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June 3, 1944  
9:40 a.m.

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HMJr: Sam.

Sam  
Rayburn: Yeah.

HMJr: Henry talking.

R: Yeah.

HMJr: Sam, at your convenience, Dean Acheson and I would like to talk to you about who we might appoint as a delegate from the House -- two delegates ....

R: Yeah.

HMJr: .... for this Monetary Conference.

R: Yeah. Well, I'll be in the office all afternoon, Henry.

HMJr: You will?

R: Yeah.

HMJr: All afternoon?

R: Yeah, up until four or five o'clock.

HMJr: What's that?

R: I'll be there until four or four-thirty anyhow.

HMJr: Well, should I say four-thirty?

R: How's that?

HMJr: Can we come up there at four-thirty?

R: You bet.

HMJr: Well, we ....

R: Yes, sir.

HMJr: Well, we'll come up there. Is that too late?

R: No. That's all right.

HMJr: Well, Acheson and I will come up there at four-thirty this afternoon.

R: Fine.

HMJr: I thank you.

June 3, 1944  
9:40 a.m.

CHINA

Present: Mr. Lipsman  
Mr. Bernstein  
Mrs. Klotz

H.M.JR: The President sent me this. I wondered, is this the same memorandum that the Chinese Ambassador left me? Take a look. (Refers to attached Aide Memoire)

MR. BERNSTEIN: It is the same one.

H.M.JR: All right. Then that helps matters.

MR. BERNSTEIN: Do you want these documents in front of you, Mr. Secretary? (Refers to attached letter from H. H. Kung to the Secretary, dated May 5, 1944)

H.M.JR: This is another letter which must be answered.

MR. BERNSTEIN: Is that the one just brought by Soong?

H.M.JR: Yes, handed me by T. L. Soong.

Let me just give a brief, you see, of what I think we ought to do.

"My dear Mr. President:

"I beg to acknowledge receipt of your memorandum of June 1, enclosing a memorandum from the Chinese Ambassador. The Chinese Ambassador gave me an identical copy of this aide memoire.

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"I also have from you, Mr. Stimson's letter of May 26, which you sent me on May 29.

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

June 3, 1944,  
9:43 a.m.

HMJr: Good morning.

Dean  
Acheson: Good morning.

HMJr: I finally got hold of Speaker Rayburn.

A: Yes.

HMJr: And he said that we could come up to see him this afternoon at four-thirty. Is that going to be all right for you?

A: Yes.

HMJr: What?

A: Yes, sir.

HMJr: It is?

A: Yeah.

HMJr: Well, I'm going to go there directly from the house, so if you don't mind, I'll meet you at the Speaker's office in the Capitol.

A: All right.

HMJr: Is that all right?

A: Yes. That's fine.

HMJr: Now, Harry isn't here so you and I will just do it and you've got the list of the people we're thinking about in the House.

A: I'll bring the list.

HMJr: And, you know, Barkley said he would be back Monday and let us know.

A: Yes.

HMJr: But I thought -- I didn't want to leave everything until the last minute.

A: Yes. Now, Henry.

HMJr: Yes.

A: I would like to talk with you about this damned troop pay.

HMJr: Well.

A: And see if we could get it cleaned up before the conference.

HMJr: Right.

A: It's harrassing me and I think it will be a trouble in the conference.

HMJr: Well, now, let me just look at my calendar and we can give you an appointment which is agreeable to you. Just a moment. Would three o'clock Monday be all right?

A: Three o'clock Monday would be fine.

HMJr: Now, that's in connection with these lowland countries?

A: Right.

HMJr: Right?

A: Yes, sir.

HMJr: Three o'clock. Now, one thing which you don't have to answer, I saw on the ticker last night that Mr. Hull is going away for a nine-weeks vacation.

A: Oh, no, no, no.

HMJr: That's what the ticker said.

A: Nine -- oh, no, he's going away for a few days.

HMJr: Well, that's funny. United Press said he's going up to Hershey, Pennsylvania for a nine-weeks vacation.

A: Oh, no, that's entirely wrong.

HMJr: That's erroneous?

A: Oh, yes, entirely so.

HMJr: Well, is he going away now?

A: I think he has probably gone.

HMJr: Oh.

A: And he was going to go over the week-end and for a few days more.

HMJr: Because I wrote him a letter saying that the President asked me to see him again on the Argentine and I had no reply from him.

A: Do you want me to look into that letter?

HMJr: Would you?

A: Yes.

HMJr: Would you, please?

A: Yeah. Now, I spoke to Joe O'Connell about a matter that we've been talking with Harry. He's going to talk with you this morning.

HMJr: That's right. And they said to please not to discuss it until they primed me.

A: I told Joe that I would not mention it so I will not prejudice his case, but this is somewhat an urgent thing and ....

HMJr: Well ....

A: I don't think there's any trouble about it. I think Joe agrees.

HMJr: Well, I'm seeing them at a quarter of eleven.

A: Yeah.

HMJr: And I'll be primed and then maybe you and I can talk about it on the way back from the Speaker's. How's that?

A: All right. Fine.

HMJr: Is that fair enough?

A: Yes.

HMJr: Anything else on your mind?

A: No.

HMJr: But you ....

A: That's the whole works.

HMJr: Right. But you will look up this letter of mine to Mr. Hull on the Argentine? It must be a week old, anyway.

A: Yes. I'll see who has it and what they're doing about it and all about it.

HMJr: I thank you.

A: Fine.

HMJr: Bye.

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(To reporter: Put at bottom that we will return these things to him)

Then I want to go on from there and say, "You see, it is our belief," and so on and so forth. Now, may I just make this suggestion to you people along these lines and you can make notes. It seems to me that what we should tell the President, if you agree, is that when he received - I am going to try to do this on one page - this letter from Madame Chiang sometime along in February - and I would pull out that sentence - the one where she more or less threatened to quit, do you see? You have all this stuff. If you haven't you can get it from Mrs. Klotz - and at that time, after consulting with the Army, they told me I could get as rough as I wanted to with the Chinese, because they felt that from a military standpoint we were not dependent upon the Chinese for a successful warfare in the Pacific.

The President then sent Madame Chiang a letter which I am enclosing herewith, which will be Exhibit "1".

"After having taken that firm position" - this ought to come on the political side - "I subsequently got a second letter from Madame Chiang which was very conciliatory" - do you see? "So I feel that the position we took opposite the Chinese on the political side proved to be successful."

Then on the military side - extract from the last paragraph of all the fifteen pages - "The War Department says that things are going along well, which we are convinced is right."

"During this period" - I would say from whenever this heavy construction started - I don't know whether it was October, or when it was - this heavy construction or airfields - "During this period we have spent in China many millions of dollars, United States dollars, or the equivalent of so many yuan. This program, according to General Somervell" - he ought to confer on this letter and I don't want to go too long- I will ask him who can work

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with you on this thing--"will be completed on or about the first of June. And General Somervell said that as soon as his construction program is completed, he is going to ask that the Army can turn back the handling of this monetary situation to us. He told me this only yesterday." You can read these notes, do you see?

"During this period I had this letter from Dr. Kung which came in just about, oh, a couple of months ago, saying things were much better. And to show you Mr. President, we did get up to a high, whatever it was, three or four hundred, I don't know what the high peak was, of yuan to a dollar and now for the moment it has settled down to around a hundred and eighty. Only as of Thursday, or whenever it was, T. L. Soong, who has just returned from China, came in to see me and give me a letter from Dr. Kung, and T. L. Soong said that the exchange situation has greatly improved, that thanks to their selling about, I think he said, a thousand to fifteen hundred ounces of gold a day, that it has greatly helped the situation, that this gold is being bought by farmers who in turn will release their rice for gold, so that rice is coming into the markets and that T. L. Soong feels that the situation has greatly improved. He said, of course, in the final analysis, the only thing which will cure their inflation problems is merchandise.

"So summing up, Mr. President, taking the word of the United States Army who are on the ground, Treasury representatives who are on the ground, messages from Kung and more recently, T. L. Soong, I feel the Army and the Treasury almost accomplished the impossible, that they have built these gigantic fields, that in a province where the governor", or whatever the name of the province is--

MR. LIPSMAN: Szechwan Province.

H.M.JR: Where the governor is more or less independent of General Chiang Kai-shek. Right?

MR. LIPSMAN: Yes, sir.

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H.M.JR: "In the face of great corruption, a not too stable Government, a people who have--now it is all this-- who have fought the Japanese for seven years under the most trying conditions, privations, and so on and so forth, I feel that the Chinese people have done extremely well in cooperating with us, in giving these hundreds of thousands of people"--find out in one case where it took three or four hundred thousand people to build one airfield. "So I feel that you as Commander-in-Chief have every reason to feel that you have passed a very serious crisis in China, very serious military crisis in China"--I don't want to say economic, because it may get worse--"and we are now at a situation where the only thing that can help China get better--I mean, we have used all kinds of monetary devices to hold the situation until the Army got what they needed, and now we are at a point where the only thing from now on that we can help them is pending the time when merchandise can actually move from China. But, as you know, for the time being, General Chennault"--and you can get these figures--"needs some thousand tons, you need so many thousand tons to maintain the Army and so many tons going in by air for the Chinese Army over the Hump, and x tons for civilians.

"So there isn't much to look forward to in the way of being able to transport any goods in for the civilians-- I don't know, but I believe the military demands are still not satisfied and they will increase." That can all be checked, "and therefore the Chinese people will have to continue to be patient, to show this marvelous patience which they have during the past years until either a sea port or the Burma Road can be restored and goods can flow in through one channel or the other."

Now, that is an outline. How does that strike you?  
Talk up.

MR. BERNSTEIN: It sounds very good.

MR. LIPSMAN: I do think it was very cogent and very clear.

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H.M.JR: Does that sum up the situation?

MR. LIPSMAN: Very well.

MR. BERNSTEIN: It is the only thing that can be done, and it is better to tell the President that now, in the last paragraph of the letter.

H.M.JR: The only thing that will what?

MR. BERNSTEIN: The only thing that will be the final solution is to open the Burma Road.

H.M.JR: I said that the situation of inflation may get worse, but right now, for the moment, it is being checked. But as I say, so much has to go in for Chenault--T. L. said this: "So much for the American Army; so much for the Chinese Army; and what is left, the total of tonnage, is civilian," which is nil. And I believe the Army will need more.

I think if we could give them a little chart of the fluctuations, by month if you have it, of the Chinese yuan. Now, T. L. comes in and says, "It is wonderful, we sell a thousand or fifteen hundred dollars' worth of gold a day, and the rice is coming out."

Then he said something - "We don't always give them gold; sometimes we give them a certificate which is good as gold." I don't know what he means.

MR. BERNSTEIN: A certificate for the future delivery of gold - something they are using in South America, now, too.

H.M.JR: And I think - there are evidently two schools of thought in China; one is political, and the other one which evidently stems from Madame and General Chiang Kai-shek and the Foreign Office. The other one comes out of Dr. K'ung and our own military. The two people don't agree - and our own Embassy.

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MR. BERNSTEIN: Yes, I think they are in agreement with us, in general.

H.M.JR: So we can put them in with us, do you see?

I would like to end up and say, "I want to congratulate you, Mr. President. We have passed this very difficult situation, and you have got the airfield."

I think it is one of the most magnificent stories; I think he should boast about it. I try to tell him that.

They held a pistol to his head--this woman-- a five hundred million dollar loan, and we called her bluff and won. I think you could say that--we called her bluff and she backed down. You have to give me a flowery thing.

MR. BERNSTEIN: Do you want this this morning, Mr. Secretary?

H.M.JR: If I get it Monday, I will be lucky; if I get it Tuesday, I won't cry. If I have it Tuesday, it would be very nice.

We will see.

(The Secretary holds a telephone conversation with General Somervell, as follows:)

June 3, 1944  
10:00 a.m.

General  
Somervell: This is Somervell, sir.

HMJr: How are you?

S: Oh, I'm still here.

HMJr: Same here. (Laughs)

S: (Laughs)

HMJr: General, the Chinese thing is up again.

S: Oh, my God!

HMJr: And, you see, I have not only the memorandum which went from you to Stimson to the President but an aide memoire which a General Shang Chen gave the President.

S: Yeah.

HMJr: Now, I'm trying to answer this. I'm giving a rough draft.

S: Yes.

HMJr: And I'm giving you fellows a great send-off and telling the President he ought to be very proud of what's happened over there.

S: Well ....

HMJr: But who can work with my boys so we're sure that what I'm saying is correct?

S: Carter and Clay.

HMJr: Carter and Clay?

S: That's right.

HMJr: Now, White's away but E. M. Bernstein is here.

S: Yes.

HMJr: Now, would you tell General Clay he'll get a call from E. M. Bernstein?

S: I will.

HMJr: And that ....

S: I'll tell him to work with him on the memo.

HMJr: And I'd like to have it by Monday night if possible.

S: I think it will be entirely possible.

HMJr: Do you know this General Shang ....

S: I know him, yes.

HMJr: Is he good?

S: Yes, he's the straightest shooter of the bunch that I've met.

HMJr: I see.

S: He's the fellow that pulled our chestnuts out of the fire over there at Chungking and was a pretty helpful individual.

HMJr: Thank you. Well, if you'll just give General Clay a word, he'll get a message from E. M. Bernstein.

S: All right.

HMJr: Thank you.

S: Thank you, sir.

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H.M.JR: He said Clay and Carter, but Carter doesn't know a damned thing about this. Right?

MR. BERNSTEIN: Yes, sir.

H.M.JR: (To reporter) Have them contact Clay and give him a copy of this top memorandum. (Refers to memorandum from the President, attached)

MR. BERNSTEIN: I will call Clay as soon as I have a rough draft.

H.M.JR: You had better call and make an appointment for him to see you this afternoon, do you see?

But let me do it once more. I want to get over to the President that we really ought to start in Cairo. In Cairo the President had conversations with the Chiangs and they asked him for the loan. He said he would think it over. Then she writes a letter and holds a pistol to his head. The Army should tell the woman where she should go - jump - in the Yangtze - she backs down; then they come through with another letter, much more quiet. Then in the meantime, in the background, what is going on - here is the Army with this enormous construction program up in some province. During this period we spend this stuff. They take the airfield away from the farmers, don't pay them for the land, throw them out - the farmers lose the land and they still haven't paid them. I mean, it was under very difficult conditions.

Do you remember the story where the Governor's son collected three jeeps, or seven jeeps - do you remember?

MR. LIPSMAN: Yes.

H.M.JR: What is the town up there?

MR. LIPSMAN: Szechwan is the Province in which Chengtu is located. There was also construction going on in the Northeast section of Yunnan.

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H.M.JR: Come over here. (The Secretary and Mr. Lipsman consult map)

The big money has been spent at Szechwan; as I understand, the Governor of Szechwan is more or less independent.

MR. LIPSMAN: You are quite right.

H.M.JR: I think you will find that the bulk of the money has been spent up in Szechwan. Right?

MR. BERNSTEIN: I don't know, Mr. Secretary. I just marvel how you can remember so many details about China.

H.M.JR: Well, it interests me. Anyway, it is nice to fuss around and stump the experts.

But again, you date the thing from Cairo - how much money has been spent, dollars - then a little table showing what has happened to the foreign exchange - then when did they begin to do the gold.

Here are the two crowds, the political crowd pleading that they will quit fighting unless we give them a loan; we disregarded them. Then there is this other crowd - He says this general is a square-shooter. This general is over here now to try to pull the thing through. I'd like to meet him some time. Tell Clay. He says this is the fellow that pulled him through - all right, we might even use his name. Here are the other fellows who have gone out and helped build the field. And Kung, as far as I can tell, has played the game. We have supplied this money to them - I would bring that in - then towards the end, we have given them gold. They fed out this gold. And temporarily we have passed this crisis while we were building the field. Only yesterday, they say, the fields are finished. The Army wants to step out and turn back this thing to me.

Of course, the important thing is to point out to the President that in that second letter we said this should be between Generals - between General Stilwell and General Chiang Kai-shek.

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Now they say as soon as these fields are finished they want to turn them back to me and let me carry the ball. I didn't agree to it.

But tell that to the President. Try, if possible, in not more than two pages. Then say, "Mr. President, I want to congratulate you on your organization. It has been successful. We have done it with a minimum of injury to the Chinese people." Tell him about the tonnage each month - who it is going to, how much is for civilians. "My belief is that you will need more tonnage going in over the Hump. And, Mr. President, we have held the fort. I can't promise you how long we will hold it. We have been very fortunate with the cooperation. It may get worse any time. For the moment, we are holding it, and gold is going in and rice is coming out. But in the final analysis, until either the Burma Road is opened, or one of your ports, nobody can tell what can happen, and nobody can do much. But we have used all the monetary devices, all the tricks in the bag, and up to now, at this point, we have been successful. With close cooperation," I would say between State, Army, and Navy in the field - which is true--

MR. LIPSMAN: That is right.

MR. BERNSTEIN: The practical test of the success of the program is the fact that we have the airfields, and the monetary situation in China is nowhere near so bad as we had feared it might be.

H.M.JR: Yes, and I would say, if I correctly remember the figure, that it cost about half as much as they thought it would.

MR. LIPSMAN: Quite so.

H.M.JR: If I remember, they said it would cost so many dollars, and actually it has cost us half as much.

MR. LIPSMAN: The figures were considerably revised downward.

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H.M.JR: "I am pleased to inform you that it only cost us half as much, again due to close cooperation between the Army and the Treasury" - I think that last thing is very important - "It only cost half as much as we thought it would."

I know I am repeating myself, but "The Chinese people are wonderful"; we have done this thing and we ought to feel pleased. And I think we ought to end up with a letter from the President summing this up.

If they are finished, he might thank General Chiang Kai-shek for what has happened during the last six months. Say, "I want to thank you for your cooperation in the completion of these fields," and so forth and so on. I don't want to get into this Lend Lease in Reverse.

MR. BERNSTEIN: "We feel sure that the friendly relations between us will result in an amicable settlement of the remaining problems between the Two Treasuries."

H.M.JR: And then give him this letter to send to the General, and you might say, "My dear Mr. Generalissimo: We can look forward to making good use of these fields to the defeat of the enemy and the sinking of the Rising Sun." Get a little dramatic.

But I think if we give the President something to pat the Chinese on the back - "This has been a most difficult period; your people have been magnificent, and I want to thank you. I am pleased with the sacrifices that your people have made. Now that this very difficult period is over we can look towards a not-too-distant future victory."

That will be his answer. The President should answer it - from the President to the Generalissimo.

MR. BERNSTEIN: And you will send separately to Kung much the same answer?

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H.M.JR: I don't think it will be necessary. I can say, "My dear Dr. Kung: I know that the President has recently sent a memorandum to the Generalissimo in regard to this situation, which fully covers the present situation. With your good wishes - my father is well, my mother is well, my wife is well - I hope your wife is well"--

MR. BERNSTEIN: "...and well provided for, too."

MRS. KLOTZ: We hope!

H.M.JR: End up with an answer from the President on this aide memoire on the positive side.

MR. LIPSMAN: I would just like to mention that of course there are certain proposals in Dr. Kung's letter to you which, presumably, we should want to take up.

H.M.JR: Well, that will be taken care of. But let's take care of the present, first.

Now, let me tell you; I told somebody in the White House about how one letter the President sent to Madame Chiang - let's call her Meiling - she was out of town, so they gave the letter to Madame Kung.

"That is nothing," he said: "The President sent a message to the Generalissimo and he was asleep, so they gave it to his wife and she didn't like it. She held it for weeks before she delivered it." So now the orders are that when the President sends a letter, the man should stay there until the Generalissimo wakes up! That is, no one else should get it. It has to go by hand from this office right to the Generalissimo.

21  
Handed to Secy  
by J. L. Soong  
(June 11, 1944)

MINISTRY OF FINANCE  
National Government,  
China.

Chungking, May 5, 1944.

The Honorable Henry Morgenthau, Jr.,  
Secretary of the U.S. Treasury,  
Treasury Department,  
Washington, D.C., U.S.A.

Dear Mr. Secretary,

When Ambassador Wei left here for Washington last month I asked him to bring you a letter which I trust has safely reached your hands.

I now have pleasure in informing you that Mr. T. L. Soong is instructed by our Government to return to Washington to take part in the experts' conference on monetary questions sponsored by your Department. As Mr. Soong is known to you, I need not introduce him to you. However, if you can spare the time, I would like to have you see him because he has information on China's financial and economic conditions which may be useful to you and your Department.

I am interested in reading the press comments published in America and Britain on the Monetary Plan. Judging by these comments, I believe there are still many difficulties to overcome before the Plan can be put into operation. However, I wish to assure you of China's support and close cooperation with you. It is my hope that the Conference will be crowned with success.

Madame Kung joins me in sending you and Mrs. Morgenthau our best wishes. When you see your parents next, please remember us to them. We still recall the pleasant time we spent with them and hope that when the war is over, we shall have the pleasure of seeing all of you again.

Yours sincerely,

/s/ H. H. Kung

THE WHITE HOUSE  
WASHINGTON

June 1, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

This memorandum is from the Chinese Ambassador and was brought to me by General Shang Chen direct from Chungking. I think you might have a talk with the Chinese Ambassador in regard to the Chinese exchange situation. I do not think he feels it is much better.

F.D.R.

COPY

AIDE MEMOIRE

To meet the requirements of the United States Army in China the Chinese Government has advanced in toto the sum of eighteen billion yuan.

The United States Government has signified its intention of paying for its military expenditure in China which is greatly appreciated by the Chinese Government. As a basis of settlement of the funds advanced by the Chinese Government, United States Army representatives in China have made proposals at different times since February for the conversion rate to be fixed variously at; U.S. \$1 to 100 yuan, 200 yuan, 120 yuan, and 150 yuan. The Chinese Government, however, is unable to consider these proposals to alter the exchange rate of 20 yuan to one U.S. dollar, because the lowering of the exchange rate under the present circumstances would further undermine confidence in Chinese currency, as well as stimulate the **rise** in commodity prices.

The Chinese Government, therefore, suggests the following solutions:

- (a.) The agreement for Reverse Lend-Lease as .....  
proposed by the United States and agreed to  
by China shall be signed and implemented as  
soon as possible.
- (b.) China undertakes to pay for land needed for  
the construction of air fields.
- (c.) China

- 2 -

- (c.) China undertakes to pay for the food and lodging of the United States Army in China, such payments to be credited under Reverse Lend-Lease.
- (d.) For United States Army expenses other than those covered in (b) and (c) above, the Chinese Government offers the following alternative solutions:-

- 1.) China shall contribute twenty yuan as Reverse Lend-Lease, in addition to twenty yuan exchanged at official rate for every United States dollar credited to China. China is further prepared to raise such Reverse Lend-Lease contribution to forty yuan for each United States dollar placed to her credit.
- 2.) Alternatively, if the above arrangement (d.1.) is considered not satisfactory, the Chinese Government shall be prepared to permit the United States authorities in China to sell in open market United States currency notes, United States Government bonds, gold, and commodities for the purpose of

securing

- 3 -

securing Chinese currency needed to meet United States Army expenditure.

The Chinese Government also believes that the most effective measure of controlling inflation in China is increased importation of commodities for daily use, especially if such importation is combined with the arrangements under (d. - 1 or 2)

It is to be observed that for every yuan issued, the Chinese Government and banks assume the obligation of its redemption according to law. In comparing China's present foreign exchange accumulation to the amount of yuan issued China's exchange reserve is infinitesimal and far below her minimum requirements, not to mention China's post-war needs for rehabilitation and reconstruction, and her monetary stability which especially needs assistance. Hence any appreciable increase in China's foreign exchange and reserve would greatly mitigate her difficulties and be of vital importance to development of American trade with China.

June 3, 1944  
10:30 a.m.

PURCHASE AGREEMENT WITH BRITISH GOVERNMENT

Present: Mr. O'Connell  
Mr. McConnell  
Mrs. Klotz

H.M.JR: I had a talk with Dean Acheson this morning on another matter. He said, "I am not allowed to talk to you, but as soon as that can be cleared, I will appreciate it. I promised Joe O'Connell not to bring it up." That is all he said.

MR. O'CONNELL: He really didn't promise but I told him we were hoping to talk with you and give you information about this thing before he did. That was very decent of him not to prejudice our case.

H.M.JR: What is the case?

MR. McCONNELL: The British have prepared a draft, the British Embassy people, I guess, have a memorandum which they propose to submit to London to be presented to the State Department as to the position of the British Government in supplying funds for the relief of the liberated areas during the military period.

This is the draft which State brought to us for comment and approval.

(Hands Secretary attached draft)

H.M.JR: CCAC. What the heck is that?

MR. O'CONNELL: Civil Affairs Group in London.

H.M.JR: Will Taylor is on?

MR. O'CONNELL: That's right.

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H.M.JR: What is the matter with this?

MR. McCONNELL: Now, there are supplies ear-marked for about ninety days requirements. It is necessary now to begin ordering beyond ninety days requirements. Without prejudice they propose that they adopt what is called Plan "A"; that is, the commitments of the underwriting, or the purchase commitment, would be made by the United States, fifty percent, and by Great Britain, fifty percent. Then, as soon as they can do it they will discuss the final settlement as to how that is divided.

As you know, in Italy, up to date, it has been about eighty to twenty. Now, furthermore, in Great Britain's percentage, there is an unknown amount of Lend Lease goods so that still further reduced their rabbit to a half a rabbit or something of that sort.

H.M.JR: Baby rabbit!

MR. McCONNELL: In that memorandum, sir, we pointed out to Mitchell--

H.M.JR: Who is he?

MR. McCONNELL: The State Department man who has charge of liberated areas over there. The first paragraph seemed to be entirely all right with the Treasury. The second paragraph was entirely all right, but the third paragraph, where they state that it is predicated upon relative financial strength of the two countries, immediately prejudices an unprejudiced position. In the second paragraph they say we will not be prejudiced, but in the third paragraph they say we want relative financial strength basis.

So the position of the Treasury is this, sir, which has been approved by everybody here.

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(Hands Secretary Memorandum of May 31, 1944, attached)

H.M.JR: Okay. I'll initial it now. That's all right. He might be impressed and he might not.

MR. O'CONNELL: Dean Acheson talked with me this morning about this, and he indicated that they would be perfectly willing to try to get the British to delete the third paragraph. Last night he was not willing to suggest to them that they delete it. He went on, though, after saying this morning that they would try to get the British to delete the paragraph, to say that he doubted whether they could do that, would acquiesce. He said if they do not, then he would suggest that in our reply to their cable, which is the one we are discussing, we would say that in the ultimate settlement, all relevant factors would of course be taken into account.

H.M.JR: This is McConnell's first experience. Dean Acheson will always take the British viewpoint, always, against his own Government, and Goddammit, excuse me, ladies, you might just as well stick, and I will stick with you till hell freezes. The third paragraph goes out and you might just as well cut his throat now, and then he will cable Churchill and Churchill will cable the President, and so on and so forth.

Let's lay this thing. It's not terribly important. It is the first time. He and Stettinius, both, and you might just as well get this thing. ...

MR. McCONNELL: Well now, I think there is a lot of importance to this, back of it anyway. Let me just give you our thinking on it if you have a minute.

Now this ratio the British are driving at is the ratio of UNNRA, eighty percent United States and twenty percent British. That is what they put in that relative financial strength which was the ratio of national income ending in June 1943.

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Now, if that is the major financial strength, the twenty percent that the British put up on that may be half. That is a guess. Therefore, only ten percent is really British account. We are taking a full-fledged partner into the distribution of relief for the liberated areas with only a ten percent commitment. And I told Joe this morning that my thinking is, I would rather see the United States do a hundred percent of it, because it will cost us less in the last analysis than do ninety percent and have to defer to the British.

H.M.JR: There is another thing which just gets me up to here. I am choked. In Italy we go in, eighty-twenty, but Churchill insists that it must be King Victor Emanuel the Fifth and it must be Badoglio, because it is an English sphere of influence. But who pays the bill? We do. Some day Congress is going to wake up and say, "We pay the bill but they say what should happen." Do you see? Now, I agree with you, it would be much better for us to pay for it all and say, "Okay, we are boss."

MR. McCONNELL: And it would cost less. I mean--

H.M.JR: I don't know. I just spent hours this morning on this Chinese thing. We just completely disregarded the British. We don't pay any attention to them. We have the most expensive construction program the Army has undertaken anywhere in the world. It has been finished on time and cost half what the Chinese told us. But completely General Stilwell and the United States Treasury. And every memorandum that has gone to the President was drafted completely here and the President has never changed a word.

And the result is, it is the biggest and most expensive program anywhere in the world, under General Somervell, and we end up practically on time at half the expense, but we completely disregarded the English in the area.

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This was something simply stupendous, and cost half as much, and if I would have fiddled around with the British, my God, we wouldn't have started to build these public works.

MR. McCONNELL: Well, that is a billion dollars.

H.M.JR: I know it. Take coal. We haven't settled that situation yet. I told you about it. Listen, put up a fight and I have initialed it. This is something that if we start, don't give in on. And Acheson, he will immediately go around and see Halifax and the whole business. We may get licked from Churchill to Roosevelt. That is the only way we get licked. And you might remind me Monday whether we might better let the President know of the Treasury's position. You might prepare a memorandum to the President, "This is Our Position", so that he has it, because I haven't done that enough. Then he gets a letter from Churchill and doesn't know where I stand. He only hears the State Department side.

MR. McCONNELL: You want to go beyond this memorandum of Procurement or--

H.M.JR: No, let's do the one thing. Don't let's be too obvious.

MR. McCONNELL: Go right on with the final settlement. Do you agree, sir, if we have to do ninety percent, we might as well do it all?

H.M.JR: Why did it take eight months to get anywhere at Anzio? Combined Chief of Staff, all this twaddle stuff. I tried to get an answer out of the Combined Chiefs of Staff two and a half months to get an answer. You will see. And when you are talking to Dean Acheson, you are talking to a more British than a Britisher.

MR. McCONNELL: Anglophile.

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H.M.JR: That's too nice a word. Incidentally, you were connected with a company in Cypress. We are looking for a place for some Jews and Yugoslav refugees. Do you know Cypress or run a company there?

MR. McCONNELL: I just ran a company there.

H.M.JR: You can't tell me of hotels and places?

MR. McCONNELL: Oh, yes.

H.M.JR: Tell it to John Pehle, will you? Any place to take in refugees?

MR. McCONNELL: Our whole camp is vacant. We have put up six thousand men there. They are not operating.

H.M.JR: I told the President you had a company there.

MR. McCONNELL: Pyrite, from which they get sulphur and iron and copper. We had six thousand men working in the plant.

H.M.JR: And it is empty?

MR. McCONNELL: They are not working. The Army may have occupied it, I don't know.

H.M.JR: We can fill it up. This will be the British Army. They can give you an English chit in payment. Where is this Cypress?

MR. McCONNELL: Bay Morphou.

H.M.JR: Somewhere off Greece?

MR. McCONNELL: In the far eastern part of the Mediterranean. Not far from Beirut, north and east of Cairo.

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H.M.JR: Nice place?

MR. McCONNELL: Very nice.

H.M.JR: Are you sure the camp is empty?

MR. McCONNELL: I will get all the data for you  
in a few minutes.

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

June 3, 1944  
10:55 a.m.

HMJr: Hello.

Operator: I have Mr. Luxford.

HMJr: All right.

Operator: Go ahead.

HMJr: Luxford.

Ansel  
Luxford: Good morning.

HMJr: Bob McConnell's in here and I knew he was connected with a company that mined pyrex or something -- pyrite -- I don't know. Anyway -- out of which comes sulphur eventually.

L: Yeah.

HMJr: But they've got a work camp there of six thousand -- held six thousand workmen -- the Island of Cyprus.

L: Yeah.

HMJr: And it's empty.

L: Isle of Cyprus.

HMJr: He's not sure but he's -- but he said it's -- he's going to find out. Beautiful climate like San Diego.

L: Well, that's wonderful.

HMJr: Bob McConnell.

L: Yeah.

HMJr: Take it away from him.

L: All right. We'll get it.

HMJr: (Laughs) Okay.

L: All right. Bye.

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MR. McCONNELL: Do you want to smile a minute? It's a good thing I went down with B. M. yesterday. He was broke when he went down to the station.

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June 2, 1944

Mr. Sidney A. Mitchell  
Chief  
Division of Liberated Areas  
Department of State  
Washington 25, D. C.

Dear Mr. Mitchell:

You have asked for comment on your memorandum of May 31, 1944:

The first paragraph seems entirely satisfactory, if our understanding of Plan A is correct.

The second paragraph is also satisfactory, but if you think it is desirable to add the words "on an equitable basis" after the words "ultimate financial settlement", there is no objection.

I feel, and Mr. White concurs, that paragraph 3 should be deleted because this paragraph, or the modification of this paragraph which you suggested yesterday over the telephone, does in effect prejudice the ultimate financial settlement. The matters which should be taken into consideration in the ultimate financial settlement do not properly belong in this memorandum unless we are now willing to prejudice that settlement.

Of course we both agree that discussions with the British looking toward final settlement should be undertaken promptly, and we will be pleased to discuss our views with you at your earliest convenience.

Yours very truly,

R. E. McConnell.

REM:ESD  
*RSC* *lca* *M.H.*

MEMORANDUM

May 31, 1944

The British Government are prepared, subject to the reservation contained in the following paragraph, to agree that initial procurement under Plan A should go forward on the following basis. That the United States shall bear initial procurement responsibility for purchases in the United States, that the United Kingdom shall bear initial procurement responsibility for purchases in the United Kingdom and the British Commonwealth excluding Canada, and that procurement responsibility for purchases in countries other than the United States and the British Commonwealth shall be divided equally between the United States and the United Kingdom.

This agreement is however subject to the reservation which has been accepted by the United States members of the CCAC that the arrangement outlined above shall in no way prejudice the ultimate financial settlement for the cost of relief during the military period which is a matter for negotiation between the two governments.

It is the view of the British Government that any such final settlement between the supplying countries must be on an equitable basis which will take into consideration among other things the relative financial strength of the countries concerned.

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It will be noted that in paragraph (1) the position of Canada has been specifically reserved. This will be treated separately and will be the subject of special negotiations between the three governments.

Sidney A. Mitchell

LA:SAM:MJC

*Original to Pchb. 6/5/44*June 3, 1944

Secretary Morgenthau

R. E. McConnell

The company village of the Cyprus Mines Corporation at Mavrovuni has for three years past been occupied by the British Army. The management has not been informed but thinks the British may have left in recent months.

This village accommodated about 1500 families. In addition, there are some White staff houses available, and an American Intelligence Unit has been occupying a number of the staff houses under a Captain Daniels.

I imagine that Army Intelligence could tell you promptly what accommodations there are in the company buildings there now.

REM:ESD

June 3, 1944  
10:55 a.m.

REPORT ON SURPLUS PROPERTY DISPOSAL

Present: Mr. Olrich  
Mr. C. S. Bell

H.M.JR: Good morning, how are you?

MR. OLRICH: Fine, thank you, Mr. Secretary.

H.M.JR: I haven't had a memorandum from you. All I have to do is have somebody from Chicago tell me you are alive. So I just wondered how things were going.

MR. OLRICH: So long as it is good tidings, why-- I am working, Mr. Secretary, I am in some trouble because I am trying to straighten out the inventory. We have had three days of very intensive sessions and I have come to the conclusion we are going to separate the inventory into the NYA properties, which were turned over to us a long time ago, the WPA properties, which were turned in a long while ago, and surplus commodities of the current stuff which we are selling.

H.M.JR: That makes sense. ....

MR. OLRICH: We can separate them on the cards. We will freeze the WPA and the NYA inventories, because most of the goods in those categories have been sold and it is just a question of documentation. The inventory this morning is up to thirty-five million. I don't think the inventory is right within twenty or twenty-five million dollars. I am making statements that have been made to me. I have been working nights.

H.M.JR: You are not getting mad about it, are you?

-2-

MR. OLRICH: No. If I get mad, then I won't do so well.

H.M.JR: But I gathered WPA and NYA spoils your picture.

MR. OLRICH: It does. As an illustration, we had an increase in the inventory of this two-week period of thirteen million six hundred thousand and I drew off the increases. An increase in special industrial machinery of eight hundred and three thousand dollars. Now an adjustment comes through, it is overstated by six hundred thousand dollars. So we are adjusting that figure down.

On the metal working machinery, we have an increase a million one hundred and forty-four thousand, and that is all adjusted downward, so there is no increase.

On the finished product of the metal working industry, the increase was two million two hundred and thirty-six thousand or the inventory went up from eighteen thousand to a quarter of a million dollars and now they have reduced that by eight hundred thousand dollars. That is within a three or four day period.

That is caused by documentation. In other words, when they sold this thing, all of these papers were dumped in. The inventory had been set up, but their inability to process the disposals have left large items on the inventory which will be disposed when these documents are put through. In the last two days I have smoked most of this out. It has been general conversation. This morning I said, "How can we get an inventory of what we have got to sell?" All right, we can put on the machine and have, by Wednesday, an inventory of the NYA stuff, most of which has been liquidated but will be removed from our inventory when the document is through. We will put a special crew in each office to document that stuff for other reasons which I will discuss next week. The WPA is the same way. Then we will have left goods which we have on hand and are

-3-

selling currently.

H.M.JR: Sounds like a business proposition to me.

MR. OLRICH: It should be, but it took a little while to get it out. I have had the inventory broken down by regions. In the Chicago region we have a pretty big inventory. We have an inventory of nine, ten or eleven million dollars. They estimate that they have a million dollars to sell. The rest is documents that will have to be processed. Now that man has been there since March and he is doing a yeoman job. I have talked to Mapes. We are going to give Mapes help. True, it is Procurement, but regardless, we will step in, because it is necessary.

H.M.JR: It is only a matter of a few days before you will have the whole thing.

After all, we have to wait until the Democrats get together in New Hampshire, if they can.

MR. OLRICH: If we don't get to go, the Republicans will!

H.M.JR: The trouble about John Sullivan, he says "the Republicans are all for me, but the Democrats aren't." That is his trouble.

MR. OLRICH: So that is why you haven't had any reports, because any report that I might have given you, I would simply have to say these are wholly unsatisfactory and it hasn't been lack of work. We have had inventories. I have been checking and rechecking. We have had a movement of goods. You will get a report today, though, on receipts which have come in in the past week. We have cots and bedding of seventy-two thousand dollars, shoes of five hundred and forty-four thousand, new construction equipment of eighty-one thousand, building supplies and materials of fifty thousand, clothing of four hundred thousand. The sales that we have made is motor vehicles, a million and

-4-

fifty-seven thousand; clothing, a million and sixty-nine thousand; metal machinery, two hundred and fifty thousand; lumber, sixty-three thousand; coal, sixty-one thousand; ice boxes, thirty-five thousand; horses, twenty-three thousand; and steel, eighty-seven thousand.

Little side-lights in it. I think Mr. Bell has told you, we have gone to the dogs. We inherited a hundred sled-dogs up in Helena, Montana.

H.M.JR: Some puppies!

MR. OLRICH: I told somebody thank God, they are not guinea pigs!

H.M.JR: That is wonderful.

MR. OLRICH: Now we are having some interesting meetings with other departments. We had a meeting with Elliott and on these meetings with the heads of other divisions--

H.M.JR: Who is Elliott?

MR. OLRICH: OCR, Office of Civilian Requirements. New Assistant to Mr. Nelson in that Division.

We had a meeting some weeks ago in the Office of Mr. Ducas in which they started talk of stock piling. Mr. Hills wasn't quite clear of what he wanted. I talked to Mr. Elliott and said, "We want to work with you but we need to know what you want." Elliott came over with his three assistants. We agreed they would furnish us with a list of critical items that we might get, two, having that list of items we would immediately notify our various regional offices to make an effort to dispose of those as quickly as possible, so that they are out of our warehouses, three, so that he would have information on what surplus is doing, his relationships to his directives to manufacture these goods, we would indicate to him weekly, if possible, but bi-weekly, surely, of the receipts of these materials and the sales of these materials.

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In the instance of some area in the country having a critical shortage of any particular commodity that we might have that we would be willing to move that inventory into that region and sell it. One of the regions that is particularly short of all hardware is the Seattle, Portland area where they have an influx of people. So we are prepared to do that.

H.M.JR: Can I interrupt you one minute? I wish you would think if you know anybody on the West Coast that I might appoint as a delegate to this monetary conference, who really knows the financial aspect of business in the Far East. Is there any great--

MR. OLRICH: I think I would be in a position to find that, because one of the vice presidents of the Continental National Bank is executive vice president of the California Bank of Los Angeles, and I could talk to him.

H.M.JR: If there is anybody out there that really knows the financial end of the Far East--

MR. OLRICH: I will call him long-distance.

H.M.JR: Continental what?

MR. OLRICH: Continental of Chicago, but he was brought by Anderson to become the next president of the Los Angeles Bank of California or the California Bank of Los Angeles. It is a strong, not the largest--

H.M.JR: Not the Giannini Bank?

MR. OLRICH: No, no!

H.M.JR: "We no likee Giannini."

MR. OLRICH: I didn't mention him. I will do that.

H.M.JR: The fellow has to be somebody that everybody respects on the West Coast.

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MR. OLRICH: Frank King will not be the man, but Frank King will probably tell me who the man is. He is that honest. King is a man about forty-five.

H.M.JR: I don't want an oil man, either.

MR. OLRICH: All right.

We also agreed with Mr. Elliott-by the way, he doesn't like to be called Doctor any more. It is Mr. Elliott or Bill. We would notify him of foreign sales of these critical materials that might go through the Army or any difference so that they could readjust their manufacturing quota that is being shipped abroad, so they in turn will give us the list of any prospective purchasers of this equipment through our regional offices. The meeting was helpful to us and helpful to them.

H.M.JR: Who is Doctor Elliott when he is at home?

MR. OLRICH: He was a Professor at Harvard University.

MR. BELL: "Elliott's Five-foot Book Shelf".

MR. OLRICH: No, no, no! This is Bill Elliott. He has been an economist. No, this fellow is, I would say, under fifty, about six feet one tall, broad-shouldered, an economist from Harvard. He has been in Washington for about three years on different assignments. He is now Assistant to Nelson, in charge of Office of Civilian Requirements.

H.M.JR: Well, now is that about the story?

MR. OLRICH: One more. We have a meeting with ODT. ODT was prepared to ration used trucks and we talked them out of it. We said we had a suggested method. "If you are afraid of a little heat why not give this method a trial. Rationing will slow up the sale of trucks and reduce the

-7-

price of trucks. Try it. If it doesn't work out, we can soon go to rationing". So that is it, but I think by Wednesday we will begin to have some inventories.

H.M.JR: Now will you, Charlie--he is going to get together with you this afternoon?

MR. OLRICH: That is right. The reason you haven't had reports is that the reports I would give you wouldn't be worth the paper they are written on. Unless I can get accurate information, I won't give you any.

H.M.JR: Don't forget I am waiting for a bill.

MR. OLRICH: That, I told the office to do. You will get it, don't worry.

H.M.JR: Did Will Clayton take that fellow from the Middle West?

MR. OLRICH: The man couldn't come. He was very pleased with him but the man is purchasing a new business, buying the property on which his present business stands, which made it impossible for him to come for sometime. They all have reasons for not coming down.



TREASURY DEPARTMENT  
WASHINGTON 25



June 3, 1944

*LA*

MEMORANDUM TO THE SECRETARY

As I explained to you in your office, you have received no reports in the past two weeks because we regard the inventory figures as unreliable. This condition is occasioned by the inability of the field staff to pass through their records on sales or transfers of merchandise as quickly as we might expect.

The inventory for want of a better word is cluttered up with items from the N.Y.A. and W.P.A. transfers. Most of these inventories have been disposed of but the documents representing disposal have not yet passed through the records. Therefore, items appear on the inventory which are no longer in our possession.

As indicated to you, we will immediately reclassify the inventory into three divisions:

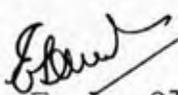
- 1. N.Y.A. Inventory
- 2. W.P.A. Inventory
- 3. Surpluses which are on hand and which we are trying to sell.

#2  
Memorandum to the Secretary  
6/3/44

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The first two classifications will disappear as quickly as we are able to clear up a bottle-neck in the handling of documents. The third classification is the merchandise on hand that we are trying to sell. The inventory presently is indicated at approximately \$30,000,000. The best guess of those who should be informed indicate that the amount should be more nearly \$10,000,000.

We expect to give you a reasonably correct figure in the inventory situation on Friday, June 9.

  
E. L. Olrich  
Assistant to the Secretary



TREASURY DEPARTMENT  
WASHINGTON 25



June 3, 1944

*AM*

MEMORANDUM TO THE SECRETARY

Following my visit of this morning, attached is a memorandum of the significant items that have been declared to and received by us.

*E. L. Olrich*  
E. L. Olrich  
Assistant to the Secretary

Attachment

From May 15 to May 27, InclusiveReceipts

Cots and Bedding	\$ 72,731.27
Shoes	544,000.00
Construction Equipment	81,545.00
Building Supplies and Materials	50,000.00
Clothing	400,000.00

We have effected sales from  
May 15 to May 27, inclusive, in significant  
amounts as follows:

Motor Vehicles (Trucks-- principally used Army trucks of commercial types)	\$1,057,966.00
Clothing (for ship- ment Abroad)	1,069,000.00
Metal Working Machin- ery	250,160.00
Lumber	63,561.00
Coal	61,561.60
Ice Boxes	35,300.00
Horses	23,756.00
Steel	87,801.00



## TREASURY DEPARTMENT

WASHINGTON 25

June 3, 1944

## MEMORANDUM TO THE SECRETARY

I had a meeting with Mr. William Elliott, Assistant to Mr. Donald Nelson, in charge of Office of Civilian Requirements.

1. We have agreed to do everything do expedite the sale of critical items on the list that he furnished.

2. We will furnish him bi-weekly as far as practicable a list of these critical items inventory receipts within that period.

3. The sales of critical items within the period.

4. We will agree to transfer critical items to territories with acute short supply of such items whenever he requests us to do it.

5. We will keep him informed of sales or transfers of critical items for use in foreign countries so that he may adjust his pool on the list of items to be manufactured for sale abroad.

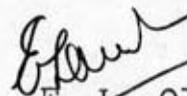
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51

Memorandum to the Secretary

6/3/44

His office and our office are in  
accordance with these ideas.



E. L. Olrich

Assistant to the Secretary

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 3, 1944

Secretary Morgenthau

OM R. E. McConnell 

It may be that the West Coast banker that Mr. Baruch was thinking about was Mr. Frederick L. Lipman, president of the Wells Fargo Bank in San Francisco. The bank has had substantial participation in Far Eastern business.

Mr. Lipman is an older man, but I understand he is still extremely keen and active. He is, I believe, the dean of bankers on the Pacific Coast.

*TR. E. M.*

June 3, 1944  
11:10 a.m.

SCHEDULE OF FIFTH WAR LOAN DRIVE

Present: Mr. Gamble  
Mr. Smith  
Mrs. Klotz

H.M.JR: I just talked to Mrs. Morgenthau and she says that she has talked to you about this opening of this thing in New York on the 21st. It is funny that they staged the two things on the same day.

MR. GAMBLE: One crowd didn't know about the other event. We have changed the date on it this morning. I talked to her about it.

H.M.JR: They had this carnival up in Vassar, and this Dr. McCracken, the President - I mean, this Founders Day - each girl would come up and he would guess her weight, and it would cost ten cents. Joan didn't come up. She said, "I haven't got ten cents." He said, "That is all right. Here is ten cents. I will pay for it."

Incidentally, McConnell took B.M. Baruch down to the station. When he got down there he didn't have a penny in his pocket.

MR. GAMBLE: When we first scheduled this, Mr. Secretary, it didn't look as though it would--

H.M.JR: It is all happy now?

MR. GAMBLE: Yes, but they have blown this affair into such magnitude on the 21st, I think it will overshadow anything that is going to happen in New York that day. The Chinese Ambassador, the British Ambassador - they are going to have about twenty or thirty Ambassadors.

- 2 -

H.M.JR: How about the Russian Ambassador?

MR. GAMBLE: Mr. Gromyko - they are still trying to get through the Second and First Secretaries. The Second Secretary told them Gromyko was going to be in Russia. The fellow said he is going to have to get back to New York in a hurry because he has a special engagement the following week.

H.M.JR: You fellows can't do very much without checking with me. Greenbaum called me up yesterday, "How important is it to have Mr. Patterson in New York on the 12th?" I said, "Very important."

He said that Mr. Gamble had been after him. I said, "I consider it of the greatest importance."

MR. GAMBLE: Thank you. We are using Under Secretaries Patterson and Bell. It is going to be a very important affair on that date.

H.M.JR: Now, you fellows do me first, and then I will do you.

MR. SMITH: Boy, are you going to get done!

This is the complete schedule which I shall now endeavor to read to you. (Refers to draft of Drive. .... schedule, attached)

H.M.JR: Just one second. I have an idea here. What I am trying to do is to find some place not too close, within a couple of hundred miles of Texarkana, where we might spend Saturday and Sunday night and then fly down there - where we could breathe and think. Do you see what I mean?

MR. SMITH: Yes.

H.M.JR: Not too dumb?

MR. GAMBLE: Very smart.

- 3 -

(Miss McCathran enters the conference with a map.)

MR. SMITH: The town will be alive--

H.M.JR: Commander Hesford told you?

MISS McCATHRAN: Yes, sir.

H.M.JR: What's-his-name be back Monday?

MISS McCATHRAN: McCaffery? He has the mumps.

H.M.JR: Who is going to take me?

MISS McCATHRAN: They didn't say. Maybe he will be over them. (Miss McCathran leaves the conference)

H.M.JR: Can I give you this and look into this idea of going to Little Rock Saturday and Sunday?

MR. SMITH: Yes. Here is Little Rock and here is Hot Springs. They have a lake and everything else.

The idea would be to stop at Little Rock?

H.M.JR: Not get to town until maybe Monday morning.

MR. SMITH: I think that is a good idea.

H.M.JR: I was thinking if we could get away from here and go down there, it would be quiet and we could knock out the speech and rest. If it is some place close enough so that if it is bad weather we can jump in a car and drive down there - and from all accounts, Hot Springs is very nice.

MRS. KLOTZ: It is beautiful.

MR. SMITH: I will check on that right away.

MR. GAMBLE: It is a good deal like White Sulphur.

H.M.JR: I believe it is very nice.

- 4 -

MR. GAMBLE: Many people like it better than White Sulphur as a resort.

MR. SMITH: I will get somebody up to investigate.

H.M.JR: Well, I was thinking of getting out of here Friday.

MR. SMITH: All right, that is fine. We have no commitments on Sunday in Texarkana, anyway. If we get there, there will be a press conference at the airport, but it isn't essential.

H.M.JR: If I could get a couple of days of quiet some place, so I can get a little bit conditioned for this thing--

MRS. KLOTZ: We are all for it.

MR. SMITH: You don't have to sell us!

H.M.JR: Do we have to do that nine-thirty at night after all day?

MR. SMITH: You don't have to. It is set up now, but it can be pulled off. It isn't a big thing. But we are springing you after the luncheon there. You don't have to do anything except just show up.

H.M.JR: If you don't mind, I would like to cut out the nine-thirty. I know I will be a wreck, and what I may want to do - if you will make a note - I may want to go on that night to a place called Wicnita Falls where there is an Army air station. I have a nephew - maybe the Army could put us up there. You might make some inquiries. It is about three hundred miles toward Los Angeles. As soon as we get through, we could fly it in an hour and a half, and get out of this hot town and sleep in tents, or something.

- 5 -

MR. SMITH: That eliminates one other problem we have, which is this Daingerfield thing the next morning, which they have been trying to get us to do. If we can avoid it, we are better off.

H.M.JR: If I go to Wichita Falls, I want that definitely off the record.

MR. SMITH: That is right.

MR. GAMBLE: There is a Wichita Falls in Texas.

H.M.JR: About three hundred miles due west from Texarkana - get out of this hot town, which will be a madhouse. The Army can give us a nice tent and a shower, and we can sleep there with the stars.

MR. GAMBLE: Sounds like a good trip up to now.

MRS. KLOTZ: He needs it so badly.

H.M.JR: That will get us out and get us away from all these back-slappers, and the rest of the stuff. Daingerfield is out.

MR. SMITH: O.K. Now, June 13, that is the day after, we are scheduled to leave on--

H.M.JR: We would be three hundred miles nearer to Los Angeles.

MR. SMITH: And you would stay there at Wichita Falls, and you could stay part of Wednesday - you could stay Monday night and part of Tuesday if you get to Los Angeles, which they want you to do, on Tuesday night. You will just stay all night, then, at Wichita Falls?

H.M.JR: I could see this boy that night and have breakfast with him, and we would go on. I would talk to his officers. He is having a kind of bad time. Then we would get into Los Angeles Tuesday night?

- 6 -

MR. SMITH: Yes.

H.M.JR: You have breakfast Club at eight-thirty; that is out.

MRS. KLOTZ: Mr. Smith flipped a coin.

(The Secretary signs letter to M.S. Link, dated June 3, 1944)

H.M.JR: Visit to Lockheed during the morning. Now, I don't care - the plant I would like to go and see is the North American where they make the P-51.

MR. SMITH: That is a little farther out of town, but that is all right.

H.M.JR: I have never seen that. I would much rather go there. You might inquire.

MR. SMITH: There is no commitment on this at all. They just send a lot of things around and this was one that was suggested. Before you get any farther, did you notice that you have a dinner on the night you get in there - on Tuesday night? The Banking Committee wants to bring twenty people to your hotel.

H.M.JR: No, I won't do anything like that.

MR. SMITH: All right. Is that all right, Mr. Gamble?

MR. GAMBLE: Well--

H.M.JR: I just won't.

MR. GAMBLE: Well, that settles it. Of course, knowing you, you will probably want to do it when you leave Wichita Falls. You don't have too long a flight.

H.M.JR: No, I am not going to kill myself on this trip if I can help it.

- 7 -

Now, the Breakfast Club is out. The Lockheed plant - do you think I should go to Howard Hughes? He is quite a fellow.

MR. SMITH: He invited you through this office. This didn't come from California. He wants to show you a big eight-motored wooden airplane they have got.

H.M.JR: When Knudsen went there and knocked on his door, he couldn't get in. Did you know that?

MR. SMITH: No.

MRS. KLOTZ: Maybe he didn't knock hard enough!

H.M.JR: The thing I would really enjoy seeing is the P-51, or I would like to go to Kaiser's steel plant.

MR. GAMBLE: I would go to see the P-51 if I were you, and cancel the other two.

H.M.JR: You wouldn't go to the Kaiser steel plant?

MR. GAMBLE: I don't think you can see very much there. It is just getting under way.

H.M.JR: Then I would like to go to North America. Dutch Kindelberger and his P-51 is the sensation. I helped get the engine for him.

MR. SMITH: That is good. I don't think you have time for anything else, anyway.

H.M.JR: Let's have lunch out there.

MR. SMITH: They have a luncheon for a thousand businessmen at noon. You have to get back for that.

H.M.JR: Then certainly I can wash out the twenty bankers the night before. No businesswomen?

MRS. KLOTZ: You are so unkind to the bankers.

- 8 -

H.M.JR: You know I love them!

Now, the afternoon free - I don't believe it!

MR. SMITH: Well, it is a luncheon and I don't know how long that is going to last, so that is sort of a hopeful gesture, this "afternoon free."

H.M.JR: Put down swim in the Pacific.

MR. GAMBLE: Swim in the Ambassador - it is a beautiful outdoor pool.

MR. SMITH: You have the most wonderful ideas this afternoon. Oh, how I love you.

H.M.JR: We'll go down to Marion Davies' place.

MR. SMITH: (To Gamble) You are not going along, you say?

MR. GAMBLE: That was yesterday!

H.M.JR: Broadcast from Hollywood Bowl.

Let's leave a question mark on Wednesday and Thursday, see?

MR. SMITH: Yes, that is strictly tentative. He offered to do it. Instead of telling him not to, he wrote to Charlie Bell and I told him to have it ready in case you wanted to do it, but it was not a commitment to do it at all.

H.M.JR: What time do we get through Wednesday?

MR. SMITH: Wednesday night after the broadcast. There is a show after the broadcast - probably ten-thirty or eleven o'clock.

H.M.JR: Would you mind if I don't go any further than that, today? Then we can do this thing again Monday. Doesn't this clear you fellows up far enough?

- 9 -

MR. SMITH: There isn't any farther to go, anyway. The Chicago program is not set yet.

MR. GAMBLE: The luncheon at the Waldorf is the only other matter.

H.M.JR: O.K. Do you mind, when this is cleaned up, giving us all copies here? Are you satisfied?

MR. GAMBLE: Yes, sir.

MRS. KLOTZ: Did you clear up the Waldorf? I thought you were going to send a letter. Is it in?

MR. GAMBLE: It must be. It should be here this morning.

H.M.JR: Is this all right?

MR. SMITH: Sure.

H.M.JR: This is just a little thing. When I went to see Herbert yesterday the old boy was sparking on a speech for up at Bretton Woods.

Will you tell E.M. Bernstein to put down the facts of various things I have done since I have been Secretary of the Treasury toward world stabilization of currencies, so he can have the facts?

MR. SMITH: Good, yes.

H.M.JR: What I have done, because Herbert thought I could give a speech which would be a review of what I have done since I have been Secretary. The old boy lies there in bed - I said, "Herbert, you be back in time; you can write it."

MR. SMITH: Good, that will be a big help. Fitz wanted me to show you the list of reservations. (Hands Secretary proposed list of reservations)

- 10 -

H.M.JR: As a matter of fact, if I hold to my schedule, I won't sleep in a hotel.

MR. SMITH: That will be helpful, I understand, because every time I speak to anybody down there they remind me politely that there are bugs in the bathroom.

H.M.JR: It is all right.

MR. GAMBLE: You can have anything you want in Los Angeles. Do you want me to arrange a place for you to swim?

H.M.JR: No, I would like to go some place without any fanfare - no motorcycles - put on a pair of bathing trunks and go in the water.

MR. GAMBLE: You could take some place on the beach - some home out there.

MR. SMITH: Now, you will be interested to know what our schedule is on broadcasts. Now, the script on the Hollywood thing - the first script - I don't know what it is going to be like - we will have that Monday and Paul Stewart who is going to run it, will be here on Monday. We can talk to him. Ted tells me this morning that the people from the Chicago operation are coming down maybe Wednesday or Thursday, and before that time they will send us a script.

H.M.JR: On Chicago?

MR. SMITH: On the Carnation Hour. If it is a good script, fine. If not, we will have to start from scratch.

H.M.JR: Isn't it true that Orson Welles will go through the whole thing if I like him and he likes me?

MR. SMITH: That is right.

MR. GAMBLE: In that connection, Fred, he could be the greatest producer in the world, Mr. Secretary, and couldn't cover those three spots for you.

- 11 -

I think you ought to be pretty well pleased with those scripts before you leave here. When he gets through with Texarkana--

MR. SMITH: He will get a copy of the Paul Stewart script and there won't be a case of rebuilding that, because that is only two days off. But a lot of things can happen, and the whole Chicago script could easily change.

Welles is going to move his show to Chicago so he can stay with us from Los Angeles right through to Chicago. We may completely rebuild the show.

MR. GAMBLE: I appreciate that, but you are working with all kinds of personalities. If you have a group of people in Chicago who are trying to do a good job - I am talking about the Carnation people - and you like it, we ought to let them do it.

H.M.JR: You are satisfied?

MR. GAMBLE: Yes.

H.M.JR: You are satisfied?

MR. SMITH: Yes.

One other thing - I talked to Welles yesterday. He has some rehearsals, so he is going to rehearse the basic spots in this program - the back-end, which is good - I mean the dead soldier spot, and the Hollywood spot, which is much eloquence about democracy from Plato on to President Roosevelt. It is very short, about six minutes, and the big home spot which you haven't heard yet. If we change it, we can change it, but he has to get it for rehearsal.

H.M.JR: Fine. If we got away from here Friday night and went some place like this place and had two days, it would be wonderful. I can rest and swim and so can the rest of you. If we have to work, it is a good place to work. Don't you think it is a good idea?

- 12 -

MRS. KLOTZ: I think it is a marvelous idea.

MR. GAMBLE: Keep on, Mrs. Klotz and I will join!

MRS. KLOTZ: I asked to go and I was turned down.

MR. SMITH: One other thing I want to clear. On this Texarkana thing, one of the things I planned to do if Texarkana is willing to do it - Texarkana is two towns, and in the present script he has the people of Arkansas playing the part of Germany, showing how absolutely ridiculous for a little group of people suddenly discovering they are super-men and they have got to take over all the rest of the counties, and everything, and run them. It is comedy, but at the same time, it is satire. Now, it is a pretty elaborate piece of business, and if you have no objection to it, shall we leave it to Texas and Arkansas, and if they are willing to do it, let them go ahead, or should we stop it now? It is good.

H.M.JR: Let them settle it on the ground.

TREASURY DEPARTMENT  
Inter Office Communication

May 29, 1944.

To Secretary Morgenthau  
From Fred Smith

Here is a tentative plan for your appearance in Los Angeles:

June 13:

- (1) Arrival at Burbank late Tuesday afternoon.
- (2) Press Conference at airport.
- (3) They want to have a dinner for approximately twenty people who comprise the Banking Committee for Southern California.

June 14:

- (4) You have been invited to the Los Angeles Breakfast Club between 8:30 and 9:00. You would be expected to speak extemporaneously, and a local radio station carries the broadcast of these meetings.
- (5) A visit to a war plant during the morning.
- (6) Luncheon for 1100 businessmen and War Finance leaders at the Biltmore Bowl, sponsored by the Los Angeles Chamber of Commerce.
- (7) Afternoon free.
- (8) Broadcast from the Hollywood Bowl. At the present time this looks like a documentary program with you going on at the beginning and at the ending. It will not require extensive rehearsal.

I am not worried about anything except the dinner on Tuesday evening after you land. That seems to me to be

crowding things a little bit, so I'd like for you to decide whether you want to try it, and let me know so I can make arrangements.

The Lockheed plant is only ten miles from downtown and has a very bad record. There are 70,000 workers. They only made 55% of their quota in the Fourth War Loan. 87% of their employees are putting 7.3% of their earnings into payroll savings.

June 15:

(9) We have also tentatively set a tour of the harbor with William Jennings Bryan, II, the collector of the port, for the morning. They are standing by on this strictly for your own pleasure, and it has nothing to do with the War Bond people or your official appearance.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE  
June 3, 1944

TO Secretary Morgenthau

FROM Fred Smith

### Trip Schedule to Date

Friday, June 9: Leave for Hot Springs.

Saturday, June 10: At Hot Springs with Welles to work on broadcast.

Sunday, June 11: At Hot Springs.

Monday, June 12: Arrive Texarkana.

Trip to Lone Star and Red River Ordnance Plants. Workers will be assembled for a few words.

Luncheon 12:30 p.m. to be attended by the Governors and other prominent people.

Go to theater for rehearsal from luncheon.

From 3:45 to 4:30 go to post office to review parade and participate in extemporaneous sectional broadcast.

Return to rehearsal. Rest of the day clear until after the broadcast. Leave after broadcast for Wichita Falls.

Stay over night at Wichita Falls.

Tuesday, June 13: Leave Wichita Falls.

Arrive in Evening at Los Angeles.

Press Conference at airport.

- Wednesday, June 14: Trip to North American Plant to see P-51.  
Luncheon for 1,100 businessmen and War Finance leaders at the Biltmore Bowl, sponsored by the Los Angeles Chamber of Commerce.  
Afternoon free to swim in Pacific.  
Rehearsal - Broadcast from the Hollywood Bowl from 8:30 to 9:00. Documentary with you going on at the beginning and at the ending. It will not require extensive rehearsal.
- Thursday, June 15: We have tentatively set a tour of the harbor with William Jennings Bryan, II, the collector of the port, for the morning. They are standing by on this strictly for your own pleasure, and it has nothing to do with the War Bond people or your official appearance.  
Leave for Washington. Stay over (where?) en route.
- Friday, June 16: Arrive Washington.
- Saturday, June 17:
- Sunday, June 18:
- Monday, June 19: Leave for Chicago. Program not yet set up. You will want to see Dan Bell's War Bond office. Checking with Carnation Milk people next week on radio.
- Tuesday, June 20: Return to Washington.
- Wednesday, June 21: Luncheon at Waldorf Astoria and opening of Fifth Avenue as "Avenue of the Allies."
- Thursday, June 22:
- Friday, June 23:
- Saturday, June 24:
- Sunday, June 25:

Monday, June 26: Speech at the end of Cavalcade broadcast "What Price Freedom". 8:00 to 8:30 p.m. from Washington.

Tuesday, June 27:

Wednesday, June 28:

Thursday, June 29:

Friday, June 30: Leave for Bretton Woods.

Saturday, July 1: Key-note speech on International Stabilization for monetary conference.

Sunday, July 2:

Monday, July 3:

Tuesday, July 4: Broadcast in Philadelphia in connection with the Navy celebration.

June 3, 1944

Dear Mr. Westover:

Thank you very much for your offer to help on the Los Angeles trip. Unfortunately, I will be unable to see much of Los Angeles beyond the program which the War Finance Committee has set up. I have a very tight schedule.

However, I shall look forward to seeing you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harry D. Westover, Collector  
Treasury Department  
Internal Revenue Service  
Los Angeles, California

FS:ven



TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

OFFICE OF THE COLLECTOR  
SIXTH DISTRICT OF CALIFORNIA

LOS ANGELES, CALIF. (12)

IN REPLYING REFER TO

May 29, 1944

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

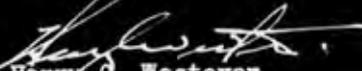
Dear Mr. Morgenthau:

It is with much interest that I have read of your contemplated visit to Los Angeles the middle of next month. I am wondering just what we can do to make your trip to Los Angeles a memorable one. We are looking forward eagerly to seeing you and to becoming better acquainted with the man who controls the financial reins of the Government.

Usually visitors from the east coast are interested in our moving-picture industry and enjoy a trip to Hollywood studios. But, of course, the studios are not the only interesting sights we have in Southern California.

If you would give us some indication of what would interest you out here--what you would like to do, what you would like to see, and where you would like to go--we will appreciate it very much.

Respectfully yours,

  
Harry D. Westover,  
COLLECTOR.

HCV  
ps



June 3, 1944

MEMORANDUM FOR THE SECRETARY'S FILES:

I attended a meeting in the Secretary's office this afternoon at 5:15. Present, in addition to the Secretary, were Dean Acheson and Mrs. Klotz.

Mr. Acheson had asked for a meeting with the Secretary to discuss the proposed exchange of notes with the British evidencing a tentative agreement as to the division of procurement responsibility and cost of procurement of supplies needed for liberated areas in the period immediately following military occupation.

Mr. Acheson had been advised that the Department is in general agreement with the tentative arrangement, which provides for a 50 - 50 sharing of the initial procurement with the understanding that an "equitable" financial settlement will later be made. However he had also been advised that the Department is strongly opposed to inclusion in the British note of a statement to the effect that the ultimate financial settlement will be based, in whole or in part, upon the relative financial strength of the two countries. It was our position that since the exchange of notes is admittedly tentative, and involves a 50 - 50 division of responsibility, but reserves for later settlement the ultimate division of financial burden, that it would be entirely inappropriate and would prejudice the ultimate settlement for us to concede the importance of the relative financial strength of the two countries at this point.

Mr. Acheson argued very strongly that we should be willing to admit the relevancy of such a factor in our note to the British. The Secretary, on the other hand, said that he was unwilling to go that far and would only be willing to agree to a statement in our note to the effect that in the ultimate settlement, which is to be on an "equitable" basis, all relevant factors will be taken into account, without specifying any.

- 2 -

Mr. Acheson indicated that he would see if he could work it out on that basis.

At that point the Secretary stated that as far as he was concerned he would rather take all of the financial responsibility in these situations than be a partner of the British, especially since we will ultimately probably bear most if not all of the cost anyway. Mr. Acheson was apparently quite shocked at such a suggestion and said he thought it was entirely impossible.

The Secretary then stated that the problem was essentially one of finance and that as such he understood it was his responsibility as Secretary of the Treasury to decide it, and to use his best judgment as to what was or was not a good deal. He went on to say that it was his view that in the long run it would be as cheap if not cheaper in terms of actual cost if we accept the entire responsibility for expenditures of this type. He suggested that to do so would probably be productive of some good-will, which has been sadly lacking in such areas as North Africa and southern Italy -- where we are "partners" in an area which is a sphere of British influence and in which we pay about all the bills.

The Secretary indicated that he expected to see Mr. Acheson again on Monday at which time they would discuss the matter further, but as of today he felt that the deal being worked out is not in the financial interests of this country.

*JGC*

Dan Bell  
Roy Blough  
Stanley Surrey

June 3, 1944

Secretary Morgenthau

At lunch yesterday I asked Mr. B. M. Baruch, point blank, whether he was doing any work on post-war taxes and he said, "No". He said he would look to the Treasury for any work along those lines and he felt it was up to us to do it and he was doing nothing about it.

JUN 3 1944

Dear Mr. Gallagher:

I have noted with keen interest the splendid results of The Four Freedoms War Bond Show.

Here is a picture of democracy at work in its hour of crisis. The retailers of the country are to be congratulated for sponsoring this community-wide event. Their employee organizations made personal solicitations during and after store hours.

The voluntary support of business and labor, nationality and church groups was most effective. The theatre and motion pictures, the press and radio told the story of this bond-selling show.

Norman Rockwell's paintings, the Four Freedoms, are dramatic illustrations of the principles for which we fight. The number of E bonds sold proves the success of the show in reaching the average citizen.

Your organization made a splendid contribution to the war effort. It is deeply appreciated by those of us who have the responsibility for directing the sale of United States War Bonds and Stamps.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. A. J. Gallagher  
The Saturday Evening Post  
Independence Square  
Philadelphia, Pennsylvania

JES:vb

JUN 3 1944

Dear Mrs. Perry:

Thank you for your letter of May 26. It was a pleasure to extend the facilities of the Treasury Department to the American Theatre Wing for the entertainment of service men on May 31. I attended the dance on the South Portico and felt that the affair was an outstanding success.

It is my understanding that this location will be used on Saturday evenings throughout the summer, and I hope that you will find it possible to attend on some future occasion.

Sincerely yours,

(Signed) *H. Morgenthau, Jr.*

Secretary of the Treasury.

Mrs. Antoinette Perry,  
Chairman of the Board,  
American Theatre Wing,  
750 Fifth Avenue,  
New York 19, New York.

CSB:em  
6-2-44

*Bel*  
*...*



# AMERICAN THEATRE WING

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May 28, 1944

Hon. Henry J. Morgenthau, Jr.  
Secretary - The Treasury  
Washington, D.C.

My dear Mr. Morgenthau:

The American Theatre Wing War Service, Inc. is delighted at your invitation to the Washington Canteen to transfer its activity on the night of Wednesday, May 31st from your beautiful Belasco Theatre to your Treasury grounds.

It sounds like an ideal plan for the boys and we are deeply appreciative of your invitation.

Our gratitude to you.

Sincerely,  
*Antoinette Perry*  
Antoinette Perry  
Chairman of the Board

AP: mh



# SURPLUS WAR PROPERTY NEWSLETTER

*A Private Weekly Washington Information Service on  
Disposal of U.S. Surplus War Goods and Properties*

Telephone  
NATIONAL  
2 4 4 4

VINCENT F. CALLAHAN, Editor

1701 H STREET, N. W., WASHINGTON 4, D. C.

Letter No. 4, Washington, D. C., June 3, 1944.

Dear Sir:

Surplus war property is not Government's responsibility alone. Government expects American business to join with it in solving the problem.

The surplus picture is viewed in the same light as the war production job. Half a dozen key men in the big enterprise of disposal made this clear and strong before the National Association of Purchasing Agents in New York this week - Government cannot handle the task alone, must have the help of business.

These men told the purchasing agents how they could aid in disposing of surplus: Col.D.N.Hauseman, Director Readjustment Div., Army Service Forces; Col.C.R.Baxter, Redistribution Branch, WPB; Lt.Col.J.P. Woodlock, Executive Officer, Surplus War Property Admin.; Hans A. Klagsbrunn, Deputy Director of Surplus, RFS; Clifton E.Mack, Director Procurement, Procurement Division, Treasury Department.

Here are highlights of the information provided:

Disposal methods and operations must be developed in complete concert with all existing Government controls. If an item is under an OPA ceiling it cannot be disposed of at a higher price. Eligible suppliers are put in touch with disposal regional offices having jurisdiction over the property. (See NEWSLETTER No. 2)

Government has enough war plants on hand to cover more than the area of New England. During the first quarter of 1944 the War Department redistributed, transferred and sold \$98,500,000 worth of excess and surplus property. Twenty-two thousand contracts already have been terminated. Termination inventories will be circularized. Disposal boards will be set up in all Army districts.

The 75-per-cent-price formula for sales of surplus (which means that sales may be made at 75 per cent of the original cost or at 75 per cent of the market price, whichever is lower) was deliberately set at a conservative level to discourage speculators.

Four fundamental considerations actuate pricing policies: Importance of quickly clearing plants for resumption of war or civilian production; prompt settlement of claims; making available now materials and equipment that can be funnelled into other necessary production; converting of surpluses for which there is a ready demand into production, so they cannot accumulate and clog vital storage facilities, only to flood the market later.

Except for war contract termination inventories and salvage, the War Department is stepping out of the sales business. Treasury Procurement will dispose of most Army surplus.

#### WPB ACTS AS A SURPLUS BROKER

WPB's 13 regional offices currently are moving some 30,000 tons of surplus steel and large quantities of other materials weekly.

This is being done under arrangement with SWPA and according to SWPA's recently established price policies. The property is in the hands of the armed services, left over from terminated contracts. The regional offices work with the agencies of the services to find buyers permitted under WPB regulations to purchase surplus material. WPB has undertaken to do an active selling job as a broker on all significant disposable items involved in claim settlements.

Each regional office has on file lists of property available in its territory. These surpluses include raw materials, semi-finished goods, and scrap--steel, copper, aluminum, chemicals, textiles, lumber. Purchased parts and supplies also are listed.

An important purpose emphasized by SWPA Administrator Clayton is the necessity for clearing left-over materials out of plants so that other war production or essential civilian production may go forward without interruption.

NEWSLETTER already has given you the 38 regional offices of disposal agencies. Roster of the 13 WPB agencies:

- Region I, Boston 8, Mass. -- W. H. Wheeler, Jr., regional director, 17 Court St., Boston. Telephone Lafayette 7500.
- Region II, New York 1, N.Y. -- Lewis S. Greenleaf, Jr., regional director, Empire State Bldg. Murray Hill 3-6800.
- Region III, Philadelphia 3, Pa. -- Orville H. Bullitt, regional director, 1617 Pennsylvania Blvd., Locust 3400.
- Region IV, Atlanta 1, Ga. -- Harry G. Thornton, regional director, 116 Candler Bldg., P.O. Box 1322. Walnut 4121.
- Region V, Cleveland 1, O. -- John C. Virden, regional director, 1300 Union Commerce Bldg. Cherry 7900.
- Region VI, Chicago 6, Ill. -- John Nuveen, Jr., regional director, 226 W. Jackson Blvd. Andover 3600.

- Region VII, Kansas City 6, Mo. — William B. Satterlee, regional director, Mutual Interstate Bldg. Riverside 5711.
- Region IX, Denver 2, Colo. -- Virgil L. Board, regional director, Continental Oil Bldg. TA 3173.
- Region X, San Francisco 3, Calif. -- James A. Folger, regional director, 1355 Market St. Klondike 2-2300.
- Region XI, Detroit 2, Mich. -- Carsten Tiedeman, regional Director, 800 Boulevard Bldg. Trinity 2-4900.
- Region XII, Minneapolis 1, Minn. -- David J. Winton, regional director, 326 Midland Bank Bldg. Main 3244.
- Region XIII, Seattle, Wash. -- Kenneth B. Colman, regional director, White-Henry-Stuart Bldg. Elliott 0200.
- Puerto Rico -- Gordon W. Foote, Chief, Territorial Possessions, Bldg. B, Stop 8, San Juan. Telephone 46.
- Honolulu -- Fred R. Kingman, Acting Manager, Hawaii Office, Iolani Palace. 4951.
- Canada -- William J. Zepp, Chief of Ottawa Branch, Tempo "3" Bldg. 2-2811.

SWPA REPORTS TO CONGRESS ON LEGISLATION

Will L. Clayton, Surplus War Property Administrator, has just sent to Congress this week suggestions on legislation.

Action in the shape of legislative regulation of disposal may be expected almost any time now. It will take form in the War Contracts Sub-committee of the Senate Military Affairs Committee, Senator Murray, Chairman. It was to this committee Clayton's proposals were dispatched.

BUSINESS ACTIVE FACTOR

Business, industry are taking an increasing interest in distribution of surplus.

Aviation, drug, food, machinery, real estate groups, among others, have men in Washington following the changing picture. Government welcomes recommendations. It is turning to men and companies in the various fields for counsel on prices, advice on markets, for the loan of experts to assist with the huge job.

Indicative was action taken to encourage sale of surplus motors in foreign markets, reported this week by the War Production Board.

The recommendations were made by the Integral Horsepower Electric Motor Manufacturing Industry Advisory Committee at a recent Washington meeting. Members pointed out that if foreign users of motors are aware they can obtain equipment in this country, sales to them will increase, and there will be a lessening of the surplus which might be thrown on the U.S. market after the war.

Private industry is taking a hand, too. Beech Aircraft Corporation has established a subsidiary for the sole purpose of redistributing surplus materials. This unit's services are at the disposal of other war contractors.

## REAL ESTATE TO THE FORE

Real estate running into many millions will become surplus; some of it already is in that category. Early action is to be looked for in this field.

Step has just been taken by Administrator Clayton of SWPA in the appointment of Col.M.J.O'Byrne of Cincinnati, to head the activities of the organization in disposal of land.

O'Byrne's first function will be to assist in the study of the problems undertaken by SWPA. Clayton was told to survey the situation, make suggestions. O'Byrne, with more than 20 years' experience in appraising, buying, selling real estate is qualified to advise in formation of SWPA real estate policy. Recently he has been on active duty as real estate officer for the War Department on the Pacific Coast.

Maj.Gen.L.D.Clay, Director of Materiel, Army Services, told the House Military Affairs Committee that the War Department leaned toward disposal of land in small lots. He pointed out that some broad legislation was needed before selling could proceed.

### "IN" FOR SMALL BUSINESS

Look for a quick, intelligent report and recommendations from Maury Maverick, who is at work in his new post as chairman of a committee to give small business an opportunity to participate in disposal of surplus.

New plan gives small business a close working relationship with the disposal agencies functioning under SWPA. One of the guiding principles of that agency is to see that surpluses are offered in lots of such proportions as to enable business of all kinds, small as well as large, to have part in marketing unneeded war goods.

RECOMMENDED FOR READING - "The Coming Fire Sale," by Herbert Bratter, in the June issue of Nation's Business, just out. This is a round-up article on steps taken by Government to handle war surplus.

### SEND US YOUR QUESTIONS

What do YOU want to know about surplus war property?

Aim of NEWSLETTER is to give the best service possible. Many queries have been received and answers are being sought, if they are to be had. We want to round up all subjects that should be covered.

Let's hear what's on your mind.

Cordially,

*Vincent F. Callahan*

Editor.

ISSUED EACH WEEK FROM WASHINGTON AT \$75 A YEAR OR AT \$40 FOR SIX MONTHS

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June 3, 1944.

My dear Mr. President:

Reference is made to the International Monetary Conference to be conducted at Bretton Woods, New Hampshire, beginning July 1, 1944.

In connection with such conference, you are advised that certain preliminary activities will make it necessary that a pre-conference of Government officials be held prior to July 1.

It is estimated that approximately \$12,000 will be required to defray the expenses of these Government officials for travel and per diem for the pre-conference. To provide for such expenses, an allotment to the State Department in the amount of \$12,000 from the Emergency Fund for the President is respectfully requested. It will be appreciated if the funds for this purpose are made available immediately.

Faithfully yours,

..... (Signed) H. Morgenthau, Jr. ....

Secretary of the Treasury

Secretary of State

The President,

The White House.

GHJ:CSB:em  
6-3-44

# UNITED KINGDOM TREASURY DELEGATION

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

REFERENCE:

4-A

TELEPHONE EXECUTIVE 2020

3rd June 1944

Dear Dr. White:

I write to inform you that the figures for our gold and dollar holdings in million dollars as at April 30th, 1944 are as follows:

Gold	1,273	
Less gold liabilities	<u>316</u>	
Net gold		957
Official dollar balances	749	
Less dollar liabilities	<u>186</u>	
Net dollars		<u>563</u>
Net gold and dollars		<u><u>1,520</u></u>

Yours sincerely,



R.H. Brand.

Dr. H.D. White,  
Assistant to the Secretary,  
United States Treasury,  
Washington, D. C.

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6/7/44

Original to Mr. Bell  
Photostat to Mr. Pehle

Cable from Jacobs, American Embassy,  
Cairo, for Mr. Acheson and Mr. Crowley on  
Saudi Arabian matters.

Mr. Jacobs asked that copy be given  
to the President and Secretary Morgenthau.  
This is Secretary Morgenthau's copy.

Sam Bell  
Pehle

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM  
Secret

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

CONFIDENTIAL

For security reasons the text of this message must be closely guarded.

AMT-176

Cairo

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET-0)

Dated June 3, 1944

Rec'd 4:20 p.m.

Secretary of State,  
Washington.

DEPARTMENT OF STATE

JUN 6 1944

DIVISION OF  
COMMUNICATIONS & RECORDS

U.S. URGENT

1503, June 3, 11 a.m., (SECTION ONE)

TO ACHESON AND CROWLEY. PERSONAL AND CONFIDENTIAL  
FOR LANDIS

Subject Saudi Arabian matters.

One. After long negotiations we have reached a considerable measure of agreement. We have an agreed supply program conditional upon acceptance of our proposals.

Two. We are not agreed on the 1944 budget. Our difference here is ten million riyals. In reaching this figure we have receded from a better than twenty million riyal figure in an effort to meet the British. The issue involved is the extent to which we will force Saudi Arabia to curtail her present program of the free distribution of goods. The British proposal forces a 50% reduction. This we believe too much and we think it endangers amicable relationships that exist with Saudi Arabs. We are thus adamant on this point

although

-2- #1503, June 3, 11 a.m., (SECTION ONE) from Cairo.

although we have been agreeable to other economies.

Three. British have communicated our proposal to London in a sympathetic manner.

Four. Our proposal leaves a budgetary deficit after the goods subsidy of about ten million riyals. This would have to be made up by Lend-Lease in riyals.

Five. British here, I believe, would accept our proposal because of its intrinsic merit except for the fact that it forces Cairo to let Jordan, British Minister to Jidda, down and they would prefer to have London do it and British Treasury heretofore has been adamant against introduction of more Lend-Lease riyals into Saudi Arabia on allegedly fl(\*)n our judgment have to merit and we believe they screen political reasons.

Six. Our proposal cuts over-all subsidy British and American last year from about 80 to 60 million riyals. Of the latter subsidy some 35 millions has already been granted; our share in that has been negligible.

Seven. You will be interested to know that British Treasury has determined that all subsidies granted or to be granted to Saudi Arabia are clear gifts. This has not yet been communicated to Saudia Arabs.

Eight. Our budgetary proposal is sensible in light

-3- #1503, June 3, 11 a.m., (SECTION ONE) from Cairo.

light of potentially increasing revenues to Saudi Arabia. We can balance her budget when oil production reaches 250,000 barrels per day. It will reach 100,000 next September and the pipe line would easily bring it over 350,000 mark.

JACOBS

JT  
LMS

(\* Apparent omission.

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM  
Secret

DIVISION OF 87  
COMMUNICATIONS  
AND RECORDS

NMC-40

Caingo

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

Dated June 3, 1944

Rec'd 6 p.m.

Secretary of State,  
Washington.

US URGENT

1503, June 3, 11 a.m., (SECTION TWO)

Nine. We have not discussed provision of advisors to Saudi Arabian Government but it has been agreed in the interim that no new projects for aid to Saudi Arabia will be started independently.

Ten. We have not communicated with Saudi Arabs during course of negotiations. They are aware that we have been struggling for a fair budget as against the fearful economics proposed by Jordan.

There are reasons other than political for not communicating as in paragraph ten which cannot be disclosed except personally.

Twelve. British and ourselves are completely agreed that we should present a common program to Saudi Arabs and adhere honestly to the concept of joint action. I do not believe we can do otherwise. Neither as a nation nor institutionally are we equipped to handle this issue alone and in competition with the

CONFIDENTIAL

For security reasons the text of this message must be closely guarded.

-2-1503, June 3, 11 a.m., (SECTION TWO) from Cairo

with the British. We are not far advanced in our overall foreign policy nor have we the resources out here successfully to carry through such a program.

Thirteen. There will be left over provided we get agreement from London (a) mechanics for fifty fifty division of subsidy (b) general instructions to our respective Ministers (c) currency reform (d) nature of advisory help to be rendered Saudi Arabian Government. These matters cannot be settled here. I propose therefore pursuant to authority granted in Department's 1158 May 16, 1944 to proceed to Washington on this and many other Middle East matters as soon as word from London has been received. We have a chance now to do an overall concrete job for Saudi Arabia involving concrete Anglo-American cooperation and we should not let that chance lapse. If we can succeed in this case the pattern and the spirit of this cooperative effort may well apply to other countries of the Middle East and result in the formulation of a concrete and clear American policy for the Middle East. Saudi Arabia presents the best test case for concrete cooperation with British in all the Middle East and we should succeed in making it work here.

Fourteen.

-3- 1503, June 3, 11 a.m., (SECTION TWO) from Cairo

Fourteen. I am informing British of my intention to proceed to Washington and the objectives of my visit.

Fifteen. Among the Middle East matters I wish to discuss are my relationships with the Department my responsibility with reference to the Balkans a series of problems that have the commodity index as their focus the area of importers choice relaxation of import restrictions policy regarding the disposition of salvage and installations and others.

Sixteen. Moose has sighted this telegram it also represents his views.

Seventeen. Please pass copy of this cable to the President and the Secretary of the Treasury.

Sent Department as no. 1503.

Repeated to Winant personal in London as 80.

(END OF MESSAGE)

J.COBS

HTM

Report of War Refugee Board  
for Week of May 29 - June 3, 1944

TEMPORARY HAVENS FOR REFUGEES IN THE UNITED STATES

For some time now we have been exploring the possibility of establishing in this country temporary havens for European war refugees. On several occasions Secretary Morgenthau and the Executive Director have met with the President to discuss the matter. The President has indicated that he is deeply interested in the development of such a measure, and we are now working out the details of such a program.

Since early April, when the matter of "free ports" for refugees was first publicly proposed by newspaper columnist Samuel Grafton, there have been numerous indications that the establishment of such havens would meet with a favorable public response. Resolutions or statements in support of temporary havens have been adopted by the American Friends' Service Committee, the National Committee Against Persecution of the Jews, the American Federation of Labor, the Congress of Industrial Organizations, the National Farmers' Union, the International Labor Office and the Convention of the Diocese of Washington of the Protestant Episcopal Church, among others. An urgent appeal signed by former Governor Alfred E. Smith of New York and a committee of 72 other leading Americans has been addressed to President Roosevelt and to the governments of all the United Nations. This appeal, which was signed by the Governors of 18 States as well as by members of Congress, educators, clergymen, businessmen, labor leaders, and authors, declared temporary havens for refugees in this country to be a "moral obligation." In addition, we have received letters from some 250 individuals warmly supporting the proposed havens.

The prompt transfer of refugees from such "gateway" countries as Italy, Turkey, and Spain, with their limited facilities, to temporary havens elsewhere will not only pave the way for the escape from enemy territory of additional thousands of intended victims of the Nazi executioners; it will also demonstrate to the Germans, and to the world at large, that the policies and recommendations of this Government are being implemented by equally bold and concrete action.

EVACUATIONS TO AND THROUGH ITALY

Current military developments have increased the importance of the potential escape route not only of refugees from

- 2 -

Yugoslavia itself, but of refugees from the other Balkan countries and from Hungary through Yugoslav territory. The desperate plight of the Jews in Hungary and indiscriminate slaughtering by the Germans in the Balkans have made the expansion of this route all the more urgent.

Because of the limited facilities in southern Italy, however, Allied Military Forces have not been able, generally speaking, to encourage the escape of such refugees across the Adriatic to Italy. According to information reaching us, refugees have been arriving in Italy from Yugoslavia through their own efforts at the rate of some 1800 per week, and the problem of caring for such refugees has considerably burdened military authorities. In fact, we were advised that the facilities for the care of refugees in southern Italy became so overtaxed that the military authorities had decided to take steps to actually discourage the escape of further refugees to that area. We immediately discussed the matter with the Army, WARRA, FEA and the President. The President indicated that under no circumstances should the entry of refugees into Italy be discouraged. Accordingly, appropriate instructions were sent to the military authorities in North Africa. In addition, the Board arranged for \$50,000 to be sent to the Yugoslav Partisan Relief Committee in Bari for the specific purpose of facilitating the flow of refugees through Yugoslavia to Italy.

#### Temporary Havens for Refugees escaping through Italy

Since the crux of this matter is finding suitable places to which these people can be removed so that the flow of refugees need not in any way be discouraged or impeded, we are vigorously exploring a number of possibilities in addition to the temporary refuge to be afforded a limited number of refugees in the United States.

As many as possible of these refugees will be moved to camps in the Middle East. Toward this end, the United Nations Relief and Rehabilitation Administration is making every effort to supply sufficient medical and other personnel.

The President has suggested the possibility that some of these refugees might be taken to Sicily. Cyprus was suggested by the President as another possible haven. Accordingly, we have asked Robert Murphy and Board Representative Ackermann in Algiers to explore these possibilities carefully. Murphy and Ackermann have also been asked to investigate the possibility of a substantial expansion of refugee facilities on the Italian mainland.

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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 are to be made available for refugees being evacuated through Spain, the possibility of establishing other centers in French North Africa for refugees from Italy is under consideration. Murphy's recommendations on this score have likewise been solicited.

Insofar as Jewish refugees are concerned, we hope to move as many as possible to Palestine without delay. In this connection, in the case of Turkey the British have adopted the policy that all Jews escaping into Turkey from the Balkan countries will be permitted, after a preliminary security check, to go to Palestine. Once in Palestine, these people are placed in camps, where another security check is made by the British. If found satisfactory, they are gradually released as legal immigrants to Palestine against the current half-yearly immigration quota.

Since the application of a similar policy in the case of Jews now in southern Italy would make possible the prompt removal of such refugees to Palestine, we have asked Ambassador Winant in London to ascertain at the earliest possible moment whether the British Government will cooperate by granting Palestine certificates to Jewish refugees reaching Italy and by facilitating their prompt removal to Palestine.

For some time we have been pressing the British to cooperate with us in the joint establishment of temporary havens in Cyrenaica and Tripolitania. This proposal first arose in the course of the Bermuda Conference in April of 1943. Upon our recommendation, the British have repeatedly been approached over the past few months on this score, but without any results to date.

#### Board Representative for Italy Named

Permission has been granted by the Supreme Allied Commander of the Mediterranean Theatre for the appointment, for territories adjacent to Italy, of a Special Representative to be attached to ACC Headquarters. In view of the importance of having an accredited Board Representative authorized to act in Italy, we are advising the War Department that we propose to authorize Leonard Ackermann, our Special Representative for the Mediterranean Area, to serve in this capacity.

- 4 -

RELATIONS WITH GREAT BRITAIN

While assurances of "warmest support and sympathy" have not been lacking, we have received little active cooperation to date from the British in connection with refugee rescue and relief. The failure of the Foreign Office to respond to our proposal that havens of refuge be set up on a cooperative basis in Cyrenaica and Tripolitania is a case in point.

The Ministry of Economic Warfare has continued to voice concern over our licensing of rescue and relief operations, particularly International Red Cross purchases, in enemy territories. In response to our proposal that Palestine immigration certificates be authorized for certain child refugees reaching Switzerland from France so as to permit them to enter Palestine within the total allowed under the White Paper, the Foreign Office in effect declined on the grounds that, in the absence of any direct representations on the part of the Swiss Government to either the British or the Intergovernmental Committee and in the absence of any permission from Vichy to the Swiss with respect to exit permits, our proposal was "entirely hypothetical."

There is, of course, in the British Government no really comparable agency whose function it would be to cooperate with us in concrete measures. While the absence of a comparable agency does not necessarily preclude active cooperation any more than the establishment of such an agency would automatically guarantee it, our experience with the British to date suggests that this absence of even the framework for cooperative action has been a real stumbling block.

SITUATION IN HUNGARY

Minister Johnson has advised us from Stockholm that German authorities are reliably reported to have evacuated all Jews from the southern and northern frontiers of Hungary and to have concentrated them in ghettos in various communities.

An urgent memorandum outlining suggested methods of rescuing Hungarian Jews from annihilation has been addressed to us by the American Chapter of the Religious Emergency Council of the Chief Rabbi of Great Britain. This memorandum points to a recent report appearing in the New York Times from the Times correspondent in Istanbul, confirming previous advices as to the intentions of the Hungarian regime and its Nazi cohorts. "Baths" or gas chambers are reportedly being prepared to slaughter not only the Jews of Hungary but also large numbers of refugees of the Jewish faith from Poland and other Nazi-held lands who have found asylum within Hungary's borders.

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Because of the limitations of underground channels, it was urged that Turkey be approached with a view to her permitting the entry of all genuine refugees, to be housed there in temporary camps, if necessary, under supervision of the United Nations Relief and Rehabilitation Administration.

The memorandum also urged that the Apostolic Delegate in Washington be approached with a view to enlisting the aid and cooperation of the Vatican in certain specific rescue operations. It was suggested that, as a result of Vatican pressure, the authorities in Budapest might be influenced to permit a gradual exodus of Jews.

According to a report from Minister Harrison in Bern, Hungarian authorities are reportedly considering a memorandum said to have been prepared and submitted by Jewish leaders, proposing that Jews in Hungary be exchanged against Hungarian prisoners of war in Russian hands and against Hungarians residing in overseas countries. This proposal allegedly involves the creation of a mixed commission, including representatives of the Hungarian Government, the Jewish Agency in Hungary, and the International Red Cross, which would be requested to aid in the exchange.

In a cable to Ankara we have asked Ambassador Steinhardt to consider the advisability of directly or indirectly approaching the Hungarian mission there, or other personalities in Turkey, along the lines of Ira Hirschmann's talks with the Rumanian Foreign Minister, as a result of which the Rumanian Government agreed to facilitate the emigration of Rumanian Jews.

Assistance from the Vatican Requested.

In a cable from this Government to the Cardinal Secretary of State, we have called to the attention of the Holy See the recurrent reports that present authorities in Hungary are planning to slaughter the 800,000 Jews in that country. We have indicated that while this Government has warned the authorities and the people of Hungary of the material consequences that will follow the perpetration of such inhumane acts, we believe it to be both timely and fitting that they also 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. In view of the great numbers of persons in Hungary professing adherence to the Roman Catholic Church, we have suggested that the Holy See may find it appropriate to express itself on this subject, by

- 6 -

radio and through the Nuncio and clergy in Hungary, as well as through a representative of the Holy See to be despatched to Hungary for that particular purpose.

#### Warnings Shortwaved to Hungary

In a stirring statement by members of the Senate Foreign Relations Committee, shortwaved to Hungary by the Office of War Information, the people of Hungary have been asked to use every means possible to protect the lives of their fellow citizens of the Jewish faith. Hungarians were asked to make note of authorities aiding the Nazi executioners as well as of those authorities who extend mercy, until such time as the guilty and the innocent can be adjudged.

According to a report from the U. S. Embassy in London, the British Broadcasting Company has now, in response to our request, broadcast warnings to the Hungarian Government against the continued deportation and persecution of Jews.

#### EVACUATIONS TO AND THROUGH TURKEY

Word has reached us from Jerusalem of the safe arrival in Haifa of the group of 317 refugees who reached Turkey recently on the "S.S. Maritsa." Included in this group were a few Jews who escaped from Hungary early in May and who were able to forward to us the names of certain Hungarian officials actively associated with the Germans in the Jewish persecutions.

#### "Maritsa" Reported to have Sunk

Ambassador Steinhardt subsequently advised us of the receipt of an unconfirmed report that the "Maritsa" foundered at sea while en route to Constansa on her return to Istanbul after disembarking her load of refugees. "In view of the recognized unseaworthiness of the 'Maritsa,' "Steinhardt cabled, "we must regard it as an act of Providence that the ship did not sink while carrying refugees en route to Istanbul."

#### Negotiations re the "Bardaland."

We have been advised by Minister Johnson and Board Representative Olsen that the Swedish Foreign Office has continued to be extremely cooperative in response to our request that the "S.S. Bardaland" be chartered for evacuation operations in the Black Sea. The Swedish Minister in Berlin has now been instructed to ask the Germans for permission to divert the vessel and to grant it safe-conduct,

and the Swedish Red Cross has agreed to act as charter party on our behalf. Reassurances have been obtained from the master of the "Bardaland" to the effect that the vessel is sufficiently seaworthy to make the voyages proposed. After the proposed refitting in Istanbul to provide sanitary accommodations and lifesaving and kitchen equipment, it is estimated that the vessel will be able to accommodate between 400 and 500 persons.

In a cable to Ankara we have asked Ambassador Steinhardt to make all arrangements for the selection of refugees for embarkation, for their exit permits, and for assembling them at the port of embarkation, as soon as the likelihood of the "Bardaland's" sailing for Constanza becomes more concrete.

#### "Tari" Negotiations Continue

Minister Harrison has reported from Bern that in the course of his discussions with the Swiss Foreign Office he was advised that the Swedish Government had supported the International Red Cross request for German safe-conduct of the "S.S. Tari," but that its request had "not been productive nor had the German Government received it well."

Ambassador Steinhardt has advised us from Ankara that, despite the fact that the Director General of the State Steamship Lines has been pressing him on the matter for some time, to date he has been able to avoid signing the charter party for the "Tari" and thereby incurring a daily penalty for its idleness pending advice as to whether or not German safe-conduct is to be granted. Inasmuch as the matter has now been referred to the Turkish Foreign Minister, Steinhardt reported that he had explained to the latter the various reasons for his failure to sign the charter party thus far and had also asked about the prospects for a German safe-conduct. The Foreign Minister replied that although he had made four requests of German Minister von Papen for a safe-conduct for the "Tari," he was now convinced that it would not be forthcoming, particularly in view of the current severe strain on political relations between Turkey and Germany.

Steinhardt then proposed that the "Tari" be allowed to sail for a Bulgarian port without a German safe-conduct for the purpose of bringing refugees to Istanbul, where they might remain on board the vessel pending their gradual transportation to Palestine. The Foreign Minister replied that Steinhardt's proposal would be taken under consideration if he could secure a Bulgarian safe-conduct and permission for the "Tari" to enter a Bulgarian port. Steinhardt reported

that he has therefore asked the International Red Cross representatives in Ankara to press the Bulgarian Minister for such a safe-conduct and for port-entry permission.

Although Steinhardt anticipates that the reply on these two points may be delayed as a result of the recent resignation of the Bulgarian Cabinet, the reply is expected to be favorable unless Bulgaria's two Black Sea ports are under complete German control.

Steinhardt also advised us that the Turkish Foreign Minister clearly implied in the course of their discussion that even though a contract has not yet formally been signed, he considers the "Tari" to be under charter to the Board. Eventual difficulties in determining the amount to be paid are therefore anticipated. In this connection, Steinhardt asked that we indicate to him the maximum obligation we are prepared to incur for the "Tari," whether or not the vessel is ultimately available.

In response to Steinhardt's request, we are indicating that we are anxious to retain the right to use the "Tari" as long as there is any reasonable hope that it may ultimately be permitted to sail. Steinhardt is being authorized to use certain funds previously transmitted to hold the "Tari," if necessary.

The reportedly sympathetic attitude of the Bulgarian Minister in Stockholm is also being relayed to Steinhardt for his confidential information, in case Steinhardt should find it desirable to enlist the support of the Bulgarian Minister there in connection with this or any other project requiring the cooperation of the Bulgarian Government.

Re-Chartering the Adana Ship

We have been advised by the State Department that the British are requesting this Government's views concerning appropriate conditions to be proposed to the Turkish Government in consideration for the renewal of the charters of five British cargo vessels now in Turkish service and known as the Adana ships. These vessels are said to have been chartered to Turkey originally for the on-shipment of military supplies from Egyptian ports to Turkey, but the stoppage of military shipments to Turkey has nullified the purpose for which the ships were originally chartered.

We have recommended to the State Department that, as one condition to the re-charter of the Adana ships, the Turkish

Government be required to make available either the "Fari" or a similar vessel for repeated refugee evacuation voyages across the Black Sea to a Turkish Black Sea port -- with German safe-conduct, if possible -- whenever in the opinion of the British and American Ambassadors to Turkey such voyages become feasible. The re-charter of the Adana ships would constitute fulfillment of any Turkish demand that a substitute passenger vessel be made available to the Turks while the "Fari" is engaged in refugee evacuation operations.

As another condition to the re-chartering of the ships, we have proposed that the Turkish Government agree to cooperate with Ambassador Steinhardt and with the British Ambassador to Turkey in making arrangements for additional evacuation operations across the Black Sea, without German safe-conduct to be carried on by small boats such as the "Maritsa," the "Wilka" and the "Polacitta," carrying relatively small numbers of passengers. We would, of course, agree to arrange for the payment of a reasonable charter-hire for the use of any such Turkish vessels made available, and to assume responsibility for the maintenance and support of refugees in transit or awaiting transportation in Turkey.

Because of the necessity of making for military purposes all passenger ships available to us, we are also recommending that if the Turkish Government insists upon a guarantee of replacement in kind in the case of loss of any Turkish vessel made available in the future for evacuation operations, consideration should be given to using the re-chartering of the Adana ships as a basis for requesting the Turkish Government to waive such a guarantee in the future, unless the Turks are willing to make a similar guarantee to replace any of the Adana ships that may be lost.

In a cable to Ambassador Steinhardt in Ankara we have outlined this situation in detail. We have indicated for Steinhardt's guidance, however, that if the giving of a guarantee in kind appears absolutely necessary in order to obtain the use of Turkish vessels, we will seriously consider giving such a guarantee in connection with future voyages of the "Fari" or any other Turkish vessel, because of the urgent humanitarian considerations involved. Steinhardt has also been advised that our original guarantee to replace the "Fari" in the event of loss on its first voyage still stands; the conditions we now propose refer to subsequent voyages of the "Fari" and any other Turkish vessels made available for evacuation purposes.

SITUATION OF THE JEWS IN GREECE

According to a memorandum from a Legal Advisor of the Greek Foreign Office transmitted by our Embassy at Cairo, approximately 60,000 Jews were involved in the German deportations to Poland last year from Greece. "There are serious reasons," the memorandum continued, "to fear that most of those who were shifted to Poland in sealed railway trucks (horse carriages) were exterminated when they ultimately reached their destination." Following the collapse of Italian administration in Greece in the fall of 1943, when the Germans began to enforce further anti-Jewish measures, most of Athens' 8,000 Jews are said to have found refuge in Christian homes, where many of them are still hidden. It was estimated that 20,000 to 25,000 Jews still remain in Greece.

Because of recent German orders threatening death to any Christians caught aiding Jews and offering informers fifty percent of the property belonging to any Jew exposed to the Gestapo, it has become increasingly difficult for the impoverished Jews of Greece to remain in hiding, according to this memorandum. The sending of funds as soon as possible, and the wide distribution of such funds, were urged as measures of more immediate importance than any expansion of the routes of escape by sea.

Minister Norweb has indicated to us that the matter of Sephardic Jews in Greece claiming Portuguese nationality, to whom we have urged that Portugal extend recognition and protection, has been referred by the Portuguese Government to its representative in Athens "for attention."

A report from Ambassador Steinhardt in this connection stated that the Turks have not, to his knowledge, refused admission to any Jewish refugees arriving in Turkey from Greek Islands or from Greece itself, without visas. It was stated that, on the contrary, thus far Turkish authorities have promptly provided transportation from Izmir to Palestine for those refugees who have reached Turkish soil.

EVACUATIONS TO AND THROUGH SPAIN

In the absence of any reports from Ambassador Hayes outlining more cooperative action in connection with our program, we propose to send a representative to Spain in order to review with Hayes the situation there. The services of James G. McDonald have been obtained for this mission. McDonald is to have diplomatic status while in Spain and will be attached to the Embassy as a Special Attache.

- 11 -

According to a report from the Lisbon representative of the American Jewish Joint Distribution Committee, 25 additional adults recently reached safety in Spain and are now being cared for by the JDC. It was also reported that seven additional children have reached Barcelona from France bringing to 13 the total number of child refugees under JDC care in Spain, and making a total of more than 200 newcomers there of all ages. While the number of children reaching Spain clandestinely was expected to increase, it was pointed out that under present circumstances large numbers of child refugees cannot be anticipated there because of physical and other difficulties involved.

#### Ship's Sailing to North Africa Scheduled

Board Representative Ackermann has advised us from Algiers that because of failure to give advance notice of the sailing date, a ship scheduled to have sailed from Spain on May 20 bearing refugees for Lyautey was unable to depart. June 7 has been set as the new tentative date for the ship's departure. Ackermann also indicated that he is now at work on a major problem that has recently arisen in connection with Camp Lyautey -- that of securing Army aid for guarding the camp and protecting its property.

#### EVACUATIONS TO AND THROUGH PORTUGAL

According to a report from the Lisbon representative of the War Relief Services of the National Catholic Welfare Conference transmitted to us by our Embassy in Lisbon, there remained in Portugal at the beginning of May only between 1,000 and 1,500 refugees, exclusive of Spanish Republicans. In April, it was stated, the American Jewish Joint Distribution Committee had on its relief rolls some 600 persons, the Unitarian Service Committee about 250, the Quakers about 70, and the Catholic War Relief Services 80, these totals being exclusive of Belgian, British, Dutch and Polish refugees being supported there by their own governments.

The JDC is said to have sent 250 refugees to Palestine from Portugal in February. Another 150 refugees left Portugal aboard the Portuguese "Serra Pinto" in March, bound for the United States and Canada.

#### "Serra Pinto" Reaches U. S. Safely

According to the New York Times for June 1, the "Serra Pinto," carrying still another load of refugees bound for the United States and Canada and sailing under a safe-conduct

- 12 -

from the belligerent powers, was stopped in mid-Atlantic by gunfire from a German submarine. After the passengers were forced to spend nine hours in lifeboats on threat of torpedoing the vessel, the submarine departed, leaving the ship and passengers unharmed, except for the accidental deaths of three of the 385 persons aboard and the taking of two American citizens as prisoners. The "Serpa Pinto" subsequently reached Philadelphia safely. The refugees bound for Canada were taken under guard from the ship and put aboard a sealed train for the last lap of their trip, without technical entrance into the United States.

#### EVACUATION OF ABANDONED CHILDREN FROM FRANCE TO SWITZERLAND

According to a report from the JDC representative in Lisbon, during the past three months 500 child refugees from France succeeded in reaching safety in Switzerland.

Ambassador Long has reported from Guatemala that the Guatemalan Government, in response to our proposal, has agreed to accept from Switzerland up to 100 child refugees under conditions previously outlined. It was indicated that Guatemala would prefer that, insofar as possible, these children be selected from among French and Belgian refugees.

#### RECOGNITION OF LATIN AMERICAN PASSPORTS

Reports reaching us indicate that a number of nationals and persons claiming the nationality of the United States and of other American republics may be held in camps situated in German and German-controlled territory to which the Protecting powers and the International Red Cross have no access, or else access of the most restricted kind. Included in this category are the camps of Belsen-Bergen near Hannover, Bergau near Dresden, Dost or Tost in Silesia, and Drancy near Paris.

In a pending cable to Minister Harrison and Board Representative McClelland in Bern we are asking that the attention of the Swiss Government, as the protecting power of the United States, be drawn to this situation. The Swiss are to be requested to take steps to insure supervision by them of any and all camps and other establishments in German and German-controlled territory in which persons holding or claiming United States citizenship are held. We are asking Harrison and McClelland to stress the fact that this Government has taken the view that, insofar as persons in danger of persecution are concerned, claims of American citizenship are

- 13 -

to be honored by Germany until notification has been received that the claim has been rejected by the country in whose name the document was issued or whose nationality was claimed.

A similar request with respect to such camps and establishments is to be addressed to the International Red Cross.

In a circular communication to our Missions in the various Latin American countries we are outlining the steps being taken in this connection. Our Missions are being asked to call this matter to the attention of appropriate authorities in the various Latin American countries, so that they may take parallel action.

According to a communication from our Embassy in Haiti, the Haitian Minister for Foreign Affairs proposes to ask this Government to transmit to the Spanish Government, in support of our own representations, a request that the Germans in turn be asked to accord all persons holding Haitian passports the rights of Haitian nationals until the receipt from the Haitian Government of a report on the validity of the passports in question.

In response to this report, we are indicating that since Switzerland is the protecting power of Haitian interests in enemy territory, the Haitian approach should be made through Switzerland rather than through Spain.

Ambassador Frost has reported that the Paraguayan Foreign Minister has now orally but officially confirmed the fact that his Government approves negotiations by this Government for an exchange of persons from American countries or holding passports of such countries, including Paraguay, and now detained in German concentration camps.

In a later communication Frost advised us that the Paraguayan Foreign Minister is extremely anxious to obtain a reply concerning the possibility of including in the proposed exchange two girls, native Paraguayan citizens, residing in the province of Hannover, Germany, as well as certain Dutch nationals related to a prominent Paraguayan.

We have been advised from Colombia that the Polish Minister there has, in accordance with the State Department's suggestion, indicated that he would refrain from sending his proposed notes to the Governments of Colombia, Venezuela and Ecuador. It was indicated that he planned to refer the matter back to his Government, which might in turn consider State's suggestion that the Polish Government consult the Inter-American Emergency Advisory Committee for Political Defense on the matter.

- 14 -

COOPERATION WITH THE OFFICE OF CENSORSHIP

It was recently proposed by Director Price of the Office of Censorship that we should assume the responsibility, from a security standpoint, for the transmission to and from various foreign points of all messages having to do in any way with refugees. Under the procedure proposed, Censorship would pass incoming and outgoing messages only with our specific approval.

In a conference held with Mr. Price on June 2, Executive Director Pehle pointed out that by its nature the Board is not primarily a regulatory body, nor are we the only Federal agency concerned with refugee matters. Executive Director Pehle stated that while we deal only with those private agencies which we believe are sincerely interested in rescuing and helping victims of enemy oppression and which we believe to be thoroughly reliable, we do not have intelligence reports on the addressees and senders of such messages, nor do we have facilities for such reports. In order to insure cooperation to the greatest extent possible, however, it was agreed that we would designate someone to serve as liaison officer with Censorship, to examine selected communications and to indicate whether we have any special concern with them. This person would also be in a position to furnish Censorship with any information in our possession pertaining to individuals or situations referred to in the communications involved. Ultimate responsibility, from the security point of view, will remain with Censorship.

(Signed) J.W. Pehle

J. W. Pehle  
Executive Director

CABLE FOR ROBERT MURPHY AND ACKERMAN, ALGIERS

From the War Refugee Board.

Please refer Department's No. 1669, May 27.

In further discussions with the President concerning the general refugee situation, the President suggested the possibility of taking refugees to Cyprus. This should be carefully explored along with the other suggestions contained in No. 1669.

THIS IS WRB CABLE TO ALGIERS NO. 18.

June 3, 1944  
9:40 a.m.

JED:ecr  
6-1-44

NMS  
 Distribution of true  
 reading only by special  
 arrangement. (SECRET W)

June 3, 1944

Midnight

SECRET

AMREP,

ALGIERS.

1759

The following is WRB cable 17, refers to your 1709 of May 24 and is for Murphy, Chapin, and Ackermann.

War Department has now informed us that permission for the appointment, for territories adjacent to Italy, of a special representative to be attached to ACC headquarters has been granted by Supreme Allied Commander, Mediterranean Theatre. Word regarding present unavailability, Lt. Commander Lawler, whose appointment was proposed, also received.

We are informing War Department that Ackermann, Board's special representative for Mediterranean area is authorized to represent Board in Italy, pursuant to above-mentioned permission of Allied Commander, in view of importance of having an accredited Board representative authorized so to act. Ackermann will be advised, as soon as this designation confirmed. Maintenance Ackermann's headquarters in Algiers may continue but, whenever he deems necessary he should go to Italy. Saxon will be expected to represent Board in Algiers during Ackermann's absence, in addition to his duties as Senior Treasury Representative. Treasury Department has approved arrangements concerning Saxon and Ackermann.

STETTINIUS  
 ACTING  
 (GHW)

S/OR  
 WRB:MMV:KG  
 6/3/44

WE

A-S/3

MMS  
Distribution of true  
reading only by special  
arrangement. (SECRET W \_\_\_\_\_)

June 3, 1944 SECRET

Midnight

AMREP,

ALGIERS.

1761

The WEB cable no. 18 given below is for Murphy and Ackermann and refers to Department's 1669 of May 27.

The President, during discussions covering general refugee situation, has suggested possibility of taking refugees to Cyprus. Please explore this along with other suggestions contained in above-mentioned cable.

STETINIUS  
ACTING  
(GEW)

S/CR

WEB:MMV:KG  
6/3/44

WE

BC

FBM-119  
Distribtuion of true  
reading only by special  
arrangement. (SECRET W)

Algiers

Dated June 3, 1944

Rec'd 7:06 p.m.

Secretary of State

Washington.

1833, June 3, 6 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN. No.

25. Advised today by War Shipping representatives  
that ship should sail from Sapin about June 25.

Definite date will be fixed about June 15.

Sent to Department, repeated to Madrid for  
Blickenstaff.

CHAPIN

RR  
REP

.....

.....

MMS  
Distribution of true  
reading only by special  
arrangement, SECRET W \_\_\_\_\_

June 3, 1944

SECRET

MIDNIGHT

AMREP,

ALGIERS

1762

For information of Murphy, Chapin and Ackermann.

Contents Department's 1169 of May 27 repeated to London  
which has also been advised supplementarily as follows:

QUOTE Several thousand Jewish refugees, according to  
best information available, are now in southern Italy. An  
important step in helping solve the problem indicated would  
be taken by prompt removal of these refugees to Palestine.  
Information desired therefore at earliest possible moment  
whether Palestine certificates will be granted these Jewish  
refugees and their prompt removal to Palestine will be  
facilitated by the British Government.

The following should be borne in mind in taking up this  
matter with the British Government:

The British Government, since closing of the Bulgarian-  
Turkish frontier in May 1943, has been following the policy  
of authorizing the onward transport to Palestine of all  
Jews who succeed in escaping from enemy territory to Turkey,  
after a preliminary security check in the latter country.  
Another security check is made in camps in Palestine in which  
the British place these people. If found satisfactory, they  
are gradually released against the current half-yearly immi-  
gration quota, as legal immigrants to Palestine. The  
application of a similar policy in the case of Jews now in  
southern Italy would make possible the prompt removal to  
Palestine of such refugees. An early report of the attitude  
of the British Government in this matter is urgently requested.

UNQUOTE

STETTINIUS  
ACTING  
(GHW)

S/CR

WEB:MMV:KG  
6/1/44

BC WE SE NE

PROPOSED CABLE TO AMERICAN LEGATION, BUENOS AIRES, ARGENTINA

War Refugee Board requests your good offices in expeditiously obtaining authorization from the Foreign Office for Argentine Consul General, New York, to vise American passports of Morris D. Waldman and Jacob Landau who are traveling with the Board's approval to Argentina as representatives American Jewish Committee for purpose of studying conditions of refugees in certain Latin American countries including Argentina. Both are permanent residents United States and have round-trip paid passages Pan- American Airways.

\*\*\*\*\*

June 3, 1944  
10:45 a.m.

MStandish:lcm 6-1-44

Regraded Unclassified

PROPOSED CABLE TO AMERICAN LEGATION, SANTIAGO, CHILE

War Refugee Board requests your good offices in expeditiously obtaining authorization from the Foreign Office for Chilean Consul General, New York, to vise American passports of Morris D. Waldman and Jacob Landau who are traveling with the Board's approval to Chile as representatives American Jewish Committee for purpose of studying conditions of refugees in certain Latin American countries including Chile. Both are permanent residents United States and have round-trip paid passages Pan-American Airways.

\*\*\*\*\*

June 3, 1944  
10:45 a.m.

## ORIGINAL TEXT OF TELEGRAM SENT

FROM : Secretary of State, Washington  
TO : American Embassy, London  
DATED : June 3, 1944  
NUMBER: 4411

SECRET

To Ambassador Winant, London, England

Repeated inquiries are made of War Refugee Board concerning eligibility for exchange of Jews in German-controlled territory holding Palestine certificates. Please inquire from proper Foreign Office officials whether such persons declared eligible by Britain and Germany, whether any such exchanges have actually taken place, and if response is affirmative, the procedure followed in placing such persons on exchange lists.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Embassy, London  
DATED: June 3, 1944  
NUMBER: 4413

CONFIDENTIAL

Facilities in southern Italy for caring for refugees who have escaped from enemy territory are becoming so over-crowded that it is essential to remove refugees rapidly to other areas. It is particularly important that this be done without delay so that the flow of refugees into southern Italy is not in any way discouraged or impeded. The following cable which has been sent to Robert Murphy in Algiers indicated more fully the nature of this problem and its importance:

"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 over-taxed.

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.

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. UNHRA 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 Cyrenaeae, 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 Kyrautey 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 Ackermann 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."

According to the best information available there are in southern Italy several thousand Jewish refugees. The prompt removal of these refugees to Palestine would constitute an important step in helping to solve the problem indicated. Accordingly, the Department and the War Refugee Board would like to know at the earliest possible moment whether the British Government will grant Palestine certificates to these Jewish refugees and will facilitate their prompt removal to Palestine.

In taking up this matter with the British Government you should bear in mind the following:

Since the closing of the Bulgarian-Turkish frontier in May 1943, the British Government has been following the policy of authorizing, after a preliminary security check in Turkey, the onward transport to Palestine of all Jews who succeed in escaping to Turkey from enemy territory. Once in Palestine the British place these people in camps where another security check is made, and if found satisfactory, they are gradually released as legal immigrants to Palestine against the current half-yearly immigration quota. It is apparent that the

application.....

- 3 -

application of a similar policy in the case of Jews now in southern Italy would make possible the prompt removal of such refugees to Palestine.

Please advise us urgently of the attitude of the British Government in this matter.

This message has been repeated to Murphy, Chapin and Ackermann in Algiers.

STETTINIUS  
(Acting)

3068 (R-2835)

AMERICAN CONSULATE GENERAL

Istanbul, Turkey, June 3, 1944.

STRICTLY CONFIDENTIAL

SUBJECT: Further Information Regarding the Jews  
of Greece

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

SIR:

I have the honor to report information concerning Jews, who continue to escape from Greece and also concerning the conditions of Jews still in Greece. This information was obtained from a representative of the Jewish underground organization of Izmir, from Mr. Solomon Barki who is the source of information reported in Despatch No. 2844 (R-2642) of April 15, 1944, and from reports of the Greek Consulate of Izmir.

Attached as an enclosure is a report of the Greek Intelligence Service of Izmir concerning the deportation of Jews from Athens on April 2, 1944.

According to the representative of the Jewish underground organization of Izmir, many more Jews have escaped from Greece during the last six months than have been reported officially. This is due to two reasons: first, a

- 2 -

fairly large number of Jewish refugees are brought to Turkey without the knowledge of the Turkish authorities or of the British, American and Greek Intelligence Services; and second, because many Jews have assumed Greek names and so appear in official records as Greeks. For example, during the period April 1 to May 11, the arrival of 192 Jews is recorded officially but according to the representative of the underground organization there was actually a total of 217.

Since May 11 Jews have arrived in greatly decreased numbers and with increasing difficulty. Those who have made their own arrangements for departure have been obliged to pay almost prohibitive prices. The places available for Jews in the official British-Greek services continue to be limited in number. Recently, the Jewish underground organization has been confronted with almost insuperable obstacles in continuing the system of transportation which for some time worked very smoothly. As yet no special arrangements have been made for the transportation of Jewish refugees from Euboea to Turkey, as was recommended by Mr. Barki and called to the attention of the Department in Despatch No. 2844 (R-2642) of April 15, 1944.

It is difficult to obtain reliable estimates of the numbers of Jews still in Greece. On March 30, before the deportation of Jews from Athens, Mr. Barki was of the opinion that there were 6,000 to 8,000 Jews in Athens and vicinity. According to estimates reported in Despatch No. 2917 (R-2706) of April 29, 1944, 750 to 800 Jews from Athens and 3,000 from the provinces were deported in April. These figures are corroborated by statements in the report attached as an enclosure. On May 11, the representative of the Jewish underground organization of Izmir stated that 2,000 or more Jews are probably still hidden in Athens and there are 5,000 or 6,000 with the andarts. According to this source, many Jews from Yannina and other towns of western Greece have escaped to Italy.

Mr. Barki corroborated the statement reported in Despatch No. 2917 (R-2706) that on March 24 an order was published stating that all Jews living in the provinces were to be arrested and brought to Athens. It will be noted

- 3 -

in the enclosure to this despatch that Jews from Arta were among those deported from Athens on April 2. Evidence that the arrest of provincial Jews has continued since March 24 was provided by Michael Boyiadjoglou, a Greek tobacco merchant recently arrived in Turkey. On April 30, while on the train from Athens to Salonica, Mr. Boyiadjoglou talked with three German SS officers who said that they were on their way to Corfu, where they were to deport all Jews within an interval of 48 hours. These officers left the train at Larissa.

The situation of the Jews in Greece has undergone considerable change since mid-March, at which time conditions were reported in Despatch No. 2680 (R-2494) of March 18, 1944. The prediction made then by Jewish refugees that "all Jews remaining in Greece, whom the Germans can find, only await the fate that befell the Jews of Salonica in March, 1943" has regrettably been fulfilled, since all registered Jews of Athens and large numbers of provincial Jews have been deported. Concerning the Jews still in hiding, the statement made in Despatch No. 2844 (R-2642) of April 15, 1944 that "their situation becomes more precarious every day as their funds are gradually exhausted" is corroborated by refugees who continue to arrive in Izmir. Their vulnerability to betrayal was especially emphasized by the representative of the Jewish underground organization of Izmir, who stated that the growing activities of the Gestapo and the offers of rewards for information concerning Jews result in an appalling number of arrests. ....

Respectfully yours,

Burton Y. Berry  
American Consul General

Enclosure: as stated above  
To Department in original and hectograph  
File No. 820.02  
HWD:gdw

Enclosure No. 1 to Despatch  
No. 3068 (R-2835) dated  
June 3, 1944, from the  
American Consulate General,  
Istanbul, Turkey.

The Departure of the Jews from Athens, April 2, 1944

I learned by chance that the Jews of various nationalities, including Spanish, Portuguese, et cetera, who had been arrested by the Germans, were to be deported Sunday, April 2, 1944. I also learned that thanks to the intercession of the International Red Cross, the Germans had granted permission for food to be distributed to the deportees by the Greek Red Cross. Two lorries loaded with packages containing food, clothing and medicines, arrived at 9 a.m. at the station platform where the train was waiting.

The train consisted of 37 or more freight cars of the type intended for transporting the army; on the sides were signs "8 Horses, 40 Men". The cars were already sealed and across the narrow windows barbed wire and boards were nailed. I approached a car and looked in. The car was crowded beyond the limits of the imagination: 80 to 100 dishevelled people, piled one upon the other -- pregnant women, babies, cripples, old people, all in a state of nervous over-excitement, were gesticulating and yelling for aid. I heard shouts of "I shall give birth at any moment, what shall I do?"; "They separated me from Isaac, I have lost my child an."; "They brought us here from Arta and we have been 8 days without food."

The German guard drove me away from one car with curses but I succeeded in approaching others. There was the same misery everywhere. S.S. officers kept a very strict guard and watched the Jews with a hard, sarcastic expression.

After a little while three lorries brought the Spanish subjects from the Haidari concentration camp. All these Jews were well-to-do and well dressed. They also were piled into cars, but the cars in this case were not sealed and the windows were not barred with wire. The Spanish Jews were allowed to take with them a little food which the Spanish Minister brought them. In spite of many efforts and attempts to negotiate with the German authorities, this was all that he as a neutral could do for them.

- 2 -

After two hours the "Obersturmbandfuhrer" Burger, an S.S. officer, arrived in a great hurry and in a very angry mood. He gave orders for the train to leave at once and roughly forbade the Greek Red Cross to give the departing Jews the food and supplies that they had provided. I shall never forget the agonized expression of those poor Jews when they heard this order.

I followed the train to the Larissa Station where I learned that it would stop for a few moments. I arrived in plenty of time and waited near the track. After a few minutes the tragic train of more than 37 cars came slowly in. Faces reflecting the martyrdom that was to last for days looked out through the barricaded windows. I watched the Greek Red Cross doing its best to give aid but it was very difficult to do so. However, they did succeed in passing a few tins, one by one, through the wires obstructing the windows. Where there was scarcely room to put a hand through the opening, they slipped in bread cut in slices. A woman who asked for milk for her child was mistreated by the guard.

The German Commander of the S.S. explicitly forbade that the cars should be opened to throw out the dead. A German mechanic who had watched the actions of the guards, cried at this point "I am a German but I can't stand this." The train left. I asked myself how many would arrive at their destination and in what condition.

CORRECTION

A - 189  
10:35 AM  
SENT BY SECRET AIRGRAM

June 3, 1944

AMEMBASSY,

PORT-au-PRINCE (HAITI).

The date of this cable should be June 9, 1944 instead  
of June 3, 1944.

EMBASSY OF THE  
UNITED STATES OF AMERICA

No. 2148

Asuncion, Paraguay, June 3, 1944.

Subject: Paraguayan Government willing to receive  
refugee children.

CONFIDENTIAL

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to refer to the Department's confidential circular airgram of April 20, 1944, 7:35 p.m. to certain Embassies stating that the Department has now authorized the American consular officers in Switzerland to issue up to four thousand quota immigration visas to refugee children, and requesting this Embassy to approach the Paraguayan Government with a view to obtaining its consent to accepting a fixed number of refugee children and giving assurances to the Swiss Government of such willingness.

There has now been received a Note from the Ministry of Foreign Relations on this subject, in reply to this Embassy's Note of May 5, 1944. Copies and translations of these notes are transmitted herewith, and it will be noted that the Paraguayan Government is willing to cooperate in this work provided that adequate financial assistance is available for the purpose.

As respects the notification by the Paraguayan Government to the Swiss Government, concerning which nothing is said in the Paraguayan note, it should be mentioned that the Paraguayan Government does not maintain a diplomatic mission in Switzerland.

Respectfully yours,

Leslie E. Reed  
Charge d'Affaires ad interim

Enclosures:

1. Copy and translation of Embassy's Note No. 260 of May 5, 1944.
2. Copy and translation of Note No. 461, May 21, 1944, from Ministry of Foreign Relations.

848.

LER/ajl

Original with reverse carbon  
to the Department.

Enclosure No. I to Despatch No. 2148  
American Embassy, Asuncion, Paraguay  
June 3, 1944

Note No. 260

Asuncion, May 5, 1944

Excellency:

With reference to previous conversations with Your Excellency and with your distinguished predecessor regarding the possibility that Paraguay may participate in the humanitarian work of giving asylum to some of the unfortunate refugees from Europe, I have the honor to inquire concerning the attitude of your Government with respect to receiving some refugee children.

It is estimated that there are in France alone, 8,000 to 10,000 abandoned or orphaned refugee children, and the War Refugee Board is endeavoring to make arrangements for their care in the future. My Government has decided to permit the immigration to the United States of up to 4,000 children under 16 years of age irrespective of their nationality, religion or stateless status and has authorized the granting of the necessary visas by American consular officers. These visas will remain valid or may be renewed until such time as transportation facilities to the United States may be available.

If there are private organizations or agencies in Paraguay which are willing and able to care for a group of refugee children, it is believed that the War Refugee Board can provide such agencies with adequate funds for the maintenance, education, and welfare of as many children as your country would be willing to admit. Should it be necessary, funds would also be available to cover their transportation expenses from Europe to Paraguay.

If your Government is willing to participate in this work, and a suitable agency in Paraguay is disposed to assume the care of such children, your Government may desire to so inform the Swiss Government. Upon receiving information of the attitude of Your Excellency's Government in this matter, I shall be glad to furnish further details of the arrangements which are being made, if such information is desired.

- 2 -

Please accept, Excellency, the renewed assurance of my most distinguished consideration.

His Excellency  
Dr. Horacio Chiriani,  
Minister of Foreign Affairs and Worship,  
Asunción.

848  
LER:ps

TRANSLATION OF ENCLOSURE NO. 2

Mr. Charge d'Affaires:

With reference to Note D.P. & D. 402 of the 10th instant, I have pleasure in quoting the following communication received from the Ministry of Education, which states:

"536, Asuncion, May 26, 1944. Most Excellent Mr. Minister: I have pleasure in addressing Your Excellency in order to acknowledge receipt of Note 398 of May 8 of the present year from your Chancellery, as well as the authenticated copy of document No. 260 from the American Embassy which accompanies it. With reference to the contents of the document referred to, this Ministry desires to announce its complete conformity to collaborate in relieving the affliction of European childhood deprived of homes by the present war, accepting the number of refugees which may be fixed in view of, and with previous determination of our possibilities. In order to make possible this noble activity, this Ministry ventures to point out the necessity that the economic collaboration offered contemplate the construction of a building (internado) adequate for the purpose desired, and its equipment, as well as the amounts necessary for the maintenance and clothing of the refugee children. This Ministry would bear the cost of the administrative and teaching staff of the asylum, in order to assure the pupils the benefits of the most complete education possible. Within these general lines, this Ministry will remain in the expectation of further information and proposals on the subject." Receive, Excellency, the expressions of my special consideration. Signed: Juan Dario Quiroz, Minister."

I take this opportunity to salute you with my distinguished consideration.

Signed: Mario Ferrario

Subsecretary of State of  
Foreign Relations.

AIRGRAM

SECRET BY COURIER

From: Asuncion

Date: June 3, 1944

Rec'd: June 10 11 am

SecState  
Washington, D. C.

A-236, June 3, 1944, 11:15 a.m.

With reference to the Department's secret airgram A-158, May 22, 1944, 6:15 p.m. FOR THE PERSONAL AND CONFIDENTIAL INFORMATION OF THE AMBASSADOR, directing this Embassy to continue its efforts to procure a favorable action on two points mentioned in this Embassy's airgram A-139, April 22, such favorable action has already been taken, as stated in this Embassy's A-148, April 29, 10 a.m., and A-185, May 20, 9:15 a.m.

Copy of Paraguayan note to Spanish Legation has not yet been obtained, but efforts will be continued to that end.

REID

848  
LH/gm

## PROPOSED CABLE TO AMERICAN LEGATION, ASUNCION, PARAGUAY

War Refugee Board requests your good offices in expeditiously obtaining authorization from the Foreign Office for Paraguayan Consul General, New York, to vize American passports of Morris D. Waldman and Jacob Landau who are traveling with the Board's approval to Paraguay as representatives American Jewish Committee for purpose of studying conditions of refugees in certain Latin American countries including Paraguay. Both are permanent residents United States and have round-trip paid passages Pan-American Airways.

\*\*\*\*\*

June 3, 1944  
10:45 a.m.

## ORIGINAL TEXT OF TELEGRAM SENT

FROM : Secretary of State, Washington  
TO : American Legation, Lisbon  
DATED : June 3, 1944  
NUMBER : 1601

SECRET

From War Refugee Board to Norweb

Please deliver the following message to Isaac Weissman,  
c/o American Legation, Lisbon, from Mr. Mendes-France of the  
French Committee of National Liberation:

"I thank you for your message. The question is  
now being considered both in Algiers and in Washington,  
in order to procure you the help you are asking for."

THIS IS WRB LISBON CABLE NO. 33.

HULL

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: June 3, 1944  
NUMBER: 1905

## CONFIDENTIAL

Payment of 16,667 francs to Seiligmann by Riegner, suggested in the Legation's telegram of May 11, 1944 No. 2991 and payments to Worms and Levy, upon their arrival in Switzerland, of the Swiss franc equivalent of the amounts purchased from them are authorized by the Treasury Department. The authorization given above is subject to both Riegner and you being satisfied that these individuals are bonafide refugees and intend to remain in Switzerland for other neutral territory or territory which the Allies control and other than in Switzerland no such payments should be made.

STETTINIUS  
(ACTING)

DCR: IDB:HL 6/7/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: June 3, 1944  
NUMBER: 1906

SECRET

Section (B) of license number W-2160 issued to the American Jewish Joint Distribution Committee, which was described in Department's Number 39 of June 5 has been amended by the Treasury Department. The amended section referred to is paraphrased below:

Individual licenses will be issued by the Treasury authorizing the use of specific amounts following issuance of this license. The aggregate of the amounts expended or otherwise obligated pursuant to this license, plus the total amounts of claims against any blocked account established pursuant hereto, shall not be in excess of the total sum in dollars (or the equivalent thereof in foreign currency) so specified in Treasury's authorization.

In line with the above, this license has been amended by Treasury in connection with a specific license issued to the Joint Distribution Committee authorizing the payment, in addition to amounts formerly authorized, of the equivalent of \$50,000 in Swiss francs to Saly Mayer, with the understanding that this amount is to be used under license W-2160 to which we refer above.

.....  
We request that the foregoing information be transmitted to Saly Mayer, St. Gall, representative of the Joint Distribution Committee in Switzerland.

License W-2150, issued to the American Committee for Christian Refugees, Inc., which was described in Department's Number 851 of March 15, has also been amended by Treasury. This amendment is identical in every way to the amendment applying to the license of the Joint Distribution Committee described above. License W-2150 is amended in order to enable the American Committee for Christian Refugees to make payment to Dr. Freudenberg of the equivalent of \$25,000 in Swiss Francs. This sum is in addition to sums authorized prior to this time, and is to be used pursuant to said license.

We request

- 2 -

We request that notification of the above-mentioned amendment be sent the representative of the American Committee for Christian Refugees, Inc. in Switzerland, Dr. Adolf Freudenberg, 41 Avenue de Champel, Geneva.

The War Refugee Board, the Treasury and the Department concur in the foregoing.

STETTINIUS  
Acting

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Embassy, Ankara  
DATED: June 3, 1944  
NUMBER: 506

## SECRET

War Refugee Board sends the following for Steinhardt.

Inasmuch as the War Refugee Board is anxious to facilitate Hirschmann's departure, the Board requests that you facilitate, in any way possible, the issuance of a Turkish visa which is being awaited by Hirschmann.

STETTINIUS  
Acting

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
 TO: American Embassy, Ankara  
 DATED: June 3, 1944  
 NUMBER: 602

## CONFIDENTIAL

The Governments of the United States and Great Britain have agreed that in furtherance of their joint policy to use every means available consistent with the successful prosecution of the war to bring about the rescue of the victims of German persecution in imminent danger of death a joint approach should be made to the Turkish Government in the sense of the following:

QUOTE The Governments of the United States and Great Britain are appreciative of the assistance already rendered by the Turkish Government to refugees who have fled from German-controlled Europe as the result of persecution on account of race, religion, or political belief. The Governments of the United States and Great Britain believe, however, that if the persecuted minority groups still remaining in German-controlled Europe have further assurances that, if they are able to make their way to neutral territory, they will be received and their minimum material needs provided for until such time as they can be moved onward to other havens of refuge or repatriated to their homeland, the rescue of still greater numbers from inhuman oppression might be effected. If such assurances are not forthcoming, it is feared that the death toll among the persecuted minority groups will continue to increase.

The Governments of the United States and Great Britain in furtherance of their joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of German oppression in imminent danger of death, appeal to the humanitarianism of the Turkish Government in behalf of these persecuted persons in the hope that the Turkish Government will find it possible to adopt an even more liberal policy than heretofore as regards the reception and temporary care of refugees from German-controlled Europe.

The Governments of the United States and Great Britain wish to assure the Turkish Government that for their part they will be glad to arrange for the provision of such additional food and other supplies as may be required to meet the added burden on Turkish resources resulting from the temporary care of refugees, as well as funds if needed. The Governments of the United States and Great Britain wish further to assure the Turkish Government that they will make every effort to arrange for the onward movement to other havens of refuge of such refugees as may be received by Turkey. UNQUOTE

You are/.....

- 2 -

You are requested to concert with your British colleague who is expected shortly to receive instructions substantially in the sense of the above.

Similar joint approaches are being made to the Swedish, Spanish, Portuguese, and Swiss Governments.

HULL

FMH-94

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

Montevideo

Dated June 3, 1944

Rec'd 8:13 p.m.

Secretary of State,

Washington.

509, June 3, 5 p.m.

FOR KNAPP FROM SANDERS

Text of "Resolution concerning the exchange of persons between the American Republics and Germany" is as follows:

"Whereas A. The Emergency Advisory Committee for Political Defense in its resolution 20 approved May 21, 1943 recommended to the American Republics that as a general policy they not permit the repatriation of unofficial German nationals except in very small numbers and only for the exchange of American nationals under German control or for similar special reasons of particular importance.

B. There are in Germany or German-controlled areas in Europe approximately 2,000 individuals, most of them presently in concentration camps, who while identified with various European minority groups are nevertheless in possession of documents and certificates which have been issued by or in the name of many American Republics as well as other non-European states and which reflect a right of admission to, of protection by, such states.

C. It has not previously been possible to nominate such detained individuals for inclusion in the recent exchanges which have been effected of nationals of American Republics for German nationals because of the strict standards governing exchange as established in Resolution 20 and because of the extraordinary difficulties involved in discovering identifying and communicating with such individuals.

D. The Committee is informed that the German Government apparently believing that the American Republics and other non-European States concerned are indifferent to the fate of these individuals,

now intends

-2-

now intends to deprive them of any protection, and to subject them to the severe persecution, including slave labor and extermination, suffered by other members of the racial and political minorities with which these individuals are identified.

E. The prospect of such dire consequences is repugnant to the common ideals of liberty and humanity held by the American Republics and calls for the utmost humanitarian and preventive efforts on the part of the governments of this hemisphere consistent with their own security.

F. Safe refuge for and support of all such individuals, including those whose admission to the country concerned may not be feasible, may be provided for under existing arrangements.

G. There are now available in the American Republics a number of German nationals whose repatriation under present circumstances would not materially conflict with the strict standards of Resolution 20 of the Committee.

The Emergency Advisory Committee for Political Defense resolves:

One. To direct the attention of the Governments of the American Republics to the desperate plight of those persons now in Germany or German-controlled areas who are identical with European racial or political minority groups and who possess certain documents issued by or which in the name of the American Republics reflect a right of admission to..... or protection by said republics.

Two. To inform the American Republics that, in the opinion of this Committee, the need to rescue such persons constitutes a sufficient basis for their admission to this hemisphere in exchange for German nationals resident in the American Republics selected with due regard for security requirements set forth in Resolution 20 of this Committee.

Three. To recommend strongly to the various American Republics that they immediately take such uniform action in concert as may be necessary to facilitate the exchange of these individuals for

certain German

-3-

certain German nationals in this hemisphere, and in particular.

A. That they inform the German Government through the appropriate channels that the individuals who possess documents of the character mentioned in the first paragraph and issued by or on behalf of an American Republic, are entitled to full protection in accordance with the terms or customary incidents of such documents.

B. That they authorize negotiations with the German Government on their behalf in order to effectuate the exchange of such individuals for German nationals from the Western Hemisphere who desire to be repatriated and who are selected in accordance with such security safeguards as the Republics may mutually deem appropriate in the light of all the circumstances surrounding each particular case.

DAWSON

RB REP

DEPARTMENT  
OF  
STATE

OUTGOING  
TELEGRAM

138  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

JUNE 3, 1940  
6 p.m.

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

X

DEPARTMENT OF STATE

JUN 8 1940

DIVISION OF  
COMMUNICATIONS & RECORDS

CIRCULAR TELEGRAM TO PLACES LISTED

U. S. URGENT

CIRCULAR

reference circular telegram May 25.

You are requested to inform the appropriate authorities of selection of Mount Washington Hotel, Bretton Woods, New Hampshire, as site of Conference. Anticipated duration two to three weeks, beginning July 1. Location, base of Mount Washington, White Mountains, approximately 600 miles and eighteen to twenty hours by regular train from Washington. Special train being arranged for opening; delegations will purchase their own accommodations.

Hotel will provide lodgings on American plan. Ample meeting rooms available, but suitably furnished office space restricted and hotel obliged to charge delegations desiring offices a flat rate for these extra facilities. Please ascertain and telegraph immediately minimum office requirements and preliminary estimate of number of officers and clerks expected to compose delegation. As these figures will form basis of preliminary room allotments by the hotel, please take care to specify sex and to include those persons already in the United States. Double occupancy of bedrooms required, except for heads of delegations.

-2- CINCINNATI June 3, 1944.

As soon as more detailed information becomes available please telegraph name, title and delegation function of each individual, including subordinate personnel, and also mode of travel and date and port of entry into United States; in case of air travel this information essential in recommending air priorities. If persons are appointed concerning whom Department has not been furnished recent biographic data, such information should also be included.

Since this is a technical wartime meeting, social entertainment will be held to a minimum. Limited hotel facilities will not permit the accommodation of wives or other family members. Business suits, light-weight woollens suggested, will be adequate for all occasions.

STETTINIUS  
ACTING  
(WK)

800.515

SA/E PMA SA S/CR

IC:DBE:MCL  
6/2/44

NO- CIRCULAR June 5, 6 1960

CODE ROOM:

This telegram is to be sent to the following:

AMREP, Algiers (Algeria)  
 AMLEGATION, Canberra (Australia)  
 AMEMBASSY, Rio de Janeiro (Brazil)  
 AMEMBASSY, Ottawa (Canada)  
 AMEMBASSY, Santiago (Chile)  
 AMEMBASSY, Chungking (China)  
 AMEMBASSY, Bogota (Colombia)  
 AMEMBASSY, San Jose (Costa Rica)  
 AMEMBASSY, Habana (Cuba)  
 AMEMBASSY, Ciudad Trujillo (Dominican Republic)

AMLEGATION, Cairo (Egypt)  
 AMEMBASSY, San Salvador (El Salvador)  
 AMLEGATION, Addis Ababa (Ethiopia)  
 AMEMBASSY, London (England)  
 AMEMBALK, Cairo (GREEK)  
 AMEMBASSY, Guatemala (Guatemala)  
 AMEMBASSY, Port-au-Prince (Haiti)  
 AMEMBASSY, Tegucigalpa (Honduras)  
 AMLEGATION, Reykjavik (Iceland)  
 AMERICAN MISSION, New Delhi (India)  
 AMLEGATION, Tehran (Iran)  
 AMLEGATION, Baghdad (Iraq)  
 AMLEGATION, Monrovia (Liberia)  
 AMEMBASSY, Mexico (Mexico)  
 AMLEGATION, Wellington (New Zealand)  
 AMEMBASSY, Managua (Nicaragua)  
 AMEMBASSY, Panama (Panama)  
 AMEMBASSY, Asuncion (Paraguay)  
 AMEMBASSY, Lima (Peru)  
 AMLEGATION, Pretoria (Union of South Africa)  
 AMEMBASSY, Moscow (Union of Soviet Socialist Republics)  
 AMEMBASSY, Montevideo (Uruguay)  
 AMEMBASSY, Caracas (Venezuela)  
 AMEMBALK, Cairo (YUGOS)

~~4~~ CIRCULAR June 2, 1955

CODE ROOM:

Please add the following to the telegram for  
AMREP, Algiers:

"Circular under reference was sent to Algiers  
as the Department's 1633, May 25, 7 p.m."

Please add the following to the telegram for  
AMEMBASSY, London:

"Repeat immediately to Schoenfeld for notifica-  
tion to Belgian, Czechoslovak, Luxembourg, Netherlands,  
Norwegian, and Polish Governments."

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

142  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMT-960

PLAIN

London

Dated June 3, 1944

Rec'd 2:40 p.m.

Secretary of State,  
Washington.

JUN 4 1944

CZECHOSLOVAK SERIES

8, Third.

FROM SCHOENFELD

Your circular telegram May 26 and my 7 of June 1.

Czechoslovak Government appoints following  
delegation to Monetary Conference:

Dr. Ladislav Feierabend, Minister of Finance

Dr. Jan Mladek

Consul General Josef Hanc

Dr. Antonin Basch

Dr. Ervin Hexner

Dr. Ernest Sturz, Secretary of Delegation.

WINANT

WTD  
LMS

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

DIVISION OF 143  
COMMUNICATIONS  
AND RECORDS

LFG-219

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

Reykjavik via Army

Dated June 3, 1944

Rec'd 7 a.m. 4th

Secretary of State,  
Washington.

239, June 3, 10 a.m.



Note was delivered to the Foreign Office as  
instructed by the Department's circular telegram  
dated May 25. The Foreign Minister has replied  
accepting invitation to participate in Monetary and  
Financial Conference. Names of Icelandic delegates  
will be given to the Legation within a few days and  
the Department will be informed promptly.

HULLEY

RB RR

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

144  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

DMH-959

PLAIN

London

Dated June 3, 1944

Rec'd 2:40 p.m.

Secretary of State

Washington

NETHERLANDS SERIES

9, third

FROM SCHOENFELD

Your circular, May 26

In note of June 3 Netherlands Government states it accepts invitation to Monetary Conference. Delegation will consist of Dr. J. W. Beyen, Financial Adviser to Netherlands Government, as chairman; Dr. H. Riemens of Netherland Embassy in Washington and possibly one other as yet unnamed.

Note adds acceptance is contingent on (1) waiver or removal of current British travel ban (2) definite assurance from British and United States Governments that no obstacle will be placed against return to UK on conclusion of Conference (3) free exchange uncensored code telegrams between government and delegation on matters pertaining to Conference and (4) that delegation can leave England with necessary codes in sealed parcel

-2- #9, third, from London

parcel not subject to examination by United States or UK authorities.

Netherlands Government is approaching British Government regarding above conditions and would appreciate United States lending cooperation and support.

WINANT

WTD  
LMS

MJB-63

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

Pretoria

Dated June 3, 1944

Rec'd 5 p.m.

Secretary of State,  
Washington.

66, June 3, noon.

DEPARTMENT OF STATE  
DIVISION OF  
7 1944  
COMMUNICATIONS  
AND RECORDS

The Department of External Affairs has informed me that the following persons will make up the South African delegation to the monetary and financial conference referred to in the Department's circular telegram of May 25, 5 p.m.

Leader of delegation, Dr. S. F. Ngie, South African Minister at Washington; co-delegate, Dr. J. E. Holloway, Secretary for Finance, co-delegate, Dr. M. H. de Kok, Deputy Governor of the South African Reserve Bank; Secretary, Dr. W. Naude, South African Legation at Washington; typist-clerk, Miss Hahn, South African Legation at Washington.

Dr. Holloway and Dr. de Kok plan to leave South Africa by air on or about June 14 en route to the United States.

The formal acceptance of the Union Government is to be handed to the Legation on June 5 and will be forwarded to the Department by air mail.

EMB

GROTH

## PARAPHRASE OF TELEGRAM RECEIVED

7-147

FROM: American Consulate General, Naples  
TO: Secretary of State, Washington  
DATED: June 3, 1944  
NO.: 117

## SECRET

Beyond all question there is urgent need for improvement in the present economic situation. Moreover, what must be kept foremost in mind is that if we are to hope to forestall a wave of popular discontent of disastrous potentialities for prestige of any Government that may be in power, evidence of such improvement must show itself in the very near future. Although there is at present a relatively favorably wheat crop in prospect which, if successfully collected and distributed, should ease the bread shortage for a period of months, there is the possibility that eventually this crop may have to be supplemented by shipments from the United Nations and this possibility should be faced now. Highly critical shortages persist in various essential consumer goods of which glaring examples may be mentioned in items of shoes and clothing and leather and fabrics necessary for their manufacture and in the meantime this condition intimately affects public morale. The shortage of trucks and tires, scarcity of which is a basic cause of the partial paralysis in distribution of Italian-produced foodstuffs from agricultural regions to needy urban centers, is equally, if not more, critical. Of course, the list could be extended but it is sufficient here to say in general that shortages are so acute that, without manifesting its resentment, no modern people could be expected to support them long.

If the situation is to be alleviated the alleviation must come in form of shipments from United Nations, i.e. shipments in greater volume for selected items than are now being received; and making allowance for all possible efforts of self-help that Italians can exert, they cannot supply these deficiencies.

In regard to promotion of economic improvement for the longer term, there can be mentioned as one primary essential the importation of fertilizer in substantial volume for insurance of next season's crop. The question of rehabilitating industrial plants will also be an increasingly important matter for consideration and action as the German forces move north. For the intermediate period ahead, here is a field of special employment possibilities, but here again substantial assistance from the Allies is of paramount importance. Recently, in this general connection, the Secretary General of the Italian Foreign Office (see my despatch of May 20, no. 4) put the question of whether in the reorganization of the Italian railroad system the United States would lend its collaboration. As being pertinent to the problem of reconstruction of Italian industry in general, I refer to my comments in the despatch under reference.

Of course, ACC has analyzed in detail the needs of the Italian economic situation. However, I wish to point out that ACC in making recommendations is limited by relatively short term objectives determined predominantly by the consideration of preserving tranquility in an operational theater and to emphasize that if conditions conducive to maintenance of a stable democratic Government are to be realized, a broader measure of assistance must be furnished than has been furnished heretofore.

Of course, the problem of inflation exceeds in the gravity of its implication even the difficulties of scarcity mentioned above; and as the Department is aware, in drawing up a program to combat this evil a special committee of ACC is actively engaged.

The matter is, at the same time, of such fundamental importance that it should receive attention on the highest plane. In July there is to be assembled in the United States an international conference on monetary stabilization and I submit for

the Department's consideration that studies with particular reference to stabilization of Italian currency should, if possible, be initiated now as of possible interest in connection with the adoption of any international program. Having this in mind, I recommend that in view of the continued absence of Mr. Grady and the recent departure of Mr. Glasser serious consideration be given to the desirability of sending a recognized American expert of high caliber to study the stabilization question in Italy and to make due recommendations for appropriate measures. In order to study the question of possible American collaboration in the rehabilitation of selected Italian industries, such expert could well be accompanied or followed by industrial experts of corresponding standing. Whether any such experts should operate within or without the framework of ACC is a question for the Department's decision.

This message was transmitted by Kirk.

BRANDT

DCR:MAS:EA

6-10-44

ef:copy  
6-13-44

NOT TO BE RE-TRANSMITTEDSECRETOPTEL No. 127

Information received up to 10 A.M. 3rd June 1944.

1. NAVAL

On 1st, aircraft from H.M. Aircraft Carriers attacked a heavily escorted convoy of 3 ships off NORWAY, all 3 ships were hit by bombs and 4 escort vessels damaged by fighters. 2 fighters missing.

One of H.M. Submarines off SOUTHERN FRANCE sank a 1000 ton armed salvage ship, a 400 ton lighter and an R-Boat on 30th, a minesweeper on 31st and an armed 5,000 ton ship on 2nd.

2. MILITARY

Italy 2nd. Continued good progress. New Zealanders although hampered by extensive demolitions have advanced about 4 miles north of SORA, they are being helped by parachutists dropped ahead who are sabotaging German communications. Indians have captured VEROLI and 5 miles to N.E. U.K. troops are fighting for ALATRI.

Canadians have taken FERENTINO and are advancing along Highway 6. U.S. Forces are now well across Highway 6 in VALMONTONE Sector, the town itself fell early yesterday and their advance continues, forces from this area are turning back down Highway 6 to meet the advancing French and Canadians. VELLETRI has been captured and heavy counter attacks repulsed in this area. Further gains reported on COLLI LAZIALI. Bitter fighting continues between VELLETRI and the sea particularly in LANUVIO-CAMPOLEONE Sector, but here also some progress has been made.

Yugoslavia Recent German drive by combined ground and parachute troops was aimed particularly at capture of Tito's headquarters in BOSNIA. Bulk of headquarters including Tito escaped. Heavy German pressure continues. Partisan operations have been much assisted by support of Allied Air Forces.

3. AIR OPERATIONS

Western Front 2nd. 1,245 escorted heavy bombers, (7 missing) dropped 2,006 tons on batteries and defences in the BOULOGNE area in complete cloud conditions, 167 tons on military construction near ABBEVILLE, 411 tons on railway yards in PARIS area where cloud varied from nil to 3/4 with results generally good, and 339 tons on 6 airfields NORTHERN FRANCE, results - 2 poor, 1 fair, 1 good, 2 unobserved.

1,145 aircraft of A.A.E.A.F. supported by 160 fighters went to attack objectives in NORTHERN FRANCE and BELGIUM. The few reports so far received state that 13 tons of bombs were directed at R.D.F. installations (3 fighters missing).

2nd/3rd. 728 aircraft despatched - coastal and railway batteries BOULOGNE area 336, (1 missing), W/T station near DIEPPE 107 TRAPPES Goods Yards 128 (16 missing) LEVERKUSEN and other objectives 27, sea mining 53, Intruders and leaflets 77 (1 missing), Weather conditions BOULOGNE varying cloud, DIEPPE and TRAPPES no cloud, good visibility.

Italy On 31st and 1st, 713 medium and 128 light bombers attacked troops and communications in the battle area.

Rumania On 31st/1st Allied bombers dropped 74 tons on railway tracks over the IRON GATE CANAL at TURNUL SEVERIN. 2nd. Heavy bombers (13 missing) dropped 225 tons on CLUJ Railway centre and total 395 tons on 3 other important railway centres.

Hungary 2nd. Heavy bombers (1 missing) dropped total 410 tons on railway centres at SZOLNOK, MISKOLC and SZEGED.

Aegean 1st. Allied aircraft attacked convoy North of CRETE: 2 ships and 2 escorts were left burning and other ships were damaged.

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 178

Information received up to 10 a.m., 4th June, 1944.

1. MILITARY

ITALY. 3rd. Further satisfactory progress. New Zealanders now about 6 miles N.W. SORA in contact with enemy north of Highway 6. ALATRI and ANAGNI have been occupied. Leading troops South African Armoured Division reached point on Highway 6 16 miles N.W. FROSINONE. Mines and demolitions have caused delay. French are in touch with U.S. Forces on Highway 6 two miles east VALMONTONE. North of VALMONTONE U.S. troops are within one mile of PALESTRINA. North of VELLETRI they have captured MONTE CERASO, 1 1/2 miles S.E. of ROCCA PRIORA and are within a mile of ROCCA DI PAPA. N.W. and W. of VELLETRI they have captured NEMI and LANUVIO. Adriatic assault force of British, U.S. and Partisan troops landed on BRAC Island on 1st/2nd. Fighting is in progress.

2. AIR OPERATIONS

WESTERN FRONT. 2nd. Additional reports now received state that aircraft of A.E.A.F. attacked coastal defences - 350 tons; Roads and railways and bridges - 175 tons; and military constructions - 115 tons.

2nd/3rd. Tons dropped BOULOGNE area - 865; W/T Station DIEPPE - 540; Trappes Goods Yards - 470. Nine German aircraft destroyed.

3rd. Following objectives attacked N.W. France. Fortresses and Liberators without loss dropped total 1,445 tons on gun positions and R.D.F. Stations BOULOGNE area. Aircraft of A.E.A.F. (4 fighters and 3 Bostons missing) attacked road and rail communications and bridges - 342 tons. Fuel dumps AMIENS - 50 tons; R.D.F. installations - 91 tons and 500 rockets; coastal defences - 206 tons; CHARTRES airfield - 113 tons.

3rd/4th. Aircraft despatched:

R.D.F. Station near CHERBOURG	100
Batteries, CALAIS	70
WIMEREUX	65
HAVRE	6
Sea-mining	57
Mosquitoes to LUDWIGSHAFEN	20
Rail junction ARGENTAN	5
Bomber Support	9

All aircraft returned safely. Weather Northern France clear with good visibility. Good and accurate bombing all four targets.

ITALY. 2nd. 886 medium and fighter bombers (five missing) operated north and east of ROME and on close support tasks in battle area. Roads, bridges and transport were the main objectives and results generally were very good. Many hits on bridges reported and 164 motor vehicles.

FW1

## The New York Times.

JUN 4 1944

# ARGENTINA BREWS ANTI-JEWISH DRIVE

## Nationalists Promise Beatings if One-Day Disobedience Campaign Takes Place

## REGIME PLANS JUNE 4 FETE

### Celebration to Observe Revolt of Last Year Prescribed by Military Leaders

By Wireless to The New York Times.

MONTEVIDEO, Uruguay, June 3—While the Argentine Government is preparing to celebrate the first anniversary of the June Fourth revolution of last year that delivered the nation to the mercies of military governments with dictatorial powers, Argentine nationalists are threatening to hold an anti-Jewish demonstration if the one-day civil disobedience campaign scheduled for next Wednesday is put into effect.

Liberal and Leftist elements had proposed that all Argentines manifest their repudiation of President Edelmiro Farrell and his government on Wednesday by refusing to engage in any of their usual activities. The nationalists have countered by electing to hold the Jews responsible and are threatening them with bloody reprisals.

#### Violence Prescribed

The nationalist threat was contained in a proclamation that was widely circulated yesterday and today. The threat was couched in such scurrilous language that it cannot be reproduced textually in any decent newspaper. It says that the government was obliged, "as a temporary emergency," to suppress some of the political freedoms of the Argentine people to save Argentina from a war fomented by the Jews. Then it appealed to all Argentines, saying:

"Observe which are the houses that have the audacity to keep their doors closed next Wednesday and then make liberal use of clubs. You know what we mean."

After recalling the anti-Jewish riots of January, 1919, in which several hundred people were killed the Nationalist proclamation continues:

"Break the windows of any such houses. Tear out the red beard of the Jews who are the leaders of the revolt against the government. Snatch the filthy frocks and the skull caps off the rabbis in the ghetto and break the teeth of any Argentine who betrays his country by asking your cooperation in this farcical civil disobedience campaign."

#### Anti-Jewish Acts Denied

The Argentine Sub-Secretariat of Information has officially denied the Reuter Agency story date-lined in Montevideo to the effect that there has been a recrudescence in Argentina of acts of violence against the Jews, especially in the Province of Entre Rios. The Sub-Secretariat says the charge is untrue because ample freedom exists in Argentina for all creeds.

Nevertheless, it is a fact that at the end of last month the Buenos Aires newspaper Radical published a list of Jewish-owned business premises in Entre Rios that had been attacked and damaged. On May 29 the Federal Commissioner for that province issued a communiqué acknowledging that Jewish property had been damaged in attacks, which he attributed to "irresponsible elements" against whom he promised to take action. Thus the press and provincial authorities confirm what the central authorities deny.

The Ministry of Public Instruction of Argentina has expelled two youths from the schools they were attending and has closed all other educational institutions in the country to them. The disciplinary action against them, which was allegedly motivated by the fact that they showed disrespect for Argentine flag, comes at just the right time to act as a powerful deterrent to any boy or girl who is planning to participate in the civil disobedience campaign by not attending classes when the June revolution anniversary is being celebrated.

#### Newspapers Spare Praise

Both Nación and Prensa, the two greatest Buenos Aires democratic dailies, published editorials today, on instructions from the Government, dealing with the present military regime's twelve months of office. Both made their editorials mainly historical and were sparing of comment, especially of praise. They promised, however, to comment on the Government's actions more fully in coming issues.

Several official ceremonies have been prepared for tomorrow's celebration of the anniversary of the June Fourth revolution. Among other things, Argentines will for the first time hear "The March of the Fourth of June," which is destined officially to take its place by the side of the Axis nations' anthem such as the "Horst Wessel" song and "Glovenezza" in Germany and Italy, respectively.

Few of the original Cabinet Ministers and top-rank officials have survived the stress of events that have kept Argentina in a state of agitation for the past twelve months. It can hardly be said, therefore, that Argentina is ruled today by the men who seized power in last year's successful revolution.

Nevertheless, President Farrell and his collaborators owe their present position to that event, and it is not surprising if they, at any rate, celebrate its anniversary as a great date in Argentine history.

Bitter internal squabbles between rival groups of officers, on whom the military regime depends for its very life, have characterized the year since last June 4. Visible evidence of the divided counsels within the Government has been afforded by the kaleidoscopic succession of men in the principal Government posts. There have been three Presidents, all of them generals, and all of whom served the Presidency by more or less violent means. Five Ministers, of whom two were admirals and three generals, have followed one another into the Palacio San Martín. A total of thirty Ministers has been appointed, almost enough to renew the whole Cabinet four times.

The wavering indecision of the military governments has been evident particularly in its foreign policy, which is dominated by the question of Argentina's relations with the Axis. At first, Argentina seemed more than once to be on the verge of a breach, only to draw back at the last minute. Finally she severed relations with Germany and Japan on Jan. 26 under circumstances that have never been fully explained. Immediately afterward, however, a strong reaction manifested itself in the Army, and almost exactly one month later President Pedro Ramirez and the Ministers principally responsible for the breach of relations were thrown out.

Since then, Argentina has shown

no further disposition to make "concessions" to the United Nations, or even to accept the logical consequences of the breach with the Axis as far as continental security and defense are concerned. For this reason, the Argentine Government has not yet been recognized by the principal world powers.

#### Nazi Techniques Adopted

The present regime now seems to be firmly entrenched and able to force upon an unwilling nation a program that bears a remarkable and suspicious similarity to the programs that the Nazis and the Fascists applied in Germany and Italy. There is hardly a point of Nazi or Fascist creed that does not have an almost exact counterpart in present-day Argentina, from hatred of the Jews to the belief that women exist only to bear children; from an acute contempt for everything that is foreign to a boastful pride in everything that is native.

All this has been accompanied

by a ruthless suppression of the personal freedoms that had been most cherished by the people of Argentina. The press has been effectively gagged and must now take orders from the Government, not only as to what it may not say, but also as to what it must. The rights of free speech and of assembly are things of the past. Constitutional guarantees have been abrogated and the Government does not hesitate to arrest persons right and left at the slightest hint of opposition. Leftist labor leaders and unions are relentlessly persecuted.

The Fascist tinge that colors the mentality of Argentina's present rulers was illustrated once again by the great number of slogans that, on instructions from the Central Government, must be written on the blackboards of every school throughout Argentina during the June Fourth celebrations, and that must be duly commented upon by teachers.

Incidentally, all parents have

been warned that their children will not receive diplomas if the children do not attend classes during those days.

One slogan is "Argentina is always right," which calls back to memory the Fascist slogan "Mussolini is always right." Other slogans, picked at random out of about two dozen, are: "Argentina for Argentines." "The new Argentina wants healthy, strong, heroic women." A set of slogans issued by the Ministry of Public Instruction for use in girls' schools include: "Women exist to beget heroes, not to give birth to renegades" and "Argentine women must learn to fulfill the obligations set for them by nature."

As was to be expected, the attempt to graft Nazi-Fascist ideologies onto Argentina met with strong opposition, especially in Leftist circles. A hundred labor leaders and workers are in prison or in concentration camps for daring to express their repudiation of totalitarian ideas.

June 5, 1944  
10:15 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Mabel  
Newcomer: Hello.

HMJr: Miss Newcomer.

N: Yes.

HMJr: Henry Morgenthau, Jr.

N: Oh, yes.

HMJr: How are you?

N: I'm fine, thank you.

HMJr: Miss Newcomer, the President has authorized me to invite you to be a delegate to the Monetary Conference and I hope very much you will be able to accept.

N: I'd like to very much. I'm supposed to be teaching all summer. I'm not sure it's possible.

HMJr: Well, would you find out if it could be arranged?

N: When -- what are the dates?

HMJr: ... From the first of July to the twentieth.. . . .

N: First of July to the twentieth?

HMJr: Yes.

N: That really isn't possible because I have agreed to teach at Columbia for the whole summer.

HMJr: You don't think you could ....

N: I don't see -- I mean, I'd have to ask to be released completely and I don't think I could make any contribution at the Conference that would justify it.

HMJr: Well, could I differ with ....

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N: I'd like to do it.

HMJr: Could I differ with you on that?

N: Well, I appreciate that very much.

HMJr: I'd be glad to ask President Butler if he would release you.

N: Well, may I think it over for -- you need to know right away, don't you?

HMJr: No. No. I'd like you to think it over but women economists who can contribute something on this subject are very rare.

N: (Laughs)

HMJr: And maybe you differ with me on that but we've looked over the whole list.

N: Yes.

HMJr: And it's something that we'd like very much to have you.

N: Well, of course, I'd like very much to do it. I ....

HMJr: May I be a little personal? Is it a monetary consideration?

N: No. I mean -- of course, there would make a difference there, but that isn't the ....

HMJr: Because I could find out whether we couldn't put you on an expert basis for the Treasury.

N: No, I don't think that would make the difference. It's a question of my obligation to Columbia.

HMJr: Well, I'd be glad to ....

N: It's a question of where I can be useful. That's the real point.

HMJr: Well, President Butler, the few times I've asked him, he's always said, "Yes". I've never had any trouble with him.

N: Well, I'm -- I'm just not convinced myself that I would be more useful at the Conference.

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HMJr: After all, he let us have Magill for quite a while.

N: Yeah.

HMJr: And there've been -- what's his name -- the other -- the man on taxes -- finance -- Shoup.

N: Yes.

HMJr: We've had -- been able to get Carl Shoup any time we wanted him.

N: Well, may I think that over for twenty-four hours?

HMJr: And if you'll call me up collect on District 2-6-2-6.

N: District 2-6-2-6.

HMJr: Yes.

N: All right. Thank you very much.

HMJr: I want you to come now.

N: Well, thank you very much.

HMJr: You know, you won't be turning me down. You'll be turning down the President of the United States.

N: Yeah. Well, thank you.

HMJr: So, you think it over.

N: All right.

HMJr: Right. ....

N: I will.

June 5, 1944  
10:18 a.m.

Edward H.  
Heller:

Yes.

HMJr: This is Henry Morgenthau.

H: Yes, how are you?

HMJr: Are you a Colonel or a General now?

H: I'm a Colonel.

HMJr: Well, I'm sorry. I should have started Colonel  
and then I'd be ....

H: Lieutenant Colonel.

HMJr: What?

H: Lieutenant Colonel.

HMJr: All right, Colonel.

H: (Laughs).

HMJr: Well, listen, Ed.

H: Yes.

HMJr: Do you know anybody on the Pacific Coast who is:  
first, his sympathies are with Roosevelt ....

H: Yes.

HMJr: ..... .... and second, knows something about the monetary  
situation in the Pacific area. What I have in mind  
is a delegate to the Monetary Conference.

H: Gee, that's a tough one.

HMJr: What?

H: That's a tough one.

HMJr: Well, that's why I'm calling you.

H: (Laughs). I don't know of anyone off-hand but  
I'd like to think about it.

HMJr: Isn't there any, either exporter or banker who  
is thoroughly versed in the Far Eastern situation?  
China, Japan -- there must ....

- 2 -

H: Could I -- could I think about that for a day and call you back?

HMJr: Will you do that?

H: All right, sir, I will. I can't think of anybody off-hand, but I will -- let me consider it today and I'll call you back.

HMJr: Call me on District 2-6-2-6.

H: District 2-6-2-6.

HMJr: And being you're in the Army I'll let you reverse the charges.

H: Okay. (Laughs). Okay, well, I'll certainly think about it, Henry, for a day. I'm not very optimistic that I'll be able to help you because I just can't think of anyone off-hand at all.

HMJr: My God, isn't there anybody on the Pacific Coast who's sympathetic to Roosevelt?

H: Well, there are not many in that field.

HMJr: What?

H: There are very few in that field.

HMJr: Very few. Is there anybody in that field?

H: Oh, yes, I know a lot of people in the field.

HMJr: You do?

H: I'm just trying to winnow out the sheep from the goats and I find that they're mostly goats.

HMJr: Goats?

H: Yes.

HMJr: Well, you think about it.

H: All right, sir, I will.

HMJr: Good bye.

H: Good bye.

June 5, 1944  
11:00 a.m.

GROUP

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

H.M.JR: There are a few people absent, aren't there?

MR. O'CONNELL: Herb and John and Charlie Bell and Sullivan.'

H.M.JR: Dan?

MR. BELL: Winthrop Aldrich was just in to see me. He says that he has been approached by the Dutch Government for a hundred million dollars credit - commercial credit, and what was put up to him was practically the same thing as has been put up to us with the three hundred million dollars credit.

He has been to see Mr. Hull who has told him that they have asked for this credit. He says he doesn't want to do anything about it except in cooperation with the Treasury, but he feels that if something could be done to encourage these people to go to commercial channels rather than Governmental and UNRRA, it would be much better.

I think he talked to the Belgians, also. He suggested to both of them that UNRRA was open. They seemed to sort of resent UNRRA as being on relief. They would rather do their own job and do it through credit operations.

- 2 -

He just wants to know what he should do about it, whether he should pursue it. I told him to wait a few days and maybe we would have some decision on the thing.

H.M.JR: Let me ask you a question. Have I - has the President invested in anybody the authority to supervise foreign loans? Do you have to get a license?

Supposing, for argument, that I said I didn't want to do it. Could he go ahead and do it anyway?

MR. BELL: I don't think he would.

H.M.JR: But can he, legally?

MR. WHITE: They have frozen funds, but they have a general license.

MR. O'CONNELL: You could change that.

MR. WHITE: That is your authority.

H.M.JR: Change it how?

MR. O'CONNELL: You could require all transfers of funds to be pursuant to a special license and then re-fund the license. But you would have to change the whole setup.

H.M.JR: Has anybody seen Barkley? Is he sore at us or anything?

MR. O'CONNELL: I haven't seen him since--

H.M.JR: He snooted me on the phone the other day. He said he would let me know.

MR. BELL: He was fine on the debt hearings.

MR. WHITE: The last time we saw him on this, he was very good.

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MR. O'CONNELL: He was all right.

H.M.JR: He promised he would see me.

MR. WHITE: This is exactly the position that we have taken, Mr. Secretary, and it seems to me it vindicates us a hundred percent. We have said that the Netherlands is one of the countries that could borrow on the commercial market, and it would be a great mistake for the Government to extend loans to those countries that have the highest credit. They ought to try the private market.

They have tried and apparently the private market is willing to respond, and it seems to me that we ought to encourage that as much as possible.

MR. BELL: They are trying to get an advanced credit here in order to get some commitments in the industrial market for securities, which gives them priority.

Now, Aldrich says, "I appreciate that is what they are trying to do. I don't think I ought to step out here and make this commercial credit and give them that priority unless the Government knows exactly where we are going on it."

MR. WHITE: It doesn't give them a priority unless the WPB will give it to them. But in any case, the question is not--

MR. BELL: It would give them priority when WPB relaxes. When they enter into a contract with industry to furnish machinery - after this war, it gives them first chance at our market.

H.M.JR: Not necessarily.

MR. BELL: Well, at least they are ahead of the others.

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H.M.JR: I think that is - what shall I say - somebody else's problem. I think this, Dan - I mean, after all, the President has a Committee, and all the rest of that stuff, on priority.

Now, let's say that they want to buy locomotives. Well, Mr. Nelson knows how much our American railroads need. I suppose they have requests in for two years for locomotives and cars, and so forth and so on.

MR. WHITE: The conditions of their obtaining the loan, you will remember - that they were willing to agree to when Jones was considering giving it to them - was that they would place orders wherever they could, but that those orders would be filled under such conditions and at such times as whatever authorities existant at the time would grant, and they would be subject to whatever priorities or allocation of materials was required. But it has gone beyond that. It is a question of whether the Government will make the loan privately.

MR. BELL: I feel as you do, that we ought to guide them towards the commercial market if we can do it. He feels that certainly Belgium would like to go the same way. He thinks Norway would like to, and that France wouldn't like to go the same way.

H.M.JR: Do you mind calling that UNRRA?

MR. WHITE: I think the Johnson Act might stop France, but not Norway and Holland.

MR. BELL: It would stop Belgium.

H.M.JR: Can I get a word in, please? In the first place, on this thing of the Government giving the thing, Hull has finally, after months, written a letter to Jones saying that he approved this - I mean, of Jones doing it.

I will show you a memorandum from the President where I cabled the President asking about it. The first time I submitted it to the President, months ago, I

- 5 -

submitted a memorandum showing why I thought it was a mistake. He never answered me, but he got my memorandum. I sent him one when he was down in South Carolina.

He comes back and says, "I want to talk to you about this," indicating he was interested. So it is only a question of time. I thought that we would be licked on this thing. Now, along comes Winthrop Aldrich and says we can make it. I say, "Wonderful."

MR. BELL: I thought maybe this might help at the White House.

MR. WHITE: It would help a great deal, it seems to me, to strengthen the position you took.

MR. BELL: He said this would be a three-year banking credit, and after that it would be public quotation of the Dutch bonds to take up the banking credit.

H.M.JR: I would say this, gentlemen, that I would like to go ahead with it, but when we do this simultaneously or just change it so that these fellows - if we have the authority, we have to license them. Now, if we suddenly announce nobody can make a loan from a bank - no Government - without licensing it, and then have no business, they would say, "Ah ha, more interference." But if we did it simultaneously and issued the license, then we establish the precedent.

MR. O'CONNELL: I would like to think about it a little bit. You have to change the general license that is outstanding now under which this deal could be made without special license.

MR. BELL: You could make this an exception to your general license.

MR. O'CONNELL: By amending the general license.

H.M.JR: I didn't make myself clear. Let me give you the result. I want it so that if any bank - before any

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bank can make a loan to a foreign Government, it has to get the permission of the U.S. Treasury. Now, take me through all the intricacies. I just want the result. I want the thing changed so they will have to do it, but we will do it simultaneously with issuing the license under the first system.

Can be?

MR. O'CONNELL: I think it can be.

H.M.JR: Mr. Roosevelt always says to the Attorney General, "This is what I want, Francis. Now I am not trying to influence you."

MR. O'CONNELL: I get the point, but I would like a chance to see how it could be done mechanically.

H.M.JR: But the thought is, I don't want to start anything without any business, but with a piece of business in hand, let's do it. If they kick, you can say, "Why kick? We will give you a permit, and then come and see us. If it is O.K., all right."

MR. BELL: He said Hull did tell him this was more in the Treasury field than the State Department.

H.M.JR: That was nice of him!

MR. WHITE: Oh.

H.M.JR: Ought we to clear a thing like that with the President?

MR. WHITE: I think so, because it is the first of its kind, and moreover, it supports the position you took and it is evidence of the justice of your turning it down six months ago. I told the Dutch six months ago they could borrow two hundred million dollars at a reasonable rate in the New York market. They thought they could do a better deal with Jones, and if the Government gave them a loan it would give greater status to the Exiled Government.

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That is why they didn't want to go to the private market. So I think it would be helpful, in view of the fact that it is the first loan of that character, and in view of the memo that the President gave you.

H.M.JR: Would you get word to Mr. Aldrich that I am giving it sympathetic consideration?

Mr. BELL: I will.

H.M.JR: He could give that to the Dutch and that will let up on the pressure on the other thing. If Jesse hears about it, of course, he will make the loan right away in order to get his commission for the RFC.

MR. BELL: I am having lunch with the Ambassador. I might get it to him before.

MR. O'CONNELL: You think these two things are mutually exclusive? Aldrich proposes a hundred million and Jesse's is three hundred million.

MR. WHITE: They said they needed three hundred million to give the orders they want to give. They may have talked three hundred million to Aldrich, but he said to try a hundred.

MR. O'CONNELL: But if they make a deal with Aldrich for a hundred million, does that exclude Jesse's?

MR. BELL: I should think so. He said the Dutch mentioned the pledging of the sequestered property here. He said, "I don't like that, frankly, because we expect to do business in Holland and we think we might get some very dissatisfied customers if we undertook to take their property in pledge for this loan. We prefer to make it just a straight Government bank credit and possibly have an understanding with the people in Washington that this property would not be released until satisfactory arrangements can be made."

MR. WHITE: He doesn't want any collateral - except!

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MR. BELL: No, he wants a sympathetic Government down here. After all, the Government has never been sympathetic with foreign loans.

MR. O'CONNELL: Hasn't the Dutch Government got property?

MR. WHITE: No, giving them collateral raises the question you would want to go into, because we haven't wanted to investigate those interests. But the Dutch Government has been willing to leave gold as collateral.

MR. O'CONNELL: I mean Government-owned property.

MR. WHITE: Yes, they have. They have claimed it belongs to the Bank of the Netherlands when they don't want to--

H.M.JR: Excuse me. One other thing, Mr. General Counsel: I am sure you would think of this, but can we issue a license to a bank that the Department of Justice is suing for evading Treasury regulations?

MR. O'CONNELL: Sure. We probably issue licenses to the Chase Bank every day. Oh, sure.

H.M.JR: How the New Deal has slipped!

MR. O'CONNELL: You think we should put them out of business when we have them indicted? Well, we deal with law-breakers all the time, even the Chase Bank.

H.M.JR: And then you make me stick to the OPA rules. It is the little fellow that pays. If you are big enough you can get away with it.

MR. O'CONNELL: Sure, double standard.

H.M.JR: Chase Bank with three million dollars' worth of deposits - it is O.K.

What else do you have, Mr. Bell?

MR. BELL: That is all the time I will take up this morning.

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H.M.JR: I want to do this thing that I am seeing Acheson last, and I will have McConnell come in. The thing that Acheson is coming in on, Harry, with McConnell- and I will ask Bell and you--

MR. WHITE: McConnell should be here on the major issue.

H.M.JR: He will. I said I would do it last and then invite him in.

Theodore?

MR. GAMBLE: You asked me to get another poster on this (indicates poster of Eisenhower).

H.M.JR: Bring it a little closer, will you please?

MR. GAMBLE: Don't you think it is good?

MRS. KLOTZ: Beautiful.

MR. GAMBLE: This is by Charlie Leyendecker the singer's son.

H.M.JR: Good, but I don't see - the glasses, I think, are too prominent. It looks like an advertisement for Bausch and Lomb.

MR. GAMBLE: You understand, the base goes on here.

H.M.JR: But it looks like an advertisement for Bausch and Lomb. Let Fred see it. I don't see why you need that. Just take that out. You could have a map there--

MR. WHITE: I agree it detracts from the center of attention.

MR. SMITH: I think they are just too black, that is all.

H.M.JR: I don't see why you need it. But I bet you that agency handles Bausch and Lomb.

MR. SMITH: It isn't an agency. That is the fellow that does the things for Time - Charlie Leyendecker.

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H.M.JR: I think it's swell. Simply do away with the Bausch and Lomb, will you?

MR. GAMBLE: Yes. That is all I have, sir.

H.M.JR: I like the picture. I think they can bring up the background. God, Bausch and Lomb ought to--

MR. GAMBLE: We couldn't put a gun in his hand or a spear in his hand. We wanted to put something that tied him to the actual invasion.

MR. WHITE: From London he is looking at the North Africa Campaign!

H.M.JR: He could perfectly well have in both hands the map.

MR. GAMBLE: If you don't have too much objection, I think he will just cut in to that.

H.M.JR: All right, and wash it out.

MR. SMITH: It will wash out and the red will come up in the reproduction.

H.M.JR: Look, Roy, you are not the forgotten man... I have got your things. The way I am thinking along without having gone into too much and I wish you would think about it, I would like to be able to say to you, "Roy, this post-war taxing is your baby. Give me agenda. Please go ahead with it and I will see you about it the first of August."

MR. BLOUGH: Well, if you are willing to give us more or less carte blanche, we'll be glad to operate that way.

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H.M.JR: Well, I am. I have enough confidence in you. But I just can't take on another thing. I have to harvest my strawberries and I am very busy.

MR. BELL: Does that include the outside contacts?

H.M.JR: Yes, I just want to say to Roy, this is your baby, will you please take it and go to town?

MR. BLOUGH: Thank you. I will do what I can. Leon Henderson, you may have noticed it Saturday night in comparing what you call the "preparedness of England for the post war period and the unpreparedness of the United States", went through a long list of things and came to taxes and said there is absolutely no post-war tax plan in Washington. I thought that would be a matter of interest to you.

H.M.JR: Well, you know Leon pretty well, don't you?

MR. BLOUGH: Yes, I think you are being extremely generous to me by making that statement.

H.M.JR: Do you know Leon?

MR. BLOUGH: Oh, I thought you said, do I know you very well. Oh, yes, I know Leon well enough to get in touch with him.

H.M.JR: Well; I would go ahead with it, use your judgment in getting it around, and so on and so forth. But otherwise, I have you stalled and I don't want to stall you. I want to go ahead with you.

MR. BLOUGH: That is fine. I appreciate that.

H.M.JR: That won't mean you can't come in and say, "Look, which way would you go?"

MR. BLOUGH: I would like to do that and send you little notes from day to day as to what is going on.

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H.M.JR: Just go ahead. I would keep Fred posted and everybody else, but I mean so you can let it leak out. Now, Baruch at twelve-thirty, Friday, I asked him point-blank, "Mr. Baruch, are you doing anything on post-war tax?" He says, "No, that is a Treasury job. I am glad you asked me, they misquoted me. I believe that the old-line departments should do that kind of thing. If we want something, we will look to you."

MR. BLOUGH: Fine.

H.M.JR: He says, "I am very interested"--so as you go along, if you will, kind of as Baruch advised, consult with him, flatter him, and he has a good head--not Hancock, Baruch. Keep him posted and he will be perfectly happy.

MR. BLOUGH: Good. On another matter, the reason you were not able to get Senator Barkley may be that the men who were to be conferees on the debt bill were meeting informally at ten o'clock this morning.

H.M.JR: They said he was in a committee meeting.

MR. BLOUGH: And we have an understanding with the House Clerk that if we are needed they will get in touch with us. Otherwise, we are not going to the meeting.

H.M.JR: You just get that thing rolling, will you?

MR. BLOUGH: Yes, thank you.

H.M.JR: George?

MR. HAAS: I have gone over that Myers material. You said you might want to talk to me.

H.M.JR: Now listen George, get your gang together, will you, and do a little original thinking on trends that I can use in my speeches, along the line that I asked you

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for this thing; for instance, that I want to use this, that in the month of May we spent more money for the war than we have any other month since the war started. And this talk that everybody can sit back and let nature take its course is the bunk. Now there must be a lot of statistics. Get your gang together and say, "What can we give the boss to use in a speech to show the people the need of buying bonds?"

MR. HAAS: We are already working on that.

H.M.JR: I know, but I just want to drive it home with a sledge hammer.

MR. GAMBLE: George got one good story on this rumor that is coming from the battlefronts, to quit buying bonds and the war will end sooner. It is a very good story.

H.M.JR: But please, the next two or three days, nothing is as important as that.

MR. HAAS: We can get you, we can go farther ahead than May. We can get the calendar '44, what the aircraft and the whole business will amount to. About these cut-backs, we have an argument on that.

H.M.JR: I can't take all of you along, so get this stuff down so we have this stuff, some vital statistics to show the people that the war is all ahead of us still... Now--

MR. HAAS: I will give them a kit.

H.M.JR: I'll bet you, we could get some figures, what it took, the materiel, to get to Rome.

MR. SMITH: You would have to get them from Marshall's office.

H.M.JR: Will you make a note?

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MR. SMITH: Yes.

H.M.JR: From September 8th until July 4th, what did it cost, the materiel, shipping tonnage, and manpower. Do you see? To go what, one hundred and fifty miles?

MR. SMITH: I don't know, we will check.

MR. GAMBLE: Less than a hundred.

H.M.JR: And say, "All right, we gave the Sicilian figures, you see. But from the time we landed until-- just for the United States--we had to take so many ships, so many this and that. Our casualties were so many." I mean, I am beginning to think about this speech. I will try to make some contributions. But this is what it was. Now just this one little piece. "Now ladies and gentlemen, I will give you some idea of what it is going to take to get from here to Berlin. You can use your own imagination what it is going to take to go from the Channel to Berlin, if it took so long to get from Naples to Rome." Let George help.

MR. SMITH: Can you get those figures or will we have to get them through Marshall's office?

MR. HAAS: We work that way, too. The last time Sid got what it cost to bomb Berlin. He got it from the captain. The captain calls up and says, "Don't tell anybody who gave you those figures."

H.M.JR: You make a start on it. If you don't, somewhere by sunset, let me know. But I think it would be quite dramatic, don't you?

MR. SMITH: I think it would.

H.M.JR: So much from Naples to Rome. You can use your own imagination what it will be from the Channel to Berlin. Also from the nearest--and let's do the Navy thing.

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What can we use comparable? Think of something comparable.

MR. HAAS: How about that thing in the Marshalls? That Kwajalein thing.

H.M.JR: Something comparable. Some cut-off date.

MR. HAAS: That expedition in the Marshalls, where they took Kwajalein.

H.M.JR: Something like that. You can ask Gene Duffield. He will help you.

MR. BELL: The Navy has lost quite a bit in the Mediterranean, Mr. Secretary.

H.M.JR: Not relatively.

MR. BELL: Isn't that the most expensive thing they have done?

H.M.JR: No, relatively, no. But tell Gene what I want. Tell him to give us some information on expedition like this and say, "Now gentlemen, you use your own imagination what it is going to take to go from there to Tokyo." And if you want a third one, that Burma thing must be terribly expensive. Do you get the idea, George? Tell these people what these things cost and then say, "All right, now we have to open up the Burma Road, get goods into China. That is all still ahead of us." If they would let us say, "Don't forget that the Japanese still have ten million troops," which I think is the figure, "and the Germans have so many troops"--

MR. HAAS: How about some of these--well the bombardment of Germany?

H.M.JR: No, we have used that to death. If I can get it over to them that the Japanese have so many foot soldiers. You hear everything will be won in the air. They still have ten million troops. The Germans have so many troops, and we have got to lick those troops before

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we get Tokyo and before we get to Berlin. Because everybody thinks you are going to win in the air.

MR. BELL: Suppose they would let you use the number of divisions we had to whip in Italy. It cost us so much money and you might be faced with several times that many in France.

H.M.JR: After all, the Germans have been fighting for a year with a very much smaller air force, but when I talk with these soldiers they keep reminding me how many millions of troops the Japanese still have on foot, and the Germans have. "Now, those people, ladies and gentlemen, have to be licked, and it will cost lots of money and lots of lives." I don't think anybody has said it just like that, have they?

MR. SMITH: No, nobody has.

H.M.JR: And if you begin to use the air, everybody thinks you are going to win the war from the air.

MR. GAMBLE: You may get a good story out of the Maritime Commission.

H.M.JR: All right. George, you have from now until Wednesday night. Drop everything and get on this, will you, please?

MR. GAMBLE: Saturday our man Simons was here. He had just left a meeting in the Maritime Commission and they had agreed to supply MacArthur with a one hundred and nineteen troop transport to move five hundred thousand men before the first of September to some destination. They are converting to do it.

H.M.JR: Who is that ex-advertising man that is in charge of all public relations?

MR. GAMBLE: He is out of there now.

H.M.JR: Did he go back to business?

MR. GAMBLE: Yes, but you would have to get pretty

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high up to get the story.

H.M.JR: Admiral Land.

MR. BELL: They wouldn't let you tell that, would they?

MR. GAMBLE: But something comparable to that, Mr. Bell.

H.M.JR: But I think of all the things, let's tell these people the number of foot soldiers our enemies have and how much it has cost to do just a little piece. I don't know which one it was, where the first Cavalry Division landed, on one of those things. You ask the Army. But if necessary, George, don't leave a stone unturned. Go over and sit on somebody's desk until you get it.

MR. HAAS: Okay.

MR. SMITH: Sit on somebody's lap and get it.

H.M.JR: Leave that to George!

MR. HAAS: I don't do it that way.

H.M.JR: Bob says there is a new era. When a marine or soldier walks down to these offices in the Navy Department with all the girls, he says they whistle at the men just the way the boys used to whistle at the girls crossing the football field. But you get busy now.

MR. HAAS: Yes.

H.M.JR: Fred?

MR. SMITH: I have nothing. I am just working on this broadcast which we will have in here at four o'clock.

H.M.JR: Joe?

MR. O'CONNELL: These things are to be taken up in that later meeting if you want to talk about Acheson.

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MR. BELL: Did you see the Russian Ambassador's letter?

H.M.JR: All Mrs. Klotz says is that they have lost everything.

MR. BELL: No, just one plane. He gave us the number of boxes that have to be replaced. The unfortunate part about it was they lost the dandy roll that will make the impression. That is the first thing they start with.

MR. WHITE: Where did this plane crash?

MR. BELL: I don't know, but, God, we would lose that! We lost all the samples of the material and all of that which is the hardest stuff we had to replace.

H.M.JR: Was it a Russian plane?

MR. BELL: No, our plane. Just said it crashed and lost everything. I assume that it burned, I don't know. I didn't make any inquiry of the Army. I let it go. We are doing everything we can to replace it, but it is going to take a few days.

MR. WHITE: Didn't he say they were going to provide the planes?

MR. BELL: They went from here. I don't know where they met them, but five American planes left here.

H.M.JR: Well, if Mr. Bell, Mr. White, Mr. Joe O'Connell will stay - is there any lawyer you have working on this with you?

MR. O'CONNELL: Aarons.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

176  
*JA*  
DATE June 5, 1944

TO Secretary Morgenthau  
FROM Mr. Haas *JA*

In accordance with your request this morning for information on Army and Navy costs for specific expeditions, such as, the Naples to Rome campaign, the Burma campaign, or the invasion of the Marshall Islands, we have proceeded in the following manner:

1. We asked Mr. Bell to call Under Secretary of War Patterson and Secretary of Navy Forrestal; to outline to them the question you had in mind; and to ask them to designate an Army man and a Navy man to help us obtain the information desired. Mr. Bell made these calls shortly after noon today and General Carter was designated for the Army and Mr. Duffield for the Navy.

2. We held a conference with Colonel Troper from General Carter's office about 3 p.m. and with four Navy Officers sent by Mr. Duffield about 3:30 p.m. We set the question before them and told them you would need an answer by noon on Wednesday.

3. During our conversation with the Army and Navy representatives, we phrased the question for which an answer was desired as follows:

How much did it cost the United States for the Army that moved from Naples to Rome? that conducted the Burma campaign? for the Navy units that conducted the invasion of Marshall Islands?

We brought out in our discussions that you wanted to know how much the people of the United States had invested in the military machine commanded by General Clark in the Naples to Rome campaign, or by Admiral Nimitz in the Marshall Islands campaign. This would include not only the cost of the materiel at the command of General Clark or Admiral Nimitz, but also the cost of training, equipping, feeding and supplying the men involved in these

Secretary Morgenthau - 2

operations. We made it clear that the figure desired was the entire capital cost of the military machine involved rather than an out-of-pocket cost for the particular operation undertaken by that machine. A figure so arrived at would be more or less comparable to a figure on the total war expenditures to date, inasmuch as a large part of these expenditures have been for the purpose of building up a military machine for the United States which is still to undertake its most important operation.

4. Neither the Army nor Navy representatives were optimistic about being able to obtain the information desired by noon on Wednesday.

June 5, 1944  
11:40 a.m.

FOREIGN EXCHANGE RATES

Present: Mr. D.W. Bell  
Mr. O'Connell  
Mr. White  
Mr. Luxford  
Mr. Aarons

H.M.JR: I am going to talk first about this payment of troops.

MR. WHITE: Do you have reference to this? (Refers to Memo transmitted by Mr. McCloy to the Secretary on June 3)

H.M.JR: What I want to settle first, because that is what this appointment is for, is this question of how we could pay our troops in Norway, Holland, and Belgium, do you see?

Would you mind stating the position as it is now, and then - who is in on this for you? We will do this thing first.

MR. WHITE: Several men--

H.M.JR: I don't know whether we need them, but let's go ahead. Is Luxford in on this?

MR. WHITE: Luxford has been in on it.

H.M.JR: I want to settle that first.

(The Secretary sends for Mr. Luxford)

(Mr. Aarons enters the conference)

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MR. WHITE: The situation as it exists is as follows: With reference to the three countries which you cited, currency of those countries has been specially prepared by those Exiled Governments and in amounts adequate and units desired, are in the physical possession of the Bank of England who are acting as fiscal agents for General Eisenhower; and they are to be used by General Eisenhower in such amounts at such times as he sees fit.

The terms of adjustment have not been settled and that is what you are taking up now.

MR. BELL: Any rates of exchange established at all?

MR. WHITE: Exchanges on three countries are established, and currency is there; so as far as the actual operations of the Army, they are set to go.

MR. BELL: So there is no adjustment there?

MR. WHITE: There will be an adjustment, but there is no adjustment as far as their initial operation is concerned. The reason why I can't answer your question is because - I mean, I will bring it in later. There is some adjustment, but the exchange rate is set and the money is there.

(Mr. Luxford enters the conference)

MR. WHITE: The Dutch Government and the Belgian - the Norwegians haven't taken a definite position. The Dutch Government is the leader; the Belgians right along with them. They want this sort of an arrangement. They want the United States to credit them every month or so the amount of dollars equivalent to the amount of the currency, their currency, which is used for pay of soldiers, so that they will have dollars available at once.

H.M.JR: Pay for what?

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MR. WHITE: The Dutch currency which the American troops use, which they receive as pay. Accompanying that, they have an arrangement which hasn't been consummated yet with respect to what they will provide as Lend-Lease in reverse - certain services and certain materials in those countries. It is an agreement with the State Department which has not yet been signed, to my knowledge.

But so far as the currency which is used for troops, they want to get paid in cash, in dollars. If the Army needs to buy other things, they would like to have them buy those things through this Lend-Lease in Reverse, so that the Army will not use any currency.

H.M.JR: You are going too fast. Let me see if I understand this thing myself. The way we stand now, the Dutch have given us so many guilders, for which they have been given a bookkeeping credit.

MR. LUXFORD: We are keeping entry.

MR. WHITE: As we take it, we put it on the record.

H.M.JR: Let's say they have given us a billion guilders and we have to give them a receipt for it. Now, what they are saying is that as we spend those guilders, if we spend a hundred million guilders - when I say spend, that is, we use them in the form of pay to our troops--

MR. WHITE: That is right. The troops will be paid in guilders.

H.M.JR: Then they want us to pay them - to credit them with, for instance - let's say a guilder is worth twenty cents--

MR. BELL: Twenty million dollars.

H.M.JR: Is that right?

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MR. WHITE: That is right.

MR. BELL: That is the first step.

MR. AARONS: On a monthly basis.

H.M.JR: My position up to now was that I didn't want to settle that until we get around to the general settlement of what bill they would render us for having liberated their country.

MR. LUXFORD: Render our bill to them!

MR. BELL: You wanted to put it on the same basis we are operating in Italy and France.

H.M.JR: France?

MR. WHITE: You see, we didn't meet their problem directly with France because we are using money which we printed. But the same type of adjustment that we contemplate in France is what we would like to do with Holland, and so forth.

H.M.JR: As I understand it, the reason that Acheson is so pressing on this thing, he has got a Lend-Lease in Reverse in which he has been, I think, too tough, for once, because they are saying that the Netherlands must furnish all the food, and so forth and so on, and pay for it, that our troops need.

MR. WHITE: Provided that that grant of food and services does not necessitate imports.

The reason I say that "provided" is because that is an important area, both for confusion, controversy, and you may come out with very different results. We had wanted the Army to be provided with the necessary cash or banking deposits, either, to buy whatever they need, so that they won't have to go, hat in hand, to ask for it.

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H.M.JR: But you have sort of taken the position right along that on this particular thing we haven't been on too sound ground.

MR. WHITE: We have been on sound ground, but we haven't had any support. The State Department has brought great pressure against us, because they have felt that the British Treasury is thoroughly in sympathy with them, and not with us. The British Treasury is thoroughly in sympathy with them and not with us. The British Treasury is ready to write the kind of agreement they have asked for. They are ready to give them sterling for the guilders which they would use for troop pay.

MR. BELL: In other words, the Treasury is absolutely alone in this position.

MR. LUXFORD: Except the President is in agreement with the Treasury.

H.M.JR: They claim the President understands. There are certain things I want to fight for and do fight for until I either win or get licked. As I say, I have the feeling from Harry right along that he didn't feel that this was too important a thing to fight for.

Now, this other thing is much more important - this question - the McConnell thing.

(Miss Chauncey enters the conference)

H.M.JR: (To Miss Chauncey) This thing when we wrote the President, he sent us back a note. The first time I think Mr. Bell took it up with him in regard to the Dutch and how we should pay our troops, and the money - will you bring that in - what Mr. Bell sent him, and the little memo that came back.

MISS CHAUNCEY: It was discussed at Cabinet, I think.

H.M.JR: Yes.

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(Miss Chauncey leaves the conference)

MR. WHITE: I think there is one further point I should mention before you make up your mind.

H.M.JR: I haven't made up my mind. I don't want to find myself in the position - and I am being very frank with all of you - that the State Department thinks we are just unreasonable from their standpoint, and everything. We have got this monetary conference coming along, and so far, on the surface, they have been very good.

Now, of course, the thing that Acheson doesn't like me to say is that I made a bargain. I said, "You deliver a freezing on the Argentine for me and I will do this." Well, he hasn't been able to. I think the fellow really made an effort.

The two things have nothing to do with each other. They are totally unrelated. But I could be influenced either way on this thing.

Now, if you will?

MR. WHITE: We have made one additional gain which I think should be mentioned. As the situation stood before, if they had their way; if we went along with the State Department, we would have paid them cash at the present rate of exchange for the currency which we took as pay for soldiers. The present guilder rate is, I think, forty-three cents, or something like that - some odd figure.

H.M.JR: What is N.E.I.?

MR. WHITE: Netherlands East Indies. It was around fifty-three.

Now, we want to make the same arrangement with them that we have with the French; namely, that there will be

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an adjustment in the rate on the basis of the final rate which is adopted, under the assumption that the Dutch rate may be depreciated a year or two from now, or less than that. So, instead of paying for the money we buy now at the high rate, which we feel is too high, anyhow, there will be some chance for us to make an adjustment.

H.M.JR: What is the rate we said on my letter to the President.

MR. WHITE: The official rate; I think it was forty-three cents. We have accepted the rate which they wanted.

H.M.JR: We are going in on forty-three?

MR. WHITE: It amounted to a thirteen-cent depreciation, I think, from what they had before. I am not sure of my figures.

H.M.Jr: Well, whatever it is--

MR. WHITE: We told them it was too high, but it is their responsibility and we will take it. At the time we accepted, we felt that we weren't going to pay them for the currency and we would have an opportunity for adjustment. But if we are going to give in and pay them cash, then we will want the same agreement that we have with the French; namely, that the rate will be adjusted if there is to be a substantial depreciation in the Netherlands guilder.

MR. BELL: That gives us no opportunity, though, to get any credit back on the back transactions?

MR. WHITE: Yes, it is retroactive. In other words, so we would not be in the position--

(The Secretary turns on the radio)

MR. WHITE: You expecting a Second Front?

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H.M.JR: My God! everybody questions me. I can't do anything without--

MR. WHITE: I have got up a couple of mornings for nothing.

H.M.JR: Every time I blink an eye, somebody - all right.

Didn't the French sign this? I thought he had to go back to get it confirmed.

MR. WHITE: That is right, but he says there is ~~no~~ doubt about getting it.

One other question that Bug mentioned, if there is an adjustment, it is not our intention, unless that is decided, to make any adjustment to the soldiers. This is just an adjustment between the Treasuries.

In other words, you pay the American soldiers going into France at the two-cent rate. Suppose, sometime a year from now that an adjustment is made between the two Governments at a rate, let's say, one and a half cents. There is no intention of going back to the soldiers and saying, "We have a better rate than we thought we would, and we will give you the difference."

MR. BALL: Are we going to get an adjustment on what we have paid the soldiers?

H.M.JR: The French offered us; it was their suggestion.

MR. BALL: We will be having claims for the next fifty years.

MR. O'CONNELL: If you attempt to adjust with the soldiers.

H.M.JR: No, it may seem inconsistent, but that is a thing between Governments. Still, this doesn't prevent

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us from doing what Bell and I were talking about, of adjusting the rate every month for the soldiers.

MR. WHITE: Oh, no. You can adjust that rate as often as you want, but you can't adjust the rate as long as an official rate is maintained.

H.M.JR: Why not? As I understood in the talk with the French, they said we could raise this thing any time we wanted to, didn't they?

MR. WHITE: We could raise it with them, but not announce publicly that we are using a different rate while they are trying to keep a two-cent rate, officially.

H.M.JR: No, but we can raise it with them.

MR. WHITE: Oh, yes.

H.M.JR: How good records are you keeping on all of this stuff?

MR. WHITE: On this part here we are keeping very good records, but in the Treasury files, legal files - our files and your files.

We mentioned at a discussion, how do we know we will be here when people will negotiate for these terms?

H.M.JR: Harry, does that mean Mr. Roosevelt isn't going to run?

MR. BELL: He may not be elected.

MR. WHITE: My God, I let the cat out of the bag!  
(Laughter)

H.M.JR: I think that this gives me a very graceful retreat.

MR. WHITE: You see, the Dutch haven't accepted that adjustment. We have tried them out with the N.E.I.

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We refused to accept their letter, you remember, and we sent them a letter very recently in which we have said that this money should be turned over, and in which this adjustment should take place. He is taking it up now with the Minister of Colonies.

H.M.JR: You made them this offer?

MR. WHITE: Oh, no. We have said that in any case, any rate of exchange that is to be used, will be subject to this adjustment.

H.M.JR: Why don't we say to Acheson this afternoon at three, "We will use the French formula"?

MR. WHITE: But the French formula is not what the Dutch want. It is only that part of the formula.

H.M.JR: To hell with what they want.

MR. BELL: They want the dollars.

H.M.JR: Oh, I give them the dollars.

MR. BELL: But aren't you going to have to go back and re-work it with the French?

MR. WHITE: That is another question. We are in a peculiar position. If you give it to the others and you don't give it to the French--

MR. AARONS: It is a different political picture.

MR. WHITE: You can find an excuse for it.

MR. BELL: It is a question of whether the French are an ally or an enemy.

MR. WHITE: We are on weak ground when you put them on a different status.

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MR. LUXFORD: Mr. Secretary, I think a great many of us think that on the merits, we have the better position on this; that this is a thing that ultimately should be settled in your over-all negotiations.

Now, since the President did take our position on this once, I would suggest that before we say, "Well, we are going along with State," that at least we ought to raise the matter with the President, not argue the thing hard, but simply say, "Here are the two positions; we don't care too much, but what is your decision on it?"

H.M.JR: I think you are right. We have insisted that we had to abide by his decision.

MR. WHITE: You also said certain things before Congress when you spoke of the terms under which you are providing this money in Italy; you said that in these occupation finances that you are so arranging it that Congress or the President would be able to--

MR. LUXFORD: Well, I think we have gone a good way; we have said we will raise it with the President again. You state both sides of it and not fight it too hard.

H.M.JR: Now, let's say we will raise it with the President again, and then if the President says something we will say - shall we say to Dean - would this be going too far - that whatever we do, if we pay them in cash we want the same formula that the French have; namely--

MR. WHITE: I take that for granted. I would mention it to him, though.

H.M.JR: Subsequently, if they arrive at a different rate, we want a retroactive adjustment.

MR. WHITE: Show him the part of the letter that we have sent to the Dutch East Indies and say, "This is what we want."

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H.M.JR: Have you done this?

MR. WHITE: Yes.

MR. AARONS: I think State, itself, favors that kind of adjustment.

H.M.JR: But if we did that with the Dutch we would also have to do it with the French.

MR. WHITE: If we gave the Dutch cash for money that we used, it would certainly be a great gesture to do it to the French.

MR. O'CONNELL: It would be pretty hard to do it.

H.M.JR: Why is Dean so - why is this one of the things that mean so much to him? Why?

MR. WHITE: They made a commitment to the Dutch, unquestionably, and to the Belgians, in which he has taken the position that this Lend-Lease in Reverse agreement excludes, by mention, pay to the soldiers. And although he hasn't told me this, everything the Belgians and Dutch have said, has led me to believe that he has indicated to them that we will pay cash for the soldiers.

MR. LUXFORD: I think that is clearly the case. They went too far without clearing with us at all on their reciprocal aid agreements, and now we are having to pull their chestnuts out of the fire.

MR. BELL: Doesn't he want to be in the same position as the British in this?

MR. WHITE: He uses that as an argument, but we already told the British a long time ago that we don't have to pursue an identical course. We told them that when they first made the offer about eight months ago.

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H.M.JR: All right. You all better be back here - I will try, somewhere along about two-thirty or so, to have you fellows in again. I will get in touch with you - and with McConnell. And do the other one; we have to do a little talking about that.

June 5, 1944  
2:30 p.m.

FOREIGN EXCHANGE RATES  
TROOP PAY

Present: Mr. White  
Mr. Luxford  
Mr. Aarons  
Mr. O'Connell  
Mr. McConnell  
Mr. Bell  
Mr. Acheson  
Mr. Collado "

MR. BELL: They took the twenty percent cabaret but they eliminated the soldiers.

H.M.JR: I had a letter from Mr. Girard Swope on this thing and I have been holding up a letter because I didn't know how to answer it. I don't mean Girard, but the Public Relations man, Girard's brother, Bayard. He is smart. I will write him and send him this release.

(Secretary refers to ticker news, attached)

What's-his-name must be happy. . . . .

MR. BELL: Blough.

MR. O'CONNELL: He must be.

MR. BELL: He didn't have to go near the place.

(Secretary holds telephone conversation with Mr. Olrich, as follows:)

June 5, 1944  
2:37 p.m.

HMJr: Hello.

Operator: Mr. Olrich.

HMJr: Yes.

Operator: Go ahead.

Ernest  
Olrich: Hello.

HMJr: Hello.

O: Good morning, Mr. Secretary.

HMJr: Good afternoon to you.

O: Oh, it's still morning here. Regarding that information that you asked.

HMJr: Yeah.

O: Out on the West Coast.

HMJr: Yeah.

O: The two outstanding men on the Coast are as follows: The one man's name is Otto Jeidels, J-e-i-d-e-l-s.

HMJr: No.

O: He is the number one man on the whole West Coast, but I would tell you he comes from the Bank that you mentioned that you are not so interested in.

HMJr: I know Otto Jeidels.

O: Right. The second man is Elliott McAllister.

HMJr: Elliott McAllister. I'm -- (Aside: Harry.) Yes, go ahead; I was just repeating to Harry White. Yeah.

O: Right. Vice President of the Bank of California of San Francisco.

HMJr: Oh, yeah.

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HMJr: Edward McAllister?

O: Elliott.

HMJr: Uh -- say it again.

O: Elliott. E-l-l-i ....

HMJr: Elliott McAllister.

O: That's right.

HMJr: Of the Bank of California.

O: Of San Francisco.

HMJr: Of San Francisco.

O: That's probably the most conservative and substantial bank on the West Coast.

HMJr: I see. (Aside: Have you got the name? Answer: Elliott McAllister. HMJr: Yeah.) Of the Bank of California of San Francisco?

O: That's right.

HMJr: Isn't that Los Angeles?

O: No, no. There's another -- there is one at Los Angeles, too, but this is of San Francisco.

HMJr: Yeah. And this fellow is supposed to be good?

O: Yeah, he's supposed to be the number man on -- two man on the Coast.

HMJr: Yes.

O: They said that of all the banks on the Coast, the Bank of California would be the second one. The other bank was first and this would be the second in their relationship with the Orient.

HMJr: Yeah.

O: The man ....

HMJr: There's no question that Jeidels is smart but he's a little bit too smart for me.

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O: Right. Well, I -- you can see the source of my information....

HMJr: Yeah.

O: ....how they rate.

HMJr: Well, there's no question as to Jeldels' ability but ....

O: Right.

HMJr: Well....

O: Now, this man is about forty-five years old and meets people easily, is conservative but smart.

HMJr: Right.

O: And he would -- he would have the confidence of the Coast. Now, this was told to me by the -- a man named Frank King....

HMJr: I get you.

O: ....of....

HMJr: I know who -- you told me who he was.

O: Right. And I told him -- now, I said, "This might be something important. I won't tell you and you can't ask any -- but it is that important that I must know the two best men."

HMJr: Yeah.

O: I said, "Your bank is not interested in either of these men?" And he said, "No". He doesn't know what it's for.

HMJr: Well, thank you very much.

O: Righto.

HMJr: Thank you.

O: Thank you, sir.

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H.M.JR: Did you get that name?

MR. WHITE: Yes.

H.M.JR: I don't know the Bank of California.

MR. BELL: I know what it is.

H.M.JR: Is that a conservative bank?

MR. BELL: Yes, I think it is one of the conservative banks.

H.M.JR: This fellow is the vice president. He has a great following on the West Coast.

Now look, gentlemen, I don't know what I brought you away from, but I figured you should be in on this.

MR. McCONNELL: Right, sir.

H.M.JR: Did you get some lunch?

MR. McCONNELL: I got some lunch and I have a man, too. I would like to talk to you later about it.

MR. BELL: It took you a week end to sell him, Bob?

MR. McCONNELL: Just about.

H.M.JR: There are two things this afternoon that Acheson is coming in for. I think the thing he wants first is this thing of yours. Have you been brought up to date?

MR. McCONNELL: Yes, sir.

H.M.JR: Now, does anybody want me to change my position on that? (No reply)

I will give it very briefly. They are about to enter into an arrangement with England as to who is to pay what share of the food and stuff that goes into Europe behind

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the Army, and they have written a letter in which they have that this thing should be--all consideration should be taken into account, including the relative wealth of the two countries. Now, we are willing to say all matters should be taken into consideration, but we don't want to put down the relative wealth of the two countries, because if that is it, that sets a precedent and we are sunk. Do you see? We are willing to say all considerations, but not that. We went all around the circle. I told them to. Now I don't know where he is at today, but I simply feel that once we agree on that, everything is on that basis and I told them as far as I was concerned, I would much rather recommend to the President we pay the whole bill than to do that and then take our chances on getting something back from England around the peace table. He says we won't get anything, anyway. I said Italy--I went all through it--was eighty-twenty and I would rather go to the American public and say that we are going to do the whole job, and so on and so forth.

Well, he is very much upset about it.

MR. BELL: Acheson is?

H.M.JR: Yes, it had to be settled Saturday night. Why, I don't know. I told him I wouldn't change my position barring going to the President and having the President take a look at it and have the President say what he wants.

MR. McCONNELL: I saw him Saturday, you know, Mr. Secretary?

H.M.JR: Is that oversimplifying it?

MR. McCONNELL: His position was exactly the same. He said that he wanted to see you.

H.M.JR: Well, he did. Fortunately, Joe was there, but I didn't give.

MR. WHITE: I don't think we can sustain the position that we are willing to pay all of it, because there is

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supposed to be several hundred million dollars' worth, three hundred million dollars' worth of goods coming from England, which England is going to pay for. So, I don't think we ought to make the gesture that we want to pay for it all.

H.M.JR: I thought we would get a better bargain. I am not going to stress that. I simply said that--

MR. WHITE: I think that part ought to be kind of forgotten.

MR. McCONNELL: That is a bridge to be crossed in the future.

H.M.JR: Well, I want the President to say to me, "Henry Morgenthau, you settle the thing on the basis of our relative wealth." I am willing to bet three-to-one he won't do it.

MR. WHITE: The relative financial strength, which is even worse.

H.M.JR: I am willing to bet two-to-one he won't. His hands are tied. From that moment on, that is the yardstick for everything. What is the relative financial strength?

MR. WHITE: Anything you want to make it. They want to take the position that their foreign situation has grown greatly worse, ours is better. They will point to that memorandum which was sent to you by the Chancellor of the Exchequer and say "This is the basis upon which we think the discussion should proceed." Or they may take the position that we ought to share it in proportion to our national income which would be about four-to-one. They can make financial strength mean any of many things.

H.M.JR: He mentioned seventy-thirty.

MR. WHITE: Well we started out with the negotiations. They were going to ask for fifty-fifty and you remember, I spoke to you about it and you said you were willing to go

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two-to-one, sixty-six, thirty-three. So I told them sixty, sixty-fourty. Then if they do make it we could rediscuss it. They had in mind they were willing to go seventy-thirty but we never went that far. But that sixty-fourty or two-to-one, if you want to go as high as you said before, related to the entire expenditure and not to certain parts which would not fit that pattern if you took all the expenses.

H.M.JR: What was the UNRRA?

MR. WHITE: Four-to-one, proportion of national income. But that is, all countries are contributing, each in proportion to their income and it is a matter of relief which the world knows is the United Nations' relief. This matter is a question which--it is Allied Governments and they presumably have the same decision, as much voice in the decision as we do, as much control. They distribute either half or more, so I don't think--

H.M.JR: Let me interrupt. This is to do exactly what?

MR. WHITE: This is as to pay for goods which has to be shipped from the United States, from the British Empire, and to be purchased in Third Countries for the use of civilian populations during the period when the Army is supposed to be in control and after UNRRA takes over.

H.M.JR: Well, now you know whether we are holding up anything?

MR. WHITE: We needn't be holding up anything unless he wants to make us hold up something.

H.M.JR: Let me ask McCloy while these negotiations are on--

MR. WHITE: I can tell you before you ask McCloy. They claim it is being held up because of inability to come to an agreement under the terms of Procurement. The position that we are taking is--

H.M.JR: Who says this?

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MR. WHITE: State Department. They say they have to have this matter settled.

H.M.JR: Let me ask McCloy. I want to find out what he has to say.

MR. O'CONNELL: It seems to me important to remember that it isn't necessary to hold up at all on the immediate deal which merely involves a fifty-fifty difference of procurement. It isn't necessary to hold that up because you are discussing or thinking about what kind of final settlement there will be, because admittedly we aren't making final settlement at this point. We are to go fifty-fifty in terms of procurement.

MR. McCONNELL: The fifty-fifty arrangement is for the commitment and all subject to final settlement. If half the material is bought in the United States, the United States places those orders and in placing the orders they are responsible in making the commitment. But the final settlement will determine what part of that order--

H.M.JR: I didn't understand it. I thought the whole thing was being held up.

MR. WHITE: We are trying to get them to go ahead with that commitment which we agree on, saying that the adjustments, the negotiations will go forward.

MR. BELL: What do you do with purchases in other countries?

MR. McCONNELL: They are split.

MR. WHITE: Which is quite satisfactory.

MR. BELL: You said sixty-forty.

MR. McCONNELL: That is the final settlement.

MR. BELL: What do you do with the countries invaded, for instance? Supposing you go into Holland. Are the

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Dutch going to pay any part of it?

MR. WHITE: That is the next point I am coming to. This whole problem is reduced in significance when we realize that we are going to get paid for some of these civilian goods. However, you don't know. It depends on how much you need to send them, how much money they have. We will get some money back. That will be divided in the same proportion of the initial payment.

H.M.JR: Look, will somebody state the whole problem instead of giving it to me in tidbits?

(Secretary holds telephone conversation with Mr. McCloy, as follows:)

June 5, 1944  
2:40 p.m.

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HMJr: Hello.

Operator: Mr. McCloy.

HMJr: Hello.

Operator: Go ahead.

John J.  
McCloy: Hello.

HMJr: Hello, Jack.

M: Yes.

HMJr: How are you?

M: Fine. Swell.

HMJr: Look, I'm seeing Acheson at three on this question of England and ourselves furnishing materiel for the Army -- the civilian population. Hello?

M: Yes.

HMJr: And while we aren't in agreement with them as to the ultimate division ....

M: Yeah.

HMJr: .... and -- is the Army being held up in any way by these discussions which are going on?

M: Oh, not that I know of.

HMJr: Yeah.

M: Not that -- I haven't heard of it.

HMJr: We don't see why they should be because the proposal is that in the first case, England and ourselves go fifty-fifty.

M: Yes, that's right.

HMJr: And the only argument is the -- as to the ultimate settlement.

M: That's right.

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HMJr: Well, is there any reason why you fellows can't go right ahead pending an agreement on the ultimate settlement?

M: Well, that's just what we're doing, as I understood it.

HMJr: Well, would you just check and make sure....

M: Yes.

HMJr: ....that we in the Treasury are not holding up the Army in any way?

M: As the result of holding out for an ultimate settlement rather than an immediate one, you mean?

HMJr: That's right.

M: I'll check up.

HMJr: The point is, I don't -- I don't want to arrive at a formula now until I can get the President to have a look at it, because once we arrive at it, that will be the formula and his hands are tied from now on and forever.

M: That's right.

HMJr: See?

M: Yes.

HMJr: And I think he should pass on the ultimate.

M: Well, let me check.

HMJr: Right.

M: I'll call you back.

HMJr: Thank you.

M: All right.

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MR. WHITE: That is exactly what we are doing in Italy. The understanding I had with the British--this thing has been discussed for at least eight months. I am probably the only one who knows all the angles, because they just got in on the picture within a couple of weeks.

H.M.JR: You or McConnell simply give me what the thing is right now, just so I have this thing in my head.

MR. WHITE: Let McConnell try it.

MR. McCONNELL: Correct me if I am wrong.

There are goods ear-marked in the pipeline in transit to supply the estimated requirements for relief of the liberated areas during the military period for, say, ninety days. It becomes necessary, now, to order shoes, clothes or flour or whatever you need in Minneapolis or St. Louis or Chicago, in this country, to get these goods in the process of manufacture, to get them into transportation into the pipeline so that beyond ninety days there will be another batch of supplies in the pipeline. These are all estimates, of course. I don't know just the amount that ninety days amounts to.

Now, to place those orders it has been determined without prejudice that in conformity with the military break-down in the world where these materials should best come from, strategically, and so on, that about half of them would be ordered in the British Empire, and about half of them would be ordered in the United States or perhaps a third in the United States, a third in the British Empire and a third in the rest of the world. I don't know just how that is divided, but equally between the United States and the British Empire. Therefore, the State Department, or somebody, did propose that we go ahead and place those orders which will not tie our hands in any way as to the final settlement. It is merely the procurement commitment that we are discussing in this memorandum. The State Department says Plan "A", which is that basis where we will order everything, the United States Government orders

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everything in the United States, the British Government will order everything in the British Kingdom and we will divide the rest of the world and we will order half and the British will order half. Now that, without in any way tying anybody's hands, is what they propose to do on a fifty-fifty basis which works out about that, because we want about the same amounts from the United States we do from the United Kingdom, So that first paragraph says just that, Plan "A". The second paragraph says "We will do it without prejudice of the final settlement."

The third paragraph says, "In the final settlement, we will take into account the relative financial strength," which denies the second paragraph which states in my opinion-- which is the whole contention here--that there is no precedent. Nobody has tied anybody's hands. Just making these orders effective so that we have them pouring into the pipeline beyond the ninety days they estimate now. Is that right?

MR. WHITE: There are some additional parts to fill out the picture, but that is right--

MR. McCONNELL: One point, to my mind, is important. No one knows (that I have talked about) what part of the United Kingdom's commitment or their final settlement agreement to pay for, will be Lend-Lease goods which originates from here.

MR. WHITE: That's right. We have taken two different positions: State Department says that if there are Lend-Lease goods, there ought to be a certain ratio of payment. It is our position that if England is sending goods to France, that we have Lend-Leased to England, or similar goods, that that ought not to be a part of England's share. Those are our goods which we have given England because they were unable to pay for them. We have stuck to that position and the State Department is very much upset about that angle. But that is a separate question which I will comment about in the adjustment like a lot of others.

MR. McCONNELL: Harry, when you are thinking of four-to-one, part of that twenty percent is Lend-Leased goods and it becomes nine-to-one.

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MR. WHITE: That's right. In four-to-one, the one must be England's.

MR. McCONNELL: And the State Department does not agree with that.

MR. WHITE: There is another part of this you might mention. In the shipping of this type of relief goods for civilian use in Italy, that is the position we took, namely, that we can't settle as to who is to pay how much, because we couldn't get into an agreement with the British. They wanted us to pay four-to-one. So we agreed that the purchases should be made, the stuff should be sent, records are being kept, and that whatever adjustment we make in France, we want to make that retroactive, because in the meantime, we have been paying for most of this stuff in Italy.

MR. McCONNELL: It has been four-to-one in Italy.

H.M.JR: More.

MR. BELL: Is there an understanding of a subsequent adjustment?

MR. WHITE: Yes, because otherwise they were insisting upon a solution in the same way that the State Department is insisting upon this. Since they were not willing to go along with us, and in order to break the log jam, we said, "Go ahead and buy this stuff and send it and we will make the adjustment later." That was to avoid being placed in exactly the position in which they are trying to place us now, by saying, "We are holding this up unless you agree." We said, "We will agree when we have plenty of time to thrash this out." That is exactly the position with respect to the stuff in England.

H.M.JR: In other words, what we have done in Italy will be pooled with whatever we do anywhere else. Is that in writing?

MR. WHITE: Yes, there are some letters we have with the Army and the Army understands that thoroughly.

H.M.JR: Is there anything between the British Treasury and ourselves?

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MR. WHITE: I think so.

H.M.JR: Make a note.

MR. WHITE: I think so. Whether they are formal also or not, I don't know.

MR. McCONNELL: Mr. Secretary, I may be looking way beyond the horizon on this thing, but there is one criterion which is the UNRRA formula. If this is set up and it is as large as Harry explains, it may be a billion dollars, but we don't know how much is coming back. But it isn't large in relation to Lend Lease. We get another criterion set up and also the Italy division. You may have a slate pretty well covered with precedents.

MR. WHITE: No question about that. The Secretary is a hundred percent right that whatever criteria you are employing here will go a long way toward settling the final one and that is why the British are making a fight on these issues. They want to establish that pattern.

H.M.JR: I think for me and the State Department to agree on this thing without the President knowing about it would be just selling him down the river.

MR. McCONNELL: It looks that way.

H.M.JR: If he wants it, okay.

MR. McCONNELL: But he should be clearly informed.

H.M.JR: He certainly should be informed.

MR. LUXFORD: I am a little bit troubled about that hundred percent proposal, though.

H.M.JR: Well, okay.

MR. WHITE: Although if we pay it all and we get it all back it won't be so bad.

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H.M.JR: Do you believe in fairy tales?

(Secretary holds telephone conversation with Jack McCloy, as follows:)

June 5, 1944  
3:00 p.m.

HMJr: Hello.

John J.  
McCloy: Henry, I find we're rather in this position on it.

HMJr: Yeah.

M: That we haven't got -- we haven't been able to get any official combined paper on it because every time we try it, there's always the charges made that this may prejudice the final settlement.

HMJr: Yeah.

M: We've been doing a good bit of sub rosa procurement.

HMJr: Yeah.

M: People down the line rather think that we've pretty much reached the end of that.

HMJr: Yeah.

M: And that we would like to get it -- in other words, so we'd sort of become "honest women".

HMJr: Yeah.

M: We need combined authority which, for one reason or another, either the British or ourselves hold up for fear that if we officialize it, why, it is in some way going to prejudice final -- final settlement. So far, we haven't been -- we're all ... right to date but they think we've about reached the end of our rope.

HMJr: Well, I'll tell you. When I get through with this conference, I'll give you a ring and let you know where we stand.

M: All right.

HMJr: And -- but I think where we -- what I -- the way I feel that this is tying up the President's hands and nobody should do that without his knowing it.

M: Oh, I think that's right. There's no question about it.

HMJr: And if we don't get anywhere this afternoon, I'll let you know, but....

M: Yeah.

HMJr: ....I'll be more than willing to tell you informally, keep right on buying.

M: Yeah.

HMJr: See?

M: Right.

HMJr: But I'll call you back later this afternoon.

M: Good. Thanks a lot.

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(Mr. Acheson and Mr. Collado enter conference)

H.M.JR: We have been talking about the thing which you brought up Saturday night. Also prepared to talk about payment of troops in the low countries.

MR. ACHESON: Start with that, shall we? Whichever one you want to start with.

H.M.JR: We have just been discussing for half an hour this one of buying goods for the civilians, so would you just as leave do that?

MR. ACHESON: Surely.

H.M.JR: We will start where we left off Saturday night.

MR. ACHESON: Fine. I thought I was through on that one. I am glad to have another try at it.

H.M.JR: I thought that was what you were coming over for, wasn't it?

MR. ACHESON: No, you told me on Friday we would have this appointment today to talk about troop pay.

H.M.JR: I don't care. Do either one.

MR. ACHESON: I am glad. I thought I was foreclosed on the other one. If I could have another two or three minutes I would be glad to take a shot at it.

H.M.JR: Any way.

MR. ACHESON: If you feel the same way about it, I won't take your time.

H.M.JR: May I summarize the thing? We were discussing the thing here. Some of the men think maybe I didn't make myself quite clear. The way I feel is this. I think

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that we ought to tell the Army to continue to buy the supplies, which I gather they have been buying, sub rosa. As I understand it, roughly, England is to supply, or the United Kingdom is to supply fifty percent and we are to supply fifty percent and we are to go fifty-fifty in third countries. The fifty that England puts up is not to be Lend Lease or substituted Lend Lease.

Now then, it gets down to the question of the ultimate settlement, and that is the place where I think the President should come in, because I feel very strongly that if we agree to a yardstick now, that will be with them from now until he or whoever sits at the peace table conclude the final settlement. And I don't think that--talking for myself--that I have any right to commit him or the representative of this government on a yardstick of settlement without the President passing on that personally. I have not the authority. Now if he says to me, "All right, I am satisfied about using the relative financial wealth of the two countries," that's that. But at least I would like to point out to him the dangers of it. If, on the other hand, he says, "I don't want it," then I am sure you people would be satisfied too.

Maybe that is oversimplified.

MR. ACHESON: Well, in one way it is oversimplifying it. In another way, I think it misunderstands a bit what I asked on Saturday. I do not ask that anybody establish a yardstick or have anything which determines the yardstick now.

First of all, as to what is actually going on, the present arrangement is tentatively and without prejudice to a final settlement, we will buy, for procurement purposes, what is to be bought within the United States. The British will buy what is to be bought within the Commonwealth, except Canada, which will be done separately, what is to be bought in Third Countries we will divide fifty-fifty. That is a procurement basis.

H.M.JR: Could I interrupt you? Does that mean dollar-wise that the Commonwealth and ourselves will not be on a fifty-fifty basis?

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MR. ACHESON: It depends where the cards fall at the beginning. In the first blush of the thing, it probably will be weighted more adversely to the British than it will later on, because most of the things are close at hand and are in England. After you go forward toward the end of the program, it will come more the other way. But this is purely procurement.

H.M.JR: Could we just hold it there a minute, because that isn't the way it was explained.

MR. WHITE: Plan "A" calls for about five to six hundred million dollars and according to the estimates by Chief of Staff and the State Department that would actually divide about fifty-fifty, if they carry out the present plans. There are purchases outside of plan "A" which are even beginning now and will continue after Plan "A", in which the proportion will be different. It will be weighted more heavily, that we will pay a larger proportion.

H.M.JR: But under Plan "A", will the English consider that what they contribute they can draw out of Lend-Lease stock piles?

MR. WHITE: That is a difference of opinion among us.

MR. ACHESON: I don't think that there is any argument now as to the accounting of things which come out of the Lend-Lease stock piles. Physically we will want the British to draw on all their stock piles, because that is necessary in the first ninety days to get things from near at hand. Whether they are Lend Lease or of British origin won't make any difference in the actual ultimate accounting. The British would not get credit for turning over Lend Lease stuff which we have put in England. But the first blush of the thing is a procurement device and as I said, the idea of the procurement idea is the British buy what comes from British areas, we buy what comes from our areas and we split the Third Countries fifty-fifty.

H.M.JR: Now, may I again interrupt you? Does anybody object to that arrangement?

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MR. WHITE: No, I thought it was our position. I didn't know it was theirs. But it is all right if it is theirs. Buz, in your discussions on the matter did you think that that was the position that had been agreed upon? If it is, fine.

H.M.JR: Don't argue. I always remember my father who practiced law up until 1900. From then on he didn't. He said the first thing the judge said was, "When you win your case, quit arguing". So if you win a point, don't raise it.

MR. WHITE: There may be some difference of opinion as to what are Lend Lease arguments.

MR. ACHESON: That will come in the settlement.

H.M.JR: He always told me that, which is pretty good, isn't it? Advice from the Bench.

MR. ACHESON: Very sound view.

H.M.JR: So we won't ask what Buz thought. You may disturb Mr. Acheson if you tell him what Buz really thought! (Laughter)

MR. ACHESON: Now, going on from the procurement stage to the settlement stage, the British want to have an ultimate settlement, which they wish to describe in the note they write us, as one which is equitable. They then want to go on and say, "and shall be based upon the relative financial strength of the two countries." We are not for that. That isn't what we want to say at all. What I did want to say to them is that it would be fair and equitable in the light of all the circumstances and no relevant factor would be excluded, including the one they talk about. In other words, the strength of the countries, a hundred other things are relevant factors, but there is no yardstick, there is no anything. The field is open, except that we are not going to exclude the capacities of the countries to bear the burden. Now, the purpose of that was to reassure them and get them not to try and make reservations now, that if they had to pay more than they thought was fair on this,

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they would have to cut down in some other direction. That is the whole purpose.

H.M.JR: Well we are all right down to that one point. Is that right?

MR. WHITE: Yes.

H.M.JR: Might I ask, you are coming in and saying that you thought the matter was closed, have you presented a viewpoint to them?

MR. ACHESON: No, the British were coming in at six o'clock and I expected they would be upset about this and they probably will do something which will be foolish, but I thought that that just had to happen.

H.M.JR: Well I have spent a lot of time on this, just so it wasn't a personal opinion. Everybody, as far as the Treasury goes, feels that this is a yardstick, that we would be committing the President and that it should be submitted to him in advance to make sure that that is agreeable to him, or not.

MR. BELL: Where is this difference here? I don't get it. We feel that there is a yardstick, when you speak of the relative wealth.

MR. ACHESON: There would be if you spoke of that alone.

MR. BELL: Dean says there isn't.

MR. WHITE: I think it might be well specifically to read the statement, because, as Dean puts it, it is a little different than it was in the statement.

MR. O'CONNELL: I have a paraphrase of it.

MR. COLLADO: No, we didn't bring these papers.

MR. ACHESON: I remember it so well I think I could recite any points you want recited.

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MR. COLLADO: As you say, it sounded almost exactly like the document.

MR. WHITE: As I remember the document, it said that there should be an equitable settlement.

H.M.JR: Do you mind getting that?

(Mr. McConnell leaves conference to get document)

MR. BELL: Doesn't seem to me there had been that much difference of opinion. The document says-

H.M.JR: The point I remember is this, while we are waiting, it said you could bring in any relevant matter, including the question of the relative financial strength. We are willing to say you can bring in any relevant matter.

MR. LUXFORD: We are not determining whether this is a relevant matter.

MR. WHITE: If there is no difference between the two.

MR. BELL: I see.

MR. ACHESON: Luxford is quite right. This thing says that the relative financial strength of the countries is a relevant factor. Now, if that is a yardstick, I am a Chinaman. It simply says that something which is relevant is relevant.

MR. WHITE: Then why would the British care to have that?

MR. ACHESON: Because the British want to say that is the only factor and in order to get that out, I am perfectly willing to let them say they want it based on that and then have us say, "No." We are not agreeing to this yardstick, but you could bring in all the relevant factors there are, including this one, which, God knows, is relevant, all right. But it doesn't mean you are going to accept it.

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MR. BELL: You are trying to satisfy the British, who want that as the only basis for the yardstick and you say that that can be included as a part of the yardstick, the basis of the yardstick.

MR. WHITE: You want to satisfy the British by not giving them anything. If he is giving them nothing, they won't accept it. If they do accept it, I think it all depends on how it is phrased. Maybe you can phrase it so as to have less of that. The general impression was that it was so phrased that it highlighted--

MR. O'CONNELL: When we were first asked to comment on this, it was the question as to what the form of the British note would be, and it was our suggestion that if we had an opportunity to make suggestions with respect to the form of the British note, that the British note should make no reference to relative financial strength.

H.M.JR: Is that right?

MR. ACHESON: Well, the paper that you have before you is not the British note. I know what it is. (The Secretary hands Mr. Acheson memorandum of May 31st, attached)

MR. BELL: "It is the view of the British Government that any such final settlement between the supplying countries must be on an equitable basis which will take into consideration, among other things, the relative financial strength of the countries concerned."

MR. ACHESON: Let me explain again, just where we are.

H.M.JR: Excuse me. I think what Joe said is the first time I have heard it.

MR. O'CONNELL: That was my understanding-- you may correct me--that our original reaction to this situation was with respect to what the contents of a proposed note from the British to us should be. It was our thought that the paragraph which referred to relative financial strength

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was inappropriate for that document, because the whole thing was said when we said the original procurement would be fifty-fifty without prejudice to the ultimate settlement which would be on an equitable basis and Mr. McConnell's suggestion in the letter he sent over to your shop on Saturday was simply we would prefer that third paragraph be eliminated. Is that foreclosed now?

MR. ACHESON: We are all agreed on that. We would like that to happen. The point of the matter is that the British have instructions to give us a note which is not this note, but which goes much further than this, in two respects. In the first place, this paragraph here says "It is the view of the British Government that any settlement between the supplying countries must be on an equitable basis" and must be based upon the financial strength of the two countries. It goes on to say, "If this is not possible, the British Government will have to reconsider various things which it is planning to do." Now, I have said to the British, "Do not give me that note. That is a silly note. It isn't going to get anywhere. It is very bad." Then I came over and I had someone come over to talk with you. The thing is, suppose we could talk the British into this kind of note? Would you be agreeable to our saying, "All right, we agree"? Now the next step--since it is supposed you don't want to go that far--we say to the British, "Write your own note but leave out all this thinking out loud of what you are going to do if we can't work it out, because it doesn't make any sense anyway, and we will reply to you saying we believe, too, that this settlement should be fair and equitable, and in determining the settlement no relevant factor should be excluded, including the one you mentioned, which is the relative financial strength." By that reply, we would not be saying that that is the yardstick, but that in our view it would not be excluded as one among many considerations. Now, that is where we are. That is what I would like to do, but it may not be possible.

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H.M.JR: Again, we feel there that bringing in at that time, having dealt with it now for many years, they don't do these things inadvertently, they are very clever, and there it is. We feel it is a yardstick, that we are going to put in a yardstick which we feel that they will use continuously, up and through the peace conference, that this is so important, that feeling the way we do, the President himself should pass on it, if that is in there. Because that is the way we feel. There are differences of opinion here, but there isn't any on this. We are all together on that.

MR. ACHESON: The way it will end up is that we will get a note, I hope not exactly the one that has come over the telegraph, but pretty close to it, in which they will say that their view is that it shall be a fair and equitable settlement and must be based on financial strength, to which we will reply that it must be fair and equitable and no relevant factor should be excluded, which you said you would agree to, and that gets us practically nowhere. They may not agree to take out their other stuff, in which case we will have a mess. But that is the way it is, and that is the way it will have to be, I guess.

H.M.JR: Then what I am going to do is this. I talked to McCloy before. I will talk to him again later and simply say that I am willing to share the responsibility with him, that the Army continue to buy.

MR. ACHESON: I don't think you need worry about it at all. The Army is going right ahead. This will just be one more of the difficulties that we have.

H.M.JR: Do you agree that the Army can go right ahead?

MR. ACHESON: It is going right ahead. There is no obstacle to the Army. The British may not agree to buy the other half, but that either means we will have to buy it or people won't get the food.

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H.M.JR: Well, McCloy didn't seem to be at all disturbed.

MR. ACHESON: No, there is no reason to be disturbed.

H.M.JR: Then that is that. Now--

MR. ACHESON: But I don't want you to really have in your mind that anyone was proposing a yardstick. The Treasury gentlemen may think it is a yardstick, but after all there are some cannons of reason that exist in the world and it was not a yardstick that we were proposing. I am perfectly willing to be overruled but not for a wrong reason.

H.M.JR: You weren't proposing it, the British Government was.

MR. ACHESON: I know, and they still will. The British Government will propose a yardstick and we will not accept it. I was proposing some softer language than you were willing to agree to, solely for the purpose of straightening out some extraneous things in the note.

MR. WHITE: It isn't that simple, Dean.

H.M.JR: Do you mind? What Dean says doesn't disturb me, so shall we let it go?

MR. WHITE: It is all right with me.

MR. ACHESON: I wasn't trying to disturb anybody.

H.M.JR: Yes, but I don't agree with him, but we still have the Italian matter that has to be settled, also-- ultimate settlement as to supplying of the foods, and so on and so forth. So Harry, I know you will make your speech sometime.

Now, on this matter of the currency, see if I can get this together. I don't know how familiar you are with what we did with Mr. Mendes-France's agreement that we arrived at with him. Would you mind explaining it, Harry?

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MR. ACHESON: I am not familiar with it.

H.M.JR: May we?

MR. WHITE: I don't have the particular letter that Mendes-France is sending us, but we have a comparable letter which we have sent to de Iongh as to the price at which we will buy the Dutch East Indies guilders. We have sent a copy to the State Department and I will have to read two paragraphs, I am afraid, to cover the matter, unless you prefer to read it yourselves; probably I had better read it aloud. You received a copy?

MR. COLLADO: I received the de Iongh but not the French one.

MR. WHITE: But this is the same point. (quotes as follows from letter to Mr. de Iongh dated May 16, 1944, attached)

"It is the view of the United States Treasury Department, after study of the relevant factors, that this rate would place too high a value on the Netherlands East Indies guilder. However, in light of the assurances provided by your Government that the question has been carefully studied and that this rate does not markedly overvalue the Netherlands East Indies guilder, the Treasury is prepared, subject to the receipt of the assurances mentioned below, to accept the recommendation of your Government for the adoption of an exchange rate for the Netherlands East Indies guilder of 1.8835 guilders to the dollar computed on the basis of a rate of 7.60 guilders to the pound sterling at a crossrate of \$4.035 to the pound sterling.

"The Treasury would like, however, to have the present assurances of your Government that, "--and the next is the key sentence--"until such time as it is possible to review the matter with a more complete knowledge of the relevant factors after the liberation of the Netherlands East Indies, this rate will be regarded by your Government as only a provisional rate. The Treasury would also like to have the present assurances of your Government that, if at such time a permanent rate is established which differs from the

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provisional rate of 1.8835 guilders to the dollar, the expenses of the United States Government in the Netherlands East Indies prior to the establishment of the permanent rate should not be computed in terms of such provisional rate but rather, in any over-all financial settlement between the Netherlands East Indies and the United States, the United States should be accorded an equitable adjustment for such expenses in the light of the permanent rate of exchange established after the liberation of the Netherlands East Indies."

In other words, the rate at which the Netherlands East Indies purchases may be made will be subject to subsequent adjustment if the rate upon fuller knowledge is found to be too high. The wording in the French letter is not the same, but the idea is approximately the same.

MR. ACHESON: That is entirely reasonable.

H.M.JR: We never raised this with you before. Now what I am prepared to do is this. I don't have very strong feelings on this. I have reviewed the thing and it will take me a minute or two, I just did it very quickly and I would like to go over it once more.

It says here--these are just digests--on January 31st:

"Meeting with White and Luxford. Discussion as to terms under which Belgians and Dutch will turn over their currency to us; HM, Jr. said Secretary Hull should take it up with the President. Draft of agreement attached.

"Feb. 15, 1944. Mr. Bell's Memo of his conversation with Secretary Hull and Mr. Stettinius. State feels we should treat Belgium as an ally and pay for all of our military operations; Bell and White agreed that the matter should be set forth in joint memo by State and Treasury and submitted to the President.

"Feb. 21, 1944. Letter to the President signed by Mr. Bell, attaching memo presenting position of Treasury and State on question of whether we should

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commit ourselves now to place dollars to credit of governments-in-exile for their currencies furnished to us during liberating operations, etc. (Copy to Mr. Stettinius).

"Feb. 29, 1944. Memo from the President in reply to joint memo from State and Treasury - thinks Treasury position is the right one.

"March 5, 1944. Meeting with Mr. Stettinius at HM, Jr's house. Stettinius said Treasury sent another memo to President after joint memo and that is what made the President decide in Treasury's favor."

(Secretary holds telephone conversation with Alben Barkley, as follows:)

June 5, 1944  
3:28 p.m.

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Operator: There you are.

HMJr: Hello.

Alben  
Barkley: Hello.

HMJr: Hello, Alben.

B: All right. How are you?

HMJr: Fine. And you?

B: I'm all right.

HMJr: How's your missus?

B: Well, she was feeling a little better yesterday  
when I left.

HMJr: Well, that's good.

B: She's, of course, pretty sick but she was feeling  
better.

HMJr: Well, that's good. Now, when would it be convenient  
for you to receive or see Dean Acheson and Harry  
White and me on this question of ....

B: Well....

HMJr: ....delegates.

B: ....any time when I'm not tied up here in the  
Senate. We've got up this O.P.A. bill....

HMJr: Well....

B: ....now and ....

HMJr: How early do you start in the morning?

B: Well, not any earlier than I have to.

HMJr: Well....

B: But....

HMJr: Could you do it the first ....

B: We have -- we have -- I think I've got a Committee meeting tomorrow at ten-thirty. I suppose -- how long would it take?

HMJr: Not more than fifteen minutes.

B: Well, suppose that you come over to my office at ten?

HMJr: At ten?

B: Tomorrow morning.

HMJr: Just a minute.

B: Would that be all right?

HMJr: Just a minute. Acheson happens to be here and I'll ask him if that's convenient.

B: Yeah.

HMJr: (Aside: Ten tomorrow?) Ten o'clock. Now which office will that be?

B: 2-0-5 in the Senate Office Building.

HMJr: 2-0-5.

B: Yeah.

HMJr: We'll be there at ten o'clock.

B: All right.

HMJr: Thank you.

B: Good bye.

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MR. ACHESON: In the Senate Office Building?

H.M.JR: Do you want me to meet you there? Which is more convenient?

MR. ACHESON: I think I can get a car.

H.M.JR: I will have my car over at the State Department at twenty minutes of ten.

MR. ACHESON: That will be fine.

H.M.JR: At the Secretary's entrance.

Then, he says here, "Referring to your letter of February 21, relating to use of currency for military operation, I have talked with Mr. Stettinius about this and I think the position taken by the Treasury Department is the right one.

"March 5, 1944. Meeting with Mr. Stettinius at HM, Jr's house. Stettinius said Treasury sent another memo to President after joint memo and that is what made the President decide in Treasury's favor.

"March 6, 1944. Mr. Bell's memo giving his version ..... of what really happened on the Belgian currency matter.

"March 9, 1944. HM, Jr's letter to Mr. Stettinius sending him copy of President's memo of February 29, 1944; HM, Jr assumes this is final word in the matter."

And that was March 9. That is the last written record we have on this thing.

"Dear Ed:

Following up our conversation of last Sunday, I am sending you herewith for your records a photostatic copy and memorandum dated February 29th from

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the President to the Treasury in which he stated, 'I have talked with Stettinius about this and I think the position taken by the Treasury Department is the right one.' I assume we can look upon this as the final decision in the matter and proceed according to the Belgian agreement."

That, other than you and I talking, is the last written word.

MR. WHITE: We have a lot of written records.

H.M.JR: But this is where I am in the picture.

Now, in view of this documentary evidence, as far as the President is concerned, I am perfectly willing to go and see the President with you and let you state your reasons, let us state ours which will be unemotional. Simply say again, does he want to settle this thing now or keep it in abeyance, I mean, this is something which, I say, we are not very excited about. You can give your reasons and we will simply say, "Look, Mr. President, do you want this settled now, or would you like to keep it open? Do you feel it would be good trading advantage?"

MR. ACHESON: Sure.

H.M.JR: But I feel, in view of this long document, he should have a chance to pass on it once more.

MR. ACHESON: I have no question about that.

H.M.JR: But that is all that we feel here. I want to again say, -- this isn't something--I mean--I feel that you feel it is very important. We don't. We will not, we will simply refresh his memory, state our reasons why, but will not press hard.

MR. ACHESON: All right. I shall be delighted.

H.M.JR: We will not press hard. You can state your case first and we will state ours second. Is that fair?

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MR. ACHESON: Surely.

H.M.JR: But I want you to know this is not something which we here consider very important. I am repeating myself, but in the light of this long document, I think he should have a fresh look at it.

MR. ACHESON: Well, our view about it was entirely in accord with what you have read, that this thing was decided by the President and put up in accordance with his directions to these two governments. They have sent you communications and they filed a note with us, saying that they object to this and they believe that the exchange of notes between the two governments on mutual aid lays down a different principal, which is that the pay of troops isn't anything which they ought to bear. It seemed to us that they have a strong point in that respect and also that it gives them a sense of injustice which is a lingering injury and makes them harder to deal with and it is just and fair that on whatever rate is right, the rate being retroactive, that the amounts which we used to pay our troops should be given to them as soon as you can work out the rate question or subject to readjustment if you give it to them on a rate which doesn't stick.

H.M.JR: But you would agree to this sort of French formula?

MR. ACHESON: Oh, yes.

H.M.JR: That we agree to the 43 rate, or whatever it is, and that would be retroactive as between governments.

MR. ACHESON: We ought to have the advantage of whatever the ultimate rate is.

H.M.JR: We wouldn't attempt to adjust the individual soldier's pay, but as between governments--

MR. ACHESON: That's right, I agree entirely.

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MR. WHITE: Would you treat the French the same or make a separate case of the French?

MR. ACHESON: Well, with the French you have this whole business about the Committee, which frankly, I don't understand very well and I don't know whether there is any one we can agree with.

MR. WHITE: I mean, raise the question as to whether we should treat the French the same as the Dutch if we pursue the policy that you are advocating, because we are pursuing a different policy with the French.

MR. ACHESON: How do you mean?

MR. WHITE: We are not paying the French currently for the francs which we will use to pay the soldiers and that arrangement--there is no agreement.

MR. ACHESON: I don't know. I had nothing from the French at all.

MR. COLLADO: We had a proposed note. It is in on the reciprocal Lend Lease. They have brought the same subject up in connection with some Lend Lease discussions with Oscar Cox, and so on, just as the Belgians did. Their note was obviously written after they had discussed it with... the Belgians.

MR. ACHESON: The point that we make is that in our exchanges of notes with these governments, we have said that the principals which govern Lend Lease and Reverse Lend Lease are so and so and that excludes their paying for the pay of our troops. That has been a principle agreed on. It seems a fair and just one. Now they appeal to that principle and it seems to me we are giving them a sense that we are treating them unjustly and differently from the way we are treating the Chinese and the British and Austrians and New Zealanders and that that is unnecessary and it makes a fortuitous handicap which comes up in all our

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dealings with these countries. And I think it will make it harder when you are dealing with them in Bretton Woods, if they have a sense of injury and injustice.

H.M.JR: On that matter, we have something here which we thought was a good break on the Netherlands and for the Government. You know, I have been opposed to the RFC making a loan to the Netherlands. Mr. Hull wrote a letter to Jesse Jones saying he favored it. Then today, Mr. Aldrich came in to see Dannie Bell and said they wanted to borrow a hundred million dollars from the Chase Bank.

MR. BELL: Chase and a syndicate.

H.M.JR: I told Bell, as far as we were concerned, we would give it our blessing.

MR. ACHESON: That may solve it.

MR. COLLADO: He was in to see the Secretary on Friday.

H.M.JR: Aldrich?

MR. COLLADO: We suggested he come and see you.

H.M.JR: Did I tell it right?

MR. BELL: That's right.

MR. COLLADO: That is also based on these securities. It is the same kind of deal that RFC wanted to make.

H.M.JR: We didn't make any commitment on that, but you use your own language. What did you tell Aldrich?

MR. BELL: I haven't told him. I haven't been able to get in touch with him. I left word for him to call me. I was merely going to tell him that we were sympathetic with the matter and would be glad to talk to him further about it as we went along.

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H.M.JR: I thought that that might ease the thing and from our standpoint it is in the right direction. We would like to see them go there, we feel they can go there and all around, I mean, I think it is the way the thing should be done, and it makes us feel once in a while we are right.

(Mrs. McHugh enters the conference)

MR. COLLADO: Our letter has a section in it that they ought to try to get private financing.

MR. ACHESON: Then, that cleans us up on these things and you will make an appointment sometime.

H.M.JR: I have a request in to see the President tomorrow with Pehle to clear up the question of the refugee camp in this country. As soon as I get that, which he has announced publicly he is going to do--We had this message all prepared on which Hull and Stimson and I agreed. We thought the President would send the message to Congress first and then announce it. He did it the other way around. We are quite anxious for his sake he send the message to Congress. You know, I am talking about bringing a token group of refugees here. We have the camp and everything. I will ask the next appointment to be on this. I have got a request in for this.

MR. ACHESON: You think we can do that this week?

H.M.JR: It will have to be this week. I will ask for it.

MR. WHITE: You feel you want to see him personally on that, rather than repeat the performance of writing a letter?

H.M.JR: I think Dean should have his day in court on this. He feels very strongly and I don't and he does and I would like to see, and I will try my best, to get

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in this week, between now and Thursday night, when I have to go out on war bonds.

MR. ACHESON: All right. I would appreciate it.

H.M.JR: I will make every effort to get us in there on Wednesday or Thursday, on the assumption he sees me Tuesday on this matter. Otherwise, Dean, you send a memorandum and it may hang around for weeks. You don't want that.

MR. ACHESON: We would like to get it cleaned up.

I wanted to say one thing while Harry was here, to see if we could get a plan on this. I am very alarmed about what may happen with the delegation to the Monetary Conference if you are away on the bond drive and Harry is away on this drafting committee and this group of delegates without any real knowledge about what they are going to do and without having gone over papers and without drill and all that sort of thing, just suddenly assemble at Bretton Woods. I think there is going to be all kind of trouble with Senators and Congressmen and other people who haven't been following the thing closely. And I think some arrangement ought to be worked out by which you or Harry have a series of meetings with the delegation, give them certain papers and explain what their duties are and what this thing is all about. It takes time.

MR. WHITE: The Secretary has that in mind. He is waiting to hear who the delegates are. But it is necessary, sure.

H.M.JR: I am not going to be away. The longest time I will be away from Washington will be this trip to Texarkana and Los Angeles. That is the longest one. The only other one I have is to go to Chicago. I go one afternoon and come back the next morning.

MR. WHITE: You see, Eccles is already somewhat familiar. Mr. Brown is studiously examining the proposal.

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H.M.JR: Excuse me. Do you mean the American Delegation?

MR. ACHESON: Yes, because you will have four Congressmen, all of whom are going to be more or less prima donnas. And unless they know what committees they are going to and what jobs they are supposed to get up on, unless everybody understands the plan, they will be all over the place and extremely difficult to handle.

MR. WHITE: The Secretary had in mind getting them to go just as soon as they were appointed and going over these, not once but several times.

H.M.JR: The only outsider that has been appointed is Mr. Brown and he just moved in here, lock, stock and barrel and has gone at it with great enthusiasm. And I finally reached Miss Newcomer. She is very reluctant to go but she would let me know tomorrow. So we really only have one outside delegate and he is working.

MR. ACHESON: The four Congressmen! That is bad. We met three times a week for three weeks, I think, before we went to Hot Springs.

H.M.JR: Really?

MR. ACHESON: Each fellow knew he was going to be on this subcommittee and he had about the first week's supply of ammunition, so he could start off and not get in the way of the technicians. But you get Mr. Spence and he hasn't the faintest idea what it is about and he doesn't know what committee he will be on and he will just raise hell. He will get up and make a speech the first day, which will make no sense at all.

MR. WHITE: As soon as you decide the four Congressmen, we can have a meeting.

H.M.JR: I am glad you raised it. It makes it that much more important.

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MR. ACHESON: We really ought to have a string on Mr. Harry D. White, to get him back here to lecture.

MR. WHITE: No, we were providing for that. We had a discussion for that. We are just waiting to name the delegates. The only three available are yourself--and I presume you have substantial familiarity with it--

MR. ACHESON: I won't make any trouble for you, but these fellows, God only knows!

MR. WHITE: As soon as they are appointed, we expect to have a meeting.

H.M.JR: I am glad you raise it. I agree with you.

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May 16, 1944

Dear Mr. de Iongh:

I refer to your discussion of April 12, 1944 with Mr. William H. Taylor of the United States Treasury Department concerning the rates of exchange, to apply upon the liberation of the Netherlands East Indies, between the Netherlands East Indies guilder and the United States dollar and the British pound sterling.

Mr. Taylor has informed me that your Government desires that the rates of exchange for the Netherlands East Indies guilder should be established at the same level as existed before the outbreak of the Pacific war, that is, 7.60 Netherlands East Indies guilders to one pound sterling or approximately 53 United States cents to the guilder.

It is the view of the United States Treasury Department, after study of the relevant factors, that this rate would place too high a value on the Netherlands East Indies guilder. However, in light of the assurances provided by your Government that the question has been carefully studied and that this rate does not markedly overvalue the Netherlands East Indies guilder, the Treasury is prepared, subject to the receipt of the assurances mentioned below, to accept the recommendation of your Government for the adoption of an exchange rate for the Netherlands East Indies guilder of 1.6835 guilders to the dollar computed on the basis of a rate of 7.60 guilders to the pound sterling at a crossrate of \$4.035 to the pound sterling.

The Treasury would like, however, to have the present assurances of your Government that, until such time as it is possible to review the matter with a more complete knowledge of the relevant factors after the liberation of the Netherlands East Indies, this rate will be regarded by your Government as only a provisional rate. The Treasury would also like to have the present assurances of your Government that, if at such time a permanent rate is established which differs from the provisional rate of 1.6835 guilders to the dollar, the expenses of the United States Government in the Netherlands East Indies prior to the establishment of the permanent rate should not be computed in terms of such provisional rate but rather, in any over-all financial settlement between the Netherlands East Indies and the United States, the United States should be accorded an equitable adjustment for such expenses in the light of the permanent rate of exchange established after the liberation of the Netherlands East Indies.

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I take this opportunity to confirm to you the position of the United States Treasury that the pattern under which the United States is to make settlement for its expenditures of Netherlands East Indies guilders in the Netherlands East Indies should be the same as the pattern to be agreed upon for the Netherlands and that this matter should be deferred until an agreement is reached with respect to the Netherlands.

The Secretary of the Treasury will probably want to write to the Minister of Finance of the Netherlands Government confirming the views of the Treasury Department, as above expressed.

Very truly yours,

(Signed) H. D. White

H. D. White,  
Assistant to the Secretary.

Mr. D. Grena de longh,  
Board for the Netherlands Indies,  
Surinam and Curacao,  
10 Rockefeller Plaza,  
New York 20, New York

## TICKER NEWS

WCNS

12:10 P.M.

June 5, 1944

House Conferees agreed to the Senate Rider on the Debt Limit Bill reducing the cabaret tax to 20 percent from 30 percent.

But the conference decided to eliminate the Senate provision which would have exempted members of the armed forces from the tax.

At the same time, the House agreed to increase the Debt Limit to \$260,000,000,000, from the present ceiling of \$210,000,000,000, receding from the original position of the House which would have permitted an increase to \$240,000,000,000.

MEMORANDUM

May 31, 1944

The British Government are prepared, subject to the reservation contained in the following paragraph, to agree that initial procurement under Plan A should go forward on the following basis. That the United States shall bear initial procurement responsibility for purchases in the United States, that the United Kingdom shall bear initial procurement responsibility for purchases in the United Kingdom and the British Commonwealth excluding Canada, and that procurement responsibility for purchases in countries other than the United States and the British Commonwealth shall be divided equally between the United States and the United Kingdom.

This agreement is however subject to the reservation which has been accepted by the United States members of the CCAC that the arrangement outlined above shall in no way prejudice the ultimate financial settlement for the cost of relief during the military period which is a matter for negotiation between the two governments.

It is the view of the British Government that any such final settlement between the supplying countries must be on an equitable basis which will take into consideration among other things the relative financial strength of the countries concerned.

It will be noted that in paragraph (1) the position of Canada has been specifically reserved. This will be treated separately and will be the subject of special negotiations between the three governments.

Sidney A. Mitchell

LA:SAM:MJC

June 5, 1944  
3:47 p.m.

HMJr: I've got you're partner here, Dean Acheson.

E. R.  
Stettinius: Henry.

HMJr: Yes.

S: How are you?

HMJr: I'm fine.

S: You've got my partner there?

HMJr: Yeah.

S: How is he?

HMJr: He's all right.

S: Behaving himself?

HMJr: Always does.

S: Halifax has just left me.

HMJr: Yeah.

S: And left with me an aide memoire....

HMJr: Yes.

S: ....that is very important....

HMJr: Yes....

S: ....relative to the possibility of getting a million Jews out of Europe....

HMJr: Yes.

S: ....for exchange of certain items.

HMJr: Yes.

S: Now, Weizmann has known about it. He's been told.

HMJr: Yes.

S: He's the only one who has been told.

- 2 -

HMJr: Yes.

S: And I think it's -- I thought that -- I wanted to let you know about it, personally, immediately.

HMJr: Fine.

S: And I'd like to have Pehle to -- Pehle to come here immediately and get a copy of the aide memoire so you can see it yourself.

HMJr: Well, he's in New York. I'll send Joe DuBois. Do you know DuBois?

S: No.

HMJr: Do you know Luxford?

S: Anybody you send is all right with me.

HMJr: Well, Joe DuBois.

S: DuBois. And if he could come to my office double-time quick....

HMJr: Yes.

S: ....and return to yours....

HMJr: Fine.

S: ....because this is something we must act pretty quickly on.

HMJr: Well, we can act as quick as anybody will let us.

S: Now, listen, is Goldmann reliable?

HMJr: Goldmann. He -- I'd have to check. I think he represents Weizmann, doesn't he?

S: That's correct. And he -- and the Foreign Office in London....

HMJr: Yes.

S: .... recommends to us....

HMJr: Yes.

S: ....that we advise Goldmann of this offer.

HMJr: Yes.

S: But this is so important and such high stuff....

HMJr: Yeah.

S: ....that I think that maybe you ought to ....

HMJr: Well, let me check a minute and when DuBois comes over, he'll be able to tell you.

S: All right, Henry.

HMJr: D-u-B-o-i-s.

S: All right, he'll come -- thank you, sir. Righto.

HMJr: Right.

6/5/44

AIDE MEMOIRE

Attached to this Aide Memoire is the text of a telegram received by the Foreign Office from the High Commissioner, Jerusalem. His Majesty's Ambassador is instructed to inform the United States Government of the proposal set out in that telegram and to put before them the reactions of His Majesty's Government which are as follows:

(a) Assuming suggestion was put forward by Gestapo in form conveyed to us, then it seems to be sheer case of blackmail or political warfare. Implied suggestion that we should accept responsibility for maintenance of additional million persons is equivalent to asking the Allies to suspend essential military operations.

(b) We could not bargain over any scheme with Gestapo and agree to trade lives against military and economic concessions calculated to stave off Germany's defeat. Demand that we should in effect raise blockade is totally inadvisable; to give Germany 10,000 lorries would bring important access of military strength to the enemy, and German stipulation of Spain and Portugal as sole exodus seems clearly designed to embarrass Allied military operations.

(c) Once committed to this kind of blackmail coupled with raising of blockade, which seems inseparably connected with it, the Allies would be driven to even further lengths.

(d) It would appear that selection of persons, if exchange were agreed, is to be in Hitler's hands. On this we think should be borne in mind that immense numbers of Allies are held by the Germans under terrible conditions and that to arrange any exchange on a basis to be determined by Hitler, leaving Allied internees and prisoners in German hands, would lay Governments open to extremely serious protest.

- 2 -

(e) While however refusing to deal with this scheme and channels through which it has come, we realize importance of not opposing a mere negation to any genuine proposals involving rescue of any Jews and other victims which merit serious consideration by Allied Governments. Whole record of United States Government and His Majesty's Government over refugees is a proof of their active sympathy with victims of Nazi terror. Accordingly if the German Government were willing to release Jews in position of extreme distress or danger, His Majesty's Government and United States Government would be willing to examine the possibilities of moving to and accommodating in Spain and Portugal such persons as could be handled without prejudice to vital military operations.

2. His Majesty's Government are informing Dr. Waizmann in strictest confidence of this proposal, but are making no comment beyond saying that they are in touch with the United States Government. It is presumed that the latter will similarly inform Dr. Goldman. His Majesty's Government are anxious to learn at the earliest opportunity the views of the United States Government on what action, if any, should be taken. In particular they would be glad to know whether the United States Government would agree to instruct their Ambassador at Ankara, if he is approached by the Jewish Agency, to associate himself in a reply on the lines set forth above. His Majesty's Government would suggest that Dr. Shertok should be told that we cannot sanction him or any other Allied citizen having any dealings with the Gestapo, but that we would agree to his conveying the substance of our observations to his Zionist friend from Hungary. This would show that, although we cannot enter into the monstrous bargain now proposed by the Gestapo, we are yet far from indifferent to the sufferings of the Jews and have not shut the door to any serious suggestions which may be made and which are compatible with the successful prosecution of the war.

3. His Majesty's Ambassador at Ankara has been instructed to communicate the foregoing information in strictest confidence to his United States colleague, informing him that

- 3 -

it has been transmitted to Washington in order that the reaction of His Majesty's Government may be coordinated with that of the United States Government. His Majesty's Ambassador has been instructed to return no definite reply to Dr. Shertok until the essential common line of action has been established between the two Governments.

4. The Department of State may be interested to know that, on being informed of the Gestapo's proposal, Dr. Waizmann merely observed that it looked like one more German attempt to embarrass the United States and United Kingdom Governments. He said, however, that he would like to reflect on the affair and receive news of any developments.

BRITISH EMBASSY,

WASHINGTON, D. C.

5th June, 1944

Copy of Cypher Telegram No. 688

To: Foreign Office

From: High Commissioner, Jerusalem.

Ben Gurion and Shertok came to see me this morning and stated as follows:

Special messenger started from Turkey on May 22nd and reached Jerusalem May 24th bringing them statement from their representatives in Istanbul (Barlas etc.) to following effect.

On May 19th well known and trusted Zionist representative in Hungary Joel Brandt arrived in German aircraft in Istanbul from Vienna accompanied by a Hungarian Gestapo agent who has several aliases (e.g. Andrew George, Andrew Gross) and who so far as is known is still in Turkey. Brandt has been sent to Turkey with this man as watchdog by high German Gestapo chiefs in Budapest to place the following order before Jewish leaders in Palestine, England and America, and before the high Allied authorities.

As an alternative to complete annihilation of all Jews remaining in Hungary, Rumania, Czechoslovakia and Poland, the Nazis are ready to evacuate one million Jews from these countries to Spain and Portugal (though not, as they specifically stated, to Palestine). In return they require delivery of 10,000 motor lorries and certain quantities of coffee, tea, cocoa and soap. As an act of good faith they are prepared, once the offer has been accepted in principle to release first batch of five to ten thousand Jews before receipt of corresponding consideration. They are also prepared to exchange Jews against German prisoners of war. If the offer is rejected they will proceed with their programme of wholesale liquidation. The emissary must return to Budapest with a reply within a fortnight from May 19th.

2. Brandt has the impression that these negotiations can be prolonged if evidence is forthcoming that scheme is being earnestly considered in high Allied quarters. It is also believed that substitution of cash payments in Switzerland for deliveries in kind wholly or in part is not to be excluded and both sides barter transaction, namely evacuation and compensation can be realized by successive stages.

- 2 -

3. Brandt reports that 300,000 Hungarian Jews are already herded in concentration camps as a preliminary to deportation. The rounding up of other Jews is in progress. Plans have been made for daily deportation to Polish slaughter houses of 12,000 Jews of means but this is presumed to have been deferred pending negotiations. This report of the position in Hungary is said to be fully corroborated by various Hungarian Jewish eye witnesses who reached Palestine on May 24th.

4. In the light of the above and past experience agency fears that the fate of Hungarian, Czechoslovak and Roumanian Jews is sealed unless they can be saved in time and "they firmly hope that the magnitude and seemingly fantastic character of the proposition will not deter the high Allied authorities from undertaking a concerted and determined effort to save the greatest possible number. They fully realize the overwhelming difficulties but believe they might not prove insurmountable if the task is faced with boldness demanded by unprecedented catastrophe".

5. Shertok is proceeding to Istanbul as soon as he can (i.e. probably within a few days) for a more complete elucidation of the facts and will report to His Majesty's Ambassador Ankara.

6. Agency is keeping all the above information strictly secret and wishes us to do likewise but they ask that His Majesty's Government should at once communicate it on the same terms to Washington and that the sole exceptions to the official secret should be

(A) Dr. Weizman personally to be informed by His Majesty's Government.

(B) Dr. Goldman personally to be informed by the United States authorities.

I enquired whether the agency desired any other specific action than communications referred to in preceding paragraph pending Shertok's enquiries and report to His Majesty's Ambassador Ankara, and they replied in the negative.

June 5, 1944

Dear Ed:

This letter will serve to introduce to you Mr. Josiah E. Du Bois, Jr., General Counsel of the War Refugee Board.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Edward R. Stettinius, Jr.,  
Acting Secretary of State,  
State Department,  
Washington, D. C.

June 5, 1944  
5:22 p.m.

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HMJr: Jack, Acheson was here for an hour....

John  
McCloy: Yeah.

HMJr: ....and he doesn't see any reason about why these things we are talking about should hold up what you're doing....

M: Yeah.

HMJr: ....any more than I do.

M: Yes.

HMJr: So, I don't know whether the British are going to join you, but ....

M: Well, that's -- you see, what happens, as I am told -- what happens is that when we try to get this on a combined basis which it will all -- has to be some time or other, why, they hold back and say, well, that paper may commit us to a final -- to a -- in some final settlement. They won't agree.

HMJr: Yeah.

M: At least, they haven't agreed to any papers that we've put up to the Combined Chiefs of Staff yet, and it sounds -- and it always is -- when you really get down to brass tacks, it's always this point of who's going to -- who's going to pay for it.

HMJr: ... Yeah.

M: Now, maybe we can, as I say, we -- the people downstairs are beginning to get nervous because the purchases that we're making are getting fairly extensive and we don't like to go ahead until we've got some authority behind us.

HMJr: Well, let's leave it this way. If at any time you have to hold back on account of this, you give me a ring.

M: All right, I will.

HMJr: How's that?

- 2 -

M: Okay. Now, you will -- you will try to see the President about it?

HMJr: Oh, you know that?

M: Yeah.

HMJr: Oh, Dean's talked to you?

M: No, no. No, you told me that.

HMJr: I've got to see the President between now and Thursday night.

M: Between now and Thursday, yes.

HMJr: Yeah.

M: You said you were going to try -- you go ahead and if you can get the answer, so much the better. I'm sure things will go much smoother if we can get it cleared up.

HMJr: Yeah.

M: Okay.

HMJr: Thank you.

M: All right. Fine.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

June 5, 1944

TO Secretary Morgenthau

FROM Fred Smith 

We are making arrangements for you to go to the North American plant to see the P-51. I am making an under-cover arrangement to have North American put out the story about your getting the motor for it.

I haven't seen any letter from Howard Hughes. FitzGerald called me and relayed the message. Apparently Hughes had called someone in Gamble's office first.

JUN 5 1944

Dear Mr. McCloy:

Receipt is acknowledged of your letter of June 2, expressing the willingness of the Army to make available camp facilities in this country suitable to house approximately 1,000 refugees on a temporary basis.

A representative of the War Refugee Board will visit Fort Ontario and Madison Barracks within a day or two, and both of these camps will be mentioned to the President. On the basis of information now available, however, we are assuming along with you that Fort Ontario is the designated camp.

It is contemplated that the War Relocation Authority will actually administer the camp. We are assuming that the Army will be in a position to take the necessary security precautions and can arrange for the transportation of the refugees from the port of arrival to the camp.

I want you to know how much I appreciate the sympathetic attitude which you have shown in this whole matter, and the prompt action which your Department has taken.

Very truly yours

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John J. McCloy  
Assistant Secretary of War  
Washington, D. C.

JEDuBois:ecr  
6/5/44



THE ASSISTANT SECRETARY OF WAR  
WASHINGTON

2 June 1944

Dear Mr. Secretary:

This is to confirm the willingness of the Army to make available a camp or facilities suitable to house approximately 1,000 refugees on a temporary basis. We understand that whereas the housing itself will be furnished by the Army the operation of the camp will be undertaken by the War Relocation Authority or some other civil agency. I have no doubt that the Army can afford considerable assistance in the way of use of certain equipment which would be useful for such a purpose, such as blankets, utensils, etc.

An examination of our facilities indicates that probably the best available location would be Fort Ontario, New York, which is near Oswego, and we are prepared to designate that place if you wish. Another possibility is Madison Barracks, New York, which is near Watertown, where a similar number might be taken care of, but we will assume that Fort Ontario is the designated camp unless we hear to the contrary from you.

Sincerely,

A handwritten signature in dark ink, appearing to be "J. D. ...", written over the typed word "Sincerely,".

Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury

June 5, 1944

Dear Mr. Hoving:

For Mrs. Morgenthau and myself, I want to accept your kind invitation to attend the luncheon at the Waldorf-Astoria, June 21.

I regret that I was not in my office when you were here last week. I am looking forward to seeing you at the luncheon and the opening of the "Avenue of the Allies".

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Walter Hoving, President  
Fifth Avenue Association  
Empire State Building  
New York, New York

FS:MLF

Copy to Mrs. M. 6/15/44

Fifth Avenue Association,  
Empire State Building,  
New York, New York,  
June 2, 1944.

*script for  
Secy. + Mrs.  
H.M. -  
Amy de  
mused be*

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

My dear Mr. Secretary:

I dropped in while I was in Washington to pay my respects.

I am busily engaged in completing the plans for the luncheon at the Waldorf opening the "Avenue of the Allies" on Wednesday, June 21. We are delighted that you will be with us, and I also wanted to extend personally an invitation to Mrs. Morgenthau to be with us. We have, as you may know, invited all the Ambassadors and Ministers of the Allied Nations and their wives, and the program will consist of Ambassador Wei, Ambassador Gromyko, Ambassador Lord Halifax, and yourself. At least, this is the plan, if my trip is successful today. Mr. Gamble has kindly lent me his assistance in every way, so I have every hope that it will be.

With my best personal regards,

Sincerely yours,

*Walter Hoving*  
Walter Hoving,  
President.

June 5, 1944

FROM: SECRETARY MORGENTHAU  
TO: MR. SMITH

I am enclosing a copy of a letter to Admiral Furlong which Ted prepared. Could I use this as an example in one of my talks.

JUN 5 1944

Dear Admiral Furlong:

Based on the record made since the inception of the War Bond Program, we have come to expect from the Navy outstanding results at all times. In this expectation we have never been disappointed. As you well know, the Navy was the first Department of the Federal Government to initiate the Payroll Savings Plan. Since then, it has continued to hold first place in many phases of the War Bond Program.

Of all Navy activities anywhere, no record has been more gratifying than that of the Pearl Harbor Navy Yard. New records are made constantly by the Yard only to be again broken by it.

A good share of the credit for this must go naturally to the civilian personnel of the Yard. Many of these men and women were subjected to the sneak attack of the enemy on December 7, 1941. All of them are still close enough to the combat zone to be at all times conscious of the grim nature and great cost of war, both in material and lives. They know that the all-out effort of all our citizens is needed in order to insure Victory.

With this consciousness, the men and women at Pearl Harbor have set not only new War Bond records, but new production records.

Such achievements are not possible without inspiring leadership. That you have given such leadership in setting new production records is adequately attested to by the fact that you have been awarded the Legion of Merit. That you have given such leadership to the War Bond Program is most recently evidenced by the Pearl Harbor Day record, when over \$3,000,000 of War Bonds were purchased at the Pearl Harbor Navy Yard. This placed the Yard head and shoulders above all other activities in the Naval Establishment.

I wish to congratulate and thank you and, through you, to extend my congratulations and thanks to the

-2-

War Bond representatives and to all the Navy Yard workers for the inspiring example which they have set to the Navy and to the Nation.

Sincerely,

*(Signed) H. Morgenthau, Jr.*

Rear Admiral William R. Furlong, USN,  
Commandant, Navy Yard,  
Navy 128, Fleet Post Office,  
San Francisco, California.

TRG:hsh

June 5, 1944

My dear General Eisenhower:

I have just viewed the motion picture subject which you so thoughtfully made for our Fifth War Loan Drive. The film is magnificent and I am sure that millions of Americans will be thrilled and inspired by your very convincing message.

For your information, arrangements have been made to exhibit this subject on a lot booking schedule in all of the nation's theatres during the period of the Fifth War Loan Drive. At the present time there are approximately 90 million people attending the theatres each week, so you can get some idea of how important your message becomes to our operation. In addition, we have embodied the subject, with the aid of the Signal Corps, in three special war films that we are exhibiting in plants throughout the nation during the drive. We are using 1,750 of these war pictures so that we can during the period of the drive cover most of the workers of the nation.

I wanted you to know how pleased we are with the picture and to what good advantage we are putting it. With every good wish, I am

Cordially yours,

(Signed) Harry S. Truman, Jr.

General Dwight D. Eisenhower,  
Supreme Allied Commander,  
Allied Expeditionary Forces,  
A. P. O. 757,  
c/o Postmaster, New York, New York.

TRG:ecb

JUN 5 1944

Dear Mrs. Holmes:

Thank you very much for your letter of June 1. This opportunity to assist with the summer entertainment program of the Stage Door Canteen has afforded me real pleasure.

I should like to take this occasion to compliment you and the other officers of the Canteen in Washington, who are contributing so generously of your time and energy. You are doing a grand job for our service men, and I hope that you will call upon me at any time if I can be of assistance to you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mrs. George R. Holmes,  
Co-Director,  
Stage Door Canteen,  
Lafayette Square,  
Washington 5, D. C.

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Treasurers and Ticket Sellers Local 722  
F. A. BROWN

and Special Artists  
CHARLES SWANN

June 1, 1944

The Honorable  
Henry Morgenthau, Jr.  
Secretary of the Treasury.

My dear Mr. Secretary:

The Directors of the Stage Door Canteen of Washington wish to thank you for making possible the outdoor dance for the service men last night. Your generosity and your cooperation made this gala event a reality and we are all deeply grateful to you.

With your consent we hope to continue these dances every Saturday night after the tenth of June, and we are all looking forward to the repetition of the pleasure that we know the boys had last Wednesday.

Sincerely yours

*Mary Emily Holmes*

(Mrs. George R. Holmes)  
Co-Director

1944 JUN 3 AM 9 16

OFFICE  
SECRETARY OF TREASURY

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## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 5, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,  
Week ending June 3, 1944.Summary

Stock market: Stock prices rose to new highs for the year last week, but resistance to further gains in the latter part of the period held the net advance in the Dow-Jones average of 65 stocks to less than 1 percent. Industrial stock prices in London have moved up to a new high for the entire war period, and at the end of last week were 39 percent above pre-war levels.

Commodity prices: The BLS index of basic commodity prices rose 0.3 percent last week to a new high due principally to gains in prices of rosin and steers. The general wholesale price index rose 0.1 percent in the week ended May 27 in reflection of rising prices for certain farm products.

Retail trade: Although the year-to-year sales gain has narrowed considerably since Mother's Day, department store sales in the week ended May 27 were still 11 percent above the 1943 levels. Sales of all retail stores in the first 4 months of 1944 were 9 percent higher than in the corresponding months of last year. During the intervening period the Department of Commerce's retail price index rose about 3 percent, thus indicating some increase in the physical volume of goods sold.

Consumer credit: In the face of a rise in retail sales, total consumer credit at the end of April was 9 percent lower than a year earlier. The aggregate reduction in consumer credit since the 1941 peak amounts to nearly \$5 billions, of which \$2 billions represents a decline in automotive instalment sale debt.

Construction: The value of construction work in 1944 is expected to be only one-fourth of the war-time high attained in 1942. An acute shortage in lumber supplies is a restricting factor. Military demands for lumber have been rising, and the lumber industry has been hampered by a shortage of manpower, which is currently accentuated by a strike of lumber workers in the Pacific Northwest.

- - - -

- 2 -

Rise in stock prices falters after reaching new highs

The gradual upswing in stock prices continued last week, with industrial and railroad stocks reaching new highs for the year on increased trading activity. However, resistance to the rise developed after mid-week, and prices on the whole were unable to make further upward progress. (See Chart 1.) At the close on Saturday the Dow-Jones average of 65 stocks was about 1 percent higher than a week earlier, while the trading pace near the end of the week slackened from the 1,200,000 share level attained on Wednesday and Thursday. Although the Dow-Jones average of industrial stocks showed a net gain of approximately 6 points in May, trading activity continued to lag far behind year-earlier levels, with total stock transactions last month amounting to less than one-half the volume attained in May 1943.

A generally cautious attitude on the part of investors is indicated by brokerage comment, but continued strength in corporate bond prices, particularly railroad issues, and the rise in stock prices at London have served to bolster speculative sentiment. The Dow-Jones averages of higher-grade and second-grade railroad bonds advanced to new highs since 1937 last week, although gains were less than in the previous week. At the same time industrial stock prices in London continued to forge ahead to new highs for the entire war period. While U. S. industrial stock prices are still about 2 percent below last year's peak, British stock prices are 3 percent higher. (See Chart 2.) Moreover, British industrial stock prices are now 39 percent above the level prevailing on the eve of the outbreak of war in Europe, while U. S. industrial stock prices are only 6 percent higher.....

Commodity prices rising

Commodity prices showed some tendency toward further advances last week, where price controls permitted, partly reflecting the action of the Senate Banking and Currency Committee in approving proposed amendments to the Price Control Act designed to increase farm prices. The BLS price index of 28 basic commodities rose 0.3 percent to another new high 82.0 percent above the pre-war August 1939 level. (See Chart 3.) The sharp upturn in this index in recent weeks has been due very largely to price advances in the two basic commodities not under some form of price control--cotton and resin. During the past week cotton rose 0.2 percent further,

- 3 -

while rosin rose 3.3 percent. Steers also advanced on a strong retail demand for beef, rising 2.4 percent during the week.

Recent rising tendencies in certain farm products are reflected in the general price index. The BLS all-commodity index in the week ended May 27 rose 0.1 percent to 103.9, led by an increase of 1.3 percent for fruits and vegetables and 0.7 percent for livestock. (Refer to Chart 3.) The index is now 0.1 percent lower than the level of a year earlier, but is not likely to remain so in view of the sharp drop in prices during June last year.

#### Farm prices in May slightly lower

The index of farm prices for mid-May dropped to 194, or 2 points under the April level, but the same as in May last year. (See Chart 4.) Lower prices for meat animals, dairy products, cotton, and strawberries were chiefly responsible for the decline in the farm price index, but prices for truck crops and certain other products advanced during the month.

While farm prices in May this year averaged the same as last May, the indexes for certain groups were substantially lower, notably for truck crops, poultry and eggs and meat animals. The cost of goods bought by farmers has increased over the year, hence farm prices in May averaged 114 percent of parity as compared with 119 percent in May 1943.

#### Bankhead amendment would raise cotton prices

The proposed Bankhead amendment to the Price Control Act, recently approved by the Senate Banking and Currency Committee, which would tie textile price ceilings to raw cotton prices, is designed to raise cotton prices to parity. Cotton is one of the few farm products now selling below parity, the farm price in May being 94 percent of parity as compared with 99 percent in May last year. The amendment has been strongly opposed by the President and by Stabilization Director Vinson.

Cotton growing interests have charged that the present textile ceilings are too low to permit mills to pay parity prices for raw cotton, while mills have complained that the ceilings on many textile lines are too low to enable them to operate at a profit. As mills and retailers have tended to concentrate on lines which yield the highest profit under present ceilings, serious complaints have arisen from consumers who have been unable to find many items of low-priced cotton

- 4 -

goods in retail stores. The CIO has called for a Congressional investigation of the low-cost clothing shortage. To correct this situation, the OPA and WPB have taken action jointly to work out a program for the textile industry designed to increase production of lower-priced cotton goods and clothing.

Any change in textile pricing methods, as contemplated by the Bankhead amendment, would cause considerable disturbance among cotton goods distributors--wholesalers, jobbers, and retailers--since many of them operate under fixed ceilings. A flexible system of price adjustments throughout the industry would be required to make the plan workable, and prices to consumers would be increased. The OPA has estimated that the plan would cost consumers between \$225 and \$350 millions. President Roosevelt last Tuesday expressed his opposition to any action which would increase the ceilings on basic commodities, and intimated that an increase in cotton prices was not justified.

Another proposed amendment to the Price Control Act would raise the Government loan rate on the "basic" crops--cotton, wheat, corn, rice, tobacco, and peanuts--to 95 percent of parity from the present 90 percent. Since Director Vinson, in a sharply-worded statement against the Bankhead amendment, spoke favorably of raising the cotton loan rate, the belief is held by some that the Administration may accept the loan rate increase if the Bankhead amendment is killed. Increased loan rates on "basic" crops, however, would initiate a series of price advances, and would disturb the food production program unless prices were raised for competing strategic crops.

A food-subsidy amendment has been approved by the Banking and Currency Committee, which would continue the present subsidy..... program intact until June 30, 1945, after which subsidies could only be continued upon direct appropriation by Congress.

#### Increased subsidy on soft wheat flour

Ceiling prices on soft-wheat bakery flour sold by millers in the eastern and central states have been reduced by 23 to 36 cents a hundredweight, effective June 1, to put prices more nearly on a competitive basis with hard-wheat flour and with Pacific Coast soft-wheat flour. The reduction will be accompanied by a corresponding increase in the soft-wheat flour subsidy paid by the Defense Supplies Corporation to millers in those areas. Ceilings on family flour in 10 eastern and southern states (chiefly made from soft wheat) have also been appreciably reduced.

- 5 -

Department store sales above 1943 levels

Department store sales continue to run well above year-earlier levels despite a decline from the recent peak reached in the second week in May, when heavy gift buying for Mother's Day was in progress. The sales gain over 1943 levels narrowed to 11 percent in the week ended May 27 from 15 percent in the previous week and 31 percent in the week before Mother's Day. (See Chart 5.) These figures contrast with a cumulative sales gain thus far in 1944 of only 7 percent, thus indicating some quickening in the sales pace last month in comparison with the earlier part of the year. The Atlanta and Dallas districts continued to make the strongest relative sales showing, with both districts reporting a 26 percent gain over 1943 levels in the 4 weeks ended May 27.

Total retail sales rise faster than department store sales

In the face of the sales gains shown thus far this year by department stores, it is interesting to note that sales of all retail stores have made a moderately stronger showing. Thus in the first 4 months of 1944, department store sales rose about 4 percent above the 1943 levels, while all retail stores increased 9 percent. On the basis of the Department of Commerce's retail price index only a portion of the rise was due to price increases, as the price index averaged 2.9 percent higher in the first 4 months of 1944 than a year earlier. The further rise in 1944 carried the retail price index 36.9 percent above the 1939 level.

Retail sales of durable goods have shown a gradual recovery from the war-time low reached in the first quarter of last year. Nevertheless, due principally to the heavy loss in automobile trade, durable goods sales in the first quarter of this year were still 40 percent below the peak attained in the second quarter of 1941.

On the other hand, retail sales of nondurable goods have risen considerably and have maintained a fairly close relationship with the war-time expansion in consumers' disposable income. In the first four months of 1944, the dollar volume of eating and drinking places was 24 percent higher than in the corresponding period a year ago, leading the rise in retail sales of nondurable goods stores. Substantial sales gains were also shown by liquor stores, book stores and florists, which, together with the sharp rise in jewelry store sales, points to considerable luxury buying during the current year.

- 6 -

### Consumer credit declines

The retail sales gains of the past year have occurred in the face of a further contraction in consumer credit. Following a moderate expansion in March, total short-term consumer debt again declined slightly in April and at the end of the month was about 9 percent lower than a year earlier. Moreover, reference to Chart 6 will disclose that consumer debt at the end of April was nearly 51 percent lower than at the 1941 peak, with the aggregate reduction since the end of September 1941 amounting to nearly \$5 billions.

The most important factor in this huge reduction, of course, has been the virtual cessation of sales of new automobiles, with a consequent drop of more than \$2 billions in automotive instalment sale debt. In April, however, in the face of a general reduction in instalment sale debt, automotive items increased slightly for the first time since August 1941, but the amount outstanding at the end of April was only \$171 millions as compared with a peak of \$2,313 millions at the end of August 1941.

### Construction awards at low levels

With war plant construction substantially completed and WPB curbs still in effect on private projects, construction contract awards thus far have failed to show significant signs of recovery. Preliminary reports indicate that engineering construction awards last month were only slightly more than half as great as a year earlier. Moreover, total construction contract awards as reported by the F. W. Dodge Corporation, have been running consistently under last year's levels, with the decline in the first 4 months of 1944 amounting to 53 percent. The decline in awards for manufacturing buildings during the same period was 45 percent. (See Chart 7.)

Last fall the WPB estimated 1944 construction activity at \$3.9 billions, but due to cutbacks in construction projects the estimate for this year was cut last month to \$3.5 billions. On this basis the value of construction work carried out this year will be less than half of the 1943 total and only about one-fourth of the war-time high attained in 1942.

### Lumber shortage restricts private construction projects

In the latter part of last month an official of the National Housing Agency predicted that the WPB would soon permit a partial resumption of private housing construction, but the WPB later indicated that a shortage of lumber would

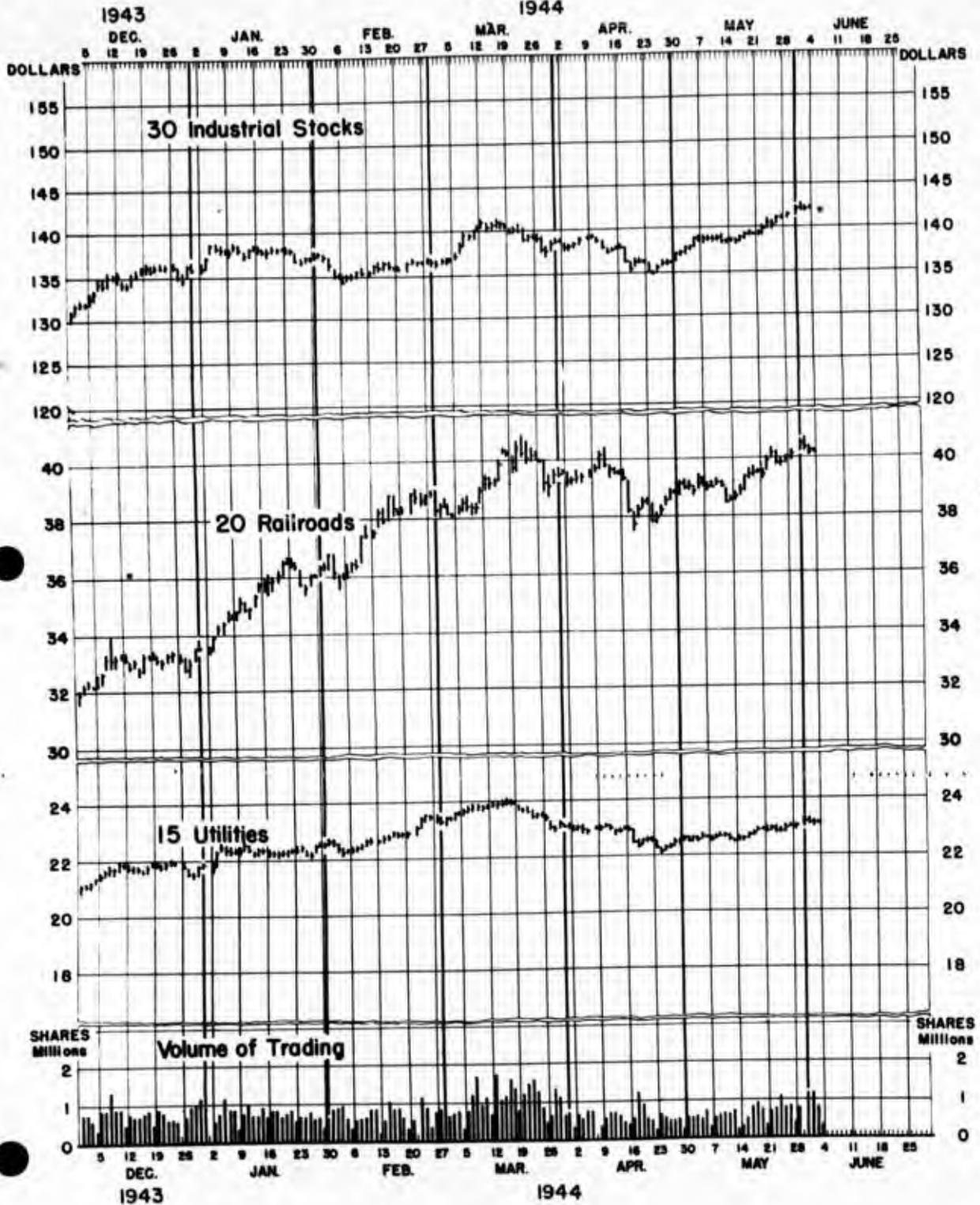
- 7 -

prevent such action. Demands of the armed forces for lumber for various purposes are reported to be steadily rising, and estimated total demand in the third quarter of this year is in excess of total estimated supplies. In an effort to cope with the pinch in lumber supplies, the WPB is expected to put an expanded system of lumber controls into effect in the third quarter.

In addition to a rising demand, the lumber industry has been hampered by a shortage of workers. As of March 1 a shortage of nearly 47,000 workers existed in the logging, lumbering, timber products and wooden container industry. Moreover, labor requirements on July 1 are expected to be more than 21,000 higher than on March 1. The manpower difficulties of the industry have been further accentuated recently by a strike of lumber workers in the Pacific Northwest, with an estimated 30,000 workers idle at the end of May.

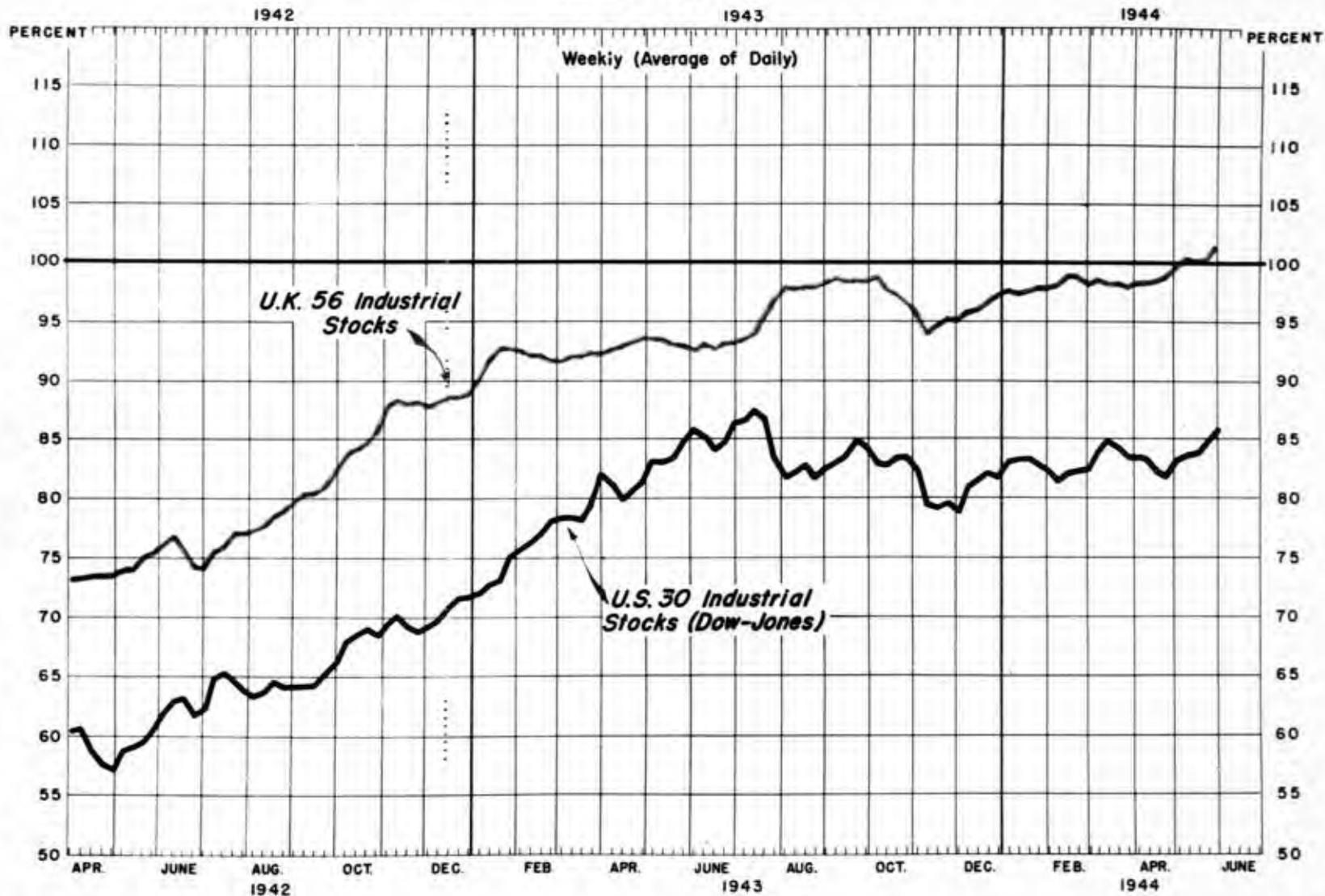
# STOCK PRICES, DOW-JONES AVERAGES

Daily



# INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

AUGUST 1936 = 100



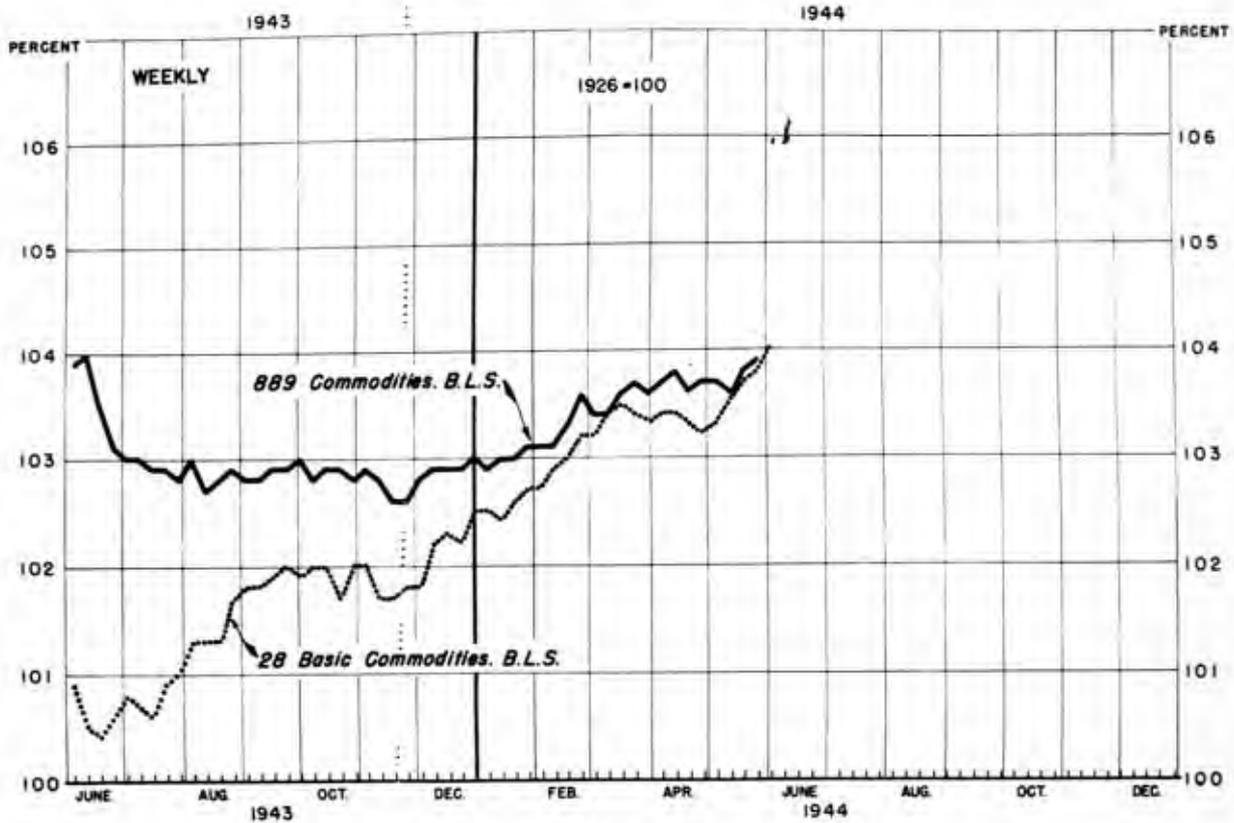
U.K. 56 Industrial Stocks

U.S. 30 Industrial Stocks (Dow-Jones)

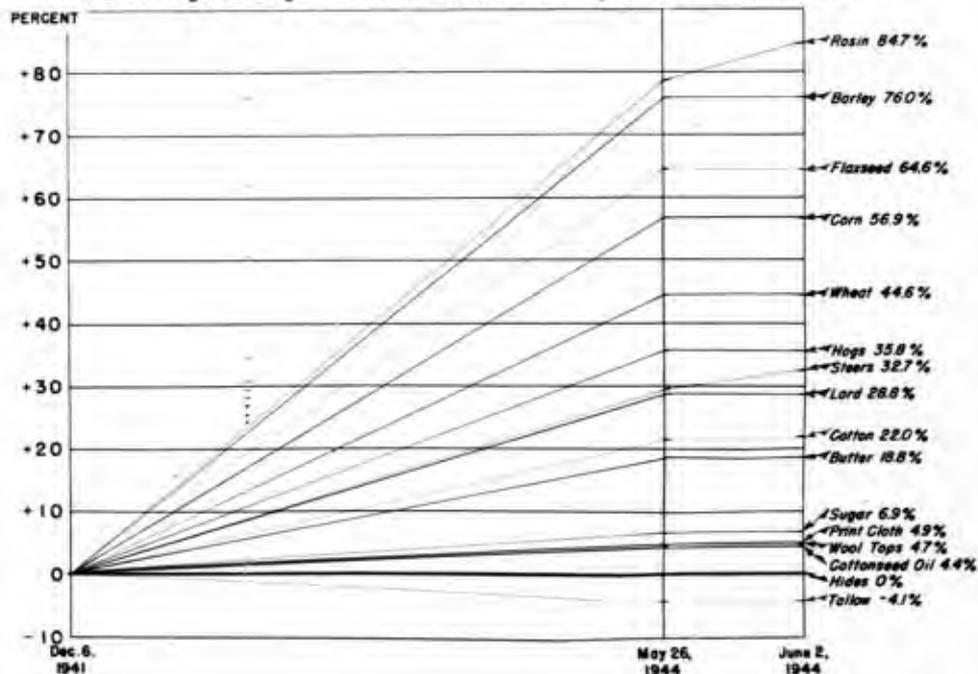
Chart 2

26

# WHOLESALE COMMODITY PRICES



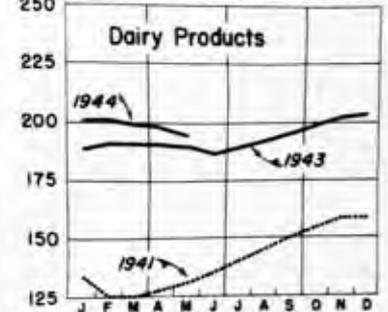
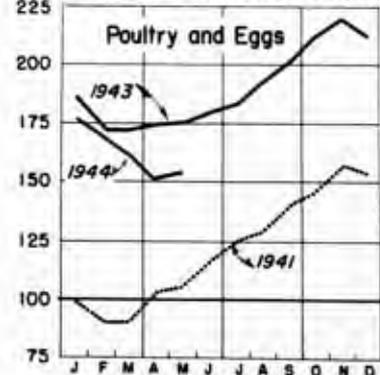
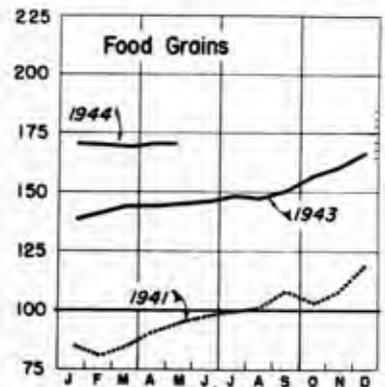
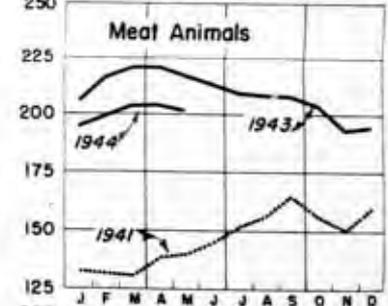
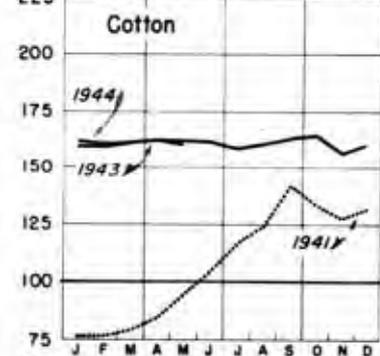
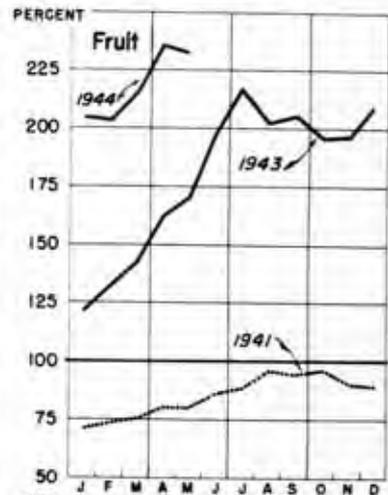
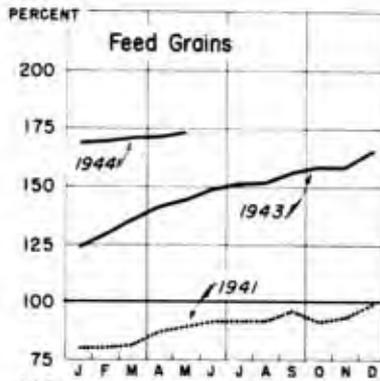
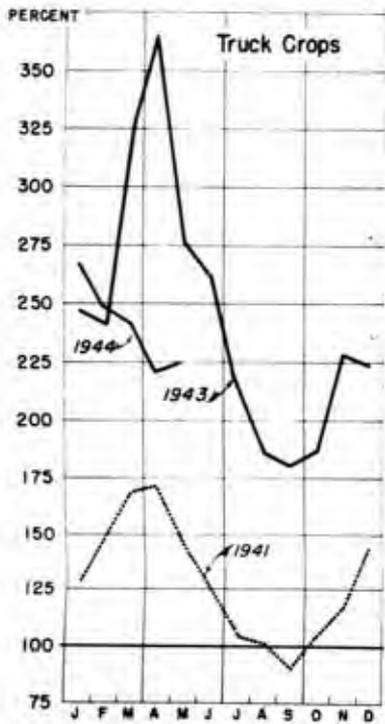
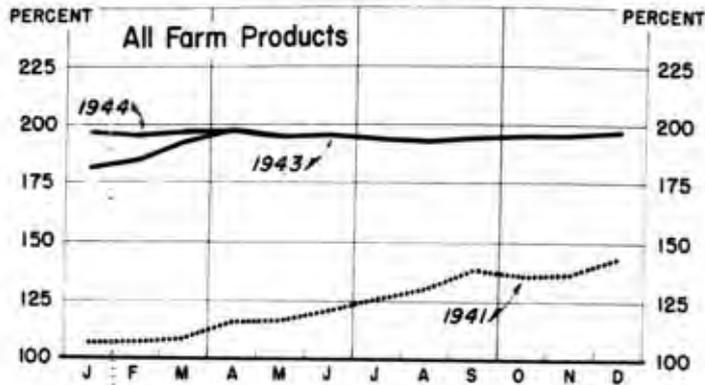
**SELECTED BASIC COMMODITIES**  
 Percentage Change December 6, 1941 to May 26 and June 2, 1944



270

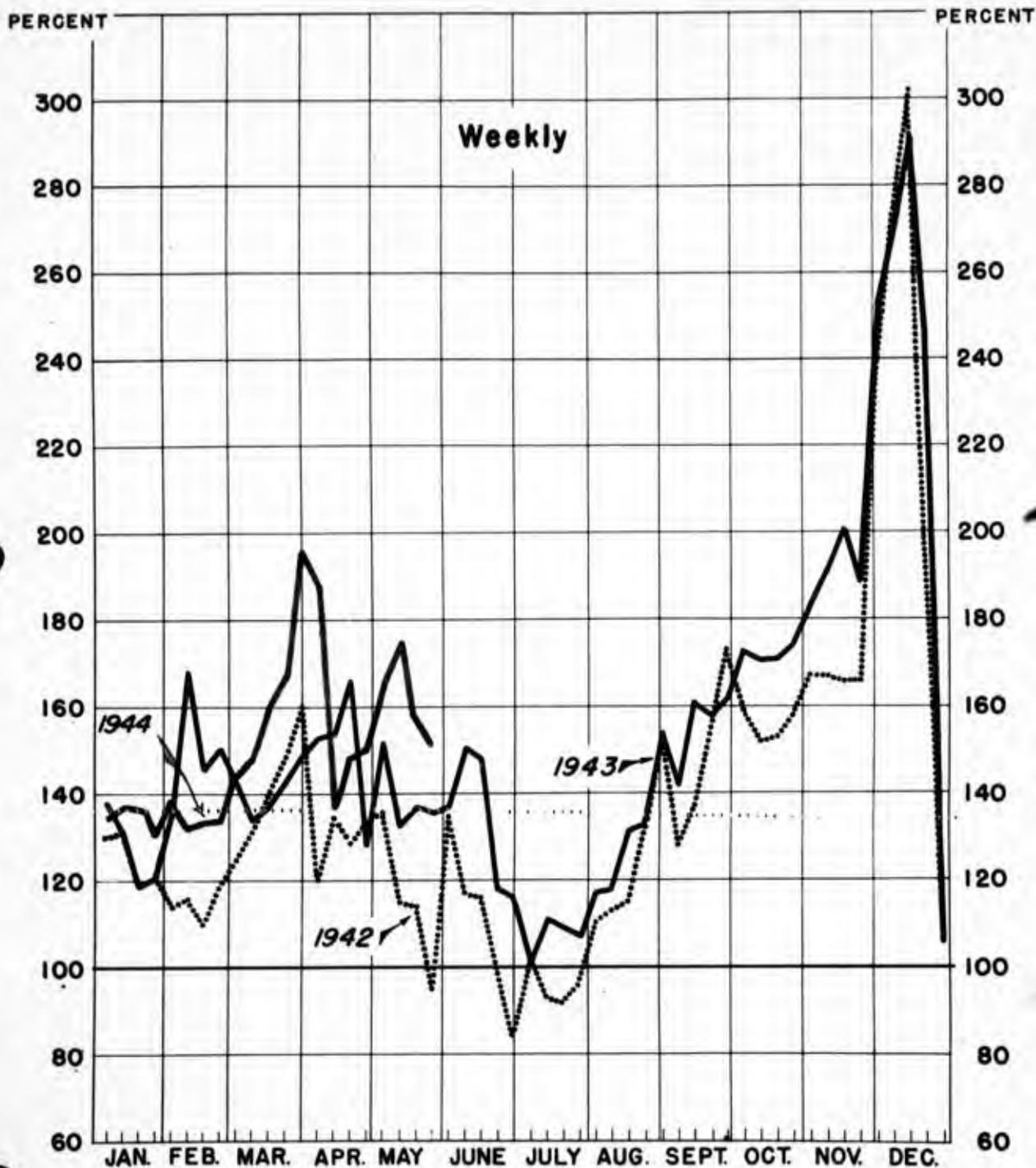
# AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909-July 1914=100



# DEPARTMENT STORE SALES

1935-'39 = 100, Unadjusted



# RETAIL SALES AND CONSUMER DEBT

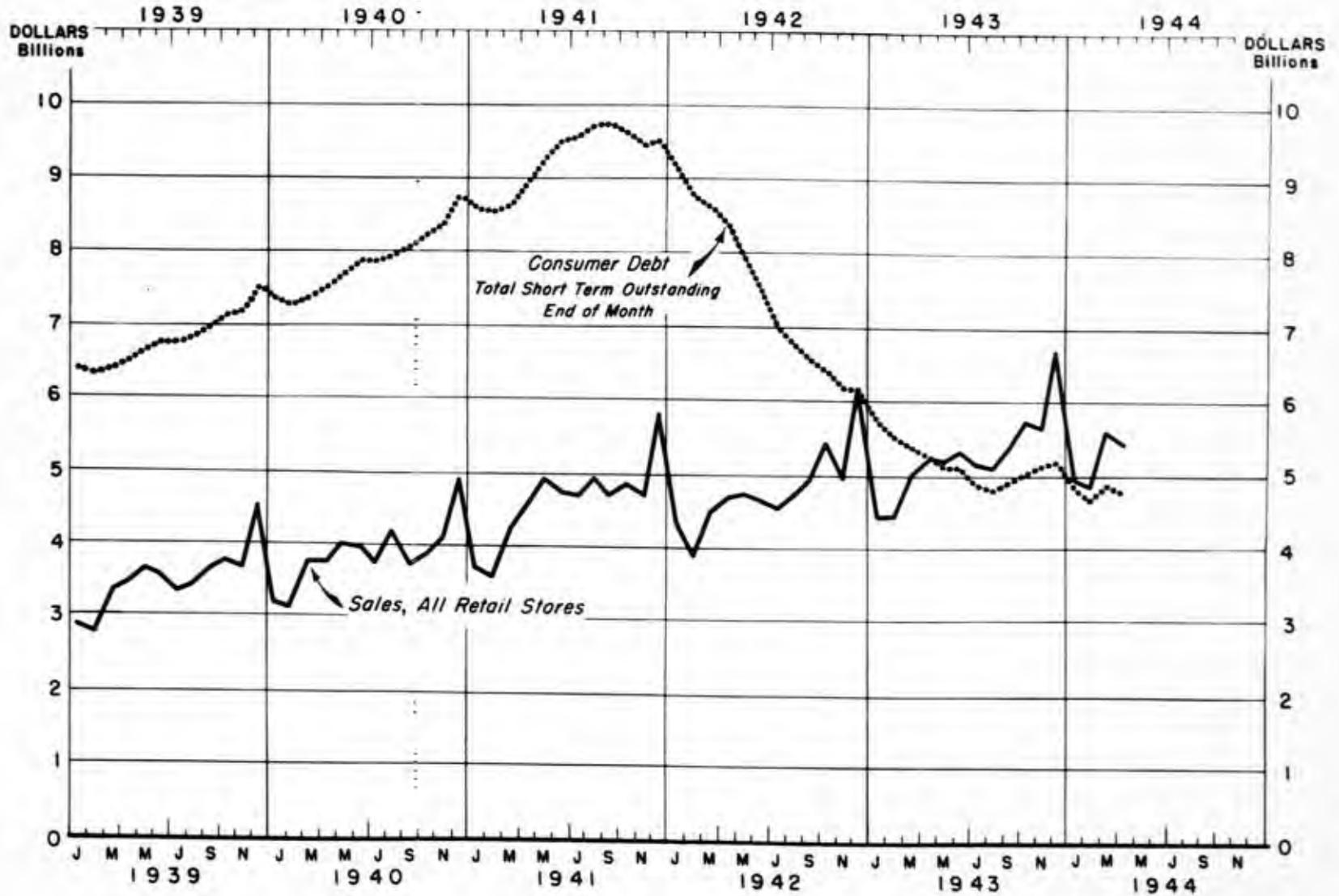
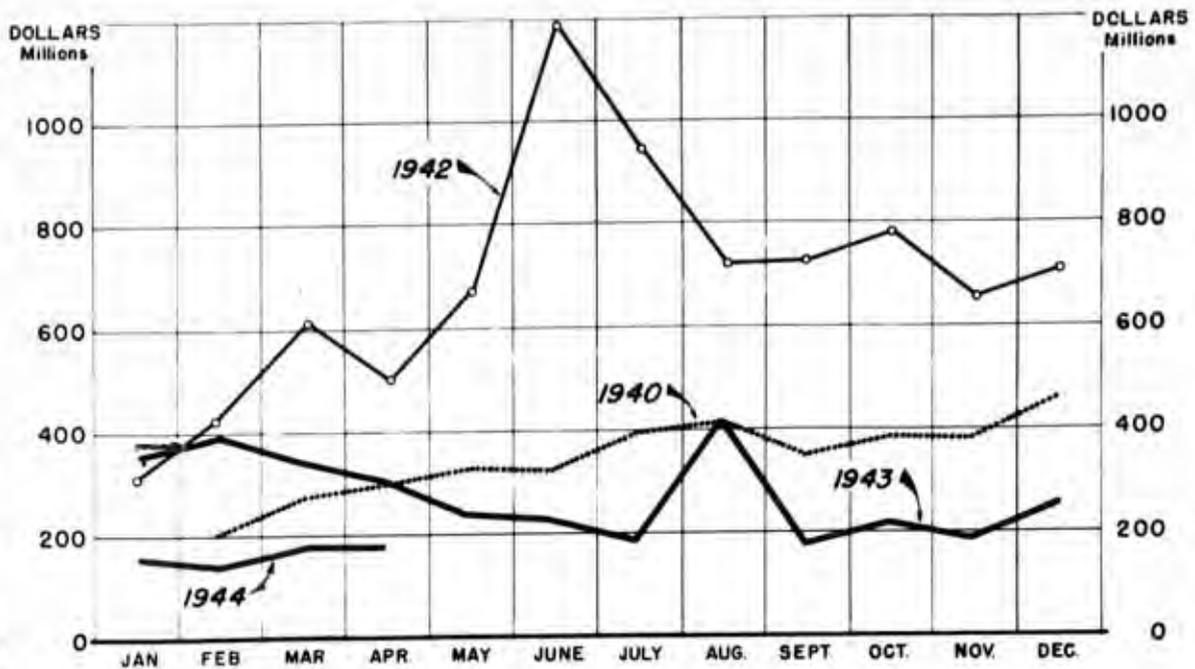


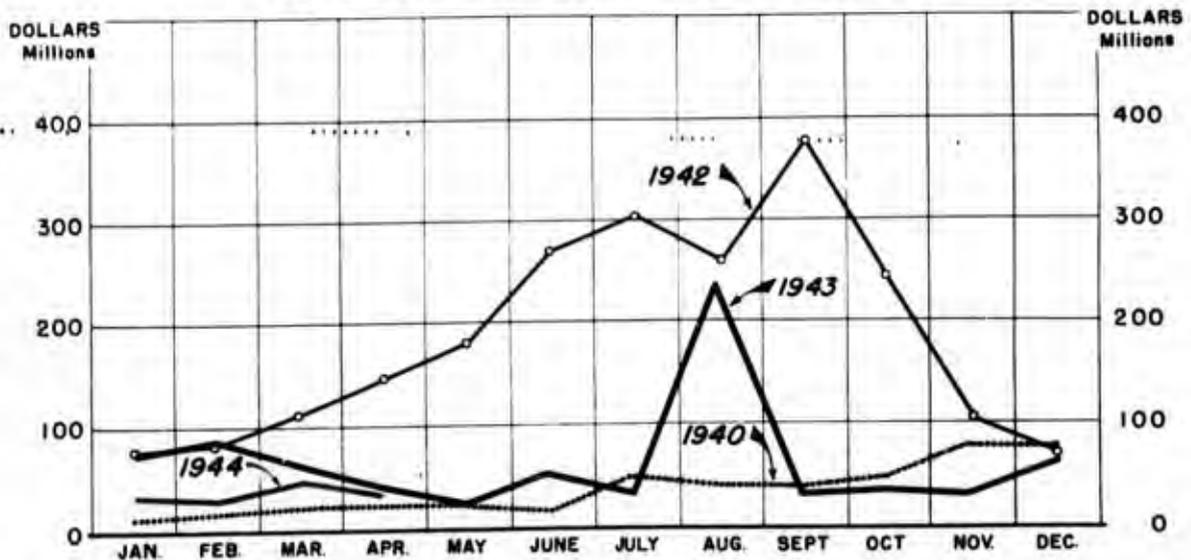
Chart 6

273

## TOTAL CONSTRUCTION CONTRACT AWARDS (37 States, F. W. Dodge Corp.)



## MANUFACTURING BUILDINGS CONSTRUCTION CONTRACTS AWARDED



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 5, 1944

TO Secretary Morgenthau  
FROM R. E. McConnell

In conversation with Mr. Clayton today regarding their financial problems in connection with disposal of surplus material in foreign countries, he volunteered the opinion that it would be desirable to have the Treasury represented on the Foreign Disposal Advisory Committee, which was created by Mr. Clayton to act in an advisory capacity to him, and has the following membership:

Mr. Crowley, F. E. A., Chairman  
Mr. Taft, of the State Department  
General Clay of the War Department  
Captain Strauss of the Navy Department  
Mr. Nelson, of W. P. B.

I understand it is Mr. Clayton's intention to write a letter to you inviting Treasury participation.

*R. E. M.*

# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 5, 1944.

TO Secretary Morgenthau  
FROM R. E. McConnell  
Re: Requested Tuesday morning appointment.

Mr. Joseph Bates has built up a small manufacturing business of his own, known as the Bates Chemical Company, near Philadelphia, which does a gross business of \$200,000 or \$300,000 a year, from which he derives a small but comfortable income.

In 1940, he was a Colonel in the Army as Major General Maxwell's deputy concerned with export control. In 1941, he was the principal, I believe, in the Chemical Section of W.P.B. In March, 1942, I secured his transfer and he became Executive Officer under me at General Aniline, and the success attained in carrying on that operation without the key German administrators and technicians was very largely due to Mr. Bates' administrative ability and sound judgment.

He is about 45 years old, a graduate of Yale, has two sons in the Service. He is public spirited and I feel he is an extremely valuable and able citizen. He was unable to agree with Mr. Crowley's and Mr. Johnson's policies and resigned from General Aniline in August, 1943.

I think he would be of considerable value to the Treasury Department in assisting in the type of work which you have asked me to do. I may be able to sell him on the idea.

*R. E. M.*

*OK jmm*



## TREASURY DEPARTMENT

WASHINGTON

June 5, 1944

*AM*

## MEMORANDUM TO THE SECRETARY

We have had a meeting with the Office of Defense Transportation, who indicated that there was a necessity for rationing used trucks. This would slow us up in the sale of trucks and would reduce our selling prices because manufacturers would be unwilling to hold a truck until a rationing certificate might be available.

It was agreed that our present method of distributing these trucks in the critical areas indicated by the O.D.T. and the schedule furnished us would be tried out and when we have had more experience than can be determined whether rationing would be a more sensible method of handling the situation to see that the trucks get in the proper hands.

We agreed to furnish the O.D.T. with information regarding any sales of used trucks for export so they can adjust their allotment of new trucks for export.

A handwritten signature in cursive script, appearing to read "E. L. Olrich".

E. L. Olrich  
Assistant to the Secretary



TREASURY DEPARTMENT  
WASHINGTON 25

June 5, 1944

*EM*

MEMORANDUM TO THE SECRETARY

11

There was a severe blast on the floor of Congress June 2 about a lot of shoes being destroyed for fertilizer. The attached article speaks for itself.

We have investigated and find that the Procurement Division is in no way involved. The last paragraph of this memorandum is merely conjecture or supposition.

*E. L. Olrich*

E. L. Olrich  
Assistant to the Secretary

Attachment

## Loads of Shoes Sold for Scrap, Says Johnson

By LAWRENCE BURD

Carloads of army shoes in good condition are being sold for scrap and ground into fertilizer while the Administration is spending millions of dollars for new shoes to send abroad as part of its global relief plans, Representative Calvin Johnson (R.), of Illinois, disclosed yesterday.

The disclosure was made to astonished House members during debate on a proposed \$3,920,000,000 appropriation for Lend-Lease and the United Nations Rehabilitation and Relief Administration for the 1945 fiscal year. The sum was recommended to the House yesterday by the Appropriations Committee.

### Action Attacked

Johnson told the House the turning of good shoes into fertilizer at a time when footwear is rationed at home and being bought for distribution abroad is indefensible, and typical of New Deal waste and inefficiency.

The Congressman said he has received a letter from the Smith-Rowland Co., fertilizer manufacturers, of Granite City, Ill., reporting the concern has received the army shoes in "open coal cars." The company, he explained, has perfected a process for making fertilizer from leather and rubber.

Exhibiting to his colleagues a pair of the Army shoes, sent by the company, Johnson noted they were only recently half-soled and equipped with new rubber heels.

"It appears," he said, "that these shoes are newly repaired before they are sold for scrap. At the same time, we find UNRRA is asking Congress for 215 million dollars to buy shoes and other apparel for destitute people in Europe, and the Army is asking additional millions for the same purpose.

"Why can't they send these shoes instead of grinding them up? I could use a pair of them myself."

Representative Rabaut (D.), of Michigan, said Johnson's account was a "far-reaching and strong indictment," and urged that the Army be asked to explain it. Representative Lambertson (R.), of Kansas, declared he could not "conceive of any defense of this wastefulness."

### Charges for Trees

Johnson also charged that the official two-billion-dollar figure for reverse lend-lease aid to the United States, in return for 24 billions contributed by this country, includes some strange and highly dubious items.

For example, he said, our troops stationed in French New Caledonia found it necessary to cut down trees to build a base for offensive operations against the Japanese.

Now, he continued, we have been charged \$18 apiece for these trees under reverse lend-lease. Similarly, Johnson said, we have been charged \$8 apiece for trees cut down in British Samoa as part of our military operations to aid the British. "That's the type of reverse lend-lease we are getting," the Congressman told the House.

Shipments of farm machinery abroad while our farmers are unable to fill their own needs, were criticized by Representatives Vursell, (R.), of Illinois, and Gross (R.), of Pennsylvania who said they have been unable to get a full account of the transactions.

The appropriations bill, which is scheduled to reach a vote today or Monday, allots \$3,920,070,000 in new funds for the year starting July 1 to the Foreign Economic Administration, which has charge of all economic operations abroad.

### Figures Divided

Of the total, approximately 3½ billions is for lend-lease, which will thus have 6½ billions for the next year, including present unexpended balances. UNRRA would get 450 millions under the bill, plus 350 millions to be transferred from the lend-lease allotment if needed, or a total of 800 millions.

The 800 millions is more than half the total of 1 billion 350 millions which Congress has authorized for eventual appropriation to UNRRA. The other 43 nations supporting UNRRA are expected to contribute about 1 billion altogether.

Of the 800 million, major items contemplated for distribution in liberated countries include 373 millions for food, 215 millions for clothing, textiles and footwear, 100 millions for repair and operating supplies, 69 millions for health supplies and soap, and 56 millions for food production equipment.



TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON 25

*[Handwritten signature]*



OFFICE OF THE DIRECTOR

June 5, 1944

MEMORANDUM TO THE SECRETARY:

We are placing increased emphasis upon the pricing of war contracts negotiated by the Procurement Division in view of the anticipated termination of the provisions of the Renegotiation Act, effective December 31, 1944, unless extended by the President.

The price analyses extend beyond the cost of the materials to a study of other costs, such as transportation allowances, charges for containers, and unusual services, which has been found to be a productive field; for example, our purchases of acetone are both in bulk or in drums, as may be required, and the established trade practice is to charge 1 1/2 cents more per pound if purchased in containers. A checkup resulted in a reduction which on this item will amount to approximately \$50,000 annually, as the volume is substantial. In other words the analysis is not restricted to the price of the commodity alone but to other costs even though they may be described as charges that have been established within the trade, as was the case in the illustration just described.....

Our program is two-fold; first, to keep our buyers informed as to pricing methods and the importance of the so-called "extra" charges referred to above; and the other is through the review of purchases for price verifications, likewise, the results of the renegotiation of cases with war contractors are made available to the buyers concerned for their guidance in making further purchases from the same concern.

*[Handwritten signature]*  
Clifton E. Mack  
Director of Procurement

6/5 - Smith did not have a chance to see Hiji yesterday. Will try again today -

6/5 - Smith talked to Hiji and Jerry agreed to kill this suggestion -

June 5, 1944

Fred Smith

Secretary Morgenthau

Please inquire from Internal Revenue as to what, if anything, goes out with the tax refund checks. It seems to me that this might be an opportunity to send every taxpayer a little memorandum from me.

Please talk to me about this today. Thank you.

4/5- Peble did not have chance  
to talk to Hujis yesterday - Will  
try today -

4/5- See Group -

Turnover for Peble & Buchanan  
with the Commission 4/5/44 -

June 5, 1944

John Pehle.

Secretary Morgenthau.

Please talk to me about Ira Hirschmann going out to see the Swiss Minister; also, about your own relations with the Swiss Minister. Thank you.

June 5, 1944

My dear Cordell:

On May 24th I wrote you a letter, copy of which I am enclosing herewith.

I see by the newspapers that you were here last week, and I am bothered by the fact that, not having heard from you, I am unable to carry out the President's request that I see you. I would appreciate hearing from you.

Yours sincerely,

(Signed) Henry

Honorable Cordell Hull,  
Secretary of State,  
Washington, D.C.

marked "Confidential"  
By Hand (C. C. Smith)

May 24, 1944

Dear Cordell:

On May 10th, I sent a letter to the President in regard to the Argentine, copy of which I sent you. On May 23rd, I received the following memorandum from the President:

"Will you see Cordell again in regard to the Argentina situation?"

At your convenience, I would like to call on you, as suggested by the President, and continue our discussion in regard to the Argentine.

Yours sincerely,

..... (Signed) Henry Morgenthau, Jr. ....

Honorable Cordell Hull,  
Secretary of State,  
Washington, D.C.

284-C

**THE WHITE HOUSE  
WASHINGTON**

May 23, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Will you see Cordell again  
in regard to the Argentina situation?

F. D. R.

Copy of memo from the President and HM Jr's  
letter to Hull to be shown to Luxford.

Luxford should also be told that when HM Jr  
goes to see Hull he wants to bring to his  
attention the memo Luxford wanted sent to the  
President about platinum and diamonds going  
from Argentine to the Germans. - Done - 5/24/44



COPY

254-E

THE SECRETARY OF THE TREASURY  
WASHINGTON

May 10, 1944

My dear Mr. President:

On October 25, 1943, Treasury and State sent you a joint memorandum outlining their respective views on the freezing of Argentina (Exhibit 1). On the same day you replied:

"In regard to blocking Argentina, I think we had better keep this matter on our desks, to be reviewed every week or two." (Exhibit 2).

Since that time, the situation in Argentina has gotten steadily worse.

We can win the battle of Europe and the Pacific yet find that in our own backyard we have lost out in the war to crush Fascism. Argentina is already emerging as the new champion of Fascism and is actively engaged in forcing into its orbit other countries in Latin America.

Since October, I have had numerous conferences with Mr. Hull, Mr. Stettinius, and Mr. Acheson, all of them amicable, but from the Treasury viewpoint, fruitless. . . . . in the Treasury feel that it is our responsibility to bring this matter again to your attention, and to urge you strongly to take further steps to stop the growth of Fascism in the Argentine and neighboring States. We feel very strongly that Secretary Hull's cable of May 5, 1944, to Ambassador Armour, which was drafted solely within the State Department and without consultation with the Treasury, sets forth a realistic Argentine program and should be put into effect at once. This cable is attached as Exhibit 3.

Yours sincerely,

The President,  
The White House.  
c.c. to Secretary Hull



EXHIBIT 1

COPY

OCT 25 1943

MEMORANDUM FOR THE PRESIDENT:Action Proposed by the Treasury:

Treasury proposes that Argentina be added to the 35 countries already subject to the freezing control. Essentially, these controls would follow the pattern already in effect with regard to Portugal, Spain, Sweden and Switzerland. This is in general the proposal made by Ambassador Armour. In view of the flexibility of these controls, additional exemptions or restrictions can be added as desirable.

Treasury Department's Position:

The Treasury, on economic warfare grounds, has repeatedly urged that the freezing control be extended to Argentina--as it has been to the neutral countries in Europe. Argentina is recognized as the base from which the Axis conducts its financial operations throughout the Western Hemisphere. On political grounds, the State Department and Ambassador Armour have consistently opposed freezing Argentina. However, last Wednesday, Ambassador Armour recommended the freezing of Argentina, stating in his cable:

"The Secretary's letter of August 30, together with other events, has brought about bitter opposition to the present Argentine administration from important and influential sectors of the Argentine public, including elements in the armed services. Any further action on the part of the American Government must help to increase this opposition rather than dispel it through creating a 'my country right or wrong' reaction.... The Embassy believes that blocking would be interpreted in Argentina as directed against the Government and not against the people and would be generally understood."

The freezing of Argentina at this time is the natural follow-up to Secretary Hull's letter to Foreign Minister Storni on Lend-Lease and your criticism of the closing of the Jewish newspapers. Any delay in acting not only gives Argentina a chance

- 2 -

to move substantial assets out of the United States but may afford the present pro-Axis government time to strengthen its position. Thus the present government might very well go through the motions of breaking with the Axis, which would have no real effect other than to bolster the Ramirez government. A dramatic step by us at this time should crystallize the opposition and might give Argentina a genuinely pro-Allied government.

State Department's Position:

I. The State Department continues to oppose this proposal, which you declined to approve last year, primarily because we believe it will retard, rather than hasten, a change of government. The Treasury's proposal, although suggested on economic warfare grounds, has as a major purpose the political objective of upsetting the present Argentine government. In the Department's judgment, contrary to the views of Ambassador Armour, it is more likely that blocking Argentina would strengthen the grip of the present government. Because of the sensitiveness of Argentines to outside pressure, the government undoubtedly would appeal to all Argentines to "defend" their country against United States invasion of Argentine sovereignty. Past experience with Argentina indicates that this type of flag-waving arouses popular patriotic fervor. We believe in this case the growing opposition to the government would be temporarily confused if not divided.

II. We consider the proposal would not directly attain important economic warfare objectives.

III. The proposal runs the risk of (a) frightening the other American republics, because they would figure that if the United States used strong-arm tactics against Argentina it might do the same to them; and (b) producing Argentine retaliatory action which might endanger United Nations procurement of such vitally needed materials as zinc, hides and foodstuffs and jeopardize the advantageous arrangements under which the Argentine merchant marine carries to the United States a minimum of 40,000 tons a month of cargo selected by us.

IV. The Argentine political pot is seething. The universities are now on strike and attempts are being made at this moment to organize a general strike with the specific objective of overthrowing the government. We recommend that Argentina be left to stew in its own juice at least until the present confused movements take form.

(Signed) Raymond Paul

Regraded and Classified

EXHIBIT 2

COPY

## THE WHITE HOUSE

October 25, 1948

MEMORANDUM FOR

E. R. S., JR.

In regard to blocking Argentina, I think we had better keep this matter on our desks, to be reviewed every week or two.

How would it be to let it leak out that some freezing of controls is being studied?

.....

F. D. R.

EXHIBIT 3

C O P YPARAPHRASE OF TELEGRAM SENT

TO: AMEMBASSY, BUENOS AIRES  
FROM: Secretary of State, Washington  
DATED: May 5, 1944, 10 a.m.  
No. 741

MOST SECRET

I am seriously considering the desirability of subjecting Argentina to a general Treasury freeze and the Secretary of the Treasury has again urged this step similar to the one which last January was proposed.

I have under consideration such a freeze which would be part of a program similar to that which was suggested in the latter part of your telegram of April 13, no. 970, of which the following steps might be included:

- (1) The Treasury to make immediate announcement of a general Treasury freeze as last January was proposed utilizing the same general statement, the same terms and also conditions including private authorizations to banks and other financial institutions which would permit financial transactions connected with commercial transactions of an ordinary nature.
- (2) The steps would include carrying forward also one by one some or all of the following steps over a period of a few months:
  - (a) As suggested in your 970 a tightening up on general exports to Argentina.
  - (b) In order that Argentina's position as a source of Britain's meat supply would be reduced we proposed diverting an occasional meat ship from the River Plate to the United States.
  - (c) The granting of licenses for Argentina to acquire petroleum products at Caribbean supply points would be reduced or eliminated.

- 2 -

(d) With regard to coal reduce the availability to Argentina.

It would be necessary of course to make public announcement of the Treasury freeze. Without any public announcement the other steps would be taken quietly and these would be spread over a considerable period rather than announced as a program of economic pressure. As each step was taken their effect would, of course, become known to Argentina.

I would like to have your views urgently on any possible repercussions in other American republics and I would appreciate your comments urgently by telegraph on the workability and on the desirability of such a program.

HULL

## CABLE TO ALGIERS

FOR ACKERMANN FROM WAR REFUGEE BOARD

For your information James H. Mann, Assistant Executive Director of War Refugee Board, now in Lisbon will subsequently proceed to Algiers. Mann will advise you date of his arrival.

THIS IS WRB ALGIERS CABLE NO. 19

June 5, 1944  
2:50 p.m.

JBF:db 6/5/44

CABLE TO MURPHY, CHAPIN AND ACKERMANN, ALGIERS, FROM WAR REFUGEE BOARD

Please refer your 1709 May 24, 1759 May 28, and 1790 May 30.

(1) As recommended in your No. 1709, the funds have now been transmitted to Yugoslav Refugee Committee in Bari.

(2) USCC is requesting its representatives in Madrid to furnish up to 100,000 pesetas to persons designated by you, for payment of port dues in Spain as indicated in your No. 1790. You should communicate with Embassy in Madrid indicating the amount of pesetas required and to when such pesetas should be furnished. USCC will be reimbursed in Washington for the pesetas furnished.

(3) In view of the statement in your No. 1790 that the local War Shipping Administration representative is giving full assistance in assuring the availability of a ship for evacuation of refugees from Spain, we have not taken this question up here as suggested in your 1759. If you and Kalloch consider it necessary for us to do so, please advise.

THIS IS WRB CABLE TO ALGIERS NO. 20.

\*\*\*\*\*  
June 5, 1944  
4:10 p.m.

No. 3473

Stockholm, June 5, 1944.

Subject: Transmitting Copies of Bulgarian Reports.

STRICTLY CONFIDENTIAL

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to transmit, as of possible interest to the Department, copies of two documents concerning Bulgaria. The first is an informational report (Enclosure No. 1, "Report from Bulgarian Legation") and was received from the Legation's regular Bulgarian informant. The second, relating to the refugee problem (Enclosure No. 2, "Bulgaria") was prepared by Mr. Iver C. Olsen, Financial Attache to this Legation, in his capacity as Special Attache for the War Refugee Board, was handed indirectly to the Bulgarian Minister in Stockholm, and allegedly was forwarded by the Bulgarian Minister in Stockholm to the government in Sofia by courier on June 2, 1944.

Respectfully yours,

..... Herschel W. Johnson' .....

Enclosures:

1. Report from Bulgarian Legation
2. Bulgaria - June 1, 1944.

CMR:FEN  
File No. 711

Original to the Department.

Enclosure No. 1 to despatch No. 3473 of June 5, 1944  
from the American Legation at Stockholm

Report from Bulgarian Legation

(Based primarily on conversations with commercial  
councillor Seraphimov)

The Bulgarian Government is mobilizing 75% of its men who are liable for military service, on the assumption that thus they can gain control of public opinion and liquidate opponents to the present regime. In respect to conscription, no exception is made for diplomats. Secretaries at the Berlin Embassy K. Debreff (formerly of the economic division of the foreign office in Sofia) and Kamen Gantscheff (former private secretary to Minister Filov) have been called up.

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The Berlin diplomats don't dare take the risk of putting their private possessions or legation property in a secure place. They have evacuated only the barest living necessities. The Stockholm diplomat x requested from his colleague a few articles for completing the installation of the Stockholm legation, in order to save some of the most valuable pictures and pieces of furniture. His Berlin colleague answered: "If I were to do this, I might as well hand in my resignation now. I should by doing this make myself intolerable (unmoglich) to diplomats and to Germans!" The Slovakian Minister is said to have shipped legation property to Slovakia. Today he is a zero quantity in Berlin. His position is untenable. In the b (Bulgarian?) legation furniture and household utensils are standing out in the garden under sun and rain.

---

The former b (Bulgarian) minister to Stockholm, Dr. Alexander Nicolaeff, is to receive the post of political director in the foreign office in Sofia for the purpose of reinstating himself. No one can understand that the reason was for his sudden departure from Stockholm. This departure is designated as a "mystery". Until now, Minister Altanoff held the position of political director.

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- 2 -

Ciryll Goranoff is regarded by the Bulgarian Legation as an Allied or Russian agent. He has on several occasions attempted to involve the Minister in conversations in which he hoped to get him to make anti-Russian pronouncements. Finally he tried the Minister's patience to the breaking point, and he was expelled from the Legation. Now Goranoff is circulating reports in Stockholm that the Minister is the worst kind of Nazi. This stupid behaviour on the part of Goranoff is harmful to other connexions.

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The Swedish Government is blocking 22 million Lew -- the equivalent of more than one million Swedish crowns -- from Bulgarian deliveries until the conflict with the Tandsticks A.B. is settled. At present, an agreement to the advantage of the Swedes is the most likely prospect.

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The Bulgarian Legation has received no money consignments in the last three and one half months.

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Ten days ago the Legation Secretary Ikonomoff was in Berlin as courier. He returned in an exalted mood with strengthened belief in Germany's ability to hold out. Postal communications with Bulgaria were out of the question during the entire month of April. Official and private mail from Bulgaria reached here only in the beginning of May.

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The Bulgarian subject, Dr. Bistreff is permitted to remain in Stockholm only because his wife is engaged as governess for the children of the Minister. Bistreff had expected to be able to make business contacts in Stockholm, although as a doctor and wealthy proprietor of a sanatorium he ordinarily

- 3 -

has nothing to do with business affairs. The Minister and all the Legation staff are fed up with him, and would like to get rid of him, as his conduct is vexatious. His visa is valid until August of this year, and the opinion of people in the Legation is that Shmedischeff will do nothing to have it extended for him or his wife. He is referred to as a "dark horse" (dunkle gestalt).

Enclosure No. 2 to despatch No. 3473 of June 5, 1944  
from the American Legation at Stockholm.

June 1, 1944

BULGARIA

The Bulgarian Minister in Ankara, Mr. Balabanoff, had some discussions through intermediaries, with certain representatives of the American Embassy regarding the status of Jews in Bulgaria. The Bulgarian Minister was advised of the deep concern of the United States Government with regard to these Jews and that it intended to hold all persons and governments involved in the persecution of these minorities fully responsible and accountable. Mention was then made of certain reports concerning brutal treatment and persecution of Jews and other minorities in Bulgaria and Mr. Balabanoff was asked to communicate to the Bulgarian Government the intention of the United States Government to observe very closely any such developments and to take them fully into account in the final settlement. He was advised also to inform his Government that in its own interests the Bulgarian Government would do well to do everything possible to protect these minorities and to take all actions which would assist these refugees in escaping to safety.

Minister Balabanoff gave every assurance that it was not the policy of the Bulgarian Government to persecute and destroy minorities, and thereafter sent a cable to his Foreign Office strongly recommending that persecution of minorities be stopped and that all steps be taken to protect such groups. He advised representatives of the United States Embassy that he would obtain the necessary assurances from the Bulgarian Government and communicate them to the Americans.

These meetings took place early in April and no further word has been received. Failure to receive the promised assurances from the Bulgarian Government has made an unfavorable impression upon the United States Government and it would be greatly appreciated if steps would be renewed in bringing the matter to the attention of the Bulgarian Government and obtaining the assurances which were promised.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 4502

## SECRET

Information which War Refugee Board requested in Department's cable of May 19, 1944 No. 3279, which information is to be transmitted to Leon Kubowitzki of the World Jewish Congress, was contained in a letter received by the Embassy from Ernest Frischer of the Czechoslovak State Council. The Czechoslovak Relief Action is sending about 4,500 food parcels, each weighing 0.50 kg, per month to Terezin and 1500 parcels to Birkenau, according to Mr. Frischer. In addition to these approximately 10,000 parcels per month are being sent from Lisbon to individual recipients, Czechoslovak nationals and others in these two internment camps by the American Joint Distribution Committees. A check should be made in New York regarding this latter figure.

A Treasury license for monthly transfers of 3000 pounds to Lisbon is held by the Czechoslovak Relief Action in London and MEW has signified a willingness to grant a license for 9,000 for one additional transfer. It is believed by Mr. Frischer, however, that he will not be able to overcome present difficulties in procuring the necessary means to use these licenses fully and it is stated by him that he would appreciate it if the Joint Distribution Committee would take over those addresses who have been receiving parcels from the Czechoslovak Relief Action up to the present if he is not able to obtain the required means. Through the Joint Distribution Committee's Office in London he has approached Dr. Schwartz in this respect. To be able to continue his program it would be necessary for the Czechoslovak representative in Lisbon to have 4000 pounds per month.

The addresses of 1321 Czechoslovak nationals in Birkenau and 8342 in Terezin are on the records of the Czechoslovak Relief Action.

WINANT

AIRGRAM TO AMERICAN EMBASSY, PORT-AU-PRINCE, HAITI

Your A-244 of May 3, A-248 of May 4, and A-286 of May 24 received.

This government gratified over readiness of Haiti, reported in your A-286, to send requested note concerning treatment of persons holding Haitian passports. You may assure Haitian authorities that any negotiations will be conducted so as to safeguard the status of unquestioned Haitian nationals under German control.

Judging by your A-286, a misunderstanding has arisen regarding the proper channels for the formal approach to Germany. Such approach should, of course, be made through Switzerland as the power protecting Haitian interests vis-a-vis Germany. Supporting demarche to Spain merely considered advisable, in view of our own representations there.

It is hoped therefore that note referred to in your A-286 will be speedily sent to Switzerland.

In this connection, the hope is also expressed that Haiti will (a) postpone any adverse determination of the validity of passports issued in Haiti's name until the time when such determinations will no longer expose their holders to death at the hands of the enemy; and (b) approve of exchange negotiations between United States and Germany on Haiti's behalf, for which such holders will be eligible, it being understood that Haiti will not be expected to admit any of them to Haitian territory.

\*\*\*\*\*

June 5, 1944  
12:00 noon

BAKzin;jhslcm

6/2/44

LC - 458  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (RESTRICTED)

Jerusalem

Dated June 5, 1944

Rec'd 4:10 p.m.

Secretary of State,  
Washington.

77, June 5, noon.

Group of 769 Jewish immigrants arrived in Palestine  
via Egypt on evening of June 2. 571 came from Italy  
on Polish steamer **BATORI** and 198 came from Yemen.  
Among those coming from Italy were 192 Czechoslovaks,  
178 Yugoslavs, 113 Poles and 56 Austrians, largely  
from Ferramonte, Santa Maria and Bari concentration  
camps.

PINKERTON

JT-EJH

**PROPOSED CABLE TO AMERICAN EMBASSY, PANAMA**

War Refugee Board requests your good offices in expeditiously obtaining authorization from the Foreign Office for Panamanian Consul General, New York, to vise American passports of Morris D. Waldman and Jacob Landau who are traveling with the Board's approval to Panama as representatives American Jewish Committee for purpose of studying conditions of refugees in certain Latin American countries including Panama. Both are permanent residents United States and have round-trip paid passages Pan-American Airways.

\*\*\*\*\*

June 5, 1944  
12:00 noon

cc: Miss Chauncey (for the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files.

AIRGRAM

A-171

5:30 pm

June 5, 1944

AMEMBASSY  
SAN SALVADOR

It has been determined that the specific German nationals referred to in Department's A-161, May 25, may pass in transit through United States in pursuance of an exchange agreement provided:

1. The agreement assures a substantial quid pro quo from the German Government either of United States citizens or nationals of San Salvador.
2. The German nationals are interned during such time as they may remain in United States territory.

The Department has noted that, aside from Dr. Funes who is in Switzerland, there appear to be no nationals of El Salvador in Europe in whose repatriation the Salvadoran Government is actively interested.

The number of repatriable Germans in the United States appears to be insufficient to cover the exchange of all repatriable United States citizens and to provide exchange material also for those persons associated with persecuted minorities in Europe who have passports of Latin-American republics or other documents reflecting the right of protection by or admission to non-European states. It is thus deemed necessary for our Embassies in countries like El Salvador, which have no serious problem of the repatriation of their own nationals, to compile lists of Germans desiring repatriation from whom may be selected individuals to be used in exchanges of the character indicated. The Embassy is therefore requested, using such means as it may deem necessary, to take all possible steps to compile complete lists of the German nationals in El Salvador who wish to be repatriated. If this information can be compiled without publicity, that would be preferable.

The lists of Germans desiring repatriation should be broken down into the following categories:

- A. Diseased, insane and senile. (In this group should be included all men over 60 unless there is some special reason for placing an outstanding individual in category D.)

San Salvador

-2-

A-171

- B. Unaccompanied women and children
- c. Men of military age (16 to 60) possessing no known technical skill and believed not to possess knowledge of great value to the enemy's war effort.
- D. Men of military age possessing technical skill (seamen, engineers, watch makers, mechanics, etc.) or knowledge likely to be of great value to the enemy's war effort.

Family members of persons in Categories A, C and D should be grouped with the head of family. Dependents of men in C and D who would be willing to travel alone should be referred to but not listed under B.

Stettinius  
Acting  
jhk

SWF:AEC:BB

5/30/44

ARA FC

WRB CCA

CABLE TO AMBASSADOR HAYES, MADRID, FROM WAR REFUGEE BOARD AND DEPARTMENT

Please refer to No. 1790 May 30 from Algiers to Department, repeated to Madrid as No. 102 for USCC.

Request of Ackermann, War Refugee Board representative in Algiers, that USCC supply pesetas for port dues in Spain in connection with forthcoming refugee evacuation voyage, has been taken up with USCC here. USCC advising its Madrid representative to make available up to 100,000 pesetas for this purpose. Ackermann is being requested to advise you of amount of pesetas necessary and persons to whom such pesetas should be delivered. USCC will be reimbursed in Washington for the pesetas furnished.

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June 5, 1944  
4:10 p.m.

## AIRGRAM

From Stockholm  
 Dated: June 5, 1944  
 Rec'd. June 20, 8 a.m.

Secretary of State,

Washington.

A-526, June 5, 9 a.m. German Political.

Conditions in Poland

The Stockholm newspaper SVENSKA MORNINGBLADET of May 20, 1944, carried an interview with two recently escaped Poles which is of some interest for its description of conditions in Poland, the attitude of the Ukrainians, treatment of the Jews, and the Polish underground movement. In full translation, the article reads as follows:

"Two refugee Poles in an interview with this paper state that the Polish freedom organization is doing everything to rescue the Jews from the Germans. (These two Poles were deported from Poland in March in order to do labor service for the Germans in the north, but have now succeeded in fleeing to Sweden.) Owing to the constant mass executions of Jews, all the ghettos in Poland are now totally liquidated. The large ghetto in Warsaw is totally in ruins and the few Jews who survived the German action on this field have dug themselves down into the ruins and live like cave people. It is impossible to find them and it is not known what they are living on. Although the entire ghetto is a pile of sand, the 3 meter high wall is still standing, and the German watch on the area is extremely tight. Some of the Jewish population managed even to escape from the inferno which the German troops with the assistance of Ukrainian and Latvian gendarmes made for them. These Jews were immediately taken care of by Polish patriots who supplied them with all essential identifications. In this way many Jews are still living underground, and the German authorities do not suspect them of being anything else but Poles.

"The greatest and most malignant persecutors of the Jews are undoubtedly the Ukrainians. In the most bestial manner they have exterminated all Jews in the eastern provinces, state the two Poles. Their hatred of the Jews is old and they hate them more than they hate Poles and Russians. The Ukrainians greeted the German troops with great satisfaction and immediately became their hangmen. They believed that they with the assistance of the Germans would be able to establish a free Ukraine. But it is typical that these Ukrainians do not know one word of their mother tongue, but speak only Polish. It is, moreover,

-2-A-526, June 5, 9 a.m. from Stockholm

regrettable that so many Latvians are engaged in the massacres of the Jews. They are all enrolled in the auxiliary gendarmie established by the Germans.

"Of course, there has been a certain anti-Semitism in Poland prior to the war, but now it does not exist any longer. Naturally, many Poles dare not help the Jews owing to the threat of reprisals, but the underground organization does all it can. And the Polish London government has issued an order that all Polish citizens in disaster must be assisted. And it is done even if it costs a whole lot of Polish blood. Yes, it even happens that the Germans themselves try to help these people. The assistance consists mostly in the Jews being given new identification papers which certify that they are Poles, and in their being given money. But also others who are in need of assistance get help. It is quite remarkable that there still are so many Jews left in Germany and that they largely do not wear the Jewish star.

"The underground freedom organization is widespread and the Germans are totally powerless in the face of its activity. It is no political organ but may be called communist, in that word's correct meaning. Here all cooperate, whatever political view they may have. The foremost task is to prepare plans for sabotage and partisan activity. The sabotage activity commenced early in the German-occupied areas, but against the Russians there have been no such actions.

"It is not until the last years that the organization has grown strong and come under united leadership. What they now are waiting for is the final battle against the Germans, when they hope to be able to contribute towards the shortening of the war. No Pole believed in German victory and all are convinced that the peace will come this year.

"The Poles who have fled to Hungary have been well received there. The Hungarian population has helped them to escape the Germans and made it possible for them to get in touch with Tito's troops, where there are many Poles."

JOHNSON

FL:rc  
2 copies to American Embassy, London.

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Stockholm  
DATED: June 5, 1944  
NUMBER: 1113

SECRET

For Minister Johnson at Stockholm for Olsen from War Refugee Board.

Reference your 1820 of May 22 to the Department, your 20 to the War Refugee Board.

Arrangements are being made to make dollars 50,000 available to you as first installment for Lithuanian and Latvian projects. Please advise whether remittance through banks practicable or whether Good year channel suggested in response to your 1738 of May 16 to the Department, your 14 to War Refugee Board is preferable. If the latter, please advise whether Goodyear channel is available, and if not, we will undertake to find another.

THIS IS WRB STOCKHOLM CABLE NO. 21.

STETTINIUS  
(Acting)

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Stockholm  
DATED: June 5, 1944  
NUMBER: 1114

## CONFIDENTIAL

Please deliver following message to Minister Johnson, Stockholm, for Olsen, War Refugee Board Special Attache, from J. W. Pehle.

We are transferring ten thousand dollars to you for your confidential use as needed in War Refugee Board operations. These funds are not subject to usual government disbursing requirements and you are responsible to me alone for their expenditure but you should keep careful record and obtain receipts where possible. These funds may be used at your discretion but should not be used for routine administrative expenses.

THIS IS WRB STOCKHOLM CABLE NO. 23.

STETTINIUS  
(Acting)

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 2009

CONFIDENTIAL

Reference is made herewith to Department's cable of June 1, No. 1082, and previous related correspondence. It is advised by the Swedish Foreign Office that the German Government has flatly refused to authorize use of the BARDALAND for evacuation of refugees and it has even expressed resentment at the Swede's making the request. The German Government's official explanation was that it had already as a favor to the Swedish Government authorized replacement of the BARDALAND by the JOERBLAND (Please see the Legation's message May 12, No. 1689). It is believed by the Swedish Foreign Office that the real explanation is that the German Government does not wish to facilitate the evacuation of refugees. As the Government of Sweden and the Swedish Red Cross very much desired to take part in this humanitarian undertaking, the Swedish Foreign Office expressed regrets over this outcome.

JOHNSON

CABLE TO BERN

From War Refugee Board to Harrison and McClelland.

Please deliver the following message to Isaac Sternbuch, 3  
Teufener Strasse. St. Gallen, from Rabbi Abraham Kalamanowitz of  
the Vaad Hahatzala Emergency Committee:

QUOTE Your May 18 report received. Requested Allied Nations  
urging protective powers give fullest consideration internees  
all camps also endeavoring secure exchange. Requesting Turkish  
Government permit transit with assurances refugees will be taken  
out immediately and sheltered in temporary camps. Jewish agency  
granted all certificates demanded. Regarding refugees hiding  
vicinity Krakau Teresienstadt other places and Jews in work camps  
in Poland, you are authorized utilize every means give them  
whatever help necessary to keep them alive. Cannot grant request  
appropriation for placing children rescued from Holland France  
Belgium in childrens homes as our moneys only for life-rescue.  
Advise if received sums 85,800 and twice 64,350 Swiss Francs  
from Polish Legation and if forwarded to Rabbi Szmulewicz  
Shanghai. What about your plans evacuation Shanghai. Send also  
couriers with funds for redemption individuals and communities  
and general rescue and escape to villages. Ask Griffel whether  
further 100,000 Swiss Francs will make beginning effective  
rescue possible eventually send him. Cable details concerning  
your rescue work French Italian Jews. UNQUOTE

THIS IS WRB BERN CABLE NO. 35

June 5, 1944  
11:15 a.m.

CABLE TO MINISTER HARRISON AND McCLELLAND, BERN, SWITZERLAND

1. Reports reaching the Department and War Refugee Board indicate that a number of nationals and persons claiming the nationality of the United States and of other American republics may be held in camps situated in Germany and German-controlled territory to which the protecting powers and International Red Cross have either no (repeat no) or the most restricted access. Included in this category are the camps of Belsen-Bergen near Hanover, Bergau near Dresden, Dost or Tost in Silesia, and Drancy near Paris. There may be others.

Please draw the attention of the Swiss government, as the protecting power of the United States, to this situation and request it to take steps to insure supervision by it of any and all camps and other establishments in German and German-controlled territory in which persons holding or claiming United States citizenship are held. This request extends to camps and other establishments which are or may be established in Hungary, Bulgaria, Rumania and any other area under the control of authorities allied with Germany.

You may, if you deem it advisable, draw the attention of the Swiss government to this Government's stand on persons in danger of enemy persecution who claim American citizenship, as expressed in Department's 1269 of April 13, 1944.

2. A similar request to exert efforts to extend its humanitarian activities to such camps and establishments is to be addressed to InterCross.

REPEAT TO AMERICAN MISSIONS TO BOLIVIA, BRAZIL, CHILE, COLOMBIA, COSTA RICA, CUBA, DOMINICAN REPUBLIC, ECUADOR, EL SALVADOR, GREAT BRITAIN, GUATEMALA, HAITI, HONDURAS, MEXICO, PANAMA, PARAGUAY, PERU, URUGUAY, AND VENEZUELA, WITH THE FOLLOWING NOTE:

The foregoing is repeated to you for your information. Please call this matter to the attention of appropriate authorities, so that they may be in a position to take parallel action.

THIS IS WRB BERN CABLE NO. 36

June 5, 1944  
11:15 a.m.

BAkzin:LSLesser:jh:lcm 6/2/44

## ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: June 5, 1944  
NUMBER: 1922

## CONFIDENTIAL

From War Refugee Board to Harrison

Please deliver the following message to Rene Bertholet, Waserstrasse 14, Zurich, from the International Rescue and Relief Committee:

"No. 29. Did not receive your eleven. Our representative Leon Denenberg can now be contacted care of American Legation Ankara. Please reply whether possible rescue Lazar Gurvic friends and other similar cases indicate what was done for those cases in our number 25 and 26. Inform Salomon Frank care of Frieda Sommer Guggugstr 25 Zurich his American visa granted Washington October 1942."

THIS IS WRB CABLE TO BERN NO. 32

HULL

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 3579

## SECRET

Reference is made herewith to the ultimate paragraph of Legation's cable of May 18, no. 3171.

From the Swiss Foreign Office the Legation has received a list of 162 persons removed from Vittel for unknown destination of whom 3 allegedly claim Chilean citizenship, 8 Costa Rican, 8 Ecuadorian, 4 Haitian, 9 Honduran, 5 Nicaraguan, 87 Paraguayan, 3 Venezuelan, 7 Peruvian, and 29 unknown.

Since the list contains error in numbering, Legation is requesting Swiss to confirm whether 162 or 163 persons involved.

You are asked to please instruct whether the Department wishes nominal list sent telegraphically which includes date and place of birth.

There were born in Poland a large proportion of the persons concerned.

Foregoing refer to Latin American interests--Germany and France.

HAMILSON

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 1010

SECRET

Ambassador sends the following for WTB.

Referring to message Number 69 from Ankara and Department's telegram of June 2, Number 499, it is my opinion that any approach to the Hungarian Minister and his staff here would be of no use whatever, since their pro-Nazi attitude is notorious, as the Department knows.

In connection with the last paragraph of cable referred to, it is thought that the Turkish agreement to an "arrangement" involving violation of their own laws by allowing refugees or any other individuals to enter Turkey without Turkish visas is an extremely remote possibility. Separate representations concerning each group or individual, upon arrival, have been presented in obtaining permission for Jewish refugees to enter and pass through Turkey without Turkish visas, and this fact should be borne in mind in this connection. I believe, when appropriate representations are made in each case, the Jewish refugees entering Turkey from Bulgaria will be treated with the same kindness as have those coming from Greece.

STEINHARDT

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 1011

## SECRET

Following is Ankara No. 70 from the Ambassador for the War Refugee Board.

Reference is made herewith to Department's cable dated June 3, No. 506.

I am informed by the Foreign Office that the Turkish Embassy in Washington has authorized the issuance of a visa to Hirschmann.

STEINHARDT

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara  
TO: Secretary of State, Washington  
DATED: June 5, 1944  
NUMBER: 1018

## CONFIDENTIAL

There follows Ankara's No. 71 from the Ambassador for Pehle, WHB.

Replying to Department's cable of June 1, No. 492, it is suggested by me that the proposal which is contained in the message to the World Jewish Congress from its Swiss representative be submitted to Barlas of the Jewish Agency for an expression of opinion or in the alternative that Hirschmann on his arrival here, make an appropriate recommendation to The War Refugee Board for transmittal to the World Jewish Congress.

Due to the steadily increasing number of organizations and individuals who are interesting themselves in the rescue of Jews from the Balkans and who are seeking funds for this purpose, it is becoming increasingly difficult for me to judge the extent to which their respective activities should be encouraged. The board may wish to bear in mind that in this connection the cost merely tends to increase by competitive bidding for the limited number of vessels available without increasing the number of vessels.

STEINHARDT

DSH-544

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

Rio de Janeiro

Dated June 5, 1944

Rec'd 9:21 p.m.

Secretary of State,  
Washington.



2046, June 5, 6 p.m.

Finance Minister today informed me that Doctor Octavio Bulhoes has been designated to serve on preparatory committee. Bulhoes plans to leave Rio de Janeiro by air on June 9. He will also be appointed member of Brazilian delegation to conference. Department's 1644, May 27, 10 p.m.

The names of the other Brazilian delegates not yet known, however it is believed Brazil's representation will be small. Finance Minister will discuss plans with President Vargas on June 7.

Department's circular telegram dated June 3, 6 p.m.

CAFFERY

JMS  
EJH

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

BJR - 526

Ottawa

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

Dated June 5, 1944

Rec'd 8:28 p.m.

Secretary of State,  
Washington.

20, June 5, 6 p.m.

Reference is made to the Department's circular instruction of May 26, 9 a.m., regarding the Monetary Conference. In a note number 53 of June 5, the Canadian Government accepts invitation and states that the Honorable J.L. Ilsley, Minister of Finance, will head the Canadian Delegation. Despatch follows.

DEPARTMENT OF STATE  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS  
JUN 6 1944

ATHERTON

RB  
RR

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

LC - 521  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (RESTRICTED)

San Salvador  
Dated June 5, 1944  
Rec'd 7:17 p.m.

Secretary of State,  
Washington.

DEPARTMENT OF STATE  
JUN 7 1944  
DIVISION OF  
COMMUNICATIONS & RECORDS

194, June 5, 3 p.m.

Foreign Minister states that El Salvador will  
gladly participate in Monetary Conference. Department's  
circular telegram dated May 25, 5 p.m.

THURSTON

JMS-EJH

SECRETOPTEL No. 179

Information received up to 10 a.m., 5th June, 1944.

1. NAVAL

Two German ships, one a 6,200 ton minesweeper, other 4,200 ton ship loaded with ammunition believed sunk in air attack off NORWAY Ist. Reference OPTEL 177. Promising attack 2nd by a Coastal Command aircraft on surfaced U-boat off STADTTANDET. U-boat straddled by depth charges, five personnel seen in water. Our coastal forces in AEGEAN on 1st/2nd and 2nd/3rd captured a caique and engaged a large motor vessel but were driven off by fire from shore batteries.

2. MILITARY

ITALY. 4th. After a breakthrough between ALBANO and PALESTRINA the 5th Army pushed rapidly forward to the outskirts of ROME where fighting continued throughout yesterday. They are now in the city itself. The 8th Army met resistance on roads running north through APPENINES but reached approximate line New Zealanders six miles N.W. SORA, U.K. Armour ACUTO  $3\frac{1}{2}$  miles north ANAGNI, South Africans PALIANO, Canadians on highway 6 eight miles S.E. VALMONTONE in touch with French. On right of 5th Army French troops were on general line PALIANO-PALESTRINA.

YUGOSLAVIA. On BRAC Island Partisans captured three hill positions S.E. of NEREZISCO and Scottish troops made an unsuccessful attack on a hill two miles N.E. of MORVICE on the South Coast. Partisans who had surrounded the German garrison at SUPETAR were forced to retire slightly by artillery fire from the mainland. Our troops were reinforced on 2nd/3rd.

3. AIR OPERATIONS

WESTERN FRONT. 3rd/4th. 507 tons dropped on R.D.F. Station near CHERBOURG and total 672 tons on two batteries CALAIS area with good results.

4th. 1,032 escorted heavy bombers dropped 1,323 tons on defended localities, gun batteries and billets in the BOULOGNE area; 970 tons on airfields and railways in the PARIS/BOURGES area with results generally good. One German aircraft destroyed. One Bomber, three fighters missing. 612 aircraft of A.E.A.F. supported by 125 fighters attacked objectives in Northern FRANCE dropping 367 tons on coastal batteries, 153 on road bridges and 70 on railways and other objectives with good results. One Thunderbolt missing.

4th/5th. Aircraft despatched:

Heavy coastal battery near CALAIS	79
Defended locality BOULOGNE	67
Coastal battery near CALAIS	56
Coastal battery near CHERBOURG	56
Other minor tasks	39
All returned safely.	

SOUTHERN FRANCE. 4th. Allied heavy bombers dropped total 404 tons on ANTHEOR Viaduct and three bridges, (one over VAR and other two in area S.E. of LYON).

ITALY. 4th. Liberators attacked the viaduct at RECCO and railway centres at TURIN, GENOA, SAVONA and NOVO LIGURE, dropping total 903 tons.

YUGOSLAVIA. 3rd. Liberators dropped 65 tons on SPLIT and 53 on OMIS.

Correction to OPTEL 178 - last line. After "motor vehicles" add "destroyed".