the Revenue Bureau in Boston if she could have part of her rebate for much needed treatments and they laughed at her. * * * She is facing pernicious anemia unless she has treatments at once. Her savings have been wiped out completely. She will soon be forced to give up work and is frantic with worry. A man of 52 had taken from his pay \$165 too much. He needs false teeth badly. He depended upon the rebate to pay for them. * * * He borrowed the money from a loan company at 30% interest. * * * A young wife, pregnant, had \$228 coming to her for she worked all last year. The doctor told her in her third month that she must stop work immediately. She needed the money she earned badly, but thought if she could get the tax rebate money she could manage. They refused her request. She had a miscarriage, and may never again be able to bear a child. She is heartbroken and in a serious nervous condition. I, and a group of my friends have stopped buying bonds until the tax rebates have been paid off. We sincerely and profoundly feel that a Government that takes too much money in taxes should make the greatest haste in returning it. * * * Every doctor I've spoken to has the same tale to tell. Is this not a disgraceful condition? If you do not pay your taxes immediately, a Government employee promptly makes a call upon you with a warrant in his pocket. Who, we are wondering, looks after the people .. the poor things.

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Mrs. Walter McCourt, St. Louis, Missouri. The Internal Revenue Office here is accusing me of earning about \$1,300 in 1943, when I did not earn a cent. This, they say, was for "writing". I have a trust fund which I inherited from my father, and I received, in writing, a statement from the St. Louis Union Trust Company that my taxable income was \$1,800. For seven months I received, as my husband's widow, an annuity, a monthly income of \$13.81. For seven months I received a Carnegie stipend of \$27.42. I also earned, by substituting in the grade schools, because of the teacher shortage, in October, November, and December, about \$100. I have no other source of income. In estimating my income tax I presented these four facts. A Federal Agent made out the amount of my tax, and I wrote a check. The Internal Revenue Office here went to my bank and investigated every check I received or wrote in 1942. * * * In snooping over my checking account, certain deposits were found which the men here are tormenting me over. One was a deposit of \$5,000 insurance. This can certainly be proved. My husband died without an estate, and I borrowed money. That check can also be proved. Other checks came from the sale of my household goods, as I was obliged to give up everything because the war took my husband and son. All of these checks can easily be verified, as all my sales were made to persons in St. Louis who can easily be contacted. I have had three men tormenting me as though I were some kind of a billionaire cheating the Government, instead of a poor college professor's widow. Is there no way I can get this settled without spending indefinite time? Is there no way I can learn, and EXACTLY, why my income tax this year, just because I have been widowed, deprived of my home, my family, and my customary way of living, should have been investigated? * * *

The following is a copy of a letter addressed by Elizabeth T. Becker to the Collector of Internal Revenue, Brooklyn, New York: "I was very much surprised and very much irked too, to receive the enclosed Notice

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and Demand for Income Tax, as I made my tax return prior to March 15, 1944, and forwarded one-half of the total tax for the year 1943, it being my understanding, as set forth in the tax form, that payment of the other half could be postponed until March 15, 1945. Upon receipt of your Notice I took the matter up with a lawyer who, after examining copy of the report I sent in to your office, informed me that I had halved the wrong figure, and that the difference between item 11-c and item 14, \$5.78, should have been included in the amount paid March 15, 1944. * * * He also gave as his opinion that you were not justified in making demand at this time for payment of the total tax for the year 1943, but only in demanding additional payment for the difference between what I paid and what I should have paid, or \$2.89. Had you written me a courteous letter, pointed out the error and requested payment of an additional \$2.89, you would have avoided the ill will engendered through your insolent demand. The callousness of the Treasury Department in making its arbitrary demands upon the "little" fellows, and its deference to the blood profiteers is hardly conducive to engendering a belief in the equitableness of our public servants. However, in order to avoid interest payments, which I have no doubt at all you would not hesitate to impose, I am handing you herewith my check in the amount of \$36.14 in full payment of the 1943 tax."

The following is a letter which was addressed to the President by J. E. Carver, Charleston, West Virginia, and referred by the White House to the Treasury for handling: "The attached copy of my letter, I think, needs no further comment. Don't you believe it would be advisable to permit our soldiers to devote all their facilities to learning their military lessons, conditioning themselves and fighting the enemy, rather than to get into a course of collecting correspondence? Certainly a man should pay his taxes, and the amount claimed may be correct. Also he will certainly pay

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this when he returns. * * * I have disagreed with you on many things, Mr. President, but I feel sure we will agree on this, for I cannot see any question about it." (Copy of letter addressed by Mr. Carver to the Collector of Internal Revenue, Parkersburg, West Virginia, reads as follows.) "In the absence of my son, who has been in the U. S. Army for a little more than a year, I opened your recent letter addressed to him and was surprised to find therein your Form 27A, demanding payment of tax, penalty and interest totaling \$37.46, with the further stipulation that interest at six percent would accrue until paid. I was under the impression that soldiers on active duty were not to be dunned for these piddling sums until after they returned to civilian life. * * * Now, if the United States Treasury is so close to the rocks that it must adopt collection agency methods to extract \$37.46 from a nineteen year old soldier overseas, then let me know and I will go clear out on the rocks and dig up this money for you. You know of his Army status, for I called your Charleston office and at their suggestion wrote you at Parkersburg last summer, and he mailed his last return, March 15th, from an Army Camp. * * * For God's sake, don't start dunning him there. We want him to come home alive when the war is over, and want him to have his wits about him at all times, and if you start him worrying about a possible jail sentence when he returns, you're not going to improve his chances any. * * *"

Benjamin V. Halstead, Attorney at Law, Petoskey, Michigan. On February 25, 1944, my client, Mr. Adolf Zaiger of this city, doing business as Zaiger Beverage Company, filed claims for refund of certain Federal taxes. In what now appears to be unjustified optimism I expected that these claims would be reviewed and determined, and refunds made in accordance with the laws of Congress. On May 2, 1944, I received a letter stating that the Treasury Department felt itself unable to address communications to me, and my client received a letter from the Treasury. For your information,

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I will state that I am a member of the Bar of the State of Michigan, and of the State of Illinois, and have been admitted to practice in the U. S. District Court. * * * The Treasury Department letter of May 2, 1944, addressed to my client was answered on May 4, 1944, in two letters, each two full pages in length. To allay the suspicions of the Treasury Department, I also sent to the Department on May 5, 1944, a Power of Attorney executed by my client. * * * This morning I am in receipt of a letter from the Treasury Department. In making a reply I am ordered to refer to Inf: P.A. With this letter is enclosed a circular No. 230, of 24 pages, another pamphlet of 24 pages, and form 1171. This came postage free, although a private citizen would have been required to pay 12¢ postage. Frankly, I have responsibilities which do not give me the leisure in which to read the voluminous literature described above. I also protest against the waste of material and manpower involved in such procedure, which is illustrative of the fantastic complexity of the entire Federal tax structure. * * * Will you please assign some person to prepare a letter of a single page in length, which will advise me, in simple form, just what the Treasury Department wishes me to do? I will state further that I do not have a contingent or partially contingent fee agreement with my client in this matter, that I will include in my income tax return whatever fee I do receive, and that I do not recognize any right in the Federal Government to interfere between myself and my client, nor to invade the confidential relationship and privacy which is respected under the laws of all free countries. I should also like to know whether any attention is being paid to the refund claims. I hope they have not been lost sight of in this collateral curiosity in regard to my professional qualifications. ***

IMMEDIATE RELEASE

MAY 26, 1944

President Roosevelt has called an international conference for the purpose of discussing proposals to meet post-war international monetary problems.

Invitations have been extended to all the United Nations and the nations associated with them in the war, requesting them to send official representatives to the United States for the conference which will begin on July first.

The delegates representing the United States will be headed by Secretary Morgenthau of the Treasury.

The conference is expected to last several weeks.

All agreements worked out by the conference subsequently will be submitted to the respective governments for approval.

List of Governments and authorities invited to participate in the conference follows:

Australia	India
Belgium	Iran
Brazil	Iraq
Canada	Liberia
Chile	Luxembourg
China	Mexico
Colombia	Netherlands
Costa Rica	New Zealand
Cuba	Nicaragua
Czechoslovakia	Norway
Dominican Republic	Panama
Ecuador	Paraguay
Egypt	Peru
El Salvador	Philippine Commonwealth
Ethiopia	Poland
French Committee of National Liberation	Union of South Africa
Greece	Union of Soviet Socialist Republics
Guatemala	United Kingdom
Haiti	Uruguay
Honduras	Venezuela
Iceland	Yugoslavia

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 26, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

In order to keep Harry White from being bothered by individual newspaper men asking questions about the Monetary Conference, we are calling a press conference for four o'clock Tuesday afternoon. We are announcing that he will be available to answer questions, so that it will not be necessary to have any new information.

However, if new information is available, you might like to participate in the conference, and that is why we have set it for Tuesday. - Forget

2
2 - Harry's files

May 26, 1944

Harry White

Secretary Morgenthau

Would you please consider Miss Mabel Newcomer as a possible delegate. Please look up her record. Mrs. Morgenthau thinks that she is much better qualified than any of the other three women. I'd like to talk to you about it before I talk to Mrs. Roosevelt. *Finished - White talked to King*

Original to C. Ball 5/21/44

MAY 26 1944

Honorable Henry Korgunham, Jr.,
Secretary of the Treasury.

Dear Mr. Secretary:

I have your letter of May 15, 1944 requesting that The Provost Marshal General be directed to authorize one security inspection of each of the warehouses, listed in the inclosure to your letter, storing lead-lease material.

Although this material may not be critical in all cases, I recognize that the nature and quantity are of sufficient importance to the war effort to warrant adequate protection from the hazards of fire, accident and sabotage.

The appropriate Service Commands will be instructed to perform, as a service to the Treasury Department, one inspection of each of the listed warehouses which have not been inspected recently, and to submit copies of all inspection reports and resulting recommendations to the Treasury Department. No additional inspection will be authorized unless the facility is added to the Master Inspection Responsibility List.

Portinent information concerning each of the warehouses will be analyzed and the warehouses which meet the criteria for addition to the Master Inspection Responsibility List will be included within the War Department Security Inspection Program. As you know, the present policy with respect to the efficient utilization of managers limits the number of facilities which may be inspected. Generally storages of lesser importance may be included within the States War Inspection Service program coordinated by the United States Office of Civilian Defense.

I believe that the information furnished by the War Department, as a result of the inspections, will assist materially the Treasury Department to discharge its responsibility for the adequate protection of the commodities involved.

Sincerely yours,

(Sgt.) HENRY L STIMSON

Secretary of War.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 26, 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 May 17, 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.

Elm B

FEDERAL RESERVE BANK
OF NEW YORK

May 25, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended May 17, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford,

H. L. Sanford,
Assistant Vice President.

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

Enclosures

COPY

ANALYSIS OF BRITISH AND FOREIGN ACCOUNTS
(In Billions of Dollars)

Week Ended May 17, 1944

Strictly Confidential

PERIOD	DEBITS				CREDITS				Net In or Out of Funds (d)	BANK OF ENGLAND (BRITISH GOVERNMENT)		BANK OF FRANCE	
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Transfers from Official Canadian Account (b)	Other Credits (c)		Total Debits (e)	Total Credits (e)	Net In or Out of Funds (d)	Total Debits (e)
First year of war (F)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0	
Second year of war (h)	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	14.5	661.1	+ 10.8	878.3	1,098.4	+ 220.1	
Third year of war (i)	1,235.6	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	705.4	- 13.2	38.9	8.8	- 30.1	
Fourth year of war (j)	764.0	904.8	7.7	223.1	1,361.5	21.8	5.5	1,276.8	+ 125.9	18.5	4.4	- 14.1	
		312.7	170.4	280.9	1,072.3	-	0.5	916.7	+ 308.2	10.3	1.0	- 9.2	
1943													
September	49.4	16.8	10.6	22.0	86.2	-	-	71.2	+ 36.8	-	-	-	
October	38.2	16.0	-	22.2	115.4	-	-	74.9	+ 77.2	-	-	-	
November	65.9	42.4	5.9	17.6	89.0	-	-	85.5	+ 23.1	-	-	-	
December	98.1	16.3	-	81.8	134.5	-	-	98.0	+ 36.4	-	-	-	
1944													
January	44.6	22.4	10.6	12.0	127.5	-	-	126.5	+ 52.7	-	-	-	
February	143.6	14.3	2.1	127.4	144.5	-	-	115.5	- 0.7	-	-	-	
March	152.9	71.1	12.5	69.3	133.3	-	-	108.8	- 19.6	-	-	-	
April	134.8	14.9	-	115.9	122.2	-	-	94.7	- 12.6	-	-	-	
May													
June													
July													
August													
Week Ended													
April 26, 1944	5.0	2.2	-	2.8	67.8	-	-	62.8	+ 62.8	-	-	-	
May 3, 1944	59.2	4.0	-	55.2	43.7	-	-	26.2	- 15.5	-	-	-	
May 10, 1944	19.7	10.7	-	9.0	25.2	-	-	25.2	+ 5.5	-	-	-	
	12.0	8.1	1.0	8.9	18.2(k)	-	-	13.2(k)	+ 8.2	-	-	-	

Registered (through June 30, 1940) and (through March 12, 1941) 54.9 million
England (through March 12, 1941) 21.2 million

attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 11.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

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WAR DEPARTMENT
WASHINGTON

May 26, 1944.

The President,
The White House.

Dear Mr. President:

I submit herewith a chronological resume of the negotiations with the Chinese Government with respect to the rates of exchange covering our expenditures in China. Since the resume necessarily is somewhat long, I am also summarizing herewith its context.

When our troops first arrived in China they found an agreed exchange rate of \$20 (Chinese) for \$1 (U.S.), which even then had no realistic relationship to the purchasing value of the Chinese yuan. However, our requirements for food and housing were small and the expenditures were assumed by the Chinese Government which also undertook the requisite airport construction. In the fall of 1943 when General Somervell visited Chungking, this situation had changed and important construction was delayed, as the Chinese Government had not provided sufficient funds. General Stilwell was making direct expenditures to obtain necessary speed in completing urgently needed facilities.

General Somervell proposed to Dr. Kung the establishment of a more favorable exchange rate. He suggested a rate of 100 to 1 in comparison with the then black market rate of 120 to 1. To save Chinese face, he proposed that we continue to procure \$20 (Chinese) for each \$1 (U.S.) with the Chinese either to donate or to make available under reverse lend-lease \$80 (Chinese) for each \$1 (U.S.).

At the Cairo Conference the United States agreed to finance further construction expenditures. However the exchange rate was not discussed. The Generalissimo on his return cabled you requesting either a loan of \$1,000,000,000 (U.S.), or the payment of Chinese expenditures at a 20 to 1 rate. As this would have made our expenditures in China astronomical, you disapproved the proposal and urged the Generalissimo to accept proposals offered by our representatives.

The Chinese had been threatening to discontinue construction. With the receipt of your message, they agreed to provide \$2,500,000,000 (Chinese) and we in turn agreed to deposit \$25,000,000 to Chinese account in this country. This was in effect a 100 to 1 rate, but the Chinese would not continue the payment on a monthly basis. We also forwarded \$20,000,000 (U.S.) at Chinese request for purchase by the Chinese in the black market to lower the rate. There was little confidence in this proposal and the money has not as yet been turned over to the Chinese. Nevertheless, the Chinese continued to advance the construction program subject to our shipment of \$5,000,000,000 (Chinese) per month into China. This is continuing and work to date has not held up.

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The Chinese have advanced us \$7,000,000,000 (Chinese) and have received in partial payment the one deposit of \$25,000,000. Manifestly, they are worried as to the rate for repayment. For the first time we occupy the favorable position. We have advised the Chinese consistently of our willingness to bear these expenditures at a reasonable exchange rate. The 60 to 1 rate recently proposed by Dr. Lung with \$20 (Chinese) to be purchased for each \$1 (U.S.) and \$40 (Chinese) to be provided under reverse lend-lease is not realistic in view of the present black market rate. We are not adverse to a reverse lend-lease arrangement of this type, though we do object to an unrealistic rate; and although it would result in the Chinese obtaining a greater credit for future settlement, it would appear most unlikely that funds received under reverse lend-lease at any rate approaching realism would at any time even closely approach the dollar value of direct lend-lease aid.

Perhaps our war program in China has contributed somewhat to inflation. However, the number of our troops and the magnitude of our construction are not sufficient to have a major effect. The Chinese report expenditures at approximately \$10,000,000,000 (Chinese) for support of our troops and for construction prior to the Cairo Conference. They have advanced \$7,000,000,000 (Chinese) for construction authorized at Cairo. In turn the United States has lend-leased goods valued at \$413,000,000 (U.S.). The Treasury Department granted a credit to the Chinese Government of \$500,000,000 (U.S.), against which it drew \$243,000,000. The FEA has purchased goods for \$48,000,000 (U.S.) at a 20 to 1 rate. Our forces in China have expended through February 1944 a total of \$155,000,000 (U.S.) at the rate of 20 to 1. The financial contribution of the United States has been most substantial and greatly in excess of the Chinese expenditures even at the 20 to 1 rate. A settlement of the \$7,000,000,000 (Chinese) construction advance alone at the 20 to 1 rate would involve a premium payment of over \$300,000,000 (U.S.) compared with a rate of 150 to 1, and the latter is below current black market.

The black market is continuing to rise. The rate at the present time should not be less than 150 to 1 and even this rate should be revised periodically unless the Chinese Government controls inflation.

The War Department believes that our representatives should continue to stand firm for a realistic rate. In view of the effect of any rate on military planning, commitments should not be made in Chungking without clearance in Washington by the Treasury Department and your approval.

Respectfully yours,



Secretary of War.

Inclosure (1)

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19 May 1944

RESUME OF CHINESE EXCHANGE SITUATION

1. The exchange situation in China first was brought to the attention of the War Department by General Stilwell early in 1943, at which time he reported that the official rate of exchange of 20 to 1 was not realistic, inasmuch as the open market rate at that time was around 40 to 1 and increasing rapidly. He called attention to the fact that with the large expenditures contemplated by the Army, definite steps should be taken to have a new official rate established.

2. The official rate of exchange of 20 to 1 was established in August 1941 and has been supported by the U. S. Government as a measure of making effective the stabilization agreement entered into with China at the same time. This stabilization agreement expired in January 1944.

3. When the matter of the rate was first reported by General Stilwell the Treasury Department was requested to give some consideration to having the Chinese effect a change in the rate and during the latter part of 1943, that department endeavored to obtain some relief in the matter. These efforts included a change in the official rate, the granting of a special rate to the United States or the sale of gold at an advantageous price to use the proceeds to decrease the excessive costs of the War Department's expenditures in China because of the unrealistic rate.

4. With a knowledge of the State and Treasury Department and undoubtedly with the full knowledge of the Chinese Government, the War Department has been paying its personnel in China U. S. currency and permitting that personnel to go into the open or black market and purchase Chinese currency at any available rate. Later, the State and Treasury Department requested the War Department to ship United States currency to China for use in paying personnel and operating expenses. The War Department has been reluctant to having its soldiers dealing in black market operations, but for morale purposes, it could not do other than authorize such a procedure in view of its failure to find other means of giving its men in China sufficient local currency to offset the unrealistic exchange rate. In addition to the morale factor, there has been the ever increasing expenditures by the War Department for supplies and construction.

5. Failing to secure relief through a change in the official rate, the War Department, early in 1943 felt the need for a reciprocal Lend-Lease agreement with China and the Chinese Government indicated that they may be willing to enter into such an agreement. Accordingly, an agreement was drafted for submission to the Chinese. In view of the exchange situation and the fact that the Treasury Department expressed the view that efforts up to that time to secure a better official rate of exchange had proved fruitless, it was decided to include in the reciprocal Lend-Lease agreement, in addition to the provisions to direct aid in kind, a section to the effect that the Chinese Government would provide Chinese currency to be used by the U.S. in direct purchase of supplies, materials, facilities and services in lieu of reciprocal aid in kind and to meet essential governmental and military needs for Chinese currency. The understanding was that this currency received under the agreement could be used in offsetting the excessive cost to the U.S. of expenditures for personnel and other expenses on account of the unrealistic Chinese exchange rate.

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This reciprocal Lend-Lease agreement was presented to Dr. Soong, Foreign Minister of the Chinese government by the State Department in Washington in May 1943 with a memorandum explaining the purpose of the financial provisions thereof. The agreement was submitted to General Stilwell in China and was concurred in by him in view of the apparent impossibility of securing a proper exchange rate.

6. In October 1943 General Somervell visited Chungking. He was advised by General Stilwell that delays occurring in construction necessitated direct contractual expenditures by United States forces. The artificial exchange rate of 20 to 1 as compared with a black market rate of 120 to 1 was resulting in exorbitant costs. General Stilwell believed that a better arrangement was essential to our planned operations. General Somervell, with the knowledge and consent of the Ambassador, proposed to Dr. Kung, subject to ratification by the U. S. authorities in Washington, that the Chinese Government make available to our forces the requisite Chinese currency to support these forces and the military construction under one of two alternatives:

a. The United States would deposit to Chinese account in the United States \$1 U.S. for each \$100 CN furnished, this deposit to be credited against an official exchange rate of 20 to 1, with the remaining \$80 CN to be a contribution of the Chinese Government to our joint war effort (this arrangement would protect publicly the 20 to 1 artificial rate); or,

b. The Chinese Government would provide the requisite funds with the United States depositing to Chinese account \$1 U.S. for \$20 CN of each \$100 CN made available, the remaining \$80 CN to be provided under a reverse lend-lease agreement.

Dr. Kung appeared to view these proposals as feasible and promised to place them before the Generalissimo for approval.

7. Shortly after General Somervell's return to the United States in November, and before the proposals could be carried further, the Cairo Conference was held. The Generalissimo attended this conference. It is understood that he was advised that the United States was prepared to bear the cost of its military effort in China. It is not understood that the question of exchange rates was considered. Subsequent to the conference, as indicated in the report of Ambassador Gauss, January 16, 1944, the Generalissimo in a message to the President urged that a loan of \$1,000,000,000 U.S. be made to China, or that, otherwise, the United States assume full responsibility for its expenditures in China at 20 to 1 rate.

8. The Treasury Department was then negotiating with the Chinese Government with a view to transporting gold to China for purchase of Chinese currency on the open market to control inflation and to secure a better exchange rate. The negotiations did not appear to be progressing rapidly. The Secretary of the Treasury recognizing the urgency of the airport construction program authorized the War Department to proceed with its own negotiations.

SECRET

Representatives of the State Department concurred in this arrangement. Our military representatives were authorized to advise the Chinese that the United States was prepared to accept full responsibility for its military expenditures subject to the establishment of a reasonable exchange rate which would have some relationship to the actual purchasing power of the Chinese dollar. On 15 January our Commanding General in China and State Department representatives were advised to press for an early completion of a reverse lend-lease agreement concurrently with an agreement to be presented by military representatives with respect to the funds to be made available by the Chinese Government to cover our military expenditures. The military representatives were advised to keep in constant touch with the State Department and Treasury Department representatives so that any action taken in Chungking would be jointly understood. Mr. Edward C. Acheson was sent to China to assist the Commanding General in presenting the proposed fiscal arrangement.

9. In reply to the Generalissimo's request, referred to above, the President urged the acceptance of the proposal submitted by our military and diplomatic representatives. It is to be noted that the authorities in this country were in agreement that there was little merit in the proposed loan to China.

10. Our military and diplomatic representatives proceeded with the negotiations. In the latter part of January estimates became available with respect to the substantial construction costs involved in the new airport projects. Meanwhile the black market exchange rate had continued to advance and payments in American dollars at a 20 to 1 rate would have become astronomical in comparison to the value received in work. The War Department would have found it necessary to have requested additional funds for the purpose from Congress and was apprehensive that the exorbitant costs would have serious repercussions. Again on 24 January our military representatives were advised to maintain a firm stand, but to inform the Chinese Government that the United States was prepared to place to Chinese account the U. S. dollar equivalent of any Chinese funds made available under general arrangements which they would suggest to the Chinese Government.

Dr. Kung was designated by the Generalissimo to receive the United States proposals. Our representatives proposed as an interim measure that the United States would purchase 25,000,000 dollars at the rate of 40 to 1 through the deposit of 25,000,000 dollars to Chinese account in this country. The Chinese Government would add 1,500,000,000 dollars to this account. This proposal would have established an interim exchange rate of 100 to 1. The Chinese Government did not accept the first funds and the 25,000,000 U.S. in payment thereof was deposited to Chinese account. However the Chinese Government did not accept the proposal as a continuing measure. On 3 January Dr. Kung gave a counter-proposal to continue the official exchange rate at 20 to 1 with the Central Government contributing 10 dollars more for each dollar under reverse lend-lease. Our representatives turned down this proposal. They advised us on 12 February that they could see no benefit in further proposals. However, Dr. Kung was authorized to advance 1,000,000,000 dollars per month during the remainder of the negotiations with the proposal rate to be provided during the negotiations.

Report of expenditures at this time indicated that our own expenditures in China had increased from \$400,000 in January 1943 to \$23,000,000 in December. Estimates for airport and other construction indicated a requirement of approximately \$2,500,000,000 CN monthly. Payment for these funds at a 20 to 1 rate as compared with the proposed 100 to 1 rate would have resulted in an annual premium to the Chinese Government in excess of \$1,000,000,000. However, the proposed rate of 100 to 1 was still below the real purchasing value which was more adequately expressed by the black market rate which had reached 150 to 1. On February 20 General Stilwell was advised that he must continue to take a firm stand while still expressing the willingness of the United States to bear full costs at a reasonable exchange rate. On February 25 we were advised by our military representatives that Dr. Kung had asked for \$20,000,000 U.S. to be flown to China as an advance to the Chinese account with the rate to be determined later. These funds Dr. Kung proposed to use for the purchase of Chinese currency in the black market in an effort to drive down the black market rate. At the suggestion of our representatives, and with the approval of the Treasury Department, this money was flown to India in the understanding that \$5,000,000 U.S. was to be made available to the Chinese Government to test the effect of the proposed purchases prior to utilizing the full amount. These funds have not as yet been turned over to the Chinese Government as our representatives on the ground felt that the transfer might prove detrimental in view of the existing status of negotiations.

13. On March 2 our representatives advised us that the Chinese Government had agreed to furnish not to exceed \$5,000,000,000 CN per month to our forces provided the requisite money in Chinese currency was shipped from the United States, with March and April requirements to be shipped by air. Arrangements were made to meet this request.

14. During the period of negotiations the construction work has been proceeding satisfactorily. As our proposal with respect to the deposit of \$25,000,000 U.S. per month to the Chinese account in the United States in exchange for \$2,500,000,000 CN had not been accepted by the Chinese Government, only the initial deposit was made. Since we were obtaining all of the funds needed without an exchange commitment, our representatives in China believed it undesirable to submit further proposals to the Chinese. They avoided counter-proposals from the Chinese Government. On May 7 our representatives advised us that the Chinese were pressing hard for a financial agreement at a 50 to 1 rate, \$40 CN of each \$60 CN furnished to be credited as part of lend-lease. As the black market was continuing to rise, our representatives were unwilling to accept this offer and insisted on a three months' agreement for a rate of 150 to 1. Our representatives in the field reported that the Chinese Government would make a direct appeal to the United States.

SECRET

15. It is important to note that the Chinese Government has receded considerably from its stand taken in 1943, and from its even more adamant stand taken in December 1943 and January 1944, as a result of the firm position taken by the United States. While the work undertaken by the American forces and payment therefor may aggravate the distress of the Chinese economy, it is very doubtful if its influence on the inflation difficulties is a major contributing factor. In local areas where work is being carried on, our expenditures will have more serious effect on inflationary difficulties than elsewhere, but even there our expenditures are not the primary cause of their economic disturbance. In any event, it is difficult to understand the effect of the rate of exchange on this economy as the United States funds made available to China would accumulate as a credit to be drawn against after the war. It would be difficult to justify an artificial exchange rate which would make the cost of American participation in the war in China out of all proportion to the actual value of the work received, particularly taking into consideration the relatively low cost of labor in China as compared with the United States.

16. The extent of United States aid to China must also be taken into consideration in determining the exchange rate which is to be accepted. Lend-Lease aid to China has aggregated more than \$400,000,000 U.S., although some of the Lend-Lease material is still stock piled in India as transportation has not been available for its movement into China. At a realistic rate, this Lend-Lease expenditure alone is equivalent to \$60,000,000,000 CN.

In addition thereto, the Treasury Department granted a credit to the Chinese Government of \$500,000,000 U.S. in March 1942 against which \$243,000,000 has been drawn at the end of 1943.

The Foreign Economic Administration will have purchased in China from 1941 through June 1944 approximately \$48,000,000 U.S. which at the official rate would purchase \$960,000,000 CN worth of merchandise (strategic materials). At a realistic rate of 100 to 1 as a conservative average for the period, these purchases would have cost only \$9,600,000 U.S. This means that over the period the Chinese Government had been benefited as a result of the unrealistic exchange rate by a premium of \$38,400,000 U.S.

Likewise, our forces in China have expended for the period January 1943 to include February 1944 a total of \$155,550,000 U.S. which at the official rate of exchange total \$3,111,000,000 CN. Expenditures during the month of March and April 1944 have been on the basis of the new agreement, whereby the Chinese advanced to us the currency required for our needs and we in turn deposited U. S. currency to the credit of the Chinese Government in an amount as the Commanding General, U. S. Forces reports as properly due.

The total amount reported by the Commanding General, U. S. Forces under this agreement to have been received up to April 23 is \$7,680,000,000 CN. (How much of this should be credited as a Chinese contribution to the war effort, and how much the United States Government is expected to reimburse the Chinese cannot be determined in Washington at this time in view of the fact that negotiations in this respect are being carried on by General Stilwell in China.) This is a total expenditure in Chinese currency to date of \$10,791,000,000 CN. This would cost the U. S. at the official rate of 20 to 1, \$539,550,000 U.S. whereas at a realistic rate of 150 to 1 it would cost only \$72,000,000. This means that the U. S. pays a premium on these expenditures of \$467,550,000 due to the unrealistic rate.

Dr. Kung in a letter to the Secretary of War has reported Chinese expenditures during part of February and all of March and April as aggregating \$7,016,000,000 CN. The Chinese state, however, in addition to this amount the Chinese Government has paid out since September 1942 for construction of airfields, barracks, air force supplies and improvement of roads at the request of the United States authorities a total of \$10,878,260,457 CN.

While the cost of the services furnished the United States Forces in China cannot be verified, his estimate of construction cost in 1944 of \$7,000,000,000 CN is in agreement with our own figures. The United States has deposited against this advance of \$7,000,000,000 CN the sum of \$25,000,000 U.S. to Chinese credit in the United States.

17. In view of the large sums involved and the continuing expenditures, it is apparent that the agreed exchange rate may have a decided influence on military operations and on military planning. While it is desirable for a firm agreement to be effected at the earliest possible date, the importance of such agreement to contemplated military operations warrants its careful consideration in Washington before it is accepted formally. It is suggested, therefore, that any arrangements which may be proposed in Chungking be tentative until their effect on military operations can be studied by our Government in Washington so that all factors may be taken into consideration. It is apparent that the American position has constantly improved during the progress of the negotiations as a result of the firm stand taken by all of our representatives working in close agreement. Meanwhile, military construction has proceeded without delay.



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DEPARTMENT OF STATE
WASHINGTON

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photostat to
A White
5/29/44

May 26, 1944

My dear Mr. Secretary:

I understand that several weeks ago the Secretary of Commerce addressed to you a letter similar to the one which he sent to me under date of April 22, 1944 concerning the extension of a credit by the RFC to the Netherlands Government. I refer also to the White House memorandum to you under date of May 3, 1944 on the same subject.

I enclose for your information copy of a letter which I have sent to the President expressing the view of the Department of State with regard to the proposed credit.

Sincerely yours,

Cordell Hull

Enclosure:

Copy of letter to the
President referred to
above.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



May 26, 1944

My dear Mr. President:

I refer to your memorandum of May 3, 1944 for the Secretary of the Treasury with regard to the proposed credit to the Netherlands Government and to the letter which the Secretary of Commerce addressed to me under date of April 22, 1944 and its enclosure with regard to the same matter. For your convenience I attach copies of these documents. I have noted that in the memorandum for the Secretary of the Treasury you expressed interest in the views of the Department of State with regard to the credit.

It is the view of the Department of State that the proposed credit would be desirable if satisfactory arrangements can be made with regard to the collateral which do not involve action by the United States Government to make legally effective in this country the Netherlands royal decrees of May 24, 1940 and May 7, 1942 in so far as they concern the vesting in the Netherlands Government of title to the dollar securities in this country privately owned by residents of the Netherlands. It should be noted, however, that this Department is prepared to certify under Section 23(b) of the Federal Reserve Act the authority of the Netherlands Government to dispose of the gold of the Nederlandsche Bank under earmark in this country, if the Netherlands Government issues a decree vesting the gold which is satisfactory to the Department of State. It is my understanding that the Netherlands Government is now giving consideration to the issuance of such a decree.

Once

The President,**The White House.**

-2-

Once the Netherlands Government is re-established in the Netherlands it should be possible for that government to implement the vesting of privately-owned dollar securities without the necessity of action by this Government to make the Netherlands decrees legally effective in the United States. Providing the measures mentioned above with respect to the gold of the Nederlandsche Bank are taken, the possibility could be explored of an arrangement whereby some of this gold may be used as interim collateral which could subsequently be released against dollar securities turned over by the Netherlands Government. The possibility could also be explored of private participation in the credit at this later phase of the arrangement.

Faithfully yours,

CORDELL HULL

Enclosures:

1. Letter from Secretary of Commerce, dated April 22, 1944.
2. Enclosure accompanying above (letter from Netherlands Minister of Finance).

FROM

HABANA

DATED: May 26, 1944

REC'D: May 29; 9 a.m.

SECRETSecretary of State,
Washington,

A-1127, May 26, 9:20 a.m.

In bringing up with the Minister of State today the contents of the Department's secret airgram A-842 of May 23, 12:31 p.m., the Minister said that he was taking positive action regarding the matter by informing the Netherlands Embassy in Washington that the Cuban Government would not permit the validity of any of its passports to be questioned by the Germans. However, he observed that, if conclusive proof were presented regarding the falsification of a Cuban passport he could not insist upon its recognition since to do so might endanger the holders of legitimate passports. The Minister said that he is not transmitting this reservation to the Netherlands Embassy.

BRADEN

711

EMH/jm

LEGATION OF THE
UNITED STATES OF AMERICA

No. 1890

Cairo, May 26, 1944.

Subject: Transmitting Letter from New Zionist Organization
regarding Relief of Jews in Bulgaria.

The Honorable
The Secretary of State,
Washington.

Sir:

Referring to my despatch No. 1723 of April 4, 1944, transmitting a copy of a memorandum from Mr. Albert Staraselski, the local representative of the New Zionist Organization, regarding the proposed Joint Congressional Resolution on Palestine, I have the honor to transmit herewith a copy and translation of a communication regarding the relief of Jews in Bulgaria which was delivered to me today by Mr. Staraselski on behalf of the Egyptian branch of the New Zionist Organization. Mr. Staraselski observed that similar approaches were being made by him to the British and Soviet Governments through their diplomatic representatives here and he said he was also considering approaching the Turkish Government but had not yet decided whether to do so in advance of an indication of the attitudes of the American, British, and Soviet Governments.

Respectfully yours,

J. E. Jacobs
Charge d'Affaires ad interim

Enclosures:

1. Copy of Mr. Staraselski's letter of May 25, 1944 in the original French text.
2. Translation of Mr. Staraselski's letter of May 25, 1944.

Sent to the Department in Osalid.
File No. 800.
RAH/ag

Copy to American Consulate General at Jerusalem.
Copy to AMREP, Algiers, for Murphy.

Enclosure No. 2 to Despatch 1890 of May 26, 1944
from the American Legation - Cairo, Egypt

TRANSLATION

Excellency:

Would you be kind enough to transmit to your esteemed Government the following request:

Taking into consideration that on May 12, 1944 the three principal Great Powers of the United Nations, the United States of America, the United Kingdom of Great Britain, and the Union of the Socialist Soviet Republics, believed it necessary to notify jointly the satellite States of the Axis, of which Bulgaria is one, to cease all collaboration with Germany at the earliest possible moment,

In view of the crisis which has just burst forth in Bulgaria, bringing about the resignation of Minister Boguilof, as a result of the accumulated weight of German demands and the subsequent setting up at Sofia of a Cabinet even more docile to demands from Berlin,

In view of the presence in Bulgaria of 50,000 autochthonous Jews and probably of many thousands of others, refugees from the neighboring countries, who are doomed to see the racial laws applied with an even more rigorous cruelty, even to and including the prospect of mass deportation and general extermination,

In view of the necessity of undertaking immediately all measures which might aid this Bulgarian community to find safety and to put itself beyond the reach of the Gestapo and its local accomplices,

The New Zionist Organization (Cairo office) has the honor to request the urgent intervention of the three principal Great Powers of the United Nations and to ask them to exercise the maximum pressure on Bulgaria so that Sofia will give effective authorization so that the Bulgarian and other Jews now on its territory may leave without delay.

To this end the New Zionist Organization takes the liberty to propose:

a) That the three principal Great Powers of the United Nations address, by radio and all other suitable channels, to the Council of the Regency and the Bulgarian Parliament an appeal to help facilitate the departure of the Jews, assuring them that such an act will be taken into consideration at the conclusion of hostilities at the time of settling up accounts;

- 2 -

b) That a similar appeal should be sent simultaneously to the people of Bulgaria asking them (in case its leaders do not react in a positive manner to this request) to take it upon themselves to help the Jews now in Bulgaria to cross its borders - with a special word directed to the officials, especially those of the police, promising that a humane attitude will be taken into account on the day when the list of responsible acts is drawn up;

c) That immediate steps be taken with the Government of Ankara that it put no obstacle in the way of the passage through Turkey, the only territory now accessible to them, of the refugees who succeed in fleeing Bulgaria, no matter what their number, - with all the guarantees which the Government of Ankara believes might be useful, in as much as these Jews will only be in Turkey on an absolutely temporary basis and as dispositions will be taken to put them rapidly en route to another place of refuge.

Of course, these propositions are to be considered only as suggestions, and the three principal Great Powers of the United Nations should make what modifications and additions they may deem opportune. However, the New Zionist Organization believes that it is its duty to emphasize that it is a question of life or death for the Jews in Bulgaria and that each day that passes may condemn them to an irreparable fate, and that it is our conviction that the three principal Great Powers of the United Nations will spare no effort which might save these victims marked for the Hitlerian fury.

With our sincere thanks, I take this opportunity, Excellency, to present to you the assurance of my very high consideration,

The General Commissioner:

Albert Staraselski

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

No. 15920.

London, May 26, 1944.

Subject: Transmission of Funds for the American Jewish Joint
Distribution Committee.

S E C R E T

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

Sir:

I have the honor to refer to the Embassy's telegram no. 3988, May 17, 5 p.m. stating that the Foreign Office had sent the Embassy a payable order for £ 4,968.18.10. which was to be transmitted to the American Jewish Joint Distribution Committee in the United States.

- 1/ There is enclosed a draft on New York payable to the Secretary of State for \$19,974.88, which is the equivalent of the sterling amount mentioned above after bank charges were paid. There is also enclosed
- 2/ an exchange voucher signed by Mr. Rice, Embassy Disbursing Officer, and the Assistant Accountant of the Chase National Bank of the City of New York showing bank charges of £ 6.4.9., equivalent to \$25.12.
- 3/ The bank's memorandum of the transaction is also enclosed for transmittal to the American Jewish Joint Distribution Committee.

Respectfully yours,

Howard Bucknell, Jr.
Charge d'Affaires ad interim

Enclosures:

3/ as stated.
Ozolid original.
JMA:LZ

Enclosure No. 1 to despatch No. 15920

May 26, 1944 from the Embassy at
London, England.

(Following is copy of memo attached)

DEPARTMENT OF STATE
Division of
Budget & Finance

This Division has detached a remittance from this communication and forwards it for appropriate attention.

It is requested that all correspondence drafted in connection with this communication be routed through this Division in order that it may ascertain the disposition to be made of the remittance.

Thank you.

(Following is notation on memo)

"Since draft is drawn to order Sec. State it will have to be replaced by the check drawn on Treasurer of the U.S. to order of recipient."

Enclosure No. 2 to despatch No. 15920 of May 26, 1944.

from the Embassy at London, England.

Form No. 92
FOREIGN SERVICE

EXCHANGE VOUCHER

Date of bill of exchange sold or purchased	Amount of bill of exchange, United States currency.	Banks buying or selling rate of exchange	Loss on sale or purchase of bill of exchange	Amount received or paid for bill of exchange	
				United States currency	Foreign currency
May 22, 1944	\$19,974.88	4.025			£ 4962.14.1
Charges	25.12				6.4.9
	<u>\$20,000.00</u>				<u>£ 4962.18.10</u>

Upon whom bill of exchange is drawn or to whom remittance is made, and on what account

Bill of Exchange drawn on Chase National Bank for transmission to the Secretary of State representing a deposit made by the American Jewish Joint Distribution Committee.

London, England, May 22, 1944.

(place and date)

We jointly certify that the above-described bill of exchange was purchased at the rate shown by the above abstract.

(Signed)

CHARLES M. RICE, Jr.

American Vice Consul, of the United States of America.

(Signed) (illegible)

Enclosure No. 3 to despatch No. 16920 of May 26, 1944
from the Embassy at London, England.

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
Incorporated, with Limited Liability, under the
National Bank Act of the United States of America

LONDON

SOLD TO

AMERICAN EMBASSY

22/5/44

	Foreign Currency	Rate	Sterling
U. S. Draft	\$19,974.88	402 $\frac{1}{2}$	£4962.14.1
			<u>6.4.2</u>
1/8 com			£ 4968.18.10

E. & O.E.

SFG

PLAIN

US URGENT

May 26, 1944

AMEMBASSY,

1 a.m.

LONDON

4176, Twenty-sixth

NIACT

Replying to your 4217, May 25, final draft of rules of constitution and procedure and financial regulations of the Intergovernmental Committee on Refugees as submitted attached to Embassy's despatch 15566, May 10, is approved. With respect to changes of substance from the initial draft forwarded with Embassy's despatch 14051 of February 23, 1944 appearing in paragraph 3 (a) of Article II which Emerson will call to the attention of the Committee, Department agrees that QUOTE Committee may undertake negotiations with governments, whether members of the Committee or not UNQUOTE and prefers the wording QUOTE and shall cooperate with the United Nations Relief and Rehabilitation Administration UNQUOTE.

HULL
(GLW)WRB:GLW
S:FED:MLM

No. 1189

AMERICAN CONSULATE GENERAL

Jerusalem, Palestine,
May 26, 1944.

Subject: Jewish Refugees from Hungary and Rumania.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's telegram No. 101, dated May 11, 7 P.M., and my reply thereto No. 68 of May 18, 5 P.M. relating to the arrest of Jews in Rumania and to the persecution of Jews in Hungary. The head of the Immigration Department of the Jewish Agency has not furnished additional information on the subject. He stated experience has shown that persecution of Jews takes place in three stages: first, all Jews are required to wear the badge, second, they are deprived of their property and means of livelihood, and third, they are placed in concentration camps with a view to their extermination. At the end of March the first stage was reached in Hungary and Hungarian papers reported the enactment of a law requiring all Jews, including part Jewish, having as much as one-fourth Jewish blood from the age of 6 upwards to wear the yellow badge. As evidence of the enforcement of this act, Hungarian papers reported early in March that many arrests had been made for non-compliance therewith.

Jewish libraries all over Hungary have been seized. Andre Laszlo, former Minister of the Interior and now head of the Jewish Department of the Ministry of Interior

- 2 -

is reported to have requisitioned Jewish apartments for the accommodation of Hungarians who have suffered in air raids. Municipal and Government officials who are Jews have been dismissed and replaced by Hungarians. Zionist offices in Hungary have been closed. This is the second step, or the economic measures, which have been taken.

It is reported that hundreds of thousands of Jews are now being interned in camps and ghettos. The names of the ghettos so far available are as follows: Szeged, Des, Debrecen, Nyiregyhaza, Beregszasz, Marosvasarehly, Szatmarnemeti, Nagybanya, Nagyszollos, Munkacs, Mateszalta, Bezstergce, Kolozsvar, Szudka, Zenta, Nagykaroly, Miskolc, Maramarosziget, Baja, Nagyvarad, Ujvidek, Kassa, Ungvar, Szolyva, Huszt, Budapest.

With regard to the arrest of Zionist leaders in Bucharest, the following information has been received from a refugee who left Rumania at the beginning of May through the Jewish Agency.

The arrests of the leaders were effected on March 27, 1944. They were caused by the detention of two Polish Jews in whose possession forged documents were found. The two refugees admitted, when examined by the police, that they had received the documents from Joseph Friedmann, a member of the Youth Zionist Movement in Bucharest. During a search of Mr. Friedmann's apartment, two million leis were found and confiscated. Mr. Friedmann said that he had received the money from Mr. Mishu Benbenisti, Chairman of the Zionist Organization in Bucharest. Further searches were made at the premises of persons active in the Zionist organization and the Zionist Youth Movement. As a result of these searches the following persons were put under arrest: Friedmann, Benbenisti, Professor Beri, Fisher, Dr. Enzer, Rozenzweig, Fuks, Scarlet, Baumohl, Tabacznik, Tennenbaum, Reissfeler, Weiss, Picker, Segall, Vatarescu, Krell, Schwartz, Igo Feckler, Freddy Feckler, Dubs, Damascevic, Negel, and her sister, Gitler, Zussman, Paecht, Buium, Schuler, Blumer, Negru, and Maria Popescu.

At the same time these people were arrested, the Gestapo submitted to the Rumanian police photostatic copies of letters and reports sent by representatives of the local

- 3 -

Zionist organization to the Zionist organizations in Geneva and Istanbul containing information concerning the position of Jews in Poland and Transdniestra. After about a fortnight Fisher, Reissfeler, Dr. Enzer, Fuks and Professor Beri were released. The representatives of the local Jewish community intervened with the authorities and Mr. A. L. Zissu raised the issue of the arrests in a personal interview with the Vice-Premier, Michai Antonescu, which resulted in the release of Rozenzweig and Weiss. All of the others are reported to be still under detention and are to be tried before a Court Martial. The charges brought against them are "activities harmful to the security of the state, communication with the enemy, and smuggling of Polish Jews to Rumania."

The refugee says there are reasons to believe that the authorities in Rumania are showing a tendency to alleviate the conditions of the Jews there in the hope that this might place them in a more favorable position with the allied powers after the occupation of the country and in international discussions which will follow the war. He believes therefore that diplomatic intervention regarding the fate of the arrested Jews might produce results and says it is not out of the question that as a result of such intervention the proceedings might be wholly suspended and the persons released. Contrary to the original report that only 12 to 15 persons remain in custody, it now appears there are some 26.

Arrangements have been made with the Jewish Agency whereby all information concerning Jewish refugees and their possible fate in occupied European countries will be made available to this Consulate General and immediately upon its receipt it will be forwarded by airmail or telegraph, depending upon the nature of the information received. The Agency acts as a centralized office where all Zionist reports are submitted and it is hoped that as complete information as may become available will be furnished to this office.

Respectfully yours,

L. C. Pinkerton,
American Consul General.

File No. 848
LCP/er

Enclosure with Despatch No. 539 of May 26, 1944.

STATEMENT OF AMOUNTS EXPENDED BY DR. SAMUEL SEQUERRA,
BARCELONA, UNDER LICENSE NO. W-2155

1944

March, April and May	Honorariums	Pesetas	3,000
April	One child	4,000	
	One child	4,000	
	Four children	<u>14,000</u>	
	List A Attached		22,000
	ROCHMAN, David, Necha and daughter Helene		5,000
	YELLEN family (3 persons)		8,315
May	Seven children as per List "B" attached		<u>28,000</u>
		Pesetas	66,315

LIST "A"

DOBETZKI, Bernard	Born July 10, 1931, Metz
Henri	Born July 8, 1933, Metz
	Parents now in Limoges
GUTMAN, George	Born June 5, 1935, Paris Father's name - Jacques Mother's name - Leah
ROGER, Pierre	Born April 3, 1940, Marseille
ROSENBERG, Sarah	Born November 30, 1935, Pas de Calais French Nationality
SCHLANGER, Jacques	Born September 15, 1930, Frankfurt/Main Polish nationality Father's name - Moise Kulmanovic Mother's name - Sara

LIST "B"

BRAUN, Regine	Born October 28, 1930, Nancy
DZIALWEKI, Charles	Born May 23, 1932, Nancy
ISRAEL, Abraham	3 $\frac{1}{2}$ years of age
JAKUBOWITZ, Denis	November 8, 1930, Metz
ROSENER, Isidor	Born April 30, 1937, Strasbourg
SCHWEINER, Salomon	Born March 16, 1931, Strasbourg
SPATZ, Julius	Born November 25, 1930, Vienna

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Madrid
DATED: May 26, 1944
NUMBER: 1515

SECRET

For Ambassador Hayes' attention, Madrid, Spain.

Please represent to the Spanish Government that, according to persistent and seemingly authentic reports, systematic mass-extermination of Jews in Hungary has begun. The lives of 800,000 human beings in Hungary may well depend on the restraint that may result from the presence in that country of the largest possible number of foreign observers. To this end, please urge appropriate authorities in the interest of most elementary humanity to take immediate steps to increase to the largest possible extent the numbers of Spanish diplomatic and consular personnel in Hungary and to distribute them as widely as possible throughout the country.

It is hoped, of course, that all such diplomatic and consular representatives will use all means available to them to persuade individuals and officials to desist from further barbarisms.

Please inform Department forthwith of extent to which Spanish government is cooperating in this matter.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: May 26, 1944
NUMBER: 1861

SECRET

Following repeated by courier to Lisbon.

There have been brought to my notice by the American Embassy, Lisbon, texts of a number of cables relating to Spain which Joseph Schwartz has sent to the War Refugee Board for the Joint Distribution Committee in connection with which I feel that certain considerations should be brought to the attention of the Department.

It is stated by Schwartz in a cable sent as Lisbon No. 1555, May 23 to the Department, that he had a long conference with me regarding the operations of the Board in Spain and certain statements are made by him concerning my views thereon. I should like to make it clear, in this connection, that I had only a brief conversation with Schwartz on the occasion of his recent visit to Spain and that the program of the Board was discussed in general terms only. I was not informed by him that, as was discussed in general terms only. I was not informed by him that, as is apparent from cable 1555 and from a subsequent cable sent as Lisbon's 1356 of the same date to the Department, operations are being carried on in Spain through Sequerra under license W-2155, and I made no statements which could have been construed as approval of such operations. On the contrary, my views with respect to clandestine operations envisaged under terms of license W-2155 remain as stated in my message of March 22, No. 997, and it has been my impression, which Schwartz did nothing to disturb that this matter has been held in abeyance.

I should appreciate being promptly advised as to the nature and extent of such operations, inasmuch as it now seems that in spite of the considerations raised in my 997, with which it may be mentioned the British Embassy is in complete agreement, operations under this license are in fact being carried on in Spain by Schwartz and Sequerra.

I want to have it clearly understood that I am in full sympathy with the humanitarian purpose for which the War Refugee Board was established but that it is strongly felt by me that in spite of the importance of its work it should not be allowed to carry on its operations in such a way as to endanger objectives of more immediate importance to our war effort. Cables from the Board have in the past, as I have repeatedly tried to point out, revealed a failure to understand implications involved in the implementation of its program in Spain and I have felt, for this reason, that it is incumbent upon me to try to prevent it from engaging in activities that might redound to our own disadvantage in the prosecution of the war as well as in the conduct of our immediate relations with Spain.

With regard to the possible appointment of Blickenstaff as the Board's representative in Spain, my views remain as stated in my message of March 20, No. 974 but pending arrival in Madrid of James G. McDonald, I recommend that no action be taken on this matter. (See my message of May 22, No. 1777.)

COPY

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 26, 1944
NUMBER: 1819

SECRET

FOR AMERICAN REPRESENTATIVE HAROLD H. TITTMAN, JR., VATICAN CITY

Please deliver the following message from the Government of the United States to the Cardinal Secretary of State:

"The wave of hate which has engulfed Europe and the consequent mass persecution, enslavement, deportation and slaughter of helpless men, women and children have, we know, sorely grieved His Holiness. We know also that His Holiness, with great compassion for the sufferings of a large portion of mankind has labored unceasingly to reindulcate a decent regard for the dignity of man. So, too, we know of His Holiness' tireless efforts to alleviate the lot of the persecuted, the hunted and the outcast. His Holiness, we are certain, is aware of the deep feeling of abhorrence which the persecutions, mass-deportations, enslavements and slaughters in France, Germany, Poland, Czechoslovakia, the Balkans, Norway and elsewhere have aroused in the American people. His Holiness, we are confident, is also aware of the deep concern of the Government of the United States with respect to these reversions to usages of ancient barbarism, and of its constant efforts to prevent their recurrence.

In view of the common concern of the Holy See and the Government and people of the United States with such matters, we believe it appropriate to call to the Holy See's attention the seemingly authentic reports that the present authorities in Hungary have undertaken to persecute the 800,000 Jews in Hungary merely because they are Jews, and are planning their mass slaughter both in Hungary and after deportation to Poland. The Government of the United States has warned the authorities and people of Hungary of the material consequences that will follow the perpetration of such inhuman acts of barbarism. We believe, however, that it is both timely and fitting that the Hungarian authorities and people should be reminded of the moral values involved and of the spiritual consequences that must flow from indulgence in the persecution and mass-murder of helpless men, women and children. To that end we earnestly suggest that His Holiness may find it appropriate to express himself on this subject to the authorities and people of Hungary,

- 2 -

personally by radio and through the Nuncio and clergy in Hungary as well as through a representative of the Holy See specially despatched to Hungary for that purpose. His Holiness, we deeply hope, may find it possible to remind the authorities and people of Hungary, among whom great numbers profess spiritual adherence to the Holy See, of the spiritual consequences of such acts and of the ecclesiastic sanctions which may be applied to the perpetrators thereof."

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 26, 1944
NUMBER: 1820

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Isaac Sternbuch, Postfach 128, St. Gallen, Switzerland:

"Cable whether you sent to Rabbi Shmulevitz 85,500 and 64,350 francs for Shanghai refugees, and whether you get acknowledgment of receipt. Also cable information regarding proposed refugee evacuation from Shanghai. Try to obtain Swiss government's cooperation in speedily evacuating rabbinical group totalling 475 persons.

Please send messengers with funds to heads of Jewish communities in Hungary advising them to leave cities and disperse in countryside, preferably near Yugoslav and Slovak borders. Attempts will be made to provide them with food and other necessities. Vaad Hahatzala Emergency Committee, Rabbi Abraham Kalmanovitz."

THIS IS WEB CABLE TO BERN NO. 22.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: May 26, 1944
NUMBER: 1890

SECRET

The hope was expressed by me to Vyshinski yesterday afternoon that the Soviet Government would be able to take favorable action on the Embassy's note of May 19 which contained the suggestions and information set forth in the Department's message dated May 17, no. 1225. It was stated by Vyshinski that the Foreign Office was studying the question and within a few days hoped to reply to the note from the Embassy.

HAMILTON

DCR:VAG:HL 5/29/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Embassy, Montevideo
 DATED: May 26, 1944
 NUMBER: 297

SECRET

The following is for Sanders' attention.

In German territory and that occupied by Germany there are a few thousand individuals identified with political and racial minority groups of Europe who nevertheless possess one or another type of certificate or document, including visas and passports, issued in the names of non-European states, principally certain American Republics. The Germans have heretofore kept most of these individuals in concentration camps despite circumstances which have cast doubt on the authenticity of these documents or the regularity of their issuance. It appears that the Germans, in accord with this relatively favorable treatment, have looked toward the possibility of exchanging them for nationals of Germany abroad. Some sixty-five such individuals holding Palestine documents were exchanged for Germans in Palestine in 1942, but since Germans remaining in Palestine declined repatriation, further operations under this arrangement failed. The Western Hemisphere is now the only substantial source of available Germans.

Since the recent German-American Republics' exchanges have been limited to very small numbers of bona fide American nationals nominated by their governments, in accord with Resolution XX, and since various American Republics had hesitated to recognize the documentation issued in their names, it has not been feasible to include these individuals in recent exchanges.

Apparently concluding that the governments concerned do not intend to protect these individuals or accept them for purposes of exchange, the German Government in this situation has not manifested its intention to deprive them of their protected status and to submit them to the brutal measures uniformly applied to such minorities, such as extermination and slave labor. We are informed by authoritative sources that the Germans have intensified their persecutions of such groups of late, that their gradual or immediate annihilation is almost certain, and that only the most urgent and positive steps would safeguard their lives. Positive assurances to Germany on behalf of the governments concerned that their documentation must be honored, followed by prompt proposals of exchange on a collective basis, are the official steps required.

Most of

-2-

Most of the required assurances regarding documentation have already been procured by the Department and the War Refugee Board, and the Department is prepared to start proposals for exchange. Moreover, in cooperation with other official and humanitarian agencies, the Board is prepared to underwrite all expenses for exchange and, to the extent that any individual rescued in not admissible to the country concerned, to arrange and finance safe havens elsewhere.

Since the prospective proposals for exchange would depart from or severely ~~stagnate~~ the pertinent strict standards established in Resolution XX, consideration by the Committee of this subject is desirable. The security requirements reflected by those standards have substantially declined in importance since the adoption of that resolution. Since Germans not capable of much contribution to enemy war effort are available and since adequate security can be exercised over individuals concerned, present security needs can in any event be met. The multilateral character of problem and of steps necessary for its effective solution will also be emphasized by the Committee action.

Therefore, the problem should be presented to the Committee by you with a view to immediate adoption by the Committee of a resolution recommending to the governments that they require their documentation to be honored and that they support or authorize proposals for exchange in their behalf to the humanitarian ends and under the security safeguards above mentioned. We will promptly cable to you a suggested draft resolution. A brief exposition along the stated lines should be drafted by you treating the problem as inter-American in character and avoiding direct references to War Refugee Board and United States and extensive initiative they have already taken insofar as it is possible to do so.

HILL

NOT TO BE RE-TRANSMITTED

COPY NO. 11

SECRET

OPTEL No. 168

Information received up to 10 a.m., 26th May, 1944.

1. NAVAL

MEDITERRANEAN. 23rd/24th. Coastal forces from BASTIA sank one enemy corvette and damaged another. Near ANZIO an enemy coastal craft was captured.

ANTI-SUBMARINE OPERATIONS. 25th. Aircraft claim to have damaged a U-boat west of TRONDHEIM.

2. MILITARY

ITALY. To 12 noon 25th. Immediately west of PIEDIMONTE, which is now clear of enemy, U.K. troops have advanced 3 1/2 miles to capture CASTROCIELO and are also astride highway 6 at crossing of the River MELFA. Further south Canadian troops have secured a firm bridgehead over this river.

French troops are slowly closing in on SAN GIOVANNI (4 miles S.E. CEPRANO) and PASTENA in face of bitter opposition. They hold VALLECORSA.

U.S. Reconnaissance troops have advanced from TERRACINA on coast road and joined up with Allied troops from ANZIO bridgehead in LITTORIA area. Germans have been forced out of PONTINE Marshes.

From Bridgehead U.S. forces threaten CORI from S.E. and N.W. and have reached points 4 miles south of VELLETRI.

YUGOSLAVIA. 22nd/23rd. Allied troops landed unopposed on island of MJLET, about 300 to 400 enemy were surrounded.

BURMA. Remnants of enemy who penetrated a divisional administrative area S.W. of BISHENPUR on 22nd have been mopped up. Enemy again unsuccessfully attacked our road block 15 miles south of BISHENPUR. On 23rd/24th enemy penetrated our forward positions S.E. of PALEL with one battalion but lost positions were subsequently regained by immediate counter-attack. Enemy equipment being captured and 128 dead were counted. In KOHIMA area estimated enemy killed up to 23rd totalled 7,700.

3. AIR OPERATIONS

WESTERN FRONT. 24th/25th. 2,021 tons dropped on two railway centres at AACHEN and 979 tons on gun batteries in N. FRANCE.

25th. Escorted heavy bombers dropped 1,562 tons on railway centres in E. FRANCE and BELGIUM as well as 288 tons on five airfields. Enemy casualties 12, 2, 6 for loss of four bombers and 12 fighters missing. Medium bombers and fighters (three missing) dropped 408 tons on ten bridges in FRANCE and BELGIUM and 109 tons on airfields.

ITALY. 24th. Over 2700 aircraft, including 1171 bombers, despatched on offensive operations in battle area.

SECRET

*Do nothing**White House*

THE WHITE HOUSE
WASHINGTON

May 27, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY:

Will you talk with me next
week about sending Burke's name up as
Collector of the Port in Boston?

F.D.R.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 27 1944

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

FOR YOUR INFORMATION

In view of the publicity which the recent extension of the Proclaimed List to Eire received, I thought you might like to know in advance that on June 2, 1944, the Proclaimed List will, for the first time, be extended to Finland. Whereas the British declared war on Finland on December 7, 1941, and have treated it as enemy since that time, this Government has not formally declared Finland to be an enemy country and has heretofore refrained from extending the Proclaimed List to it. As a starter, 15 Finnish firms which were on the British Statutory List when Great Britain declared war on Finland are being added to the Proclaimed List.

The present action is being taken in an effort to create uncertainty among Finnish industrialists concerning their future relations with the United States, with the hope of bringing internal pressure on the Finnish Government.

Joseph J. O'Connell Jr

● May 31, 1944 - Initialed by Mr. White and Mr. D. W. Bell and sent to State for transmittal. (Cleared with General Clay also).

May 27, 1944

Mr. Callado

Mr. White

Please send the following cable to the American Embassy, Chungking, China, to Adler from the Secretary of the Treasury.

Please transmit the following message to Dr. Kung:

"Dear Dr. Kung:

Your letter of April 19, 1944 was handed to me on May 19 by Ambassador Wei.

I should like to express my appreciation for your frank discussion of the Chinese economic and financial situation. We are giving very careful consideration to what you have said in your letter and we hope to communicate our reply to you in the very near future.

The friendly relations between your Ministry and the Treasury are a reflection of the determination of our governments to work together in solving their common problems. I am sure that we shall work out satisfactory arrangements on the matters still pending in the same cooperative spirit.

Sincerely yours,

Henry Morgenthau, Jr.,
Secretary of the Treasury."

Also please inform the Ambassador and General Hearn

1. of the contents of this letter. *(above message)*
2. that a copy of Dr. Kung's letter to Secretary Morgenthau is being forwarded to them via Army channels. *(Army is taking care of this)*
3. a draft of our proposed reply will soon be sent to them also via Army channels for their comment and suggestions.

END:22 5/27/44

Treasury Department
Division of Monetary Research

150

Date 5/30/44 19

To: Miss Chauncey

Reply to M. Mendes-France, for
your information. We have the official
file.

L. Shanahan

MR. WHITE
Branch 2058 - Room 214-1/2

May 27, 1944

Dear M. Mendes-France:

Reference is made to Secretary Morgenthau's letter to M. Jean Monnet, dated April 28, 1944, and to your letter to him dated May 13, 1944, relative to the printing of franc notes to be used in France by the French civilian authorities upon liberation, and to subsequent conversations you have had with representatives of this Department.

I am setting forth below the terms and conditions upon which the franc notes referred to above may be printed:

(1) There will be printed 305 million individual franc notes of a total value of 300 billion francs as follows:

<u>Number</u>	<u>Denomination</u>	<u>Franc Value</u>
30 million	500 francs	25 billion
270 million	1000 francs	270 billion
5 million	5000 francs	25 billion

(2) The franc notes will be exactly the same in design as those notes which are currently being printed for the Supreme Commander, Allied Expeditionary Forces, except that the word "FRANCE" will be substituted for the phrase "EMIS EN FRANCE" in two places on the face of the notes and the word "FRANCE" will be substituted for the flag on the back of the notes.

(3) Printing of the notes will begin as soon as possible after June 15, 1944, when the printing of notes for the Supreme Commander, Allied Expeditionary Forces, is scheduled to be completed, and will be completed as soon thereafter as available facilities will permit. It is estimated that the printing of these notes will take approximately two months from June 15, 1944.

(4) The notes will be released to French control only at such time as the decision to release them can appropriately be made by the Government of the United States.

(5) The French Committee of National Liberation will pay in dollars the full cost of manufacturing, shipping, and storing the notes, at such time and in such amounts as the Secretary of the

- 2 -

Treasury shall request. Payment may be called for as often as may be necessary to keep the United States currently reimbursed for such costs. Payment will be made without regard to any decision made under paragraph (4) above.

It is estimated that the total cost of manufacturing and preparing for shipment of the quantities of franc notes above specified will be approximately \$832,650.00.

I will explore the possibility of complying with your request that the United States Government store the notes one-half in Great Britain and one-half in North Africa until such time as their release to french authorities may be made as provided by paragraph (4) above; and I will investigate the availability of additional printing facilities which would expedite the completion of the notes. I understand that you plan to place a second order for approximately 300 billion francs consisting of notes in smaller denominations than above specified, and, in view of this fact, that you attach particular importance to the availability of additional facilities in order that production may be accelerated as much as possible.

Will you please confirm by letter your agreement to the terms and conditions specified above for the printing of the franc notes.

Very truly yours,

(Signed) D. W. Bell

Acting Secretary of the Treasury.

M. Pierre Mendes-France,
Commissaire aux Finances,
Comite Francais de la Liberation Nationale.

RB:IGA:1sk 5/26/44

Copy:ms:5/29/44

SECRET

Republique Francaise

Comite Francais de la Liberation Nationale

1523 New Hampshire Avenue
Washington 9, D. C.

Le Commissaire aux Finances

May 13, 1944

AF/R - 2
CV/md

Dear Mr. Secretary:

Following the conversations that Mr. Monnet and I had with you, I take pleasure in enclosing herewith two memorandum relating to the printing of franc notes to be used in France by the French civilian authorities upon liberation.

The first of these memorandum indicates the amount of notes that will be necessary and the period of time within which they should be printed. As stated in the memorandum, I would appreciate if you would (a) increase the order which is now being completed (your note of April 28) from the figure of 250 billion francs to a figure of 300 billion francs by printing an additional amount of 50 million 1,000-franc notes, and (b) immediately consider subsequent orders of 50 billion francs per month during a period of six months, i.e. subsequent orders for a total amount of 300 billion francs.

The high number of notes involved makes it necessary that the speed of printing be immediately accelerated.

The second memorandum deals with the technical reasons for which it is hoped that these notes differ in their aspect from those which have already been printed for the first military and civil requirements.

I confirm that the French Committee of National Liberation is ready to assume the expenses relating to the printing and transportation of these notes.

It will be appreciated if you will give your kind consideration to this matter.

Yours sincerely,

/s/ Mendes-France

SECRET

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

May 19, 1944
SECRET

MEMORANDUM No. 1.

1.- The first two issues of franc notes, the printing of which has been undertaken by the U.S. Treasury in agreement with the State Department and the Interallied Command, represent an amount of 40 billion francs. Printing operations have been completed and the notes have been shipped overseas and put at the disposal of the Commander in Chief.

2.- After consideration of probable economic and monetary conditions in France at the time of liberation, it appears advisable to substitute a new currency issued by the future French civilian authorities for the present currency consisting of Banque de France notes.

The enclosed technical note states the reasons for this exchange and emphasizes what advantage would be derived from using for these exchange operations notes differing in aspect from those put at the disposal of the Commander in Chief.

3.- At the request of the French Committee of National Liberation, the Secretary of the Treasury informed us on April 28th, that an additional printing of notes intended for this exchange was already in progress. This issue includes:

5 million notes of 5,000 francs.....	25 billion francs
200 " " " 1,000 "	200 " "
50 " " " 500 "	25 " "
—	—

i.e. 255 million notes valued at250 billion francs

SECRET

- 2 -

4.- It appears necessary to increase the total value of the new notes being printed to about 600 billion francs in order to cover exchange needs in 100 franc notes as well as to meet current needs for large and small denomination notes.

It will be necessary to have 300 billion francs available in order to allow the launching of the exchange operations; this will compel us to increase the current order by 50 billion francs, consisting of 1,000 franc notes, i.e. 50 million additional notes.

Printing of further quantities of notes of various denominations should be undertaken immediately after this. Printing should go on at a rate of 50 billion francs a month, in order that a total amount of 600 billion francs be reached within six months.

5.- It is essential that all these notes be available in the very near future at points located as close as possible to French territory.

In an aide-memoire to the Combined Committee for Civil Affairs, the French Committee for National Liberation has requested that all necessary steps be taken in so far as the Commander in Chief is concerned in order that 305 million notes (worth 300 billion francs) be shipped and stored prior to July 15th, that subsequent shipments be maintained at a rate of 150 million notes per month, and that all these notes be stored until further notice, one half in Great Britain and one half in North Africa.

6.- As regards printing operations, and on the assumption that the time required for shipping be, for instance, one month, it will be necessary that the first bulk of 305 million notes (worth 300 billion

- 3 -

francs) be ready by June 15th, and that printing operations continue thereafter at a minimum rate of 50 billion francs per month.

The printing of 250 billion francs already agreed upon by letter of April 28th has been undertaken. It is necessary, as mentioned above, to increase this first order to a total of 300 billion francs by printing an additional 50 million 1,000 franc notes (worth 50 billion francs). This would bring the total amount of notes for the first bulk to 305 million notes.

At the rate of printing indicated by the Treasury, i.e. 5 million notes per day, these operations require 61 working days, starting from the beginning of printing operations. In order to meet the above mentioned deadline of June 15th, the French Committee of National Liberation requests the U.S. Treasury to speed up the progress of printing operations as much as possible.

This accelerated rate should subsequently be maintained in order to meet the further orders which will include a high proportion of small denomination notes and will require, therefore, greater amount of notes.

May 13th 1944

MEMORANDUM No. II

SECRET

1.- The United States Administration has already been informed of the reasons for which the French Committee of National Liberation deems it advisable that, as soon as possible after the liberation, the notes circulating in France be exchanged for new notes. This exchange should in any case cover large denomination notes (500- 1,000- and 5,000 franc notes). If materially possible, 100 franc notes should also be covered.

The reasons for undertaking this operation are as follows:

- a) If the Banque de France notes were removed from circulation, enemy agents could no longer use the supply of Banque de France notes held by the Germans for transactions in the liberated part of French territory.
- b) As detailed a survey as possible of private wealth is needed in order to penalize those persons who have accumulated profits through their collaboration with the enemy, and in order to tax the increased income enjoyed by a great number of private persons during the occupation, through inflation.
- c) In order to recreate the healthy monetary conditions conducive to resumption of normal foreign financial relations, it will be necessary to decrease the vast quantities of notes in circulation, of which a great quantities have been hoarded. To accomplish this, holders would receive in exchange for present Banque de France notes a limited quantity of new notes, the difference being covered by payment into an account.

SECRET

- 2 -

11. For these exchange operations, the French Committee of National Liberation has requested the Treasury to print for the Committee an additional amount of notes over and above those notes which have already been printed and put at the disposal of the Commander in Chief in order to cover expenses in France (40 billion francs).

The minimum quantity which must be available in order to undertake the exchange operations has been estimated in the first place at 250 billion francs, and should be increased to 300 billion francs.

On April 28th., 1944, the Secretary of the Treasury agreed to carry out this order. Printing has recently begun. The notes are of the same type as the notes handed over to the Commander in Chief.

111. The fact that the notes used for the exchange are of the same type as those which have been put at the disposal of the Commander in Chief, results in certain major technical inconveniences which will prevent the exchange operation from completely fulfilling its purpose.

As a matter of fact, before the beginning of the exchange operation, a certain amount of the new notes will have already been put into circulation in France either for military or civilian needs. There is the danger that this amount might become particularly great if it is necessary to postpone the date of the exchange for material reasons.

Under the present assumption, the exchange will not affect those notes which have already been put into circulation. A certain number of persons will therefore be able to escape the operation and conceal their holdings by obtaining beforehand, if necessary through payment of a premium, the new notes in place of their Banque de France notes. Many agents in particular could use this stratagem.

- 3 -

IV. The technical conditions needed to allow the exchange fully to reach its purpose are therefore as follows:

a) the notes used for the exchange should be of a type different from those notes put at the disposal of the Commander in Chief (for the sake of convenience, the Commander-in-Chief, notes will be referred to as Notes No. 1 and notes of the second type will be referred to as notes No. 2);

b) from the date of the exchange on, all expenditures made by the Commander-in-Chief and the French civilian authorities in France will be paid for with Notes No. 2;

c) the exchange will cover both Banques de France Notes and those No. 1 notes in circulation at the time of the exchange.

V. The type to be used for the No. 2 Notes does not necessarily need to differ greatly from the No. 1 Notes. It would be sufficient that the No. 2 Notes be readily distinguishable through an additional inscription which would be noticeable enough in order to allow the public to distinguish easily between the two. Furthermore, as it would be possible for counterfeiters to manufacture No. 2 Notes by adding false inscriptions to the No. 1 Notes, it would be advisable that some inscriptions on the No. 2 Note should not appear on the No. 1 Notes. In this respect, the following suggestions are made:

a) An extremely legible inscription should be added in the space reserved for this purpose. If there are no objections of a general nature, the words might be "Republique Francaise" or failing this, "Trésor Francais".

- 4 -

V - (following)

b) The words EMIS EN FRANCE (issued in France) should be deleted. Moreover, these words give rise to objections of a general nature.

VI. This matter is extremely urgent as the printing of the Notes for exchange has already begun.

Miss Chauncey:

Original, signed letter was handed to Mr. D. W. Bell by M. Mendes-France on May 27th at meeting and I understand Mr. Bell gave the original letter to Mr. Hall as it relates to contract.

L. Shanahan

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

LE COMMISSAIRE AUX FINANCES.

May 27th 1944

AF/46

Dear Mr. Secretary:

Reference is made to your letter to me of this date relating to the printing of franc notes to be used in France by the French civilian authorities upon liberation.

The terms and conditions set forth in your letter are not exactly those which I had hoped for, and I should like to express reserves upon the political reasons for some of these terms and conditions. However, in view of the urgency of this matter, I agree to the terms and conditions set forth in your letter, as follows:

(1) There will be printed 305 million individual franc notes of a total value of 300 billion francs as follows:

<u>Number</u>	<u>Denomination</u>	<u>Franc Value</u>
50 million	500 francs	25 billion
250 million	1000 francs	250 billion
5 million	5000 francs	25 billion

(2) The franc notes will be exactly the same in design as those notes which are currently being printed for the Supreme Commander, Allied Expeditionary Forces, except that the word "FRANCE" will be substituted for the phrase "EMIS EN FRANCE" in two places on the face of the notes and the word "FRANCE" will be substituted for the flag on the back of the notes.

(3) Printing of the notes will begin as soon as possible after June 15, 1944, when the printing of notes for the Supreme Commander, Allied Expeditionary Forces, is scheduled to be completed, and will be completed as soon thereafter as available facilities will permit. It is estimated that the printing of these notes would take approximately 2 months from June 15th 1944.

Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury.

- 2 -

(4) The notes will be released to French control only at such time as the decision to release them can appropriately be made by the Government of the United States.

(5) The French Committee of National Liberation will pay in dollars the full cost of manufacturing, shipping, and storing the notes, at such times and in such amounts as the Secretary of the Treasury shall request. Payment may be called for as often as may be necessary to keep the United States currently reimbursed for such costs. Payment shall be made without regard to any decision made under paragraph (4) above.

I note that you have estimated that the total cost of manufacturing and preparing for shipment of the quantities of franc notes above specified will be approximately \$ 832,650.00.

I note also that you will explore the possibility of complying with my request that the U.S. Government store the notes one-half in Great Britain and one-half in North Africa until such time as their release to French authorities may be made as provided in paragraph (4) above; and that you will investigate the availability of additional printing facilities which would expedite the completing of the notes. We plan to place with you a second order for approximately 300 billion francs consisting of notes in smaller denominations than above specified, and, in view of this fact, the availability of additional facilities is of particular importance to us in order that production may be accelerated as much as possible.

Very truly yours,

Signed: *Mendes-France*

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

164
DIVISION OF
COMMUNICATIONS
AND RECORDS

MJB-937

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

Bogota

Dated May 27, 1944

Rec'd 6:19 p.m.

Secretary of State,
Washington.

969, May 27, 5 p.m.

Note from Ministry of Foreign Affairs dated May 27 accepts invitation extended yesterday to participate in United Nations Monetary and Financial Conference, and states that names of Colombian delegates will be communicated opportunely to the Embassy. Full text follows.



DANIELS

RR
REF

Treasury Department
Division of Monetary Research

Date June 2, 1944 19

To: Miss Chauncey

This is our reply to Ambassador
Caffery's letter to the Secretary dated
April 22, 1944, the original of which
was sent to you on May 5.

J. Morgan

MR. WHITE
Branch 2058 - Room 214-1/2

DSH

This telegram must be paraphrased
before being communicated to any-
one other than a Government Agency.
(RESTRICTED)

May 27, 1944
10 p.m.

AMEMBASSY,
RIO DE JANEIRO.

1644

FROM THE SECRETARY OF THE TREASURY.

As you already know, the President has approved a conference to be held in the United States beginning July 1. The American technical experts are inviting an informal committee of experts from 10 to 12 countries to meet in Washington about June 12. This committee would prepare an agenda and other material for consideration by the conference.

I should greatly appreciate having you approach the Minister of Finance to inquire whether Mr. Bulhoes, or such other technical experts as the Minister might designate, would be able to participate in the work of the informal committee.

HULL
(GL)

FMA:GL:HG

5/27/44

ef:copy
6-2-44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

167
DIVISION OF
COMMUNICATIONS
AND RECORDS

RA-824

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

New Delhi via Army

Dated May 27, 1944

Rec'd 12:35 p.m.

Secretary of State

Washington

377, May 27, 2 p.m.



Note embodying invitation was delivered to external Affairs Department late May 26. At the same time the economic adviser, Sir Theodore Gregory, was advised informally. He stated Government of India delegation will be headed by finance member Sir Jeremy Raisman, now in England; it will include Gregory, Deshmukh of the Reserve Bank, A. D. Shroff (one of the authors of Bombay Plan) and one other. Gregory's attitude indicated there is no doubt regarding acceptance of the invitation although some delay must be expected since the external affairs department moves slowly. Department's circular telegram dated May 25, 5 p.m.

MERRELL

EH:EDA

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE

MAY 27 1944

TO Secretary Morgenthau
FROM Mr. Pehle

I am attaching herewith a copy of
the report of the War Refugee Board for May 15
to 20, 1944.

Attachment.

Report of War Refugee Board
for Week of May 15 - 20, 1944

SITUATION IN HUNGARY

According to a communication from the American Consulate General in Istanbul, representatives of Jewish refugee organizations there report that reliable evidence is available to indicate that the extermination of Jews in Hungary along Polish patterns will begin in the near future. Certain suggestions advanced by these organizations in an effort to halt such extermination have been forwarded to us by the Consulate and are now under study.

In a cable from the U. S. Embassy in London we have been advised of the substance of a report received by the London office of the Jewish Agency for Palestine from that organization's headquarters in Geneva. This report detailed recent anti-Semitic measures in Hungary and urged a step that we have already undertaken, namely, that an attempt be made to warn the people and officials of Hungary by means of radio broadcasts against receiving confiscated property and against aiding in carrying out comparable decrees.

In pending cables to Madrid, Lisbon, Ankara, Bern, and Stockholm, we are indicating this Government's grave concern over measures looking toward the mass extermination of Jews in Hungary. Our Missions are being asked to request the authorities of the various governments to which they are accredited to obtain as soon as possible detailed information from their missions in Budapest concerning the treatment of Jews in Hungary. We are also asking Tittmann, our representative at the Vatican to approach Vatican authorities with a view to obtaining such information through the Nuncio and clergy in Hungary.

Since the lives of some 800,000 persons in Hungary may well depend on the restraint resulting from the mere presence in that country of the largest possible number of foreign observers, we are also asking our Missions in Madrid, Lisbon, Ankara, Bern and Stockholm to make representations designed to induce the various governments to which they are accredited to take immediate steps to expand their respective diplomatic and consular staffs in Hungary and to distribute such personnel as widely as possible throughout the country. Such

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diplomatic and consular representatives would, it is hoped, use all means available to them to persuade individuals and officials to desist from further barbarisms.

In another cable to Minister Harrison and Board Representative McClelland in Bern we are asking that the International Red Cross be advised of the persistent reports reaching us with respect to the systematic mass extermination of Jews in Hungary. Harrison and McClelland are being asked to convey to Intercross the urgent hope of this Government that the special delegation previously requested will be sent to Hungary immediately. Failing this, we are asking that Intercross be advised of our conviction that an immediate enlargement of the Intercross delegation in Budapest and throughout Hungary, especially in the localities in which Jews are being concentrated, is an elementary humanitarian obligation of that organization.

SITUATION IN SLOVAKIA

Minister Harrison has advised us from Bern of a report reaching him from Bratislava to the effect that the civil administration of eastern Slovakia has now been placed under the jurisdiction of the Slovak War Minister. This report also indicated that military authorities are deporting Jews from many declared military areas in Slovakia.

RELATIONS WITH OTHER GOVERNMENTS

A. United Nations

1. Belgian Government-in-Exile

According to word received through our Embassy in London, although the Belgian Government-in-Exile has already instructed all Belgian missions to cooperate fully in our refugee rescue and relief operations, the Belgian Foreign Office has indicated that, in response to our recent request, it will communicate again with its Legation at Lisbon in order to insure complete cooperation on the part of the Belgian Convention there in connection with the evacuation to Portugal of refugees from occupied territories.

2. India

In a communication from our Mission in New Delhi it has been suggested that in view of the fact that the Indian Government recently forwarded to us a somewhat guarded statement of its refugee policy, it would be inappropriate

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at the moment to propose that India now issue a declaration of policy similar to that made by this Government upon the creation of the Board. Instead, it was suggested that inquiry might be made as to whether, in case the liability for 8,000 Poles suggested in the Indian Government's statement does not materialize, India would be prepared to accommodate a comparable number of other European refugees.

3. China

The Chinese Minister for Foreign Affairs, in response to the approach made by our Embassy in Chungking, has now formally pledged the complete support of the Chinese Government in our efforts to rescue and care for the victims of enemy oppression. Full protection was promised the Jews and other minority peoples of Europe "who have been rendered homeless and wandered to China." Particularly gratifying to the Chinese Government was the mention of rescue and relief for "other victims of enemy persecution," including the victims of Japanese oppression.

B. Neutrals

1. Switzerland

We have received a report from Board Representative McClelland in Bern with respect to his activities there. In addition to urging continued assistance to reliable relief organizations in Switzerland, McClelland suggested that if possible all publicity with respect to the progress made by such organizations be avoided, inasmuch as publicity might compromise the aid which neutral authorities, such as the International Red Cross and Swiss officials might be prepared to lend to rescue and relief operations from Switzerland.

According to McClelland's report, fairly close contacts have now been established with respect to the situation of refugees in France. McClelland indicated that he hopes to forward to us shortly reliable reports on the plight of Jews and other endangered refugees in Hungary and northern Italy, along with suggestions as to possible rescue and relief measures.

2. Portugal

Detailed reports have been received from Board Representative Dexter in Lisbon with respect to the refugee situation in Portugal, including an account of his dealings

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with the Portuguese representatives of various private rescue and relief agencies. These reports are now being studied by the Board.

3. Sweden

In response to the report from Board Representative Olsen in Stockholm indicating a sympathetic attitude toward the Jewish situation on the part of the new Bulgarian Minister to Stockholm, we are forwarding a detailed account of the manner in which Board Representative Hirschmann in Ankara handled a similar situation with respect to both the Rumanian and Bulgarian Ministers to Turkey.

A direct approach by Olsen to the Bulgarian Minister in Stockholm is proposed, along the lines of Hirschmann's interview with the Bulgarian Minister in Ankara. We are suggesting that in such an interview it could be pointed out that Bulgaria's failure to reply to the telegram and memorandum sent by the Bulgarian Minister in Ankara, as a result of the Hirschmann interview, has created an unfavorable impression on this Government. It is being suggested that the Bulgarian Government again be warned that such action will be taken into account in the final reckoning, for it is indicative that Bulgaria has not yet determined to turn its back on the Nazi ideology of race and minority persecution.

We are also asking that the possibility of an orderly evacuation of refugees from Bulgaria to Turkey, by land and by sea, be thoroughly canvassed.

In another communication to Stockholm we are indicating that the matter of financing activities of the two Swedish relief committees reportedly in need of funds has been discussed with several American organizations. Olsen is being advised of the feeling here that relief and rescue activities with respect to refugees in Rumania, Slovakia, Hungary and southern France can most effectively be handled from Switzerland, to which large sums are already being remitted regularly from this country. We are indicating, however, that certain American organizations are interested in the possibilities of accelerating rescue and relief work from Sweden in Poland and the Baltic area, and that funds will be available from these groups for such activities. Olsen is being asked to report on the possibilities and the amount needed in this connection.

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Reports have been received from two private organizations in Sweden, through Olsen in Stockholm, with respect to the situation of Jews in Sweden and with respect to the position of stateless refugees in that country.

Even before the war began, Sweden is said to have supplied refuge for some 3,000 Jewish refugees. In 1942 nearly half of Norway's 1500 Jews are reported to have reached Sweden, the balance having been deported to Germany. In 1943 thousands of Danish Jews arrived.

Conditions in Sweden are said to make it possible for many refugees to obtain employment. Although the Jewish population has trebled in the past few years, little anti-Semitism is reported. The Swedish Government is described as having "constantly shown great understanding and given extensive cooperation" to private Jewish relief societies. Many non-Jewish organizations are also said to have been of great assistance.

RESCUE AND RELIEF PROJECTS

A. United Yugoslav Relief

The International Red Cross has proposed that relief be provided for some 1200 Jews interned in three camps in Yugoslavia. Intercross plans to distribute two food parcels per internee per month. Negotiations in Portugal as to price and types of products have already begun and are expected to be concluded by an Intercross representative on the spot. Distribution is to be made through the Jewish community of Zabreg, which has aided these people to date and which apparently has access to the camps under Intercross supervision.

United Yugoslav Relief has been asked to finance the sending of these food parcels from Portugal, and we are now endeavoring to work out such arrangements.

B. Evacuation of Abandoned Children from France to Switzerland

We have been advised by Board Representative McClelland that to date, none of the 4,000 U. S. visas recently authorized by this Government have been issued to refugee children in Switzerland. Protracted investigations on the part of the organizations responsible for child refugees in Switzerland, for the purpose of determining eligibility for overseas emigration, are cited as one reason for the delay. In

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connection with efforts to obtain information as to the whereabouts of each child's near relatives, one question said to be causing concern is the advisability of certifying for emigration children whose parents have been deported to the east but who cannot at the same time be considered as deceased. It was indicated that in some cases the question therefore arises as to whether it would not be more advisable to plan for a waiting period after the cessation of hostilities, or until it can be determined whether the parents are still alive and in Europe. McClelland indicated that all children unequivocally eligible for emigration to the United States can begin receiving their visas as soon as the investigation of individual cases from this angle is completed.

Approximately 3500 refugee and emigrant children under 16 years of age, who arrived prior to 1944, are reportedly in Switzerland at the present time. McClelland stated that only about 700 to 1,000 of these children, however, can be considered as "abandoned" because of the death, deportation or disappearance of parents, and therefore eligible for part of the 4,000 U. S. visas. About 350 parentless Jewish children under 16 are said to have entered Switzerland clandestinely from France between January 1 and May 4 of this year. Approximately 125 more child refugees are reported to have entered Switzerland with parents or relatives. It is said to be progressively more difficult for rescue organizations to bring children within striking distance of the Swiss border, however, since all movements of persons in France are now strictly controlled. McClelland stated that, for this and other reasons, it is doubtful if the number of children eligible for U. S. visas and able to reach Switzerland by July of this year will reach 600.

Inquiry was made as to whether it would be possible, in view of the small over-all number of refugee and emigrant children now in Switzerland and apparently eligible for U. S. visas, to consider our visas as available to all of them, rather than just to those who have entered the country since January 1.

1. Cuba

In a pending airgram to the U. S. Embassy in Havana, we are advising Ambassador Braden that, in response to his suggestion, we have obtained a commitment from the American Jewish Joint Distribution Committee to guarantee the maintenance of 1,000 refugee children who may be admitted to Cuba in accordance with the suggestions we have made to various Latin American countries. Such a program would actually be carried out by the Havana Joint Relief Committee.

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2. Dominican Republic

In a cable to the Dominican Republic, we have asked our Mission to convey to the Dominican Foreign Office this Government's sincere appreciation of the Dominican Republic's offer to accept and provide maintenance for from 1,000 to 2,000 refugee children up to 16 years of age. We have also requested that our Mission ascertain whether or not the Dominican Foreign Office has instructed its mission in Bern to notify the Swiss Government of this offer. In the event Switzerland has not formally been notified, we have asked that the Dominican Foreign Office be requested to do so.

3. Ecuador

In a communication from Ecuador it has been indicated that our proposal with respect to guarantying visas for refugee children escaping to Switzerland has now been referred by the Foreign Minister to the Ecuadorian President. A decision on the matter is expected shortly.

4. Chile

In a cable from Santiago we have been advised that the Chilean Foreign Office has likewise reported that consideration is being given to our suggestion that Chile guarantee visas for child refugees reaching Switzerland. A definite reply has been promised as soon as the necessary study can be made.

C. Rescue of Christian Refugees from France

In view of the urgent request of Hugo Gedergron, who conferred with Board Representative Olsen in Stockholm, the American Committee for Christian Refugees has, upon our recommendation, been authorized to send an additional \$25,000 to Geneva for rescue work in France.

D. Evacuation to and through Turkey

Ambassador Winant has informed us from London of the receipt by the British Ministry of Economic Warfare of a notice from the Swedes to the effect that the "S.S. Bardalanda" is being withdrawn from Greek relief operations and on May 18 intends to leave Piraeus bound for Lisbon on her way back to Sweden. Winant reported that, because of our expressed interest in the use of the "Bardalanda" for purposes of refugee evacuation in the Black Sea area, acceptance

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of the Swedish notice is being temporarily withheld by the British. Winant asked that he be advised immediately as to the status of our negotiations with Sweden with respect to the possible use of this ship, in order that the British may act accordingly.

In reply we informed Winant that although we have not yet succeeded in arranging for chartering the "Bardalanda," MEW should be urged to withhold acceptance of the sailing notice pending our receipt of a final reply from Stockholm.

In a pending cable to Stockholm we are indicating that if the Swedish Government agrees to charter the "Bardalanda," it would be our intention to have the ship proceed to Istanbul to be fitted with the necessary passenger accommodations. From Istanbul the "Bardalanda" would proceed to Constanza, where there are a large but unknown number of refugees available for evacuation. We have indicated our desire to have the "Bardalanda," after embarkation of refugees at Constanza, proceed to Istanbul, where we would accept responsibility for arranging for the passengers' care until such time as they could proceed by rail to Palestine. In this connection we have asked Olsen to forward information as to the number of passengers the "Bardalanda" can carry after being fitted with passenger accommodations.

We are also asking Minister Johnson and Olsen whether they consider it more likely that the German Government would consider favorably a safe-conduct request by the Swedish Red Cross or by Interross, for a ship chartered to either of these organizations rather than to the Board. If this should prove to be the case, we are indicating that we would agree to reimburse the Swedish Red Cross - or failing in that, Interross - for all expenses incurred as a result of assuming the charter obligation. Olsen has been asked to conduct the necessary negotiations with the Swedish Red Cross or Interross. To avoid delay, we are asking that the Swedish Government be requested to approach the German Government immediately for permission to divert the "Bardalanda" and for the necessary safe-conduct.

E. Rescue of Norwegians

Minister Johnson has advised us from Stockholm of further discussions with representatives in Sweden with respect to plans for operations under the Treasury license issued to American Relief for Norway. Certain operations were said

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to be under way at the present time with the limited funds available, including the provision of medicine, shoes, clothing, and food to persons inside Norway. About 1,000 persons awaiting transportation across the border are reportedly being kept in hiding in Norway. It was indicated that when this "bottleneck" group has been removed, many others can be evacuated.

An initial remittance of \$50,000 has been sent to Sweden for these operations. Additional financing has urgently been requested, however, and we are now working on the transfer of such additional funds.

F. Evacuation of Refugees from Finland

Minister Gullion has advised us from Helsinki of Finnish newspaper reports with respect to the evacuation from Finland of the 106 Jewish refugees from central Europe to whom Sweden has, at our request, granted visas. A number of these refugees are reported already to have arrived in Stockholm.

In an interview published in another Helsinki newspaper one prominent Finnish Jew is reported to have stated, in connection with the evacuation of these refugees, that the treatment of Jews in Finland in itself gives no cause for worry. Finland, according to this Jewish spokesman, is the only country fighting with Germany against Russia that has introduced no anti-Jewish laws.

G. Latin American Passports

In a cable to Madrid the State Department has indicated that in the list of nationals of the United States and other American republics approved by the Germans for exchange against a group of 60 Germans from the United States being repatriated on the "Gripsholm," there are included, contrary to previous recommendations, alien relatives of American citizens as well as persons bearing Latin American passports whose nationality has not yet been established. Ambassador Hayes has been advised that authorization for embarkation on the "Gripsholm" is to be granted only to those individuals on the list who are bona fide nationals of the American republics and whose status has been clearly established upon their arrival at Barcelona. With respect to such bona fide nationals and to alien relatives of American citizens, Hayes has been informed that non-immigrant visa requirements for all

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passengers not in possession of appropriate visas are being waived. After their admission on a temporary basis, those persons coming to this country as immigrants will be admitted as non-immigrants and will be able to arrange later for immigration visas. Admittance is to be granted only in transit to those aliens who are on their way to other destinations in the western hemisphere.

Inasmuch as both Nicaragua and the Dominican Republic have already indicated that admittance will be denied to certain bearers of documentation issued in the name of those two countries, and since authorization has not as yet been granted for the admission of certain individuals to other Latin American countries, the State Department has indicated that authorization for embarkation on the "Gripsholm" of such individuals on the list cannot be granted. Until these particular refugees can be included in a transfer to Camp Lyautey in North Africa, Hayes has been instructed to arrange through David Blickenstaff to provide for their care at our expense.

In another communication to Madrid, now pending at State, we are advising Hayes that instructions received by him in connection with the "Gripsholm" exchange in no way modify our policy with respect to persons holding passports or other documents issued in the names of Latin American countries. Hayes is being informed that all such persons are deemed by this Government to be eligible for exchange, although unquestioned citizens of such countries are considered to be entitled to priority.

1. Colombia

In response to the inquiry from our Embassy in Colombia with respect to certain notes which the Polish Minister there proposed to dispatch, we are indicating our entire sympathy with his proposal that the Governments of Colombia, Venezuela, and Ecuador be asked to issue public declarations of their willingness to accept interned citizens of their respective countries in exchange for German nationals now in Colombia, Venezuela and Ecuador.

Copies of the circular airgrams previously despatched in this connection to other Latin American countries are also being repeated to our Embassy in Colombia for its information and action.

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2. Costa Rica

In a cable from our Embassy in San Jose we have been notified the Costa Rican Government has now formally agreed to uphold the validity of all Costa Rican passports held by persons whose lives may otherwise be in danger. It was indicated that such persons may also be declared eligible for exchange, on the understanding that Costa Rica will not be expected physically to admit them.

3. Cuba

In a proposed airgram to our Embassy in Havana we are indicating our concern over the report that the Cuban Government would be "unable" to extend its protection in the event the German Government challenges the validity of certain of the passports issued in the name of Cuba. We are asking that Ambassador Braden approach the Cuban Government again on this score, as well as with respect to taking the affirmative actions previously requested. Cuban officials are also to be advised that in any exchange negotiations that may be entered into, it is of course understood that unquestioned citizens of Cuba will be considered by this Government as being in a category entitled to priority over others.

4. Ecuador

We have been advised by the U. S. Embassy in Quito that the Ecuadorian Minister for Foreign Affairs has indicated that his government is in full agreement with our proposals with respect to the recognition of Ecuadorian passports held by internees in Axis territory, and with respect to supporting the proposed exchange negotiations. It was reported that Ecuador is sending a telegram to the German Government, through the Swiss Government, requesting that the rights of such persons claiming Ecuadorian nationality be safeguarded. With respect to the proposed exchange negotiations, inquiry was made as to what country would bear the expense of the exchange. Consul Gantebein has reported that he replied it was his understanding that the United States would bear all of the expense insofar as the American republics are concerned.

5. Guatemala

Ambassador Long has advised us that, following a confidential discussion with the Minister for Foreign Affairs, entire agreement was indicated with our policies. Long indicated that the Government of Switzerland, as the protecting

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power for Guatemalan citizens, would be requested by the Guatemalan Foreign Office to assert the rights granted to interned civilians in conformity with the Geneva Convention. It was anticipated that this request would be made through our Embassy in Guatemala. The Foreign Office is also said to have indicated that if it should be suspected that any of the passports were incorrect, the Guatemalan Government would maintain its right to cancel or invalidate them, but that it would take such action only after the bearers had reached places of safety. Agreement to the proposed exchange negotiations was on the basis of the understanding that the bearers of such passports who are not desirable as immigrants to Guatemala would not be admitted there.

6. Nicaragua

According to an airgram from our Embassy in Managua, the Nicaraguan Foreign Office has listed certain of its nationals to whom it proposes that priority be granted in the proposed exchange of holders of Latin American documents against German nationals in the western hemisphere. The Nicaraguan Government is also reported to have consented to support the exchange of other internees in occupied Europe, but presumably on the basis of our assurances that these persons will not actually reach Nicaragua.

7. Paraguay

In a pending cable to Ambassador Frost we are indicating our gratification over the informal agreement with our policies recently expressed by the Paraguayan Foreign Minister. We are also asking that efforts be continued to obtain more affirmative action with respect to supporting the proposed exchange negotiations and with respect to inducing Paraguay to request that Germany honor all documents issued in the name of Paraguay.

8. Uruguay

In a cable from Montevideo we have been informed that the Government of Uruguay has expressed its readiness to cooperate fully in passport recognition and in support of the proposed exchange of internees.

H. Reinstatement of Turkish Citizenship to Refugees in France

Ambassador Steinhardt has reported to us the substance of a recent conversation with the Turkish Minister for Foreign

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Affairs, in which the Turkish Minister was again urged to do everything within his power to stay the deportation from France of Jews claiming Turkish nationality. Although a considerable number of Jews claiming Turkish nationality have already arrived in Turkey, the Turkish Minister stated that their Ambassador's position in dealing with the authorities in Vichy was "none too advantageous," since over 90 percent of the Jews in France claiming Turkish nationality allegedly "have not the remotest claim thereto," their ancestors in many instances having left Turkey many years ago.

I. Recognition of Portuguese Jews in Greece

Minister Norweb has reported from Lisbon that it is difficult, at the moment, to press the Portuguese Government further on the matter of extending recognition to Sephardic Jews in Greece claiming Portuguese citizenship. Norweb has indicated that if all registered Jews are now in Thereisenstadt, as certain reports would indicate, it would be difficult if not dangerous for the Jews themselves if the Portuguese Government were to intervene in behalf of unknown claimants to Portuguese nationality who are now in hiding. It was indicated, however, that efforts to obtain agreement to repatriation in principle would be continued, and that this might apply to claimants in Thereisenstadt, if obtained.


..... J. W. Pahle
..... Executive Director

Report of War Refugee Board
for Week of May 22 - 27, 1944

SITUATION IN HUNGARY

Ambassador Steinhardt has advised us of the receipt of a letter from the representative in Ankara of the International Red Cross, in reply to our request for information concerning the Jewish situation in Hungary. The International Red Cross stated that, in response to our inquiry, it has now instructed its Budapest representative to keep its representative in Ankara informed as to Hungarian developments. According to a preliminary report from Budapest, lack of transportation and the impossibility of obtaining Hungarian exit visas are virtually insurmountable difficulties in the rescue of Jews from Hungary. This report repeated previous advices to the effect that the Jews of Budapest have been placed in concentration camps near industrial centers on the outskirts of the city, in the hope that Allied planes will hesitate to bomb such areas.

According to a report from the U. S. Consulate in Jerusalem, in response to our recent cable, the Jewish Agency there has indicated its belief that only 12 to 15 persons are still under arrest in Rumania for aiding Jews to escape. The name of one Hungarian official allegedly involved in the Hungarian persecutions has been forwarded by the Jewish Agency as its only information along these lines to date. In a recent DNB report received by the Agency it was stated that up to April 25 over 300,000 Jews from the war zone had been interned.

RELATIONS WITH OTHER GOVERNMENTS

A. United Nations

1. Great Britain

Upon our recommendation, clearance from the London Blockade Committee has now been obtained with respect to

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two proposals on the part of the American Friends Service Committee involving the purchase in neutral countries of foodstuffs to be despatched for the relief of particularly needy displaced persons and refugees in France. This clearance, to which the Foreign Economic Administration also lent its support, is based on the condition that the proposed purchases in Portugal and Spain be subject to the usual controls as to kinds of goods procured and firms or intermediaries dealt with, and on condition that the proposed exports from Switzerland comply with current instructions to our Legation at Bern. Appropriate licenses are to be issued permitting the transfer of \$25,000 to the American Friends' representative at Lisbon and \$25,000 to their representative in Switzerland. Distribution of the foodstuffs purchased is to be handled by an associate organization in France under International Red Cross supervision.

Through our Embassy in London we have been furnished with a copy of a letter from the British Ministry of Economic Warfare, asking confirmation of MEW's understanding that under the terms of Treasury licenses covering refugee rescue and relief operations, we are authorizing the expenditure of hard currencies in occupied countries only when it is "strictly necessary to secure assistance in effecting actual rescues, and that it is not authorized for the purchase of relief supplies in enemy territory." MEW also indicated that it would appreciate being informed of any general instructions sent Bern in connection with the procedure to be followed in the future concerning purchases made in Switzerland from remittances approved by us.

2. Yugoslavia

Through Ambassador MacVeagh in Cairo we have been advised of a communication from the Royal Yugoslav Ministry of Foreign Affairs in which agreement is expressed with the refugee policy of this Government. It was stated that Yugoslav diplomatic representatives and other organizations have received instructions to give all possible aid to Allied and international bodies concerned with war refugee questions.

B. Neutrals

1. Portugal

In a cable from Minister Norweb in Lisbon we have been informed that the representative in Portugal of the American Polish Relief Council has applied to his committee

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for additional funds to finance the sending of relief supplies to Poland. Board Representative Dexter has recommended that we approve increased remittances in the event the Relief Council in turn makes such an application.

2. Sweden

Board Representative Olsen in Stockholm has raised the question as to what concern we will have with the problems of bringing immediate relief to European refugees when hostilities cease. Numerous Swedish organizations are said to be engaged in such post-war planning, and the Swedish Government itself is reported to have appointed a commission and made a large appropriation in connection with promoting plans for immediate post-war action. Olsen stated that the Swedish Government is obviously interested in what this Government is planning along similar lines and would like to cooperate.

In response to this inquiry, we are advising Olsen that while the Board itself has no assigned jurisdiction in this particular field, our military authorities, the United Nations Relief and Rehabilitation Administration, and the Intergovernmental Committee have all had discussions and made plans along these lines.

C. Latin American

1. Mexico

In a despatch from Mexico City Ambassador Messersmith has reported that to date no official reply has been received from the Mexican Foreign Office in response to the Embassy's memorandum of March 24 soliciting, in general terms, Mexican cooperation in war refugee matters. Messersmith again indicated his reluctance to approach the Mexican Government with a request for affirmative collaboration beyond the issuance of a general declaration on refugee policy.

In connection with our efforts to induce Latin American countries to guarantee visas for child refugees reaching Switzerland, Messersmith stated that he has not approached the Mexican Government because he fears that the answer to

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such a proposal "made in this way at this time" would be negative. Messersmith bases this fear on an informal conversation with the Minister of Foreign Relations, on the financial straits in which the Mexican Government reportedly finds itself at the moment and on what he describes as personal knowledge of the lack of facilities for the accommodation of such children.

Messersmith concluded with the observation that "so far as refugees are concerned, the Mexican Government is not in a position to collaborate for the present" and reiterated his belief that it would be inadvisable to urge any specific measures on Mexico.

RELATIONS WITH THE INTERNATIONAL RED CROSS

A. Approach to Germans concerning Unassimilated Civilian Internees

Minister Harrison has transmitted to us the text of a letter received from the President of the International Red Cross in response to our proposal that the International Red Cross attempt to obtain from the German and satellite governments assurance that Jews and other persons detained, interned or otherwise confined in Axis territory would be accorded treatment equal to that of civilian internees. The International Red Cross response maintained that steps of the kind proposed would go far beyond the "limits of their traditional capacity" and that the governments to whom such a request might be addressed would inevitably view the proposal in that light. It was also pointed out that in provisions of international agreements, the International Red Cross has only a slender basis upon which to found its humanitarian activities, and is therefore dependent upon the good will of belligerent states. The International Red Cross felt that it might thus lay itself open to the objection that it was trespassing upon internal concerns of state should it attempt to act on behalf of certain categories of persons considered by the state concerned to be subject exclusively to its domestic legislation.

In response to our request that the International Red Cross at least press for an assurance of equal treatment to the extent that interned persons would be permitted to receive packages under International Red Cross supervision

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on the same basis as civilian internees, the International Red Cross declined on the ground that such a proposal would be viewed by Germany and the satellite governments in much the same light.

In connection with the civilian war relief work to which the International Red Cross feels compelled to confine itself, it was stated that encouraging results have been achieved. According to the International Red Cross, it was largely due to our support a short time ago of proposed feeding projects that urgently needed relief activities could be undertaken in certain countries.

B. Supplies for Relief Programs

We are cabling Minister Harrison and Board Representative McClelland in Bern for additional information in connection with the proposal made to us by the International Red Cross that stockpiles of relief supplies be built up in Switzerland, to be drawn upon as opportunities arise for their despatch to relief centers. More specifically, we are inquiring as to what assurances there are that such stocks will benefit unassimilated groups exclusively, and as to the names of camps where such programs could be undertaken with the usual distribution guarantees. We are also making for estimates of the number of standard food parcels and clothing parcels that could be shipped monthly through existing InterCross facilities.

RESCUE AND RELIEF PROJECTS.

A. Evacuations from Spain

According to a report from the representative in North Africa of the United Nations Relief and Rehabilitation Administration, transmitted by the U. S. Consulate in Casablanca, 38 recently arrived refugees are now well settled at Camp Lyautey. At the same time it was reported that a ship was ready to proceed to Spain to embark a group of approximately 600 refugees destined for North Africa.

Another report from the U. S. Embassy in Madrid indicated that 221 French refugees sailed from Algeciras for North Africa early in May, bringing to 906 the total number of such

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refugees evacuated from Spain since the beginning of the year. It was estimated that approximately 650 French refugees remain in Spain, with new arrivals crossing the frontier at the rate of about 10 a day.

B. Evacuation to and through Portugal

Reports we have received from Portugal indicate that there may be a conflict between the operations of the World Jewish Congress and the Joint Distribution Committee in their efforts to rescue child refugees from enemy territory. We are therefore sending James H. Mann, Assistant Executive Director of the Board, to Lisbon for a short visit of inspection, to confer with Board Representative Dexter and with representatives of both the World Jewish Congress and JDC. An attempt will be made in the course of this visit to obtain better coordination in the activities of these two organizations, thereby insuring more effective cooperation with the Board's program.

C. Evacuation to and through Turkey

We have advised Ambassador Steinhardt of our proposal that, in the event the Swedish Government permits the use of the "S.S. Bardaland" in evacuation operations in the Black Sea area, the vessel put in at Istanbul to be fitted with the necessary passenger accommodations. Steinhardt has been requested to suggest an alternative arrangement if the proposed refitting operations are not satisfactory to the Turkish Government.

We are also indicating to Steinhardt that Istanbul rather than Haifa would be the final destination of the proposed voyage of the "Bardaland." Such a final destination is proposed on the basis of urgent recommendations on the part of a representative of the War Shipping Administration, who suggested that obtaining safe-conduct from Constanza to Haifa would not only be extremely difficult but would be certain to entail delay. We are advising Steinhardt that this representative was also of the opinion that the alterations necessary to prepare the "Bardaland" for the short run between Constanza and Istanbul would be relatively simple and quickly installed, particularly in comparison to the alterations that would be necessary to prepare the vessel for the run between Constanza and Haifa. The latter run, we were advised, would call for greater attention as to the minimum comfort of the passengers and would also mean that

- 7 -

fairly extensive feeding and sleeping facilities would have to be installed. It was suggested that many more, perhaps even twice as many passengers could be carried on the shorter run, particularly if weather conditions were such as to permit the carrying of passengers on the open deck.

D. Evacuation of Abandoned Children from France to Switzerland

The American Jewish Joint Distribution Committee has thus far remitted \$600,000 under its original license issued in January in connection with evacuating child refugees from France to Switzerland. Upon our recommendation, Treasury has now renewed this license for an additional six-month period and has authorized the remittance of another \$50,000 for these operations.

We have been advised by our Embassy in the Dominican Republic that the Foreign Minister there has informally indicated that, since the Dominican Republic has no mission in Switzerland, it is his intention to send a note to our Embassy in the Dominican Republic requesting that the Swiss Government be informed by our Legation in Bern of the Dominican Government's intention to accept from 1,000 to 2,000 child refugees. It was also indicated that the proposed note would suggest that this Government accept responsibility for the actual issuance of the visas.

E. Evacuations to Italy and the Mediterranean Area

Board Representative Ackermann has reported from North Africa that the continued evacuation of Yugoslav refugees to Italy depends on their continued removal to the Middle East or other areas. Although the Middle East is said to have agreed recently to accept an additional 14,500 refugees, this acceptance was on condition that the United Nations Relief and Rehabilitation Administration supply additional medical personnel. In order to avoid impeding the flow of refugees to places of safety, Ackermann has asked that we urge UNRRA to obtain the needed personnel immediately.

F. Latin American Passports

According to a cable from Minister Harrison in Bern, the Swiss Government has indicated that the matter of the internees removed from Vittel was discussed by the Swiss Legation in Berlin during a recent visit to the German

- 8 -

Foreign Office. Information said to have been received in Berlin confirms previous advices to the effect that the Gestapo is proceeding with a careful examination of the identity papers of citizens of American republics interned at Camp Vittel and at Camp Compiègne. It was stated that internees able to furnish satisfactory proof of their nationality are not disturbed, while those unable to do so are removed from the camps.

Minister Harrison was also advised that the Swiss Consulate at Paris in a report to the Swiss Foreign Office, had confirmed the fact that 163 persons were removed from Vittel. Harrison has asked the Swiss Foreign Office to endeavor to furnish a list of the 163 persons deported, along with an indication of their alleged citizenship claims. A list was also requested of persons at Vittel whose documentation status is such as to lead to the belief that they may be treated in a similar manner.

1. Colombia

In response to the report from our Embassy in Colombia that the Polish Minister there proposed to address a note to certain Latin American governments calling for the issuance of a declaration concerning the recognition of passports held by internees, the State Department has cabled its belief that such an approach might be embarrassing to other American republics. State indicated its feeling that the Polish Government should first take up this matter with the Emergency Advisory Committee for Political Defense at Montevideo, with a view to obtaining a recommendation supplementing a resolution already adopted by the Committee. Our Embassy has been requested, however, to make it clear that this Government is thoroughly in sympathy with the Polish Minister's objectives, and that strong representations on behalf of the individuals in question are being made by this and other Governments.

2. Bolivia

In a communication from the U. S. Embassy in Bolivia growing out of an unofficial discussion with the Bolivian Minister of Foreign Affairs, we have been asked to forward all available information with respect to Jews in Axis territory said to be in possession of Bolivian identification documents.

- 9 -

3. Cuba

In a cable from Havana Ambassador Braden has informed us that he has been advised by the Cuban Ministry of State that the Cuban Embassy in Madrid is being instructed to make urgent representations in support of our approach to the Spanish Government with respect to the return of the refugees deported from Vittel.

We have been advised from London that, in response to our request, the British Minister at Havana has been instructed to assure the Government of Cuba that the recognition of Cuban passports issued to refugees in countries under enemy control has the approval of the British Government.

4. El Salvador

Ambassador Thurston has advised us from San Salvador that the Salvadorian Minister for Foreign Affairs has reported having addressed a note to the Spanish Minister there in support of our proposed exchange negotiations with Germany, and with respect to the protection in the interim of all persons holding passports issued in the name of El Salvador. The Spanish Minister is said to have acknowledged receipt of this note, and Madrid has presumably been duly informed.

5. Guatemala

We have been advised by Ambassador Long in Guatemala that, in response to our proposal, the Guatemalan Foreign Office has requested the assistance of our Embassy there in transmitting to the Government of Switzerland, as the protecting power, a request that there be granted to all persons in Axis territory possessing Guatemalan documents or claiming Guatemalan nationality the fullest protection and rights. The Guatemalan Government has indicated that it is requesting such protection because of the humanitarian considerations involved, but reserves the right to investigate each case later and to reject any persons whose nationality cannot conclusively be proved.

6. Haiti

We have cabled our Embassy in Haiti to inform the Haitian Foreign Minister of this Government's disappointment over the failure of Haiti to support representations

- 10 -

looking toward the protection of the lives of internees in Axis territory. We are also asking that the Haitian Government be advised that Ecuador, Costa Rica, Guatemala, Honduras, Nicaragua, Uruguay and Venezuela have already expressed themselves as being in full accord with us on this matter, and that other Latin American countries concerned have given indications that they too will support our position.

Our Mission there is also being requested to approach Haitian authorities again with the request that the German Government be asked to honor all documents issued in the name of Haiti until advised to the contrary by the Haitian Government; that any adverse determinations of the validity of such documents be postponed until the claimants reach places of safety; and that our proposed exchange negotiations be supported by Haiti.

7. Paraguay

Ambassador Frost has advised us that, according to the Paraguayan Under Secretary of Foreign Affairs, a note has now been despatched to the Spanish Charge d'Affaires at Asuncion for transmission to the German Government, admonishing the Germans to respect the rights of internees holding Paraguayan passports.

Frost also transmitted a copy of a note to the Paraguayan Foreign Office from the Polish Minister at Buenos Aires, requesting protection for 52 Polish Jews confined in Camp Vittel and for one confined at Camp Compiègne. This note stated that the persons in question need not necessarily be accepted for entry into Paraguay, since they hold Palestine certificates. The Under Secretary of Foreign Affairs is said to have indicated that, as in the case of the approaches previously made by us in this connection, Paraguay's position will be an affirmative one with respect to the Polish request.

8. Venezuela

Ambassador Corrigan in Caracas has advised us that the matter of requesting protection for the holders of passports issued in the name of Venezuela has now been taken up through the Swiss Government. A copy of the memorandum submitted by Venezuela to the Swiss Government in this connection has been forwarded to us.

- 11 -

In a later communication Corrigan reported having again conferred with the Acting Foreign Minister and having urged further urgent representations in Madrid by Venezuela in support of the representations made by our Embassy there.

G. Jews in Greece

In a pending message to Ambassador Hayes in Madrid, we are asking for comments and suggestions with respect to a conversation concerning Jews in Athens claiming Spanish citizenship said to have been held recently between Ambassador Franco in Lisbon and the representative in Portugal of the World Jewish Congress. Ambassador Franco is reported to have stated that Spain is not only not anti-Semitic, but that on the contrary, his brother, General Franco, is very interested in the Jewish question. Ambassador Franco is said to have assured the World Jewish Congress representative that steps would be taken without delay to obtain from the Germans the release of 400 Spanish Jews in Greece, along with permission for them to leave that country.

Ambassador MacVeagh has transmitted from Cairo certain recommendations made by the JDC representative there concerning the rescue of refugees from Greece. Among other proposals, the active cooperation of the British War Office and of the War Department was urged in accelerating the transportation of refugees between Greece and Turkey. Representations to neutral governments, especially Spain, Portugal, and Turkey, with a view to the more energetic protection of their own Jewish nationals, were also recommended.

(Signed) J.W. Pehle

J. W. Pehle
Executive Director

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMREP, Algiers
DATED: May 27, 1944
NUMBER: 1669

SECRET

FOR ROBERT MURPHY'S, ATTENTION, ALGIERS

Our information indicates that refugees have been arriving from Yugoslavia to Italy at the average rate of over 1800 per week and that this flow is expected to continue and may well increase. It also appears that unless these refugees can be removed rapidly to other areas, the military authorities are fearful that the facilities in southern Italy for refugees may become seriously overtaxed.

The whole matter has been discussed with the President who has made it clear that under no circumstances should the escape of refugees to Italy from the Balkan countries be discouraged. The flow of refugees from Yugoslavia to Italy is important not only from the standpoint of saving the lives of Yugoslavs but also in order that as many refugees as possible from other Balkan countries may be able to escape through Yugoslavia. In this connection, Cable No. Yugos 102 from Cairo, dated April 29, indicates that support in rescuing Hungarian Jews has been promised by Tito. In view of the plight of Jews today in Hungary, it is essential that we do what we can to facilitate their escape.

We recognize that the crux of this matter is finding suitable places to which these refugees can be removed. In this connection, the following should be borne in mind:

(1) As many as possible of these refugees should be moved to camps in the Middle East. UNRRA is making every effort to supply sufficient medical and other personnel.

(2) In so far as Jewish refugees are concerned, present plans to move as many as possible to Palestine should be carried out without delay. In this connection it should be borne in mind that in the case of Turkey, the British have adopted the policy that all Jews escaping into Turkey from the Balkan countries will be permitted to go to Palestine. These refugees are then placed in camps in Palestine where they are checked for security purposes.

- 2 -

(3) For some time we have been pressing the British to establish with our cooperation havens of refuge for these people in Tripolitania and Cyrenaica, but without any results to date.

(4) The President suggested the possibility that some of these refugees might be taken to Sicily. This should be carefully explored together with the possibility of a substantial expansion of facilities on the Italian mainland.

(5) While we do not consider it desirable to bring refugees from Italy to Camp Lyautey at Fedhala since all of the accommodations of that camp must be kept available for refugees from Spain, the possibility of establishing other camps in French North Africa for refugees from Italy should, of course, be borne in mind.

Bearing in mind that the flow of refugees into Italy from the Balkan countries must not be interfered with, you are requested to submit as soon as possible your views and recommendations as to all possible havens of refuge in which these people might be temporarily placed.

Please convey the contents of this cable to representatives of UNRRA and Ackerman of the War Refugee Board, as well as the appropriate military authorities. You should discuss this whole matter with them and cooperate with them in solving this most urgent problem.

Foregoing repeated to Cairo for MacVeagh with the opening sentence:

"For your information the following has been sent to Murphy;" and repeated to Naples for Kirk as No. 118.

HULL

May 27,

CABLE TO ROBERT MURPHY, ALGIERS

Our information indicates that refugees have been arriving from Yugoslavia to Italy at the average rate of over 1800 per week and that this flow is expected to continue and may well increase. It also appears that unless these refugees can be removed rapidly to other areas, the military authorities are fearful that the facilities in southern Italy for refugees may become seriously overtaxed.

The whole matter has been discussed with the President who has made it clear that under no circumstances should the escape of refugees to Italy from the Balkan countries be discouraged. The flow of refugees from Yugoslavia to Italy is important not only from the standpoint of saving the lives of Yugoslavs but also in order that as many refugees as possible from other Balkan countries may be able to escape through Yugoslavia. In this connection, Cable No. Yugo 102 from Cairo, dated April 29, indicates that support in rescuing Hungarian Jews has been promised by Tito. In view of the plight of Jews today in Hungary, it is essential that we do what we can to facilitate their escape.

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(1) As many as possible of these refugees should be moved to camps in the Middle East. UNRRA is making every effort to supply sufficient medical and other personnel.

(2) In so far as Jewish refugees are concerned, present plans to move as many as possible to Palestine should be carried out without delay. In this connection it should be borne in mind that in the case of Turkey, the British have adopted the policy that all Jews escaping into Turkey from the Balkan countries will be permitted to go to Palestine. These refugees are then placed in camps in Palestine where they are checked for security purposes.

(3) For some time we have been pressing the British to establish with our cooperation havens of refuge for these people in Tripolitania and Cyrenaica, but without any results to date.

- 2 -

(4) The President suggested the possibility that some of these refugees might be taken to Sicily. This should be carefully explored together with the possibility of a substantial expansion of facilities on the Italian mainland.

(5) While we do not (repeat not) consider it desirable to bring refugees from Italy to Camp Lyautey at Fedhala since all of the accommodations of that camp must be kept available for refugees from Spain, the possibility of establishing other camps in French North Africa for refugees from Italy should, of course, be borne in mind.

Bearing in mind that the flow of refugees into Italy from the Balkan countries must not be interfered with, you are requested to submit as soon as possible your views and recommendations as to all possible havens of refuge in which these people might be temporarily placed.

Please convey the contents of this cable to representatives of UNRRA and Ackerman of the War Refugee Board, as well as the appropriate military authorities. You should discuss this whole matter with them and cooperate with them in solving this most urgent problem.

5-27-44

CABLE TO AMERICAN EMBASSY, QUITO, ECUADOR

The Department and the War Refugee Board are highly gratified over the results reported in your Nos. 447 and A-245 of May 6.

Please convey to the Ecuadorean authorities this Government's deep appreciation of their attitude.

May 27, 1944
10:55 A. M.

BAkzin:jp 5/24/44

A - 262
7:10

May 27, 1944

AMEMBASSY,

QUITO (ECUADOR).

FOR THE CONFIDENTIAL INFORMATION OF THE AMBASSADOR.

The War Refugee Board highly gratified over results reported in your nos. 447 and A-245 of May 6. This Government's deep appreciation of the attitude of the Ecuadorean authorities should be conveyed to them.

HULL
ghw

WEB:MMV:KG
5/27/44

BOL

ARA

CABLE TO AMERICAN EMBASSY, GUATEMALA CITY, GUATEMALA

The Department and the War Refugee Board are highly gratified over the results reported in your A-229 of May 9.

Please remind Guatemalan authorities of extreme urgency of communication referred to in last paragraph of your A-229. After this communication is sent, either through you or otherwise, you may convey to Guatemalan authorities this Government's deep appreciation of their attitude.

May 27, 1944
10:55 A. M.

BAksin:jp 5/24/44

A-353

May 27, 1944

5:50 pm

AMBASSAY,

GUATEMALA (GUATEMALA).

FOR THE CONFIDENTIAL INFORMATION OF THE AMBASSADOR.

The War Refugee Board highly gratified over results reported in your A-229 of May ninth. Guatemalan authorities should be reminded of extreme urgency of communication referred to in final paragraph thereof. Subsequent to forwarding of this communication, either through you or otherwise, this Government's deep appreciation of the attitude of the Guatemalan authorities may be conveyed to them.

HULL
GAWWELLS:MG
5/27/44

AIRGRAM

201

STRICTLY
CONFIDENTIAL

FROM
Managua
Dated May 27, 1944
Rec'd June 1; 6 p.m.

Secretary of State,
Washington.

A-226, May 27, 8:30 a.m.

Department's airgram No. A-164

The Nicaraguan Government authorized the Government of the United States to take up the Nicaraguan passports held by Europeans which arrive in the United States from countries of occupied Europe except in the case that the Nicaraguan Government shall have authorized the admission of such Europeans to its country.

The Government of Nicaragua authorized the Government of the United States to negotiate for the exchange of Europeans with Nicaraguan passports for German nationals. It is understood, however, that in such exchange preference should be given to persons of Nicaraguan nationality in the order which the Government of Nicaragua has sent the Swiss Government and which is already known to the Embassy and Department in such a way that Nicaraguans shall be exchanged in the first instance.

Under date of May 23, the Nicaraguan Secretary for Foreign Affairs sent the following message (in translation) to the Nicaraguan Charge d'Affaires in Spain:

"Immediately go to Madrid and in the best form solicit from that friendly Government its worthy cooperation in the sense of bringing about the return by the German Government to the concentration camp at Vittel, France, those bearers of Nicaraguan passports who have been sent to other concentration camps who are in danger of their lives. Manifest to the Spanish Government the appreciation of my Government for its worthy assistance in the sense indicated. Inform me of the results."

All the above is translated from a Foreign office memorandum dated May 25, 1944 received by the Embassy yesterday.

STEWART

HDF/jtk

DT-924
Distribution of true
reading only by special
arrangement. (SECRET-W)

Lisbon

Dated May 27, 1944

Rec'd 6:14 p.m.

Secretary of State

Washington

1624, May 27, 11 a. m.

This is JDC 9, WEB 54. FROM PIEPEL FOR MOSES
LEAVITT, NEW YORK.

On behalf Jewish Agency Geneva asks repayment
two loans: First \$12,800 made early in 1942; second,
\$20,000 July 1943 totaling \$32,800. Payment to be
made by Manufacturers Trust Company, New York to Anglo-
Palestine Bank in favor Kerenjesod. Utilization
\$20,000 in Hungary vouched for by Soly Myer Geneva.

This similar to earlier transaction for which
you asked license in February 1942. Request you
apply license covering repayment now even though both
were originally payable at end war.

NORMEB

JT
REP

KEM - 890

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

Lisben

Dated May 27, 1944

Rec'd 3:32 p.m.

Secretary of State,
Washington.

1628, May 27, 1 p.m.

WEB 56, JDC 10 FROM PILPEL FOR LEAVITT.

Reference sub 912. Please remit urgently \$300,000

Salymayer for May unless already transferred. Swiss Government has budgeted him 300,000 monthly and remittance in question considered for month of May. Hereafter important monthly grants arrive within month.

NORWEB

EMP JT

CABLE TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN FROM WAR REFUGEE BOARD.

1. Reference your 1772 of May 19 to the Department, your 18 to War Refugee Board. Please advise whether this project will in your opinion overlap project for which license was transmitted in Department's 619 of April 8, 1944, and for which first installment was remitted Svenska Handelsbanken account Evensen and Tranmael on May 23. In the meantime we are arranging for sum stipulated in your 1772 which we believe will be available dependent upon reply to above inquiry.

2. Reference your 1820 of May 22 to the Department, your 20 to War Refugee Board. Please advise whether figures six (repeat six) or seven (repeat seven) named in your 1820 as approximate number of refugees who can be evacuated from each of two countries named is correct or result of error in transmission.

3. Reference your 1771 of May 19, 1944, to Department, your 17 to War Refugee Board. Please identify New York affiliate of Evenska Israillmissionen.

THIS IS WRB STOCKHOLM CABLE NO. 20.

May 27, 1944
10:55 a.m.

LSLesser:als 5/26/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Stockholm
DATED: May 27, 1944
NUMBER: 1031

SECRET

TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN FROM WAR REFUGEE BOARD.

Reference your 1772 of May 19 to the Department, your 18 to War Refugee Board. Please advise whether this project will in your opinion overlap project for which license was transmitted in Department's 619 of April 8, 1944, and for which first installment was remitted Svenska Handelsbanken account Evensen and Tranmael on May 23. In the meantime we are arranging for sum stipulated in your 1772 which we believe will be available dependent upon reply to above inquiry.

Reference your 1771 of May 19, 1944, to Department, your 17 to War Refugee Board. Please identify New York affiliate of Svenska Israelmissionen.

THIS IS WRB STOCKHOLM CABLE NO. 20.

HULL

PROPOSED CABLE TO AMERICAN LEGATION, BERN

Reference your 3181, May 18. Please report any information regarding destination deportees and whether non-Jewish civilians also being removed from militarized area.

THIS IS WRB BERN CABLE NO. 29.

May 27, 1944
10:55 a.m.

MStandish:lcm 5/25/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 27, 1944
NUMBER: 1841

SECRET.

Reference your 3181, May 18. Please report any information regarding destination deportees and whether non-Jewish civilians also being removed from militarized area.

THIS IS WRB BERN CABLE NO. 29.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 27, 1944
NUMBER: 1845

secret

For Minister Harrison and McClelland

In view disappointingly negative response contained your 3147, May 17, and further in view of desperate situation prevailing internment camps generally, Board is interested stockpile proposal your 1366, March 6 and 2031, April 1, and Intercross letter to you February 29.

In this direction, Board would appreciate information along followings:

1. Assurances such stocks would benefit unassimilated groups exclusively.
2. Names of camps where such programs could be undertaken with usual distribution guarantees.
3. The number of standard food parcels and clothing parcels that Interross estimates could be shipped monthly existing Interross facilities.

THIS IS WRB BERN CABLE NO. 28

HULL

Miss Chauncey (for the Sec'y), Abrahamson, Aksin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, Mamon, Marks, McCormack, Rains, Sargoy, Smith, Standish, Stewart, Weinstein, H.D. White, Pehle, Files.

ORIGINAL TEXT OF TELEGRAM SENT

209

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 27, 1944
NUMBER: 1846

SECRET

Information contained in your telegram of May 9, 1944 No. 2937 was appreciated by the Department and the promised further report will be awaited with interest.

You are requested to advise the Government of Switzerland that the preliminary steps necessary in order to place before the German Government a concrete proposal or to consider any proposal that Government may desire to make are being undertaken by the Department of State.

Obtaining the adoption by Emergency Advisory Committee for political Defense at Montevideo of a resolution which broadens exchange standards in its outstanding Resolution XX which narrowly restricts repatriation of German nationals from this Hemisphere at the present time, is the first step to be taken. We are expediting action to this end.

As contemplated at present time, the proposal of the Department will suggest the progressive exchange of all non-Germans, including Jews and persons of doubtful nationality, interned or otherwise confined in German territory for German nationals resident in the Western Hemisphere at the present. The suggestion will be made that first consideration will logically be given to those bearing passports, visas or other documentation of non-European origin indicating a destination abroad. A proposal such as this will be independent of any being being negotiated at the present and will suggest the formulation and exchange of lists for prior approval by both parties. In the main such exchanges probably would depend upon existent neutral passenger vessels plying between the two hemispheres for transportation.

As regards your telegram of May 9, 1944, No. 2928, you may inform the Germans that provision for inclusion of close alien relatives accompanying American citizens will be made in future exchanges of German and United States nationals. Those to be included with American citizens would normally be limited to alien minor children and alien spouses, although other relatives might be considered for general exchange also. Moreover exchange of the alien relatives still held in internment camps in German of American citizens repatriated in 1942 will be provided for.

If contemplating the transfer of individuals susceptible of inclusion in contemplated exchanges, the German Government may desire to move them to places whence their delivery for exchange will be facilitated rather than impeded, in view of the foregoing.

Receipt at

- 2 -

Receipt at the earliest possible moment of the Swiss Government's report of the reaction of the German Government to the foregoing possibilities would be appreciated by the Department in order to assist it in its further consideration of the possibility of arranging such exchanges.

HULL

DCR:IDB:HL 6/6/44

COPY

211

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: May 27, 1944
NUMBER: 3390

SECRET

McClelland sends the following for the War Refugee Board.

The following conclusions are reached after the past three weeks examination of rescue relief and maintenance possibilities for continually increasing number of victims of Nazi and satellite oppression in occupied Europe:

1. Insofar at least, as actual operations in enemy occupied countries are concerned, any really effective action must be taken through (illegal) underground channels.

2. Money constitutes the principal tool which WRB can most effectively and quickly use to secure whatever results possible at this late date, as relief supplies such as clothing, medicines and food are hard to buy in sizeable quantities in Switzerland and even more difficult to transport out of the country especially if going to resistance groups. In affected regions funds must be provided for (1) extrication of imperilled persons and (2) sustenance of victims detained or in hiding and can effectively be disbursed through secret channels of agencies described hereafter.

(3) With reference to your message dated March 14 sending message for Stolz from OSS to Garbo, Switzerland, which states that all necessary funds will be provided, it is recommended by me that initial fund of 250,000 be placed at my disposal for urgent relief and rescue work.

- 2 -

4. If funds are available, they should not be sent openly in my name as in case 10,000 discretionary fund but anonymously if possible via general remittances to the Legation to be secretly identified. If known to the Swiss authorities, serious contacts with an assistance to underground resistance groups capable of rescuing and maintaining many in danger of death are liable to be compromised. Reluctance to allow certain compensation operations secure French francs for instance below certain rates is already being displayed by the Swiss Political Department, which to a certain extent controls negotiation of funds for rescue relief work in occupied territories such as those openly received by World Jewish Congress or Joint Distribution Committee representatives here. And if funds are to be effectively used through underground groups manipulation by me of such monies must be strictly secret.

5. In all probability, controls expenditure funds set forth in special WRB Treasury Department licenses could not be thoroughly exercised in financing rescue relief operations by and through underground resistance organizations. For example, it is often impossible to obtain receipts let alone signed detailed reports of financial transactions.

For rescue relief in France reliable resistance channels are open to us: (A) Through various groups united under Conseil National de la Resistance (B) with Spanish Comite d'Union National whose partisans, active along the Pyrenees border, could greatly facilitate passing refugees and other endangered persons into Spain

(C) with franc tireur partisan Maquis in both Jura and Haute Savoie which could aid in getting refugees into Switzerland. As far as relief to their own people is concerned, these groups are all pathetically under-financed and if aided could render valuable assistance to foreign refugees in France, especially Jews. Rescue relief possibilities of Jewish organizations would be enhanced by cooperation between them and such Jewish relief organizations in France as Oeuvre des Ecours aux Enfants which the Joint finances and Federation des Organizations Juives which the World Jewish Congress finances. I have already put Spanish resistance group in touch with WJC as latter has been engaged in promoting rescue of young Jews across the Pyrenees into Spain on condition that WJC help Spaniards financially for relief to Spaniards who are in danger in France.

Also satisfactory are underground contacts with Holland, especially as regards relief to Jews. JDC is financing this work to extent possible but activity could be considerably expanded with additional funds. Working to secure collaboration Communist resistance channels into Austria, northern Italy and Hungary as these groups especially well-organized and informed.

Have excellent contact with Jewish Hechaluz left Zionist organization with headquarters in Geneva which has been carrying on pioneer rescue work within limits its own young peoples groups since outset of war in Belgium, Bulgaria, Hungary, Germany, Poland, Rumania, Slovakia and Yugoslavia. It is a courageous and well disciplined organization, having regular channels communication couriers to and from the Balkans and Switzerland. Joint finances Hechaluz almost exclusively at the present time but if more funds

- 4 -

were available it could expand its valuable rescue work especially in the Balkans.

Kindly let me know at the earliest possible moment if funds can be made available in the amount suggested.

HARRISON

DCR:VAG:HL

LC-967

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

sgenc

Bern

Dated May 27, 1944

Rec'd 8:30 p.m.

Secretary of State,
Washington.

3405, May 27, 3 p.m.

Reliable source states Hungarian authorities are considering memorandum allegedly prepared and submitted by Jewish leaders that Jews in Hungary be exchanged against Hungarian prisoners of war in Russian hands and Hungarians residing in overseas countries. This proposal statedly involves the creation of a mixed commission including representatives of Hungarian Government, the Jewish Agency in Hungary and International Red Cross which would be requested to aid in the exchange. The Commission likewise would be (*) with carrying out deportation of Hungarian Jews now Hungarian areas.

HARRISON

EDA-EMB

(*) apparent omission

CABLE TO NYNH

From War Refugee Board to Harrison

Please deliver the following message to Noel Field,
12 rue de Vieux College, Geneva, from Edward Cahill of the
Unitarian Service Committee:

"Cabled you May 28 dollars 5666.60 monthly
general appropriation June also 10,000 refugee medical
program in France or other relief there your discretion"

May 27, 1944
12135 p.g.

EM:lab 5/26/44

3037 (R-2816)

AMERICAN CONSULATE GENERAL
Istanbul, Turkey, May 27, 1944

SUBJECT: A Brief History of German
Persecution of Jews in Greece.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

SIR:

I have the honor to submit in translation a report of German persecution of Jews in Greece during the period April 1941- April 1944, written by Samuel Ovavin, a Jewish tobacco merchant of Macedonia who escaped from Greece to Turkey in late April. Mr. Rafael Barki, a leading Jewish citizen of Izmir, states that he considers Mr. Ovavin thoroughly reliable. As a matter of fact, Mr. Ovavin's report corroborates information regarding Jews, reported in Despatches No. 966 (R-885) of July 21, 1943; No. 1085 (R-992) of August 7, 1943; No. 1746 (R-1618) of November 11, 1943; No. 1823 (R-1694) of November 20, 1943; No. 2458 (R-2283) of February 19, 1944; No. 2680 (R2494) of March 18, 1944; No. 2844 (R-2642) of April 15, 1944 and No. 2917 (R-2706) of April 29, 1944.

It is considered that Mr. Ovavin's report is of value, inasmuch as, in addition to supplying many interesting new details, it presents a summary of German persecution of Jews over a 3-year period.

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The report includes the following topics: attitude of the Tsolakoglou Government to the Jewish question; drafting of Jewish labor battalions in Salonica; payment of ransom to exonerate Jews from forced labor; destruction of Jewish cemetery by the Germans; concentration of Salonica Jews in the Ghetto and confiscation of their property; Baron Hirsch concentration camp; deportation of Jews from Salonica; attitude of Logothetopoulos and his Government to German persecution of Jews; attitude of the Metropolitan of Athens and of the leaders of the political parties and other organizations of Athens; confiscation of Jewish property in Athens; order to Jews to register; hiding of great majority of Athenian Jews; seizure and deportation of registered Jews.

The report follows in translation:

The Tragic History of Greek Jews since April 10, 1941

One of the articles of the armistice concluded between the German and Greek military authorities in April 1941 specified clearly that the life and property of Greek citizens without distinction of race and religion would be respected by the armies of occupation. After signing this armistice, General Tsolakoglou, who was one of the principal members of the armistice commission and one of the most important signatories, seized authority and formed the first Greek government following the capitulation. Upon several occasions the Germans urged Tsolakoglou to put into effect the Nazi laws against the Jews. In an official declaration, however, General Tsolakoglou stated that after the war the Jewish problem in Greece would be considered in its relation to the world-wide Jewish problem. Thus the Jewish question was set aside for a certain time. After the fall of the Tsolakoglou government and the appointment of the Logothetopoulos government the Jewish question came up again and persecutions of every degree of cruelty and barbarism began against the Jewish minority.

Forced Labor

On July 11, 1942 the Feld Kommandatur asked all male Jews from 18 to 45 to appear in Plateia Eleftheria (Liberty Square) of Salonica to enroll for forced

- 3 -

labor. About 10-12,000 people, including those wounded on the Albanian front, assembled in the square. In the crowd there was a large number of war victims, without eyes, without arms and without legs. At 8 a.m. S.S. officers began an inspection of the candidates for forced labor. They selected principally those persons who, from their bearing and appearance, were thought to belong to the better classes. These victims were forced, under threat of being whipped or shot, to gaze fixedly at the hot July sun for minutes at a time, without being allowed to make the slightest movement, either of eyes or body. If anyone lowered his eyes or turned his gaze aside through sheer physical necessity, he was whipped until the blood ran. After this terrible ordeal, the unfortunate victims were obliged to perform physical exercises without stopping until 2 p.m., which resulted in their complete exhaustion. Anyone who stopped for an instant, because he was worn out and at the end of his strength, was struck with the whip and kicked repeatedly. Those who fainted and fell to the ground were revived by having pails of icy water poured down their backs and they were obliged to go on with the frightful exercise. This torture lasted from 8 a.m. to 2 p.m. Each of the victims was provided with a numbered work card. Not content with the above outrages, the S.S. ordered their victims to go back to their homes and required them to run the first 150 meters or to go on all fours, turning somersaults or rolling in the dust. Packs of police-dogs were set on the mothers, wives and children of the victims who were in the square and who could not keep from expressing their anguish by angry cries of protest.

The balconies and windows of the large buildings on Plateia Eleftheria were reserved that day for the German ladies of the city and for German officers who showed their sadistic pleasure in this frightful spectacle by enthusiastic expressions of joy and hearty applause. These spectators also took it upon themselves to photograph and film these scenes.

The conditions in which the poor devils were made to work in the unhealthy regions of Western Macedonia and the hard labor that was required of them were of such a nature that most of the laborers became ill and the output of the work was noticeably affected. At this point the German commission, with the unscrupulousness which is always a characteristic of German propositions, approached the Jewish community through the mediation of the German overseer,

- 4 -

Johannes Miller, with the proposal to exonerate the Jews of all forced labor if a ransom of 3 billion drachmas was paid. Discussions on this subject ended in an agreement contained in a document signed by an authorized representative of the German authorities, Professor Merk. In this document it was clearly stated that for a year, that is until September - October, 1943, the Jews would not be disturbed, as long as the ransom was paid at the stipulated intervals. The Jews of Salonica bled themselves white in order to pay the enormous ransom and as soon as the last instalment was paid, the Germans in their usual manner forgot their written promise and in violation of their signature began the savage measures which are described below.

Not content with attacking the living Jews of Salonica, the Germans found means and excuses to attack the dead also. One fine morning the Jewish community was invited to send representatives to a commission which had been set up to expropriate the Jewish cemetery. It is not necessary to state that the Jews were obliged to take part in this commission for the sole purpose of hearing their condemnation, and not to offer the least bit of advice. They were told that from that moment the cemetery was expropriated for the purpose of making a large park and providing roads connecting it with the various suburbs. Workers set about dismantling the tombs and disinterring the dead. Jews living in Salonica were allowed to carry away the remains of their dear ones if they arrived in time. We want to draw attention to the fact that the Salonica cemetery was of the greatest historic value, dating from the first cemeteries of the Christian era. There were in this cemetery very ancient grave stones... with very important inscriptions. The work of destroying the cemetery was done in such haste that very few Jews succeeded in finding the remains of their families and relatives. Recently buried dead were thrown to the dogs.

Ghetto Badges and Declaration of Property

Toward the end of February, 1943, at the moment when the last instalment of the ransom was paid, the S.S. selected parts of the city in which all the Jews were to be confined. After taking all their property, the S.S. obliged the Jews to leave their homes and shut themselves up in buildings in the designated sections, threatening to shoot anyone who refused to obey the order. Beginning with children of two years, all Jews were obliged to wear on their chests a distinctive badge, which was quite

- 5 -

large, yellow in color and represented a Magen David. This distinctive badge was called a "Cocarde". The Cocarde was numbered. Jews were forbidden under penalty of death to leave the concentration area. If an exception was made and a Jew was authorized to circulate outside the ghetto, he was not allowed to make use of any transportation facilities.

After the Jews had been concentrated in the section called the Ghetto, they received printed forms upon which they were to declare their personal and real property. Under threat of terrible torture, every Jew was obliged to make a most detailed declaration of everything he possessed, including furniture, clothes and underclothes. As soon as the S.S. received these forms, robbery and pillage were systematically carried out and within a month the unfortunate Jews were deprived of all their property and every means of support. It is impossible to describe the terrible suffering caused by all sorts of privations and abuse; the fact that 45,000 people looked upon death as their only source of relief is indicative of what they were obliged to endure.

Baron Hirsch Concentration Camp

This camp was used as a temporary place of internment for those Jews who were to be deported as fast as cars became available. A group of 2,500 persons was first taken from the Ghetto and interned at Baron Hirsch. Thousands of people, regardless of sex, age and family were crowded into the camp pellmell, and confined under conditions so terrible from the point of view of hygiene that they cannot possibly be described. Woe to anyone who dared make the slightest timid request. There were terrible scenes - families were divided, mothers searched for their children, husbands for their wives. Children were generally left behind in the ghetto when their parents were taken to Baron Hirsch. The unfortunate inmates of Baron Hirsch were not only obliged to endure great physical suffering, resulting from hunger, thirst and cold, but every evening at 10 they were forced under threat of death to dance and show every sign of gaiety, while the S.S. turned upon them the brilliant lights required for making films which would prove to the world how happy the Jews were to be under German protection. There is not time or space to enumerate in further detail the terrible sufferings which the Jews underwent at the Baron Hirsch camp.

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As soon as freight cars were available, men, women and children were piled in --- 70 to 80 in cars that were large enough for not more than 30 to 40 people. The hygienic conditions of these cars were deplorable; there was no ventilation; only one can of water was allowed and another can was provided for personal necessities. The ill and those suffering from tuberculosis were crowded in with the healthy. The cars were sealed!

The first transport left on March 14, 1943. The impression was given at first that only the inhabitants of the suburbs would be deported but little by little all the Jews of Salonica were sent away. No one was spared - not even women in childbirth, inmates of orphan asylums and old men's homes, or the insane. The doors of the insane asylums were opened and the inmates deported like trapped beasts. Wounded soldiers and veterans of the campaign in the Albanian mountains were taken, regardless of every effort to resist. In this way 45-50,000 people were sent away within a month to unknown destinations.

During the month, Jewish delegations, representatives of the political parties and presidents of all the Greek organizations in Athens approached Prime Minister Logothetopoulos and various Ministers, asking them to intervene, but Logothetopoulos refused to make the slightest protest, under the pretext that the Germans would remove him from office. If Logothetopoulos had wished to do so, he could have saved the Jews of Greece. However, he showed no such inclination and he even supported the Germans either through his attitude of passivity and indifference to the suffering of Greek Jews or through instructions sent secretly to the Greek provincial authorities.

The Governor-General of Macedonia, Simonides, and his officials were unmoved by the German measures against the Jews. The newspaper NEA EVROPI, whose editor-in-chief was Eliadi, published menacing articles with the express purpose of arousing the Greeks of Salonica against the Jews. The sinister Papanahoum was the head of this group of torturers. He and his accomplices have amassed large fortunes from the confiscated Jewish property and they make a public display of that fact.

However, special mention must be made of the extremely humanitarian attitude of the Orthodox Church in this tragedy. The Archbishop of Athens and all

- 7 -

Greece, Damaskinos, whose name should be written in letters of gold in the annals of recent years, showed a spirit of sublime sacrifice and practical understanding truly worthy of a great Pastor. It is to him that we owe the famous protest against the crimes committed against the Jews of Salonica, a protest that the Logothetopoulos government refused to make. This protest was drawn up by the Archbishop himself at the memorable reunion of the presidents of 31 organizations of Athens. The Archbishop was the first to sign the protest; the others followed.

A small committee was appointed, which, in collaboration with two Jewish delegates, spent the entire summer in preparing a system of hiding and providing means of escape for the Jews of Athens in case the same measures were taken in Athens as had been applied by the Germans in Salonica. When the Archbishop went with Professor Louvaris to present the subject to Altenburg, the German delegate for Greece, Altenburg asked them cynically not to mix in Jewish affairs, inasmuch as the decision to use the same measures of persecution against the Jews of Athens as had been employed in Salonica had been definitely and irrevocably taken.

On September 21, 1943, - that is, several weeks after the Germans took over from the Italians the direction of affairs in Athens, - the Grand Rabbi of Athens was asked to go to the Gestapo office where he was told that all Jewish property, private or community, was expropriated and that anti-racial measures would be taken immediately. He was asked to submit a detailed inventory of communal property and a list of important individuals for the purpose of forming a so-called communal council. Two days later the Grand Rabbi, through the aid of EAM, disappeared with all his relatives. Thus thwarted, the Germans appointed a commission of unimportant persons of doubtful integrity and asked the Athenian Jews to register. As could be foreseen, almost all the Jews of Athens went into hiding in the houses of Greek friends where many of them still are. Only a few poverty-stricken Jews, old men, invalids, and very rarely entire families who unfortunately had been betrayed by traitors in German service, registered. These were the Jews, 800 in number, who were seized on March 24, 1944 and thrown into the Maidari concentration camp.

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From there they were deported to Poland. The Greeks of Athens, who rose nobly to the occasion at the time of this tragedy, are continuing to protect the Jews with a devotion which stands every test.

Little by little the Jews are finding ways to escape to a spot from which caiques take them to a place of safety.

April 27, 1944, Izmir.

Samuel Ovavin.

Respectfully yours,

Burton Y. Berry
American Consul General

To Department in original
and hectograph

File No. 820.02

MCD: jk

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Montevideo
DATED: May 27, 1944
NUMBER: 304

CONFIDENTIAL

Knapp sends the following for Sanders.

Department's telegram of May 26, 1944 No. 297 is referred to herewith.

The following is substance of the suggested draft resolution as approved by War Refugee Board and Department:

WHEREAS: A. It was recommended by this Committee in its Resolution XX, approved May 21, 1943, that repatriation of non-official German nationals be permitted by American Republics only in very small numbers and only for the exchange of American nationals or other reasons of special importance;

B. The very strict exchange limitations so recommended were designed to prevent the return of individuals to Germany who were capable of aiding her war effort and otherwise reflected grave security circumstances of paramount importance at that time;

C. The security circumstances prevailing at the present time, although still substantial, are not as urgent as those existing a year ago and considerable numbers of German nationals whose repatriation will not materially assist the German war effort under present circumstances or endanger American security are now available in the American Republics;

D. A few thousand individuals identified with minority groups of Europe possessing documents and certificates issued in the name of various non-European states, including many American Republics, reflecting a right of protection by or admission to such states, are under German control in Europe, usually in concentration camps;

E. It has not been possible to nominate these detained individuals for inclusion in recent exchanges of small groups of non-official German and American nationals because of strict standards governing exchanges as established in Resolution XX and extraordinary difficulties surrounding the efforts to discover, identify and communicate with them;

-2-

F. The government of Germany, believing that the non-European states concerned are indifferent to the fate of these individuals, apparently intends to deprive them at once of any protection and to subject them to the intense persecution commonly administered to political and racial minorities with which they are identified;

G. Prospect of such dire consequences is distasteful to the ideals of the American Republics and calls for the utmost humanitarian and preventive efforts, consistent with their security, on their part;

H. Arrangements presently in existence are sufficient to provide for all such individuals, including those whose admission to the country concerned may not be feasible, safe havens and support;

It is resolved by the Emergency Advisory Committee for Political Defense:

1. To call the desperate plight of these oppressed individuals in Europe to the attention of the governments of the American Republics.

2. To advise the American Republics that rescue of such individuals from German control constitutes, in the Committee's judgment, an adequate basis for their exchange against German nationals in this Hemisphere who are selected with due regard for existing requirements of security and blockade.

3. To recommend to the American Republics' Governments that uniform and coordinated steps be taken by them to facilitate the exchange of these individuals who are oppressed against German nationals from this Hemisphere and that they in particular:

a. Cause the Government of Germany to be advised that persons possessing certificates or documents issued in their respective names are entitled to their full protection pursuant to the terms or customary incidents of such documents;

b. Authorize on their behalf negotiations with the Government of Germany for exchanging such individuals against nationals of Germany desiring repatriation from the Western Hemisphere in accord with any security safeguards which in the light of all the circumstances surrounding any particular exchange they may mutually deem appropriate.

HULL

DCR:IDB:HL 6/6/44

NOT TO BE RE-TRANSMITTED.

COPY NO. 4

SECRET

OPTEL NO. 169

Information received up to 10 a.m. 27th May, 1944.

1. NAVAL.

On 26th aircraft from one of H.M. Escort Carriers destroyed 2 JU 290 - four-engine bombers - shadowing a homeward convoy northeast of Azores: 1 Hurricane shot down.

On 22nd, one of H.M. Submarines torpedoed and probably destroyed an escort vessel beached off La Ciotat - West of Toulon.

2. MILITARY.

Italy. New Zealand troops have occupied Terelle without opposition and Poles have taken Monte Cairo. U.K. and Canadian troops are across the Melfa with advanced elements within 2 miles of Arce. French have captured San Giovanni, Pastena and Amaseno. U.S. troops have captured Pisterzo and are fighting in the outskirts of Priverno and Sezze. Bridgehead forces have captured Cori and armoured elements have reached Artena, less than 3 miles south of Highway 6, without opposition. Prisoners since 11th exceed 12,000.

Burma/China. Salween. On 23rd Chinese began attack on Kaitou and there has been heavy fighting at Tatangtzu 14 miles further South-east.

3. AIR OPERATIONS.

Western Front. On 26th morning all offensive operations prevented by weather. Later, escorted medium and fighter bombers attacked six airfields - 350 tons and two bridges - 230 tons in Northern France. German casualties: 1 destroyed in the air and 13:5:2 on the ground; 3 aircraft missing.

26th/27th. Aircraft despatched: Ludwigshafen 30 Mosquitoes, 2 missing; Aachen 11 Mosquitoes; Sea-mining 42; other minor operations 19.

Southern France. 25th. Escorted Liberators and Fortresses attacked 4 Railway Centres at and near Lyon - 530 tons and another near Toulon - 236 tons. All objectives well covered. Enemy casualties (incomplete) 1:1:1; ours 7 bombers.

26th. Preliminary reports state total 750 Liberators and Fortresses sent against railway objectives including Nice, Lyon, Chambéry and Grenoble.

Italy. 25th. Escorted Liberators bombed the airfield at Fiaccenza - 272 tons, Monfalcone - 132 tons and oil stores at Porto Marghera, North of Venice - 150 tons; good bombing reported. 1 fighter missing; enemy casualties not yet available.

RECEIVED BY THE
OFFICE

Regraded Unclassified

SECRETOPTEL No. 170

Information received up to 10 a.m., 28th May, 1944.

1. NAVAL

U.S. Destroyers engaged objectives in ANZIO area on 25th and 26th. Buildings were hit and A/A guns silenced.

2. MILITARY

ITALY. British troops of 8th Army have captured ROCCA D'ARCE and are now heavily engaged north and northwest of this place. Canadians have secured CEPRANO and have established a foothold between LIRI and SACCO Rivers. The French have captured FALVATERRA and CASTRO DEI VOLSCI. U.S. troops have secured ROCCAGORGA, BASSIANC and NORMA. U.S. troops of bridgehead force are now well established in ARTENA and are attacking towards VALMONTONE. They are within 4,000 yards of VELLETRI which Germans are fighting hard to retain. Prisoners now nearly 13,000.

BURMA. IMPHAL. Our troops have cleared a village which they have been attacking 11 miles south of BISHENPUR, established a block on IMPHAL-TIDDIM road one mile further north and also cleared another village immediately west of the road.

NORTH BURMA. Chinese who had been held up 15 miles of S.S.W. of SHADUZUP have broken enemy resistance and are now advancing south along the road 14 miles N.W. of KAMAING.

3. AIR OPERATIONS

WESTERN FRONT. 27th. 705 U.S. heavy bombers dropped total 1,572 tons on railway centres in Western GERMANY and Eastern FRANCE. Good results reported LUDWIGSHAFEN, MANNHEIM, KONZ-KARTHAUS SAARBRUCKEN, NEUNKIRCHEN and KARLSRUHE. 241 tons dropped on aero-engine factories at WOIPPY near METZ and STRASBOURG and 137 tons on coastal batteries near LE HAVRE. Enemy casualties reported by bombers and supporting fighters 58, 5, 25. Ours 24 bombers and 7 fighters missing.

About 1400 bombers and fighter bombers of the Allied Expeditionary Air Force were detailed against military objectives, road and rail communications and R.D.F. installations in Northern FRANCE; no results yet received.

27th/28th. Aircraft despatched:	
Encampment near ANTWERP	331 (12 missing)
AACHEN railway centre	170 (12 missing)
NANTES railway centre	104
Airfield RENNES	83 (1 missing)
Five coastal batteries	270 (2 missing)
BERLIN	23 Mosquitoes
DUSSELDORF	6
Sea-mining	60
Intruders, Leaflets, etc.	109 (2 missing)

Well concentrated attack on encampment in clear weather. 30 German aircraft operated off and over WEYMOUTH area. Four fatal civilian casualties so far reported.

SOUTHERN FRANCE. 26th. Reference OPTEL 169. Total 1,369 tons dropped five railway centres. Results reported excellent. 27th. 652 escorted U.S. heavy bombers attacked four railway centres and 2 airfields at or near MARSEILLE. 13 Liberators so far outstanding.

ITALY. 26th. 501 medium bombers (4 missing) and 80 fighters (1 missing) attacked bridges and road communications in Western ITALY and battle area. On 25th and 26th over 1,400 enemy motor vehicles were destroyed or damaged.

YUGOSLAVIA. 26th. 36 heavy bombers bombed troop concentrations at BIHAC. Fighters destroyed 11 enemy aircraft in the air or on the ground.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ²²¹
COMMUNICATIONS
AND RECORDS

CORRECTION

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

May 28, 1944

MAY 28, 1944

In telegram No. 909, May 25, Noon, received 6:26 p.m.
from Chungking, re WEEKLY ECONOMIC from Adler, at end
of line one, page one, add "(SECTION ONE)".

DIVISION OF COMMUNICATIONS AND RECORDS

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF²²²
COMMUNICATIONS
AND RECORDS

GEM-99

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

Guatemala

Dated May 28, 1944



Secretary of State,
Washington.

320. May 28, 2 a.m.

The Guatemalan Government accepts the invitation to be represented at the Monetary and Financial Conference and will inform us later of names of delegates. Reference Department's circular telegram May 25, 5 p.m.

LONG

EEC
MEV

MEM-162
 Distribution of true
 reading only by special
 arrangement. (SECRET W)

Algiers

Dated May 28, 1944

Rec'd 9:41 a.m., 29th

Secretary of State,

Washington.

1758, May 28, 11 a.m.

FOR WAR REFUGEE BOARD FROM ACKERMAN NO. 23.

Brooks requests transmission following message
 Emerson, Unitarian Service Committee Boston.

"One. French authorities agree in principle
 medical project southern France but must have detailed
 statement purposes study, plan operatives, personnel
 also request collaboration at least one French doctor
 who has investigated this field. Agree project should
 begin during first month landing France. Transportation
 to theatre operations must be via our Army please rush
 data. Need list all personnel available overseas work.
 Doctors urgently needed UNRRA camps for Yugoslavs.
 Re-executive minutes April 11th Balkan Mission needed
 for Yugoslav project pending opportunity operate
 liberated territory".

CHAPIN

EDA EEC

BE-155
Distribution of true
reading only by special
arrangement (SECRET W)

Algiers

Dated May 28, 1944

Rec'd 8:54 a.m., 29th

Secretary of State,

Washington.

1759, May 28, noon

FOR WAR REFUGEE BOARD FROM ACKERMANN NO 22

After spending all week on supply and personnel problems for Fedhala which now appear to be working out satisfactorily have just been advised by British who are handling shipping question that French ship was assigned to transport refugees on June 7 has been taken off this run by French for operational trip and will not be ready to move refugees until latter part of June. This is fourth disappointment we have had on ship question and since something may happen again on June 20 which is earliest date ship now stated to be available suggest you investigate as to what assistance can be given your end.

CHAPIN

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OFFICE OF THE SECRETARY OF THE TREASURY

WASHDC

PLEASE INFORM JOHN PENLE THAT I HAVE REQUESTED AN APPOINTMENT
FOR HIM AND MYSELF FOR EITHER WEDNESDAY OR THURSDAY

HENRY MORGENTHAU JR.

203P

*Placed the information
to Mr Penle 5/29/44
mc.*

8
226
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1944

TO Secretary Morgenthau

FROM Ted R. Gamble

This is a copy of the letter which our man in South Dakota sent to Senator Bushfield. Also Walter Burke is going to let me know what kind of a talk he has with the Senator during his visit to South Dakota this week end.

Pierre, S. Dak.
May 24th, 1944

Hon. Harlan J. Bushfield, Senator
Senate Office Bldg.
Washington, D. C.

Dear Harlan:-

There are some ten thousand volunteer war bond salesmen in South Dakota, that are all set to start their house to house canvass June 12th to try and put over the largest bond drive in history.

While I am the State Chairman of this most important committee, I also ring door bells, selling bonds, and get first hand information regarding what people think of the bonds and of the war efforts in general. I find that they are most sensitive to criticism in connection with the selling of bonds.

What I am trying to get at, is to discuss with you for a few minutes, your attack on Secretary Morgenthau, in connection with his trip last year to Africa and Italy. I noticed in the papers that you had devoted some time in criticism of him forgoing there.

You realize that he is the head of our War Bond organization, and he has built up the best organization of any department of our government, they have done a marvelous job of selling bonds to furnish what our fighting men need. Never for a minute has there been any politics in our organization, it is most efficient, nothing is wasted as I view it.

It happens that last fall I attended a meeting of war bond Chairmen in Washington, getting ready for the 4th bond drive. I met Secretary Morgenthau for the first time, he told us of his trip overseas, he cleared up several complaints we had from boys that were buying bonds there and could not get delivery. He also set up an organization to sell the soldiers bonds, so they would be able to save their money, and did a job that nobody but the Secretary could do.

In talking with Ted Gamble, our National Director of sales for the War Finance Committee, after the meeting, it was agreed that the Secretary had done a most worthwhile job.

In other words Harlan, I am trying in a nice way to convey to you the thought that your attack on the Secretary only hurts the voluntary efforts that we are putting into the sale of bonds. It is going to be tough enough in this next drive to make the grade even if everything is ideal.

I am most appreciative of the wisdom that Mr. Morgenthau used in setting up our War Finance Committee, he picked a young fellow named Ted Gamble, I hope you met him and get to know him, there are none better, they are all business, no politics, and efficiency all along the line.

You and I have been close personal and political friends, and I ask as a personal favor to me that you not be harsh with the Secretary, and believe that the went to Italy with the interests of our country at heart, which I am sure he did.

I also will appreciate your comments on this letter.

Sincerely yours,

Walter H. Burke

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 29, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending May 27, 1944.Summary

Industrial production: Durable goods output showed a further decline last month, and the FRB adjusted index of production dropped from 242 in March to 240 in April. This compares with the war-time peak of 247 attained last fall. Munitions output was 3 percent below schedule, though urgent items were well up to schedules.

Employment: The decline in factory output since last fall has been accompanied by a drop in factory employment of 5.5 percent. Total nonagricultural employment in April dropped 167,000 and was about 1.3 millions below year-earlier levels. This reduction in employment, however, has been more than offset by an increase of about 2.5 millions in the armed services. Various industries continue to be hurt by acute manpower shortages.

Steel operations: Steel ingot production last week was scheduled at 98.4 percent of capacity, thus showing the fourth consecutive decline from the 1944 peak of 100 percent. Manpower shortages and hot weather may cause further reductions, according to steel trade journals. The president of the American Iron and Steel Institute last week asserted that the present outlook is for decreasing rather than increasing production of steel for war purposes.

Commodity prices: The decline in grain futures, which has been the outstanding development in the commodity markets recently, came to a halt last week and the Dow-Jones futures index rose moderately. Spot markets were firm. In the week ended May 20 the BLS all-commodity index rose 0.2 percent, but the index continues within the very narrow range of the past year.

Stock market: The moderate rise in stock prices last week carried the Dow-Jones industrial average fractionally above the high for the year attained last March. Further gains in railroad bonds pushed higher-grade and second-grade railroad bond prices to new highs since 1937.

- 2 -

Factory output shows further slight decline

Manufacturing activity showed a further slight slackening in April, and the FRB adjusted index of industrial production declined to 240 from 242 in March. At the April level the index stood 7 points, or about 3 percent, below the war-time high reached last fall. The decline last month would have been somewhat greater except for a sustained heavy production of minerals. Output of anthracite coal and crude petroleum increased, while bituminous coal production was steady. Iron ore output rose 36 percent above the corresponding month last year in reflection of this year's earlier start in the Great Lake's shipping season.

On the other hand, production of most nonferrous metals declined, due to planned curtailments and to labor shortages at mines and smelters. The important transportation equipment and machinery industries showed moderate decreases in production. Chairman Nelson disclosed last week that munitions production in April was 2 percent under the March level and 3 percent below schedule, although most of the critically-needed items were well abreast of schedule. While the goal for 1944 has been set at \$69 billions, output to May 1 was at an annual rate of only \$65 billions. The peak expected next November calls for a 10 percent increase over the April output.

Nondurable goods output in the aggregate was virtually unchanged in April. Cotton consumption rose slightly, but was still about 15 percent below the war-time peak. In view of the tight supply situation in many cotton textiles and the decline in production in the past 2 years, the cotton textile industry was ordered on a 48-hour week around the middle of the current month in an attempt to alleviate the situation. Although output of manufactured food products increased less than seasonally in April, substantial gains over year-earlier levels were shown, with meat packing and processed fruits and vegetables rising 35 percent and 19 percent, respectively.

Factory output and employment noticeably below war-time peak

With the exception of a slight gain in factory output at the beginning of the year, both factory output and employment have been in a downward trend since the war-time peak was reached in the fall of last year. As shown in Chart 1, factory output has dropped 4.5 percent since last October, while employment has declined 5.5 percent, thus reversing the long rise which got under way around mid-1940. Seasonal factors probably contributed to the decline, although it will be noted that they failed to produce a similar recession in the previous three years.

- 3 -

Declines in factory employment in April embraced all major groups except petroleum and coal products, although the decreases in many instances were quite small. The greater part of the drop was accounted for by the transportation equipment, iron and steel, machinery, and textile and apparel industries, with total factory employment falling to the lowest level since November 1942. Employment in trade, transportation, public utilities and Government increased in April, but these gains failed to offset the drop in factory employment and slight recessions in mining and construction. As a result, aggregate nonagricultural employment in the month dropped 167,000, thus reducing the total to 38.4 millions as compared with 39.7 millions a year earlier.

The decline in employment during the past year has been much more than offset by an increase of approximately 2,500,000 in the armed services, and a number of industries are still troubled by an acute shortage of manpower. The Chairman of the WPB recently characterized the manpower situation at foundries and forging shops as "desperate", and also stated that output of ball bearings, textiles, lumber, and pulpwood for containers was menaced by "critical" labor shortages. The shortage of castings caused by manpower difficulties was said to be particularly troublesome, since it is slowing up top-ranking production programs for landing craft, heavy artillery and transportation equipment.

Steel operations decline slightly

Steel trade journals have expressed the fear recently that manpower shortages and the adverse effects of hot weather would cause a decline in steel production. Corroboration of this view is seen in the recent report that the WPB is engaged in reducing third-quarter steel allocations for civilian purposes in order to meet the pinch in steel supplies. Steel operations, in fact, have been declining slightly for the past 4 weeks. Operations last week were down to 98.4 percent of capacity, as compared with 100 percent of capacity a month earlier when operating schedules were at the highest level attained thus far in 1944. (See Chart 2.) One factor in the moderate recession is reported to be the slowing down of repair work due to the shortage of skilled workers.

The President of the American Iron and Steel Institute last week asserted that the present outlook is for decreasing rather than increasing steel production for war uses. Moreover, he expressed doubt that any shift to civilian goods production would keep pace with the curtailment in war production. As a

- 4 -

consequence of this anticipated decrease in demand, together with manpower difficulties, the prediction was made that steel output in 1944 is unlikely to total much if any above last year's level despite increased capacity. So far this year, the tonnage of steel ingots produced (see Chart 2, lower section) has run consistently above year-earlier levels, with the cumulative total at the end of April amounting to 30.2 million net tons as compared with 29.3 million net tons in the corresponding period of 1943.

As a result of the steel expansion program of recent years, which is now reported to be about completed, steel ingot capacity at the beginning of this year was nearly 3.4 million net tons higher than a year earlier, and more than 12 million net tons higher than at the beginning of 1940, as the following figures show:

	Steel ingot capacity (Net tons)
January 1, 1940	\$1,619,000
1941	\$4,152,000
1942	\$8,570,000
1943	90,293,000
1944	93,652,000

Commodity prices up somewhat

The decline in grain futures, which has been the outstanding development in the commodity markets in recent weeks, came to a halt last week and commodity prices moved up somewhat. The Dow-Jones futures index, after reaching a low for the current decline last Wednesday, rose moderately and at the end of the week was slightly above the levels of a week earlier. (See Chart 3, lower line.) While grain futures at the end of the week showed little change from a week ago, cotton futures were up moderately. Rye futures turned up, following a decline of almost 19 cents in the last two months, when it was disclosed that the WPB will inaugurate a program on June 1 for the use of not less than a million bushels of rye in the industrial alcohol program. Moody's index of spot prices (upper line) advanced slightly with higher prices for wool and cotton.

Reflecting strength in the spot markets, the BLS index of 28 basic commodities rose slightly to a new high. (See Chart 4.) The index has now shown an advance for the fourth consecutive week as a result of rising prices for rosin, steers, wool tops, and more recently for cotton. Wool top prices are now at the highest level since last October and rosin prices, due to a tight supply situation, have moved up to a war-time

- 5 -

high. The Senate Banking Committee's approval of the Bankhead amendment to price control legislation, which would raise textile ceilings to give farmers full parity for raw cotton, tended to raise cotton prices last week.

BLS all-commodity index higher

The BLS all-commodity index rose 0.2 percent in the week ended May 20. Quotations for light hogs rose more than 5 percent as a result of the extension of the Government support program to 180-200 pound weights. Prices of heavy hogs (270 pounds and over), however, continued to decline. Steer prices were up more than 1 percent and cotton and tobacco prices increased fractionally. Sheep prices, however, were about 2 percent lower and declines were registered in prices of live poultry at Chicago, and of eggs, lemons, and onions. Although average market prices of farm products have risen 0.3 percent in the past month, they are still 2 percent lower than for the corresponding week last year.

In industrial commodities, higher prices were noted for rosin, turpentine and common brick. On the other hand, quicksilver prices dropped 4.5 percent. The quicksilver market has remained in a slump since the Government discontinued its buying program at the end of January, and prices are now more than 35 percent lower than at the beginning of the year.

Despite the latest rise, the all-commodity index continues within the narrow range of the past year. At 103.8 percent of the 1926 average, the index is at exactly the same level as in the corresponding week of 1943, although it is 38.4 percent above the pre-war level of August 1939.

Lard prices dip below ceiling

Prices of some important fats and oils have shown a tendency to drop below ceiling levels in recent weeks, reflecting the substantial improvement in the supply situation. Cash lard, loose, dropped almost a cent below the 12.8-cent ceiling in the Chicago market last week and, according to press reports, some sales have been made at nearly 4 cents below the ceiling. Oleo oil has also dipped below ceiling levels, while sales of linseed oil have been reported at slightly below ceiling prices.

Stocks of fats and oils have risen sharply since last October, and on February 29, the latest date for which complete data are available, were at the highest level since the spring of 1941. As a result of the heavy hog slaughtering, cold storage stocks of lard and rendered pork fat increased 143 million pounds during March and April, and on May 1 were 348 million pounds (234 percent) above those of a year ago. The sharp

- 6 -

increase in total stocks of fats and oils reflects a record high rate of output, Government restrictions on civilian use of fats, and difficulties in holding to export schedules.

With the improvement in the supply situation, rationing controls have been relaxed on some fats and oils. Lard was taken off rationing March 3, and shortening and salad oils were removed from rationing in April. Restrictions on the use of lard by manufacturers of soap and edible finished products, such as margarine and shortening, have been removed during the period May 15 to June 30. The suspension of the allocation of animal oils, which began October 1, 1943, has been continued, and inventory limitations on industrial consumers of tallow and grease have been raised to 90 days' supply from the previous 60 days'. Moreover, linseed oil quotas for use in certain paints and related protective coatings were increased last month.

Fats and oils supplies, however, are expected to tighten by next fall, and supplies in the 1944-45 season, beginning October 1944, will probably be substantially below those of the present year. Lard production, in particular, is expected to decline considerably next year as a result of the anticipated reduction in the 1944 spring hog crop. Moreover, heavy exports to Europe may constitute a severe drain on supplies next year.

Shortages of some meats noted

While the over-all supply of meat appears satisfactory, shortages of lamb, veal and better cuts of pork have been noted in some areas since the suspension of rationing. A survey by the American Meat Institute for the week ended May 13, approximately one week after the suspension of rationing, revealed a sharp increase in the demand for pork loin and hams, with shortages developing for these items. Shortages of all beef cuts have been reported, although roasts and steaks continue to be rationed. Moreover, a quick survey made by the Wall Street Journal last week indicated that some large cities were receiving less meat than before the removal of rationing, and that choice cuts of pork, veal and lamb were in short supply in certain areas.

Some livestock men in the Department of Agriculture believe that shortages of high grade cuts of meat are to be expected, and will probably increase in the coming months as larger numbers of lower-quality cattle are marketed. The armed forces and other Government agencies are buying the better cuts, thus reducing the supply to civilians. Distribution difficulties may tend to promote a larger consumption of the less-plentiful better

- 7 -

cuts of meat in areas closer to the source of production, leaving the less desirable meats for the more distant areas. It is possible that restaurants and hotels may now be obtaining a larger proportion of the good cuts, with a resulting reduction in the quality of meats available in retail stores.

Total meat supplies continue large. Slaughter of hogs, cattle and calves is being maintained at levels substantially above a year ago, although sheep slaughter is somewhat less than that of last year. Large carryovers of hogs have occurred in recent weeks, and some stockyards have been forced to use embargoes or other regulatory methods to handle the heavy marketings. Cold storage stocks of meat on May 1, the latest figure available, were 70 percent above those of a year ago.

Stock prices move gradually higher

Despite continuing invasion uncertainties, stock prices moved gradually higher last week on increased trading activity. Stock transactions on the New York Exchange on Wednesday rose above 1 million shares for the first time this month, and trading interest increased as the Dow-Jones averages of industrial and railroad stocks closely approached the previous highs attained last March. (See Chart 5.) At the end of the week the industrial stock average stood fractionally above the highest closing figure attained in March, but the railroad average was still fractionally lower. Although persistent strength was shown in prices, the slowness of the rise is evidenced by the fact that the net gain in the Dow-Jones average of 65 stocks for the week was only a little over 1 percent.

A feature of the security trading last week was the... further rise in prices of railroad bonds, with the Dow-Jones averages of higher-grade and second-grade issues advancing to new highs since 1937. Action of the House in voting the repeal of "land grant" rail rate schedules probably lent additional stimulus to the rise. As a result of the persistent gains of the last 6 months, following an earlier sharp advance in the first half of 1943, the Dow-Jones average of 10 second-grade railroad bonds at the close of last week stood 75 percent above the depressed pre-war levels of August 1939.

The second-grade rail bond average, however, is still 13 percent below the 1937 peak. (See Chart 6.) Railroad stock prices have also moved up to new war-time highs in recent months, but the over-all advance has not been as great as in second-grade bonds. Railroad stocks at the close of last week were 45 percent above the August 1939 level, but were 35 percent below the 1937 peak.

- 8 -

In marked contrast to the gains in railroad security prices under war-time conditions, industrial stock prices, as measured by the Dow-Jones averages, have risen only 2 percent above pre-war levels, despite the phenomenal increase in industrial activity. On the other hand, industrial stocks just before the outbreak of war in Europe were relatively less depressed than railroad securities, and subsequent gains have been from a much higher base. (Refer to Chart 6.) Moreover, the large invested capital of the railroads has made them less vulnerable to heavy war-time taxation than most industrial companies.

FACTORY EMPLOYMENT AND OUTPUT 1939 = 100, Unadjusted

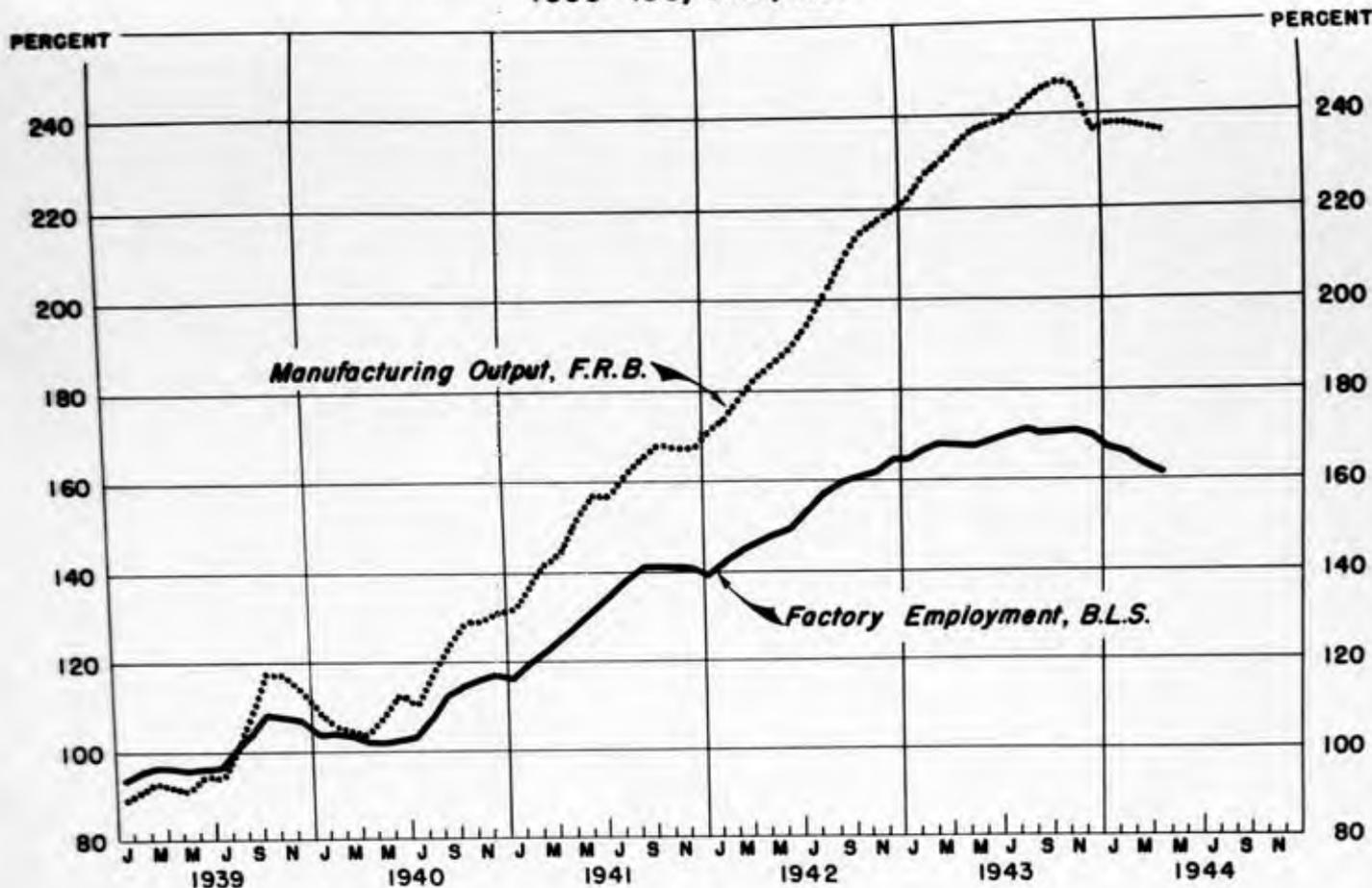
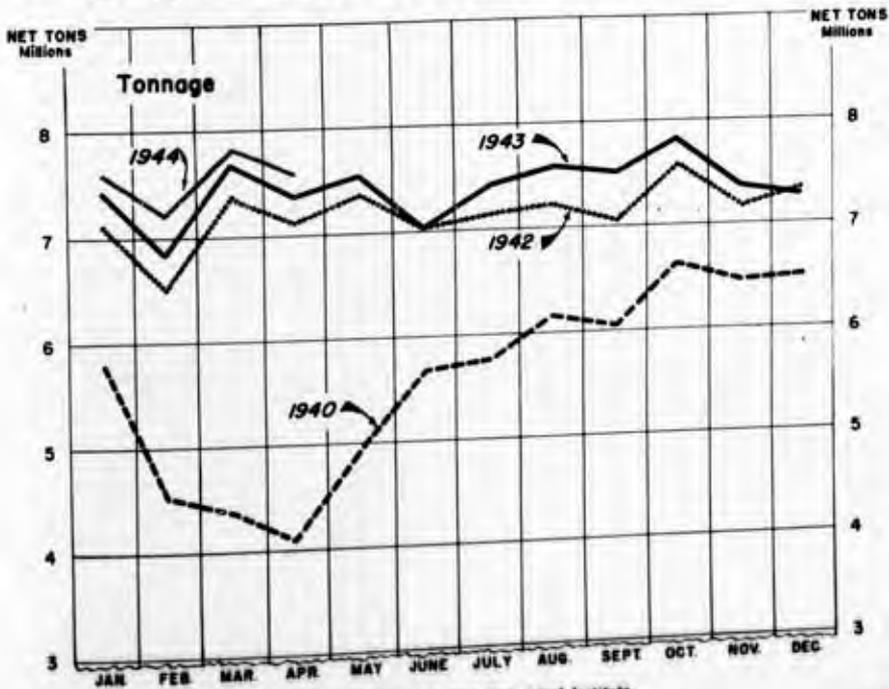
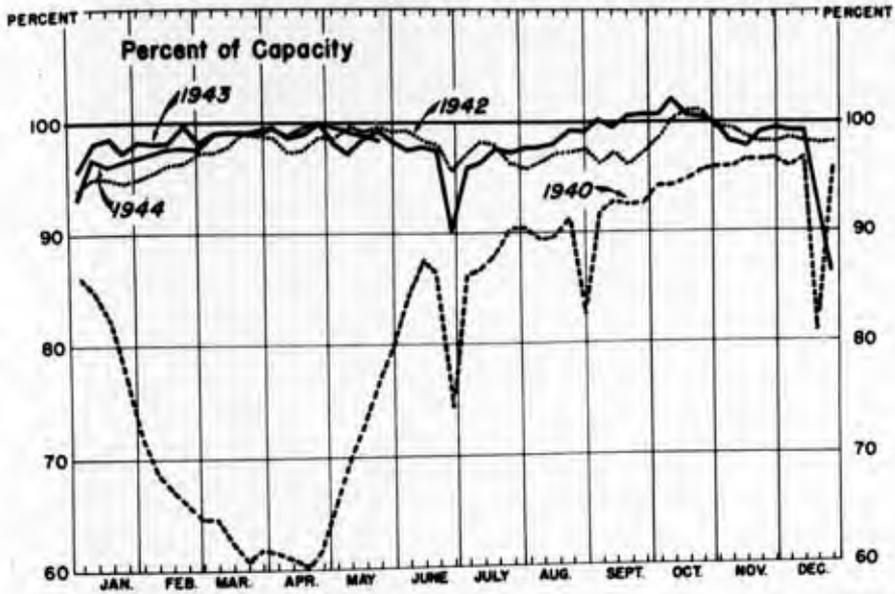


Chart 1

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STEEL INGOT PRODUCTION

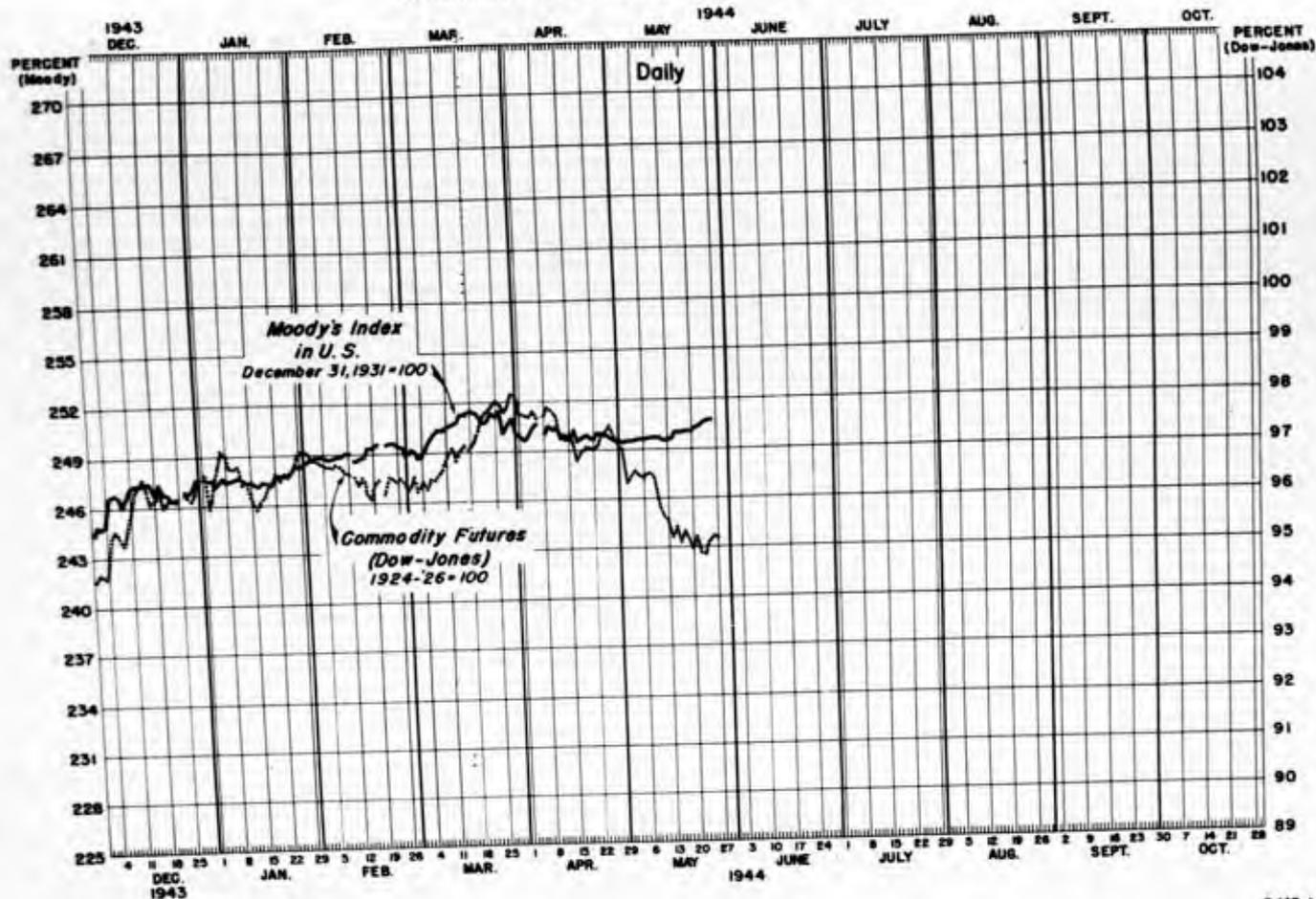


Office of the Secretary of the Treasury
Division of Economic and Statistics

Source: American Iron and Steel Institute

C-532

COMMODITY PRICE INDEXES IN U.S.

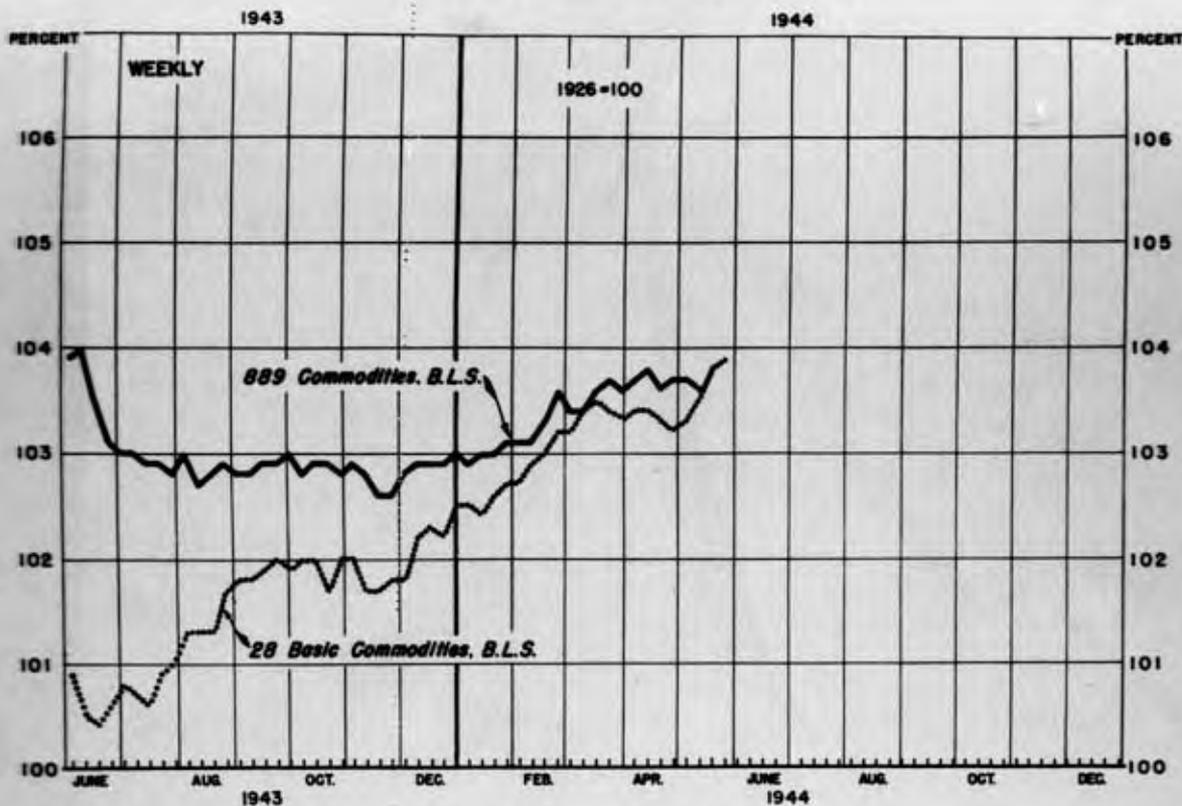


Office of the Secretary of the Treasury
Bureau of Economic and Statistics

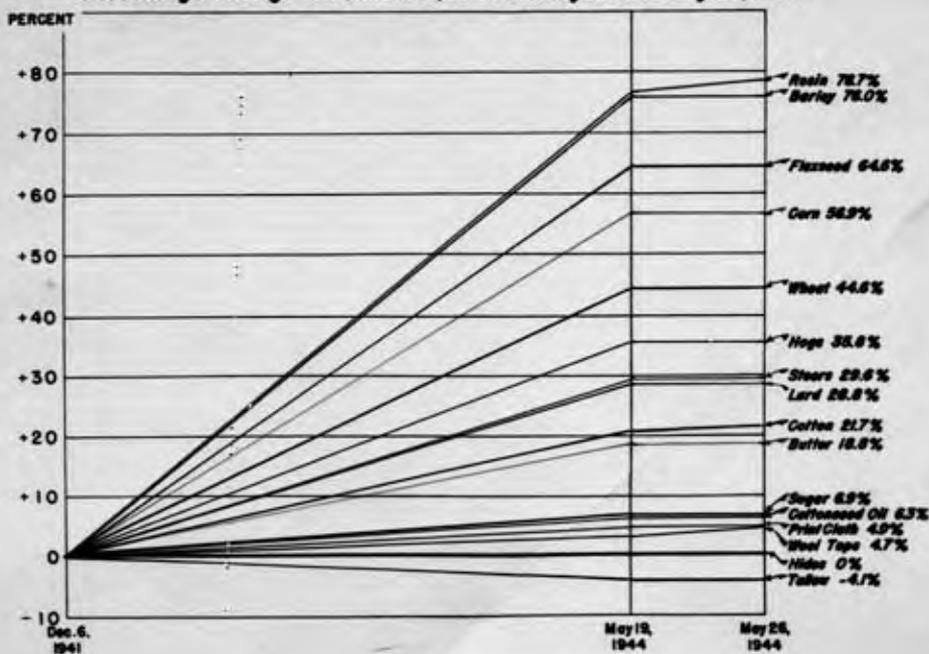
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Chart 3 239

WHOLESALE COMMODITY PRICES

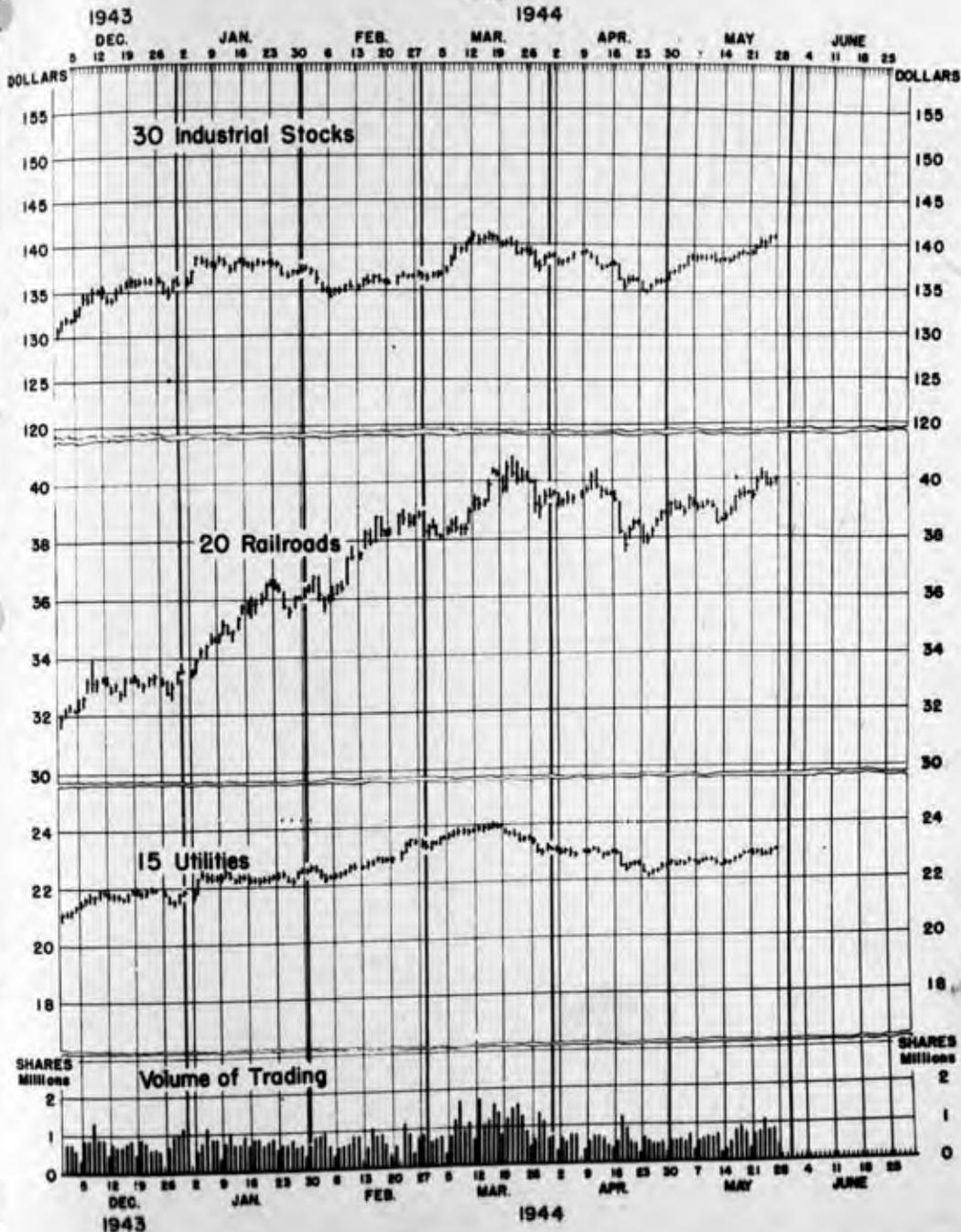


SELECTED BASIC COMMODITIES
Percentage Change December 6, 1941 to May 19 and May 26, 1944



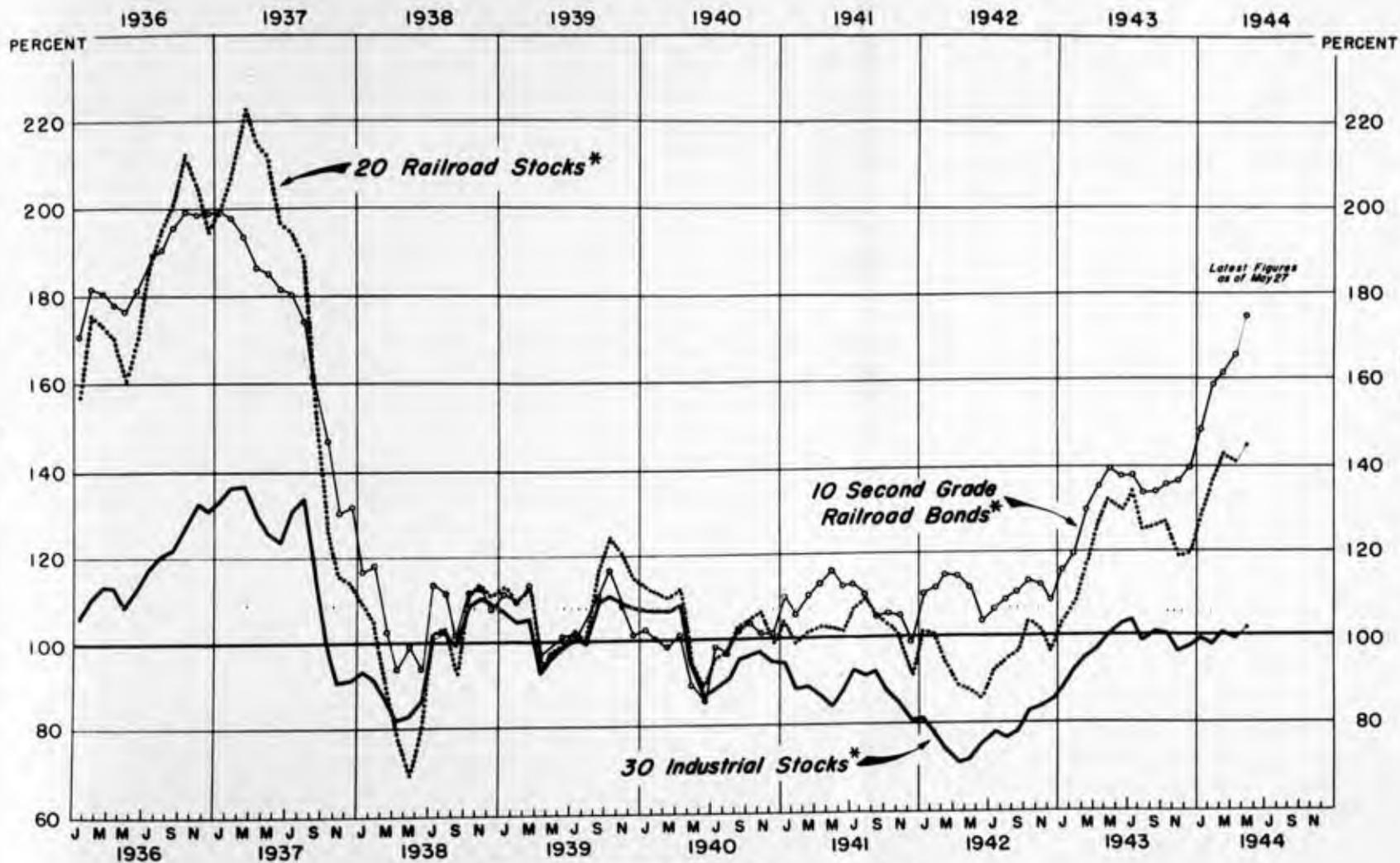
STOCK PRICES, DOW-JONES AVERAGES

Daily



SECURITY PRICES

Selected Railroad and Industrial Indexes. August 1939=100



*Dow-Jones averages converted to August 1939 base.

CONFIDENTIAL

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

orig to C Bell
5/30/44

JOINT COMMUNICATIONS BOARD

29 May 1944

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

Dear Mr. Secretary:

Your letter of 17 May and Mr. Bell's letter of 22 May to Col. McFarland, Secretary of the Joint Chiefs of Staff, have been referred to the Joint Communications Board which, as you know, has been designated as the agency of the Joint Chiefs of Staff to make the survey desired by the President of cryptographic systems and the handling of SECRET or CONFIDENTIAL communications in the several Federal departments and agencies.

A committee consisting of

Col. W. Preston Corderman, USA (Chairman)
Capt. J. S. Harper, USN
Cdr. A. L. Reed, USN
Mr. Wm. F. Friedman, SSA, Members
and
Capt. John E. MacDonald, USA (Secretary)

..... has been set up to conduct the survey for the Joint Communications Board. One or more of these members will soon get in touch with Mr. Gray to make the necessary arrangements for the work of the survey.

Very sincerely yours,

G. B. MYERS
Captain, USN
Secretary

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 and 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."



cc: Capt. MacDonald

CONFIDENTIAL

Regraded Unclassified

MAY 17 1944

Dear Colonel McFarland:

This will acknowledge receipt of your letter dated May 12, 1944, requesting the cooperation of this Department in accomplishing a survey of all cryptographic systems and related procedures in use in the Federal Government, in accordance with instructions contained in a letter from the President to Admiral Leahy dated May 10, 1944, copy of which was enclosed with your letter.

I shall be pleased to have such a survey conducted in this Department and information furnished you as soon as possible.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Colonel A. J. McFarland, U.S.A.,
The Joint Chiefs of Staff,
Washington 25, D.C.

em
5-15-44



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

12 May 1944

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

My dear Mr. Secretary:

The enclosed copy of a letter from the President to Admiral Leahy, dated 10 May 1944, is forwarded to you in accordance with the wish of the President expressed in the letter.

In compliance with the further wishes of the President, the Joint Chiefs of Staff have instructed the Joint Communications Board to initiate the action necessary to accomplish the survey of cryptographic systems and related procedures outlined in the second paragraph of the letter, and to that end have authorized the Board to communicate with you with respect to the details of such arrangements for the survey as may be necessary or desirable.

Your cooperation in effecting the survey and any assistance you can render the Joint Communications Board will be very much appreciated.

Yours very sincerely,

For the Joint Chiefs of Staff:


A. J. McFARLAND,
Colonel, U.S.A.,
Secretary.

Encl.

THE WHITE HOUSE
WASHINGTON

May 10, 1944

My dear Admiral Leahy:

I believe steps need to be taken which will afford full assurance that communications to and from the various Federal departments and agencies do not disclose or become a source of information of value to the enemy. The Joint Chiefs of Staff would seem to be in the best position to be of assistance in this regard.

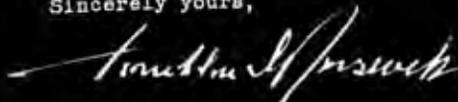
Accordingly, I wish that the Joint Chiefs of Staff would proceed to make a survey of all cryptographic systems and related procedures now in use or proposed to be used by any Federal department or agency, utilizing in this survey the services and facilities of the Joint Communications Board. The survey should consist of an examination of the codes, ciphers, cipher devices, cipher machines, and other equipment in use for secret or confidential communications; of all procedures relating thereto; of all methods of handling such communications; of the adequacy of cryptographic personnel; and, generally, of the means and equipment utilized in connection with the physical security of such communications.

It is my desire that all Federal departments and agencies concerned cooperate fully with the Joint Chiefs of Staff and their designated representatives in this connection. These departments and agencies should furnish the Joint Chiefs of Staff and their representatives any information pertinent to the survey and should also permit access by the Joint Chiefs and their representatives to any records, systems, devices, and equipment involved in the survey. I wish you would forward to each such department or agency, on my behalf, a copy of this letter.

At the conclusion of the survey and at such earlier times as the Joint Chiefs of Staff may deem necessary, I should like to have them submit to me their findings and recommendations.

Sincerely yours,

Admiral William D. Leahy,
Chief of Staff to the
Commander in Chief of
the United States Army
and Navy.



MEMORANDUM FOR THE SECRETARY

MAY 29 1944

For Your Information

Messrs. Luxford and Schmidt had a further meeting with Captain Puleston this morning on the subject of Argentina.

Captain Puleston advised that he had studied over the material which Mr. Luxford had furnished him last week and that he was impressed by the fact that in January of this year he had independently arrived at the same conclusions with respect to Argentina and had discussed the matter of complete economic sanctions with Secretary Knox at that time.

Captain Puleston stated that he personally agreed that complete economic sanctions should be imposed on Argentina at that time, but that in view of the Combined Chiefs of Staff having twice turned down this proposal he felt it was futile to get approval for a freezing program which would leave trade open for further consideration and for specific licensed treatment. Captain Puleston agreed that this was the most practicable approach. He then inquired as to what we thought the next step should be.

We stated that it occurred to us that perhaps the Secretaries of Treasury, War, and Navy, together with Crowley, should jointly send a memorandum to the President recommending that Argentina be frozen for economic warfare reasons. We said that we had not discussed this with the Secretary, but that if Captain Puleston felt that there was a reasonable chance of a proposal of this character getting the approval of Secretary Forrestal we would raise it with the Secretary. Captain Puleston stated that he could raise the matter directly with Forrestal, but that in any event Forrestal would be influenced by Admiral King's reaction to the proposal; that Admiral King might feel that he would have to take the matter up with the British and the Combined Chiefs of Staff before acting. We suggested that since this was a matter of deciding what should be the American policy it was appropriate for American officials to weigh the matter without British consultation, and that there would be an appropriate opportunity to advise the British after the American Government

- 2 -

had arrived at a decision. Captain Puleston was inclined to think that this might be a possibility and said that he would explore it further. He also suggested that Judge Patterson would be the appropriate man in the War Department to focus on this issue if we want a sympathetic reaction.

The matter was left that we would prepare a short one-page memorandum which could be jointly signed by agency heads should it be decided that this is a practical approach. Captain Puleston stated that he would discuss the matter further when he saw Secretary Morgenthau later this week.

Joseph J. Connell W

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date **MAY 29 1944**

TO Secretary Morgenthau

FROM Mr. O'Connell

For your information

You asked Mr. Luxford for some background information relating to S. Pearson & Son Ltd., who own 80 percent of Lazard Bros & Co. Ltd., London. The information presently available to Foreign Funds Control is summarized below. In addition, Taylor has been requested to supply information available to him in London.

S. Pearson & Son Ltd. was formed in 1897 to acquire the business of S. Pearson & Son, contractors for public works. In 1919 its business was transferred to S. Pearson & Son (Contracting Department) Ltd. and S. Pearson & Son Ltd. continued to operate as a holding company. It is capitalized £ 1,501,000.

The directors of S. Pearson & Son Ltd. were, as of recent date:

- *Hon. Clive Pearson, Chairman
- J. H. MacDonald, Vice-Chairman
- Lady Denman
- *Lord Kindersley
- *Viscount Cowdray
- John Tanner
- J. L. Walsh
- Horace Davey .

Those designated by an asterisk are also members of the Board of Lazard Bros. & Co. Ltd.

Hon. Clive Pearson is also Chairman of the British Overseas Airways Corporation and a director of Southern Railway. He is an uncle and heir presumptive of Viscount Cowdray.

As recently as 1943, Viscount Cowdray was Parliamentary Private Secretary to the Under-Secretary of State for Air.

Lord Robert M. Kindersley, who is Chairman of the Board and a managing director of Lazard Bros. & Co. Ltd., is also

- 2 -

a director of the Bank of England and of the Mercantile Investment and General Trust Co. He was a member of the Bankers Committee on German Finance in 1922 and senior British representative of the Dawes Committee in 1924.

Joseph J. Kane

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

251
DIVISION OF
COMMUNICATIONS
AND RECORDS

Mr. White

RECT-289

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

Rio de Janeiro

Dated May 29, 1944

Rec'd 7:15 p.m.

Secretary of State,

Washington.

1949, May 29, 4 p.m.

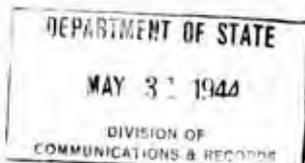
FOR THE SECRETARY OF THE TREASURY.

The Minister of Finance will probably designate Bulhoes (Department's telegram 1644, May 27, 10 p.m.).

The Minister hopes to attend the conference beginning July 1.

CAFFERY

WTD
EJH



MEMORANDUM FOR THOMAS D. BLAKE, ASSISTANT TO MR. EARLY

Reference is made to your memorandum of May 24, enclosing a letter addressed to the President by The Theater Of All Nations.

I suggest that Mr. Early may wish to reply along the following lines:

"Receipt is acknowledged of your letter of May 17, 1944, concerning a concert which you have dedicated to 'Free Ports for Refugee'.

"Irrespective of the merits of the cause which you are supporting, the use of the President's name as an honorary sponsor would be contrary to his fixed policy never to permit his name to be used under such circumstances."

In accordance with your request, the incoming letter is returned herewith.

J. W. Pehle
Executive Director.

Attachment

JED:ecr
5/29/44

C
O
P
YTHE WHITE HOUSE
WASHINGTON

May 24, 1944

MEMORANDUM TO HONORABLE JOHN W. PEHLE, EXECUTIVE DIRECTOR
OF THE WAR REFUGEE BOARD, WASHINGTON, D. C.

I would appreciate it if you would draw up a reply for Mr. Early's signature on the attached letter, always keeping in mind that the President never lends his name as an honorary sponsor, etc.

Please return the original letter when you are through with it.

/s/ T. D. Blake

THOMAS D. BLAKE
Assistant to MR. EARLY

THE THEATER OF ALL NATIONS
for the Drama of all Peoples

36 East 67th Street
New York 21, N. Y.

May 17th, 1944

Mr. Franklin Delano Roosevelt
The White House
Washington, D. C.

Dear Sir:

The THEATER OF ALL NATIONS is presenting a concert dedicated to "Free Ports For Refugees" at Town Hall, on Saturday, June 10th. In addition to the undersigned, Alexander Kipnis, Zinka Milanov, Canada Lee, Regina Reznick, Oskar Karlweiss and other artists of all nations will appear on this program.

"Free Ports For Refugees", originally proposed by Samuel Grafton of the New York "Post", offers the only constructive and realistic solution to the rescue-problem of countless victims, now under the oppression of Hitler's Europe.

The THEATER OF ALL NATIONS feels that the "Free Ports" proposal deserves immediate and energetic support. As you have always been interested and active in the improvement of world conditions, you are invited to become an honorary sponsor of the "Free Ports For Refugees" concert. This implies no other obligation than the use of your name as evidence of your public approval of this particular proposal. Your prestige will help the THEATER OF ALL NATIONS to gain even greater support for this urgently needed project.

We would be greatly honored if you will give us a favorable answer.

Sincerely yours,

/s/ Sam Jaffe

Sam Jaffe

Sincerely yours,

/s/ Zlatko Balokovic

Zlatko Balokovic

CABLE TO ALGIERS

Please deliver the following messages to Dr. Joseph Schwartz,
c/o American Legation, Algiers:

From Moses A. Leavitt of the American Jewish Joint
Distribution Committee:

QUOTE Assume you arranging meet Malin Casablanca
about June first. Suggest if possible Pearlman also be
there for full discussion problems and program southern
Italy Stop Malin will discuss with you Pearlman's
relationship to Intergovernmental Committee Stop
In connection children rescue program from France
War Refugee Board planning send Assistant Executive
Director James Mann to Lisbon next week for approximately
two weeks and imperative that you arrange your plans to
meet him preferably Lisbon after your conference with Malin
or if this not feasible await Mann's arrival Algiers
Stop We engaged Arthur Greenleigh for Cairo or other
post you may designate Stop Emanuel Rosen presently not
available UNQUOTE

From John W. Pehle, Executive Director War Refugee
Board:

QUOTE Most important that you arrange to meet Mann
while he is in Lisbon. If this is impossible please cable
Embassy giving your itinerary in order that he may
subsequently meet you in Algiers or Casablanca UNQUOTE

THIS IS WRB ALGIERS CABLE NO. 14.

May 29, 1944
10:00 a.m.

Please deliver the following messages to Dr. Joseph
Schwartz, c/o American Legation, Algiers with instructions to
forward cable if he should not be there.

JHMann:db 5/25/44

CABLE TO CASABLANCA

Please deliver the following messages to Dr. Joseph Schwartz

From Moses A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE Assume you arranging meet Malin Casablanca about June first. Suggest if possible Pearlman also be there for full discussion problems and program southern Italy Stop Malin will discuss with you Pearlman's relationship to Intergovernmental Committee Stop In connection children rescue program from France War Refugee Board planning send Assistant Executive Director James Mann to Lisbon next week for approximately two weeks and imperative that you arrange your plans to meet him preferably Lisbon after your conferences Malin or if this not feasible await Mann's arrival Algiers Stop We engaged Arthur Greenleigh for Cairo or other post you may designate Stop Emanuel Rosen presently not available UNQUOTE

From John W. Pehle, Executive Director War Refugee Board:

QUOTE Most important that you arrange to meet Mann while he is in Lisbon. If this is impossible please cable Embassy giving your itinerary in order that he may subsequently meet you in Algiers or Casablanca UNQUOTE

May 29, 1944
10:00 a.m.

Please deliver the following messages to Dr. Joseph Schwartz, c/o American Legation, Algiers with instructions to forward cable if he should not be there.

JHMann:db 5/25/44

AIRGRAM TO AMBASSADOR BRADEN, HABANA, CUBA

Reference is made to your A-1071 of May 19. It is not (repeat not) clear therefrom whether Cuban Embassy in Madrid is making representations concerning return of deportees to Vittel only or concerning entire matter raised in Department's A-738 of May 3, circular airgram of May 11, 7:30 p.m. and ____ of _____. Please advise.

If latter not (repeat not) yet achieved, please a continue your efforts in this direction.

For your information and guidance, London Embassy informs Department that British Minister at Habana QUOTE has been instructed to assure the Government of Cuba that the recognition of Cuban passports issued to Jewish persons in countries under enemy control is welcomed by His Majesty's Government and latter appreciates the Cuban Government's reply to the Vatican regarding this matter. UNQUOTE

May 29, 1944
2:05 p.m.

Bakwin:jy 5/26/44

CABLE TO AMBASSADOR NORMAN FOR DEXTER FROM PHILE

James H. Mann, Assistant Executive Director of the War Refugee Board, is leaving within the next day or so for Lisbon by clipper. Mann's mission is to attempt to settle dispute between WJC and JDC. He has full authority from me. I am counting upon you to advise Weismann and Schwartz, to obtain their full cooperation in bringing about a settlement of this matter, and to have both available for conversations with Mann and yourself shortly after his arrival. Please notify me when Mann has arrived.

THIS IS WEB LISBON CABLE NO. 30.

May 29, 1944

9PM a.m.

JEMann:db/jp 5/26/44

ORIGINAL TEXT OF
TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Lisbon
DATED: May 29, 1944
NUMBER: 1524

SECRET

TO AMBASSADOR NORWEB FOR DEXTER FROM PEHLE

James H. Mann, Assistant Executive Director of the War Refugee Board, is leaving within the next day or so for Lisbon by clipper. Mann's mission is to attempt to settle dispute between WJC and JDC. He has full authority from me. I am counting upon you to advise Weismann and Schwartz, to obtain their full cooperation in bringing about a settlement of this matter, and to have both available for conversations with Mann and yourself shortly after his arrival. Please notify me when Mann has arrived.

THIS IS WRB LISBON CABLE NO. 30

HULL

Miss Chauncey (for the Sec'y), Abrahamson, Aksin, Bernstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Luxford, Mann, Mannon, Marks, McCormack, Sargoy, Smith, Standish, Stewart, Weinstein, H.D.White, Pehle, Files.

TELEGRAM SENT

May 29, 1944

5 p.m.

War Refugee Board

Distribution of true reading
only by special arrangement. (SECRET W)

AMLEGATION

LISBON

1525

The following from Pehle is WRB cable no. 32 and is for Dexter.

Arrangements your salary payments, mentioned your May 13 letter to Stewart, being handled Lisbon. Modification these arrangements at this time providing payment partly Washington and partly Lisbon would be very difficult and cumbersome. Suggest under circumstances acceptance full salary payment Lisbon as originally planned and that such funds as you see fit be transferred your bank Cambridge by mail or otherwise. Sorry alternative you propose not deemed presently practical.

HULL
(GLW)

WRB:MMV:KG
5/25/44

WE

FA A-S/3 S/CR

LC - 419

Plain

Lisben

Dated May 29, 1944

Rec'd 1:39 a.m., 30th

Secretary of State,

Washington

1643, May 29, 6 p.m.

FOR LEAVITT JOINT DISTRIBUTION COMMITTEE NEW
YORK CITY F ROM PILPEL

"11. Your May 23 forwarded to Joseph Scharz
Algiers May 24 and Resnik advised prevent publicity
interaddress parcels services. Schwartz Itääy May
27 Perlman week later. Cabled through beard May 27.
Perlman week later. Cabled through beard May 17
Greenleigh if available might be assigned Cairo."

NORWEB

WEB 57.
EDA-REC

FME - 402

PLAIN

Lisbwa

Dated May 29, 1944

Rec'd 11:45 p.m.

Secretary of State,

Washington

1644, twenty-ninth, six p.m.

FOR EDWARD GAHILL, 25 BRACON STREET, BOSTON FROM
ELISABETH DEXTER WEB 58.

"USC 287. Replying letter 122, hope my cable 284 clarifies situation regarding transportation funds. Robert Dexter says he made nothing more than tentative rough guess in conversation last March and needs have since increased. His cable of April 6, quoted in my 284, only one from this office with current estimate. Evidently some misunderstanding, possibly his cable garbled in transmission or not clear that "needed to meet present commitments 3000 escudes" meant "3000 escudes additional to existing balance 372000 escudes" full.

Writing you about important new demand for transportation funds. If international rescue committee unable or unwilling furnish funds urge you apply war fund for other allocation. If necessary consult War Refugee Board. Care of refugees hamstrung unless adequate funds transportation available.

Mailed Shaba Strunsky, April 21, full financial statement for six months preceding April 6, also details all people aided. Will send monthly statement hereafter with copy to you also copies of cables."

HOFWEB

HFC HFD

COPY

263

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington .
DATED: May 29, 1944
NUMBER: 3421



SECRET

Reference is made herewith to my cable dated May 23, No. 3275.

I have been informed by an authentic source that when the German Legation at Bucharest was asked by the Rumanians to grant safe-conduct for the Turkish steamer TARI, they told the Rumanians that the German authorities would not be opposed to emigration of TARI from Rumania provided that such emigration was not directed toward the countries with Arabian interests including Palestine. The source explains that Germans consider Arabs their friends and have no intention of aiding Jewish immigration viewed with disfavor by the Arabs.

Although foregoing is not conclusive that Germans would permit emigration of Jews from Rumania to non-Arabian countries, there might be such a possibility and War Refugee Board may want to further explore the matter.

HARRISON

CABLE TO ANKARA

Please deliver following message to Ambassador Steinhardt, Ankara, from J. W. Pehle, War Refugee Board.

Departure of Herbert Katski being delayed because of failure of Turkish Legation here to issue visa. Would appreciate any expediting possible from Ankara.

THIS IS WR B ANKARA CABLE NO. 45

May 29, 1944
11:05 a.m.

WStewart; pdk 5/27/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: May 29, 1944
NUMBER: 977

SECRET

Following is Ankara No. 64 from the Ambassador for the War Refugee Board.

Reference is made herewith to Department's cable of May 25, No. 468.

It is pointed out by the Turkish authorities that at the present time Hungarian-Turkish relations are vitually nonexistent due to the strain resulting from (A) the position which the Turkish Government has taken in materially reducing the shipment of strategic materials to Hungary at the request of the British and American Governments and (B) the Hungarian Governments refusal to allow former Prime Minister Kallay who has taken refuge in the Turkish Legation in Budapest to leave for Turkey as the government of Turkey has requested.

The Turkish Government, in view of the foregoing, does not feel that it is in a position to request the Hungarian Government for permission to increase the number of Turkish diplomatic and consular personnel in Hungary. The Turkish authorities, furthermore, are convinced that any such request would be refused especially as the German Government would have to approve it, which in the present state of German-Turkish relations would not allow at the present time an increase of Turkish diplomatic and consular officers in Hungary.

STEINHARDT

SECRETOPTEL No. 171

Information received up to 10 a.m., 29th May, 1944.

1. NAVAL

On 26th/27th Coastal forces attacked a north bound convoy north of ELBA causing damage by gun fire. 2 MTB's were damaged. At ANZIO 27th a French Cruiser and U.S. Destroyers bombarded ARDEA area

2. MILITARY

ITALY. The advance continues. New Zealanders have occupied ANTINA. Indian and Canadian troops consolidated ground support gained and U.S. troops have reached the outskirts of VELLETRI.

BURMA. South of IMPHAL our troops have made further progress towards destroying Japanese cut off by our outflanking movement which had cut the road behind them. Meanwhile Japanese are making vigorous efforts by a similar outflanking movement to cut the road in rear of our positions further north. An attack has started to drive the Japanese southwards from KOHIMA. Chinese are now within 5 miles of KAMAING.

3. AIR OPERATIONS

WESTERN FRONT. 27th. Further reports state that aircraft of the A.E.A.F. dropped 870 tons on road and rail communications in the PARIS-ROUEN-AMIENS area and 150 tons on coastal batteries and military constructions. Typhoons fired 505 rockets in attacks on 8 R.D.F. installations in FRANCE and one in GUERNSEY. 7 aircraft missing. 27th/28th. Encampment near ANTWERP: 1,203 tons H.E. dropped. Cloudless, some haze, markers considered accurate and very good concentration achieved thereon. One particularly large explosion. German fighters active, two claimed destroyed.

AACHEN. 905 tons H.E., clear visibility, good bombing concentration. Large fire area developed near aiming point. One German fighter claimed destroyed.

NANTES. 240 tons H.E., clear, good visibility, bombing on accurate markers until hidden by smoke when those who had not bombed brought bombs back.

RENNES airfield - 290 tons H.E., no clouds, good visibility, early markers well placed and a number of crews bombed on these until hidden by smoke. Target then re-marked by master bomber. Good concentration reported and exploding tracer ammunition seen.

28th. 5,158 offensive and escort sorties flown including 968 by U.S. heavy bombers. 31 bombers, 12 fighters missing which attacked 5 synthetic oil plants in GERMANY - 815 tons, dropped 95 tons on COLOGNE railway centre, 205 tons on tank depot near MAGDEBURG and 570 tons on other objectives. Excellent results at MAGDEBURG, elsewhere mainly good where seen. German casualties reported in the air 89, 31, 16 and 5, 0, 7 on the ground. Nearly 2,500 medium and fighter bombers and escorting fighters of A.E.A.F. operated against following objectives FRANCE and BELGIUM - railway communications 764 tons; R.D.F. installations 190 tons and 264 rockets; military objectives 100 tons. 3 German aircraft reported destroyed in the air and 4 on the ground. Our losses - 9 missing (tonnages given are incomplete). 28th/29th. Aircraft despatched: ANGERS Railway centre 126 (1 missing). Three coastal batteries 190, LUDWIGSHAFEN 30 Mosquitoes, other operations 6: 1 missing. German activity in two phases of 12 and 35 aircraft respectively SUSSEX, DORSET and DEVON areas. Later 6 intruders came over EAST ANGLIA. One ME 410 destroyed by night fighters. Residential and commercial damage TORQUAY where 5 killed and 19 missing so far reported.

ITALY. 27th. 293 Mitchells attacked railway bridges and viaducts. Exceptionally good results claimed at ORVIETO, AREZZO and MASSA. 32 Thunderbolts destroyed 3 bridges north of ROME. A further 1100 offensive sorties flown against communications and in ground support, 170 motor vehicles destroyed or damaged, 10 aircraft missing. Rocket firing aircraft sank a 2,000 ton ship off the Dalmatian Coast. 28th. Escorted Liberators bombed GENOA Harbour, 150 tons and VERCELLI - 80 tons