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Bretton Woods, N. H.  
July 7, 1944  
9:15 a.m.

FUND: Russian Provisions  
Interest Rates  
Location

- |          |                  |                |
|----------|------------------|----------------|
| Present: | Miss Newcomer    | Mr. Ness       |
|          | Mr. Acheson      | Mr. Ivan White |
|          | Mr. Collado      | Mr. Luxford    |
|          | Dr. Goldenweiser | Mr. Vinson     |
|          | Mr. Angell       | Mr. White      |
|          | Mr. Wright       | Mr. Bernstein  |
|          | Mr. Spence       | Mr. Reed       |
|          | Mr. Durbrow      | Mr. Eccles     |
|          | Mr. Brown        | Mr. Kelchner   |
|          | Mr. Somers       | Mr. Sweetser   |
|          | Mr. Miller       | Mr. Coe        |
|          | Mr. Wolcott      |                |

MR. VINSON: We have had a night's rest, and we have here the portion of the draft that will be discussed with the Russian Delegation. Any member of the Delegation has had a change of heart in regard to the procedure that developed yesterday in regard to the Russian quota? If not, Mr. White, you may proceed to state the proposals upon which we expect agreement from the Russian Delegation, without which we do not support the one billion, two hundred million quota.

MR. WHITE: I will be glad to Judge.

I begin by way of apology. We were supposed to begin on this last night, but we got lost in the woods and we are guilty as hell.

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MR. VINSON: It has been said that we are babes in the woods.

MR. WHITE: Babes are entitled to get lost, occasionally.

This is a list of the provisions which, as the Judge stated, we would want the USSR to agree to. If they agree to these provisions, then as we will see, it eliminates all the demands that they have made with the exception of the quota. The first one is Alternative A and relates to the gold subscription.

(Mr. Reed enters conference)

It is not probably necessary to read that provision.

MR. VINSON: The subject will explain itself.

MR. WHITE: The next alternative deals with access to the Fund. I think you had better read that, page six and six B, pick out the key clause.

MR. LUXFORD: The key clause is the argument we have been having with the French and the Australians. "The total holdings of the Fund in the currency of the member country initiating the purpose have not increased during the previous twelve-month period by more than twenty-five percent of the quota of such member and do not exceed two hundred percent of the quota."

The French wanted to make that thirty-three and a third instead of twenty-five percent and one of the other countries wanted to make it accumulative.

MR. WHITE: Would it be better to just give the gist?

MR. VINSON: All right.

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MR. WHITE: That refers, you will remember, to the allocated quota which was twenty-five percent of the total quota that any country could utilize during any twelve-month period. That is the way we had it. Several of the countries want to raise it and make it thirty-three percent, France and Australia, and we have opposed it, but USSR has spoken in support of it, and we would want her to agree to accept our position and abandon hers. And along with that is the further provision which some of the countries are advocating, namely, that if they don't use their quota in a twelve-month period, that they can add that on to what they can use the next year. In other words, it is cumulative. If they don't use twenty-five one year, they can use fifty percent the second year.

We think that would be a serious mistake and we are strongly opposed to that, but again, USSR supported that, not strongly.

MR. BROWN: They have supported it pretty strongly, in Committee Two. That is the French alternative which is the worst of all. They supported it in Atlantic City and I don't know but they just bowled me over when they came out in Committee Two and stated that Russia strongly supported it.

MR. WHITE: Then my information is incorrect. Then they are supporting it and we are strongly opposed to it, and one of the conditions would be the elimination of their support for the alternative and the support for our alternatives.

In the next item--

(Mr. Eccles enters conference)

....is Article Three, Section Seven of the joint-statement.

MR. BERNSTEIN: Article Three, Section Seven. A country that purchases foreign exchange from the Fund

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will at the end of the year repurchase its own currency from the Fund, by enough to make sure that half of its purchases of foreign exchange from the Fund have been with gold. It is even a little stronger than that. The Russians--there is another part of that provision stating that if at the end of the Fund's financial year a country's holdings of gold have increased, it must use one-half of that increase to repurchase its local currency from the Fund. The Russians have wanted to keep the first part, paying half for exchange, out of this agreement so far as the part applies to devastated countries during their periods of reconstruction. On the second provision, they want to eliminate newly mined gold entirely, but they have since compromised and said five years, I believe.

MR. WHITE: Five to ten.

MR. BERNSTEIN: During the period of reconstruction, is the presumption.

MR. WHITE: And the conditions are that they will agree to our provisions on those two points.

The next point is Alternative A, page thirteen, interest charges.

MR. BERNSTEIN: The table is being typed. We will have it up here.

MR. VINSON: Anyhow, they will be in agreement with us on that.

(Mr. Kelchner enters conference)

MR. WHITE: On the charges, we want to make sure. You remember they said that was one of the minor items and they said they thought the charges which we had submitted in Atlantic City are too high. Some of us agreed with that, not agreed with them, but felt the charges were too high, but we thought it was better to submit a list of charges which would be too high and be able to come down and not have any flexibility in coming down,

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because we knew that many countries would object to those charges unless they were very low, and it is a very important part of our position, and we don't want to receive very much. After further discussion by a sub-committee, by our own sub-committee, they have drawn up a new table of charges which are lower than the ones which had been discussed in Atlantic City. I gather they are not much lower, but they will both be before you in which they can compare, and they have the approval of the technicians here and Mr. Brown, I am informed.

MR. BROWN: I haven't seen it since it has been drafted.

MR. BERNSTEIN: The same table that was given to you is what we are talking about.

MR. WHITE: It will be before you.

MR. BROWN: I think this Alternative A on the exchange charges is vital, however, if we go as high as a billion two or even a billion, because the danger of giving money--

MR. VINSON: As far as we are concerned, it is a part of those provisions.

MR. WHITE: We would consider those vital no matter what they do on anything else, with any country. That is a very important part of the Stabilization Fund, so that irrespective of whether the Russians even came in at seven hundred, we would insist on that.

MR. VINSON: The representatives of the Delegation will not yield on anything.

MR. BROWN: The point I want to make, Harry, is that if you give a country which isn't likely to repay for five or six years, like Russia, your dollar, it is going to become a scarce currency much quicker than would otherwise be the case--than if you gave it to some trading country. And unless you get a rate of interest which gets so high

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that they will try and borrow from the Bank and borrow some other way, you will just hasten the day when the dollar will become scarce currency and we will run out of money.

MR. WHITE: Run out of dollars, you mean.

MR. BROWN: And then if you run out of dollars, that means that all the other countries can discriminate against American exports. In connection with the high Russian quota--

MR. ECCLES: It becomes more and more necessary to have a high rate. I believe in that a hundred percent.

MR. BERNSTEIN: This table of charges is a very steep one, as time goes on, very steep.

MR. WHITE: That is why we are having the table to submit. You see, the Russians said that the charges are too high, but we think we will have no trouble agreeing. Now, in order to avoid that possibility, we are going to submit this precise table to make sure that there is no difficulty.

MR. BROWN: The point I wanted to make is that about the higher Russian and Chinese quota. I think it is more important that those rates be high than would otherwise be the case.

MR. WHITE: I think that's right.

Alternative A, which constitutes the report of the ad hoc sub-committee on which they were a member deals with the furnishing of information. They have just drafted a new list of items of information which the member countries have submitted to give to the Fund, and we are asking that they agree to accept that report of the sub-committee.

(Mr. Sweetser enters conference)

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The alternative dealing with changes in par value-- I am sorry to report that the precise change in wording which was indicated and desired by this Committee has not been finally formulated. We will have that within the hour for your consideration, I hope. That is the provision, you remember, in which USSR wants to provide that where changes in the par value of the currency do not affect international transactions, that it shall not be subject to--

MR. ACHESON: We agreed on that yesterday.

MR. WHITE: But it wasn't--but I thought that you wanted to put in in a separate paragraph where it would be less high-lighted.

MR. BERNSTEIN: It is in that second paragraph now. It is deleted from paragraph two and retained in paragraph five.

MR. WHITE: Oh, we were to clear it with the British. I am sorry. We did better than I thought.

MR. VINSON: Is that to be cleared with the British before we present it to the Russians?

MR. WHITE: I thought you were going to see the British on the quotas, too, before you saw the Russians? Wasn't that your contention?

MR. ACHESON: That was what was said yesterday.

MR. BERNSTEIN: Under any circumstances we have to clear this with the British promptly. We have an understanding with them that we will get rid of this paragraph as quickly as possible.

MR. WHITE: Not only that, but an alteration in the quota, particularly since it isn't all added to the American quota, does reduce what they would regard as the availability of possible scarce currency to themselves

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and therefore I think we ought to take it up with them.

MR. WHITE: Now the general support on management-- we put it that way, because there are a lot of provisions in there and there is no sense in indicating all of them, and they haven't displayed any special interest, have they, in the meetings?

MR. LUXFORD: No.

MR. WHITE: But we just want to make sure that they will support us on the management.

There is one item in that management and that is the location of the head office, which we had assumed there would be no question about, but when we were speaking to the British a week ago, Judge, you remember that Lord Keynes said that on that item he had instructions not to include it in the draft. In other words, he didn't want the head office named. Now, his Government wished to wait until there were many international arrangements before them, so the problem could be considered as a whole. I presume they feel if there are going to be a lot of head offices, some of them ought to be places other than indicated here. I don't know whether you would want to raise that question at this meeting and get the sense of their position. I think some of us feel that now is the time to get that matter settled and if we wait until after the Conference, it will create a more difficult problem.

I don't think you will have any difficulty getting agreement from most of the countries that the head office ought to be in the country with the largest quota, and you can get it out of this Conference.

MR. VINSON: I think it ought to be determined at this Conference.

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MR. WHITE: The British will object.

MR. ECCLES: If it isn't determined here, the opposition will raise the question immediately and you are going to have to answer. They are going to say, "Well, where is the head office?" If you say, "Well, we haven't determined that yet," then immediately there is doubt as to where it is going to be. Otherwise, it would have been determined, and they will think that the American Delegation has again been out-traded.

MR. WHITE: Not only that, having been raised in a provision which everybody will know, and then having retracted it will be much worse than if we had never done it in the first place.

MR. ECCLES: Keynes ought to see that.

MR. VINSON: Is there any objections to the insistence upon the language in the statement?

MR. WHITE: I have reference not only to USSR, but if this could be a general mandate we could take that position right through.

MR. VINSON: I assume that, but I wanted to know if any objections to that position--

MR. BERNSTEIN: The head office to be in the country with the largest quota?

MR. VINSON: Right? There was none.

MR. WHITE: The next item is the voting provision. The form of electing the Executive Committee. We would like their support. I don't know whether they have indicated any view on that or not. Is that in your Committee, Luxford?

MR. LUXFORD: On the voting provision? No, they have not indicated any objection, but this is going to be a bitterly contested point between the various

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countries. We had better have them lined up in support of it.

MR. WHITE: The next alternative deals with the depositories for gold. You had better read that paragraph found under Section Six, that is our alternative, which is the one we want them to support and which would eliminate their claim to keep a certain amount of gold in Russia.

MR. LUXFORD: Part of this is what they want but it doesn't go as far as they want. "The fund may hold other assets including gold in designated depositories in the four members having the largest quotas, and in such other depositories as the Fund may select. At least one-half of the holdings of gold of the Fund shall be held in the designated depository in the member in which the Fund has its principal office. In an emergency, the executive directors may transfer all or any part of the Fund's holdings of gold to any place where it can be adequately protected."

What we are after is to see that at least one-half of the gold is held in the United States. The Russians, on the other hand, are anxious that Russia will be one of the depositories.

MR. WHITE: They have agreed that half should be held in the United States.

MR. LUXFORD: They have agreed that half shall be held here, but they want to limit it to half, whereas we say at least one-half.

MR. WHITE: That's true, because the statement they made to us was one-half in the United States, and forty percent of the remainder in various places, which aside from any political reason would be an absurd procedure, because there are many reasons why the amount of gold held in the United States might be much more than fifty percent if this is going to be the place where most of the gold is going to change earmarking.

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MR. ECCLES: As I understand it, the option would be with us as to where the gold is going to be held, at least fifty percent.

MR. WHITE: At least fifty percent and be held in the four countries. They were satisfied with that, but I think what happened in Atlantic City was that in the discussion of that point there was considerable objection as to why should it be indicated definitely that gold should be held in these four places, inasmuch as the requirements of the coming period might dictate a quite different allocation of the resources, always assuming there would be more in the United States. Well, we in response to that said, "Well, what difference does it make? If you keep one dollar's worth of gold, a ten dollar gold piece in any one of the other depositories, you are fulfilling the conditions required." I guess they thought that over and that is why they changed that provision.

MR. BROWN: As I understand their present position, they want a minimum of one and a half, something like thirteen or fourteen percent, which would be two or three times--

MR. ACHESON: Fifteen percent.

MR. BROWN: Which would be much in excess of their total gold contribution. I don't care about it, except politically, but politically if you say the Russians are going to put in one hundred and fifty million dollars of gold as a maximum or seventy-five and then going to have three or four hundred million dollars worth of gold in Moscow, a howl will go up in this country.

MR. WHITE: I think it is quite inadvisable.

MR. BROWN: It is just politically impossible.

MR. ECCLES: Why don't you provide it is left entirely with the Fund?

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MR. WHITE: Leaving out our half.

MR. ECCLES: All right. We get half, if the head office is here.

MR. WHITE: At least.

MR. ECCLES: So far as the balance is concerned, leave it up to the discretion of the Fund.

MR. WHITE: They would be one of the depositories, which was all right with us as long as they didn't specify how much.

MR. ECCLES: But why not leave it entirely with the Fund?

MR. WHITE: Then why ask for one-half yourself?

MR. LUXFORD: I think that is the British position, and I will say frankly after yesterday's meeting, I don't believe one country supported us. The logical situation is all with the British position, that the Fund shall decide where its gold shall be. It is only the political side of it that brings in the question.

MR. WHITE: We only wanted to say that more than half the gold should be here which seems me a valuable point, but you gentlemen--

MR. LUXFORD: Every country would concede that the gold is going to be in the United States, that is where it will be handled, most of it. But they hate to see it written in here.

MR. ECCLES: If this us your head office here, it goes without question that you can't--

MR. WOLCOTT: Unless we write it in there, we have no assurance we are going to get any part of it at all.

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MR. WHITE: Except in so far as there is representation on the Fund.

MR. WOLCOTT: We don't know, because Britain is going to insist on a great share of it being in her country.

MR. BERNSTEIN: Only in London if the gold requires the Fund in London and doesn't ship it. It would keep by far a greater part of its gold in New York as the most convenient place to buy, sell and earmark it.

MR. WHITE: That is true of the gold that is here, but gold coming in, that is not true.

MR. BERNSTEIN: I say the gold they acquire in London.

MR. WHITE: The additional gold will go to London.

MR. LUXFORD: The British point is very short, showing the difference in point of view. "Sums payable to the Fund in gold shall be placed at the disposal of the Fund at a depository indicated by the Fund. In indicating a depository the Fund shall pay regard to the convenience of the member, the cost of transport, and the expected requirements of the Fund. Gold and assets other than the holdings of currency belonging to the Fund may be held in or moved to any depositories the Fund may determine."

MR. WHITE: It is a much more sensible provision, so long as it is politically acceptable, but whether there isn't something substantial to be gained by being able to assure people here that you are going to have at least half, is a question. I think that the other countries ought to recognize we are dealing with a political situation.

MR. ECCLES: If you specify the office here, this is the headquarters where it will be operated from and these provisions here that the British have - just read that

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again about cost, and so forth.

MR. LUXFORD: "In indicating a depository, the Fund shall pay regard to the convenience of the members, the cost of transport and the expected requirements of the Fund."

MR. ECCLES: After all, why should you want her gold, unless it conforms to those requirements? Any banker or businessman would say, "Why, it is perfectly foolish to keep gold here if you do it at an increased cost and if it isn't necessary."

MR. WHITE: But you wouldn't be there to explain it. That's the trouble with these meetings.

MR. VINSON: Smith, of course wouldn't understand that, Marriner.

MR. ECCLES: He wouldn't understand a lot of that. A lot of these people who have criticized that, they are not susceptible to understanding.

MR. VINSON: But John Smith, the chap I am thinking about, is the man who will hear the arguments.

MR. ECCLES: I thought you meant Dr. Smith on the Banking and Currency Committee.

MR. VINSON: That gold will be taken away from them. There has been a lot of criticism to our having the gold as much as we have, but I believe as time goes on, why it makes us feel a little more comfortable in having it.

MR. LUXFORD: In Senator Wagner's absence I think I should state that he feels very strongly that we ought to stick to this, even though he heard all the argument and there wasn't one country there supporting us.

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MR. VINSON: I expect he is thinking along the same lines that some of the rest of us are.

MR. LUXFORD: The political aspects of it.

MR. ACHESON: I think it ought to be largely left up to the Congressional Members, but that British position is the sensible one.

MR. VINSON: What do you think, Andy?

MR. SOMERS: I know this question will be the most difficult one to explain to the Congress.

MR. WHITE: You mean if you didn't have it.

MR. SOMERS: This British method is the commonsense, business method of handling the situation. Now I don't know what you gentlemen think of the Congress. I have been with them twenty years and I have a high regard for their intelligence and their commonsense. I wouldn't hesitate at all to promise you that if that question ever came up you can completely divorce it from all concerned.

MR. VINSON: Well I am thinking of another Congress. I am thinking about the folks.

MR. SOMERS: Well it has been my experience, and I see that, that somehow or other the people either reflect the Congressional view or the Congress reflects the people's view. They think alike, strange to say, although I cannot explain it.

MR. VINSON: Well, if we had a little more time, I might debate with you on that, and listen, I am still strong for Congress. In fact, I may say that I have been criticized in high places for being legislative-minded, Andy. What do you think about it, Brent?

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MR. SPENCE: Well, I don't know that you are ever going to explain it to John Smith and Joe Doe and Richard Roe, but I know the opinion they have of it is going to affect Congress. There is no doubt about that.

Congress thinks they can't explain it to the people and the people think that the gold ought to remain in this country. It will have an effect upon Congress, I think we all know that. I don't know how far that will go, but I do believe we are never going to explain to the people the technical details of this. It is a little difficult to explain it to some members of Congress, too, I will say that. You can't explain that, it will be just the ultimate facts that they consider, and if they think we have contributed more than anybody else and the gold is going somewhere else, it will have an effect upon the people, and upon Congress.

MR. REED: Of course this proposition is going to be very intricate and a very hard thing to explain to the people, because they are not technically minded. That is, the regular John Smith wouldn't know the details of it. But once you have a provision there whereby the press may come out and sell to the people the idea that the gold may be all taken away from this country or a large majority of it, I think you might make it embarrassing for those trying to push it through Congress to accomplish their ends.

MR. WOLCOTT: I think it is pretty well tied up with where the principal office of the Fund is going to be. I think the people are much more concerned about having the principal office here in the United States than they are in respect to the detail of where the physical gold is going to be, because if we have the principal office here, it is to be expected that the Fund, the Directors, will be influenced by American thinking. They have confidence in their thinking, of course, and I am not so sure but what perhaps that isn't a more important question than where the physical gold is going

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to be and I think we can take our chance on the fact that the people will think, at least, and have a right to think, that if the principal office is here that a large share of the gold is going to be here in America. I think the two are pretty well connected. I think that is more important than where the physical gold is going to be. I think if they had their choice between the two, the principal office and the gold, that they would prefer to have the principal office.

MR. VINSON: I thought we had already agreed that we were going to stand pat on that principal office end of it.

MR. WOLCOTT: If we can stand pat on that, then I think perhaps if we have to give in anywhere, we perhaps should give in to the British proposal on the gold and insist more strongly that the principal office be here in America and we will take our chance on the gold staying close to the principal office.

MR. VINSON: The present Members of Congress are equally divided.

MR. SPENCE: Those that are opposed to the Fund would tell the people in a way that would prejudice them against it that the gold will be taken out of the country. I know that will have some effect on them.

MR. WHITE: That's what troubles me.

MR. SPENCE: In addition to that, the gold will be taken somewhere else. It may have no merit at all but it will have an effect on the people.

MR. ECCLES: I think the real opposition could be the opposite, what is going to happen here, if a lot of people felt we were going to lose gold, they would be very much happier about it, that they feel there is a great danger to the whole question of gold because we have gotten nearly all the gold of the world and

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therefore it begins to lose its value. I would feel very much better about the gold picture if other countries had more of it. It is only valuable as it is used in international trade or exchange and certainly the strongest case you could make against this Fund is that you have in effect reestablished a gold standard tied to the dollar here, instead of a gold standard tied to sterling, which it was for so many years; and therefore we are likely to get all the newly mined gold and a good portion of all the existing gold. I think that there is a great deal of strength in having people think that gold is going to be a two-way street, and if other countries begin to accept some of the gold, it establishes the value of our gold at thirty-five dollars an ounce.

MR. WHITE: There are two points about that. This isn't a question of who owns the gold. The Fund owns it, it is a question of where it will be held, and therefore it is completely divorced of the point you are making.

MR. ECCLES: The argument is that our valuable gold is leaving this country and going to other countries. I am not speaking of it technically, but the easy political answer.

MR. WHITE: Do you think we would get as much gold without the Fund as with the Fund? I thought you seemed to suggest that because of the Fund we will make more gold.

MR. ECCLES: I don't think it makes any difference. I think you would get as much one way as the other so long as you stand ready to pay thirty-five dollars an ounce for gold.

MR. BERNSTEIN: Governor Eccles' point is met by the provision written in that member countries must buy gold from the Fund whenever the Fund needs their currency.

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MR. VINSON: I have no doubt that it would be perfectly satisfactory with the British end of it, but I am thinking purely on the political level out in the country, and I can hear--I have heard and we have all heard some arguments made upon less basis than the fact that the gold will be in other countries. That is something that folks can understand; the gold will not be here and the demagogue, in and out of Congress, certainly can just hammer away. We all know those arguments oftentimes have effect.

MR. WHITE: Isn't it particularly true that they will utilize this dead argument with respect to the Fund, because so much of the Fund is technical and complicated that they won't argue those technical points, they will pick on the points that they can make much of in a very simply phrase? "Everybody understands what suckers Americans are; they are putting up the equivalent of two and a half billion or more in gold"--because dollars are as good as gold--"and they don't have enough votes to determine where the gold will be." The first thing you know, they will say "Give it two or three or five years and you will find the gold in London or Moscow or somewhere else and we will be first-rate suckers again." Who is going to be there to tell them differently? You don't get much chance at the press. You don't reach them, and if you do reach them, it requires an intelligent exposition.

MR. LUXFORD: You are on the defensive, in any event.

MR. ECCLES: If you put in here the proviso that fifty percent of the gold would be maintained here and the balance in accordance with this proviso of the British--

MR. VINSON: That, I think, would be very happy.

MR. ECCLES: I can't see why you can't explain to the British the political implication of it.

MR. WHITE: And they would accept it.

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MR. ECCLES: Wouldn't make any difference to them because they know we will have fifty percent or more of it here, anyway.

MR. LUXFORD: I don't believe that the various countries are nearly as much opposed to fifty percent of the gold being here as they are the provision of the four depositories, because that is the one that really sticks in their craw for two reasons. First, they remember that Russia is one of those countries and secondly, they say that is a kind of reflection on our dignity. Why shouldn't the Netherlands have gold and France and this country? It becomes a grab-bag of prestige, but the trouble is that the Russians are the ones insisting on the first part of this proposition. They want theirs for prestige.

MR. ECCLES: But that ought to be out now.

MR. LUXFORD: You are receding then, from a--

MR. VINSON: Well, let's determine it. We have the American position, the British position, the Eccles compromise position. What is the sense of the Delegation?

MR. WHITE: I think it must be fair to say that it would be a little harder. I think you could get it, but the Russians would prefer to be named if they only had a ten-dollar gold piece.

MR. BROWN: When the Russians insist, the Chinese insist.

MR. WHITE: They are, they are. The four countries are there.

MR. WOLCOTT: How about France in this?

MR. ECCLES: Harry, when you open that thing up, as Luxford says, it is like that other provision of the

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Russians. They wanted to contribute less gold because of devastation, then you open up the whole question. It seems to me this is somewhat related to that. If you specify no country except this country, and there is some justification for that, because we are actually putting up the--

MR. WHITE: It may sound a little silly, but you could say that some gold shall be held in the capital of every country. How much, shall be determined by the Fund, but at least fifty percent should be in the United States.

MR. WOLCOTT: That wouldn't be practical, would it?

MR. WHITE: Twenty-dollar gold pieces?

MR. VINSON: It looks to me like it ought to be fifty percent here, the other fifty percent in the four countries pursuant to the proper workings of the Fund, the language that the British have.

MR. BROWN: Immediately France will insist on more money in Paris as against Chungking.

MR. ECCLES: The minute you say the four countries, it motions out this British position here.

MR. LUXFORD: Keep in mind that technically we have covered it by saying in any other depository you want to. That is for the proper working of the Fund. This is just political.

MR. WHITE: You can combine the two, take the British criteria, which they have enumerated as the basis for the Fund making up its mind as to where to keep the gold. All this provision, as the American Delegates had it, is at least fifty percent shall be kept in the United States and some in London, Chungking and Moscow. It didn't say how much--and other depositories. And that is perfectly

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all right. So if we can get the Russians to accept that, it would seem to be perfectly all right, because it doesn't indicate how much and it doesn't limit it to the four countries.

MR. LUXFORD: You are not going to satisfy any of these countries that are complaining.

MR. VINSON: What is your suggestion? Fifty percent here and the rest of it according to the requirements of the Fund?

MR. LUXFORD: No, if you want to please more countries than we are pleasing today, I would take Mr. Eccles' suggestion. I wouldn't put any of the trimmings in there, I would just leave out including the four member countries.

MR. VINSON: That was my last statement. Fifty percent here and the rest of the Fund according to the requirements of the Fund.

MR. ECCLES: The same standard that the British wanted in connection with all the Fund.

MR. LUXFORD: I am suggesting in lieu of that you don't put in the British standard because they come back at you and say "What is wrong with the fifty percent being used the same way?" I would rather say--obviously the Fund will use commonsense and you don't need to write in for them to do that, but the instant you put in the standard with regard to the other fifty percent, you will have everybody on the floor saying, "Why shouldn't that also apply to your fifty percent?" I would just make a statement of fact with no reasons.

MR. VINSON: How would you state it?

MR. LUXFORD: The Fund may hold other assets including gold in such depositories as it may designate, at least one-half of the holdings of the gold shall be designated

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in the depository in the member having a principal office.

MR. VINSON: Period. Any objection to that?

MR. WOLCOTT: I think that puts us in a much better position.

MR. VINSON: Well, let's pass on.

MR. WHITE: The next item, then, Alternative A, page 931. Is that on the suspension of membership?

MR. COLLADO: No, that's the head office.

MR. WHITE: We have discussed that.

Then we thought some general provision might be formulated along the lines that USSR agrees to support the United States in the Commissions when necessary on all provisions not already indicated. Where there is any difference of opinion between them they will confer on them and eliminate such differences before they get to the Commission, so as to take care of a lot of other items.

(Mr. Bernstein distributes copies of charge tables)

MR. LUXFORD: You will have to tell the Russians you are receding on 29 because we are receding on their part of it.

MR. WHITE: Yes.

Just one more point, then we will turn to the international charge tables which you have before you, and the formulation of it will not run roughly in terms of the provision that if the USSR cannot agree to the above-listed provision, then the United States Delegation will be unable to support a quota in excess of nine hundred million dollars. That was the understanding.

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MR. ECCLES: Do you have the statement? Have you prepared the statement?

MR. COLLADO: It will be down in a few minutes.

Now, the table that you have before you is the table of charges.

MR. BERNSTEIN: May I explain what we have in mind? The sheet that is given horizontally is the latest that we have had. The long sheet, the one vertically is the one that we used when the technicians were previously discussing it. The difference between the two sheets is a very simple one. The new one, the broad sheet, merely provides in the first half year there will be no charge. The first half year in which the Fund acquires the currency of a country in addition to the quota. The reason for no charge is that we expect that the initial charge for an exchange transaction will be three-quarters of one percent and may be raised as high as one percent, though it may be lowered to one-half percent. That is a rather large compensation for an exchange charge. The theory is that if a country repurchases within six months, the currency sold to the Fund, the Fund has been amply compensated by the charge on the two-way transaction. If the currency remains in the Fund's holdings for extended periods, then the difference between the two tables is as follows:

The broad table is one-fourth percent lower at every point than the other. That is to say, the new table is one-fourth percent lower at every stage than the other, one-fourth percent per annum. On the other hand, the broad table has the advantage, from our point of view, in making the charges go up at half-year intervals instead of yearly intervals.

Now, after three years, a country whose funds in the Fund are in amounts in excess of two hundred percent of the quota would at that stage be paying three and a three-quarters percent for that period, for that amount.

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It is proposed that that should rise with every half-year period by one-quarter percent until it reaches in this table, five percent, at which stage the Fund would call the country in, and they would agree on some method of terminating the Fund's holdings for so long a period or for such an amount and the interest charge thereafter would be not less than five percent but would be subject to agreement between the country and the Fund. Now, all of these are minimum charges. The Fund could raise any charge. This would be a prescribed minimum. I would offer another suggestion that we not make corresponding increases up to five percent, but at the four percent period which would mean after three and a half years for large holdings the Fund then calls them in at that stage. At four percent, that is in the seventh half year, it calls the country in and at that stage agrees on some method of reducing the holdings or plan to reduce the holdings and sets an interest rate of not less than four percent until it is reduced.

MR. WHITE: Pointing out that these charges are on the increments, not on the whole. That is, that the charge of one and one-quarter percent in the second column in the second box does not apply to all the amount that they have purchased, but only to the additional amount. I think it might be helpful, just very briefly, to indicate the importance of--

MR. ECCLES: You mean by that that the first twenty-five carries through at three-quarters of one percent for six years?

MR. WHITE: As it goes along, the first twenty-five gets higher. It gets higher in two directions. The same amount gets higher.

MR. ECCLES: But I didn't understand what you just said.

MR. WHITE: It is the increment, the additional

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increment. I was looking up and down, that is where the increment applies.

MR. BERNSTEIN: The first half year there is no charge for the first twenty-five percent. The second half year, that is at the end of the first year, they pay a charge of three-fourths percent on whatever the amount is, the average.

MR. ECCLES: In other words, this twenty-five percent goes up from three-quarters the second half to one and three-quarters?

MR. WHITE: The sixth.

MR. ECCLES: The next twenty-five percent, from one-fifteen to one-fifty, and so forth. So when they get up to two hundred and twenty-five percent in the sixth half year, they are not paying three and three-quarters percent.

MR. VINSON: They are paying three and three-quarters on twenty-five.

MR. ECCLES: So they really are at a low average rate.

MR. BERNSTEIN: If in the sixth half year of holdings of something in excess of two hundred, it means by definition that all the other holdings have been longer than three years, since they don't jump to twenty-five, they will be subjected to the other charges. To put it in another way, if a country starts by putting in twenty-five percent the first year, another twenty-five in the second, another twenty-five in the third, another twenty-five in the fourth, you can read diagonally across and get the interest rate that they would be paying. For example, let's make that assumption till you get up to two hundred and twenty-five. Going across diagonally you would find they had been paying two and a half years on what they got in the last year. If you go to the long table you can do it better

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diagonally, and then reduce it by a quarter of a percent.

MR. VINSON: Offhand, it strikes me that the average in the sixth half year would be something like two point six.

MR. BERNSTEIN: Yes, sir, except you ought to bear this in mind, Judge. If in the sixth half year they hold any given sum, the probability is that they have held every sum less than that for a longer period, and it is more appropriate to think in those terms than just to think in terms of an average. In fact, you can't think in terms of an average very properly that way.

MR. WHITE: That is why I thought it is better understood if the philosophy of what these charges consist--they are different from anything done before and they are designed for a very special purpose and designed to fit in and be adapted with the purposes of a Stabilization Fund. The Stabilization Fund is to provide foreign exchange during the cyclical period, during emergency periods, and the functioning of the Fund also for a restoration, a repurchase of the foreign exchange which has been bought when the emergency period passes. Now then, the idea is to put an increasing deterrent charge, if you like, if a country does not repurchase that currency as the years go on.

MR. VINSON: Is the rate high enough to be an incentive for repurchase?

MR. WHITE: Oh, yes.

MR. ECCLES: I don't know. Ned Brown made an earlier statement on this which seems to be to be pretty important. We are increasing this Russian quota from eight hundred million to a billion two and the Chinese from what it is, four fifty to five fifty. Now we know that there is a

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billion and three-quarters, and we know that those countries, at least we have every reason to expect that those countries are going to want to borrow all that they can from this Fund and it will likely be in dollars. Certainly the great bulk of them will be in dollars, and therefore you are creating, tending to make the dollar scarce currency. As Ned pointed out, when the dollar currency is scarce, from the standpoint of our foreign trade position, why it works as much against us. Now, we are proposing to set up the Bank here to take care of the longer-term financing, and if the rates--after all, the country that is using this Fund for the purpose of borrowing, rather than exchanging stabilization, should have to pay a pretty severe penalty after a period of time so as to force it into a funding of longer-term market and release the scarce currency. Now the Fund can't be successful, it seems to me, unless we make these rates high enough to put the pressure on these countries to repay that scarce currency and go somewhere else to get it. If they can continue to carry it here at a satisfactory rate or at a better rate than they could get it elsewhere, there is no inducement to pay at all, and you don't meet the scarce currency situation that would develop.

MR. WHITE: Several points about that I would like to clear up, because you have raised important matters. In the first place, what you say is quite true about the charges have got to be high enough so as to be an incentive for them to purchase it back, but you have only gone up to the sixth half year here and you will notice that three and three-quarters percent rate for a half year, and then it coming up to five percent. That is on a marginal amount. Any kind of a country that has any choice at all, can borrow a year or two at less than five percent, five or six, if necessary.

MR. ECCLES: The five is all right. The question is that after a certain period, that is only for the increasing amount, see? It would seem to me that after a period of time, whether three years or four years or

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five years, but at some point the entire amount of the borrowing, see, should be put up to some amount. Now, I can see--

MR. WHITE: That happens Marriner. Let's say a fund only uses twenty-five percent of their quota. That being true, it shows that either its credit risk is very good, they borrow abroad if they need it, or it shows their balance of payments is in an excellent condition. Notwithstanding that, at the end of the third year they pay one and three-quarters percent and from then on it increases.

MR. ECCLES: But the table only covers the five percent rate, only applies to that part of the Fund above the two hundred and twenty-five.

MR. WHITE: No, we just didn't carry it on.

MR. BERNSTEIN: You are stopping at the point five percent, because you can carry the table interminably.

MR. ECCLES: The point is, then, that that portion of their borrowing at the end of six and a half years, it can all go up to five percent, all that they have borrowed at that point?

MR. WHITE: Oh, yes.

MR. BERNSTEIN: The difficulty comes from the talking of average without having in mind that you don't just jump in by having two hundred and twenty-five. You get to two hundred by moving up and you get it up this way. You start by buying twenty-five in one year, twenty-five in the second, twenty-five in the third, twenty-five in the fourth year. Let me show you what happens at that stage. At that stage you will be paying a little bit less than three percent on all of it, but that will have broken down as follows: You will have been paying on the last twenty-five which you just put in, three percent, because

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it just got in but it is the last twenty-five. You will be paying on the twenty-five that came in the previous year, you will also be paying close to three percent, but that is because it has already been in a little longer than the others, and so forth. Therefore, the proper concept is that when you get to a certain point there will, in fact, be that same rate applying to all of the previous purchases at that stage, because they will have been coming in regularly, and the smaller amounts will have been there longer. That is the proper way to read the table.

MR. WHITE: More than that, I think some understanding must be had of what the consequence of this is. Marriner mentioned a point which he said Ned Brown agreed with. He said it would be very bad for the United States if dollars are scarce and other countries begin to apportion it. That isn't true at all. Countries already apportion their dollar exchange right now. They have to, if they haven't got it. That is the position many of them are in now and that is the position many of the countries may be in in the future. With the Fund it postpones that period a little. So they are in exactly the same position they are now. What do they do when they apportion dollars? Why is it bad for the United States? All a country does when it apportions dollars is that it says, "We have only a certain amount of dollars to spend. We can't get any more, we can't borrow any more dollars, the United States isn't buying any more of our goods and that is all the dollars we get." Without the Fund, they are confronted with a situation and what do they do? They say to exporter A or B or C, "Do you want to import heavy materials? That is on the list. You can get a permit. You can buy machinery from the United States." The next man they might say, "Do you want to buy silk stockings from the United States?" We can't afford it and we are not going to let silk stockings come into the United States, because the money we have to pay for goods we have to spend for things more necessary.

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MR. BROWN: But they can buy silk stockings in Paris.

MR. WHITE: No, just a minute. Let's get that clear. We don't want that false impression to get about, because it is a criticism of the Fund that isn't justified and only made by those who don't understand it. Let's make certain that we in this room don't give--

MR. BROWN: Just let me make one general statement, Harry, please. We are confronted with the problem of the dollar being a scarce currency. We will be confronted with it again, the main difference is that we will have put in the Stabilization Fund, twenty-seven fifty, and at the end of three or four years we will find we are where we are now. Whether that delay is worth the two billion, seven hundred and fifty million being tied up in the Fund, is the question.

MR. WHITE: What you are saying is that by putting a couple of billion dollars extra in the Fund, you make it possible for your exporters to sell two billion dollars more on credit conditions which are probably the best protected of any sale in the world. And to say that when dollars become scarce it is bad for the United States, that is true everywhere. That is exactly what we are trying to prevent, so as to give them a chance to adjust their situation so dollars won't be scarce. It isn't the result of the Fund.

MR. ECCLES: That's correct. I wasn't arguing it.

MR. WHITE: I just didn't want a misunderstanding.

MR. ECCLES: The Fund is set up for the purpose of improving the situation that exists now. Now if it fails to improve the situation, then of course you are just where you are.

MR. WHITE: No, you can't fail to improve it. You may not improve it enough but you are at least providing a longer period during emergency time for countries to help

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themselves and you are doing that under conditions in which the risk is negligible.

MR. ECCLES: But Harry, this is a Stabilization Fund, and not a lending fund.

MR. WHITE: That's right.

MR. ECCLES: Now I think that to the extent that you develop scarce currency for a substantial period of time, it confirms what some of them say, it seems to me, that this really is more of a lending fund than a Stabilization Fund.

MR. WHITE: I don't know what that means, because when you buy foreign exchange in our stabilization operations which have never taken place, you are buying the other countries' foreign exchange and taking in return for it their local currency until such time as they can repurchase. That is what a stabilization operation means. If you want to call that a lending operation, that is all right with me, but it is a stabilization operation. It is not a lending operation in the ordinary sense of the term, and that is what this does, it provides foreign exchange for a period.

MR. ECCLES: That's right, but the question is, the length of the period. Now, what I think, we should reduce the length of the period as far as possible, and there are a lot of people that feel that this Stabilization Fund is much more acceptable with the Bank than it would be without the Bank, that the Stabilization Fund is an incidental factor in the international field, unless it is supplemented with a good many other things. It is one of those things, of course, as the Bank. Now, if we put enough pressure on the users of this Fund, so that they will undertake to pay off their borrowings from the Fund within a reasonable time, that is, so that the rates are sufficiently onerous that they would go to the Bank, because it is cheaper to go to the Bank, or they would ship goods or gold or something. It seems to me--

MR. WHITE: We are in whole agreement there. That is the purpose of this.

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MR. ECCLES: It is just a question of--we want to make sure that at some period, whether it is three or four or five years, that at some period, the rate that they are having to pay for funds that they have used, puts them under enough pressure so that it would be cheaper to go to the Bank.

MR. WHITE: We are in complete agreement.

MR. BERNSTEIN: It is a question of understanding how this does it or whether this table of charges does it.

MR. ECCLES: That's right.

MR. WHITE: One further point. The possible difference of opinion that may exist among us, and I am not sure that even happens, is the time period which you have suggested. Now hitherto, one of the big mistakes that stabilization funds have always made and has caused much of the trouble is that they have looked upon the period in which they can reasonably expect a country to adjust its balance of payments and therefore buy back the exchange as confined to one, two or three years. They have gone more than that. There are many commercial banks which very justly take the view that they will undertake these stabilization operations, they don't call them that, by credit movements which are designed to take care just of seasonable movements. They won't undertake exchange operations involving any risk for longer than ninety days, one hundred and twenty days, even six months. That is all right. That should continue by all means. But you have to have some agency willingly provide exchange for a period long enough to permit other countries to adjust themselves to the new situation. That period is not one year or two years, it is three, four, five, six, seven or eight, depending upon the circumstances. Now, then, the rate of increase should reach the point where it is onerous, I wholly agree with you. But they shouldn't reach that at a point which is too soon for stabilization purposes. So that what we have desired here is a grade increase, but an increase which reaches the place where it becomes quite onerous at four or

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five years. Then beyond that--

MR. ECCLES: I would say five years.

MR. WHITE: There is no maximum. These are minimum. If the Fund sees a country that should be purchasing back-- and remember, we already have requirements that they purchase back, because they cannot increase their gold holdings without purchasing back. They must utilize half their money in buying that back.

MR. ECCLES: I suppose in exchange and gold holdings.

MR. BERNSTEIN: They must decrease them.

MR. WHITE: They must decrease them all the way back to where they started. Let us suppose a country isn't increasing its gold holdings and pulling in its belt quite enough in the judgment of the Fund. The Fund says, "Well, gentlemen, you are not using this appropriately. Now you should do something about it and from now on, the charges are going to increase at the rate of one percent a year or two percent a year", whatever in the judgment of the Fund, is necessary.

MR. ECCLES: These are minima.

MR. WHITE: And we are in complete agreement with you on the purpose of these charges, because that is why we introduced them.

MR. BERNSTEIN: I think I can make a brief statement that will explain this table simply. There are two things we are interested in, the first thing you want to know is this, if a country repays a given amount of money to the Fund, repurchases its own country, what interest does it save when it repurchases that sum, because that is the term? The second thing, if a country doesn't repay and there is a certain amount of money in the Fund, what interest charge do they have to pay the Fund? The best way of looking at it

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is this. If a country has put into the Fund in the previous year a sum of money equal to twenty-five percent of its quota, and has passed the stage of two hundred, the very first year the Fund holds it, they have to pay three percent. If they repurchase it in that first year, they save three percent. If they repurchase it in the second year, they will save three and a half percent. If they repurchase it in the third year, four percent. It seems to me at that stage, when you have reached that four percent stage, it is proper for the Fund to call the country and say, "Look here, these are the interest charges you have been paying, this is what you can save by getting out of the Fund that sum of money, you ought to talk to us on methods of getting it out and, if not, we will agree on some other rate of interest which will penalize you more severely." That is the way you look at it.

MR. VINSON: I understand that last in--

MR. LUXFORD: First out.

MR. BERNSTEIN: Actually it will make no difference for this reason, Judge. Since the sums have come in regularly, the new point I am getting to, that what you pay in any given year will be almost uniform on all the funds in there. If you start by putting twenty-five percent above your quota in the second year, you put in another twenty-five, the third year another twenty-five, and the fourth twenty-five, the fact is that the first year will now have risen to the same rate you have to pay for the first year on the highest amount. So that in effect you will be paying, say, three percent on all of the Fund's holdings, if the Fund's holdings have risen regularly to two hundred percent and are now going above it. If it stays there another year, the whole business will rise to three and a half. It is true that for the earlier holdings it will have been there longer.

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MR. ECCLES: How many years do you estimate it would take for the entire amount to get to the three or higher? You said the whole Fund would reach three or three and a half.

MR. BERNSTEIN: Yes, sir. If a country started right in buying, the first day, its regular maximum amounts and let's say it went through, by the fifth year the first part will have reached three percent-- the very first purchase. The very last purchase will, on the first day, have reached the three percent limit.

MR. ECCLES: What period?

MR. BERNSTEIN: Five years. Now it seems to me that on the twenty-five percent nobody is worried whether it stayed there five years. You can give them a little longer on that. It is as it gets larger that you get worried and you put the pressure.

MR. VINSON: It seems to me the protective feature about it is that this is the minimum charge.

MR. ECCLES: That is important.

MR. BERNSTEIN: I think if we add the feature that as soon as it reaches four percent the country is called in by the Fund to agree on charges and so plan for getting rid of it, you have the best safeguard you can ask for.

MR. VINSON: Is there any further discussion on this?

MR. WHITE: We will have a hard time on this with a number of countries.

MR. BROWN: I just want to point up a clarification. Your cumulative minimum charges go on after the country reaches four percent.

MR. BERNSTEIN: Yes, sir, but at four percent you call them in. It may or may not go on as the Fund wishes.

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My suggestion would be that when it gets to four percent you call the country in and say we have to do something to agree with you for some method of getting rid of these funds. If not, we can set any charge that we think is needed.

MR. BROWN: I discussed it with you yesterday, this progressive scale had to go on until it got up to five percent at least.

MR. BERNSTEIN: That is why I am making it four percent.

MR. WHITE: You haven't changed that. It still goes up to five. He is merely suggesting that before it gets to five, when it gets to four, there shall be consultation.

MR. BROWN: I understood him to say it should be within the discretion of the Fund.

MR. WHITE: They can't go lower, there is a minimum which goes to five.

MR. BROWN: No, that is just the point I want to clear up. I think that as this is stated, if it goes to four, the way Eddy stated it, the Fund will call the member in and the Fund may then agree with the member that it shan't go higher than four.

MR. BERNSTEIN: Or shall agree it shall go to six.

MR. BROWN: The point I want to make is--

MR. WHITE: Is the compulsory minimum five or four?

MR. BERNSTEIN: Compulsory minimum four, and leave it to the Fund to work it out.

MR. BROWN: I agree with all this schedule except

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it was made before the Russian quota was raised which I think introduces a question of making it all the more desirable to be stiffer.

MR. WHITE: You don't think Russia will be able to borrow one or two-year money at less than four percent?

MR. BROWN: It wouldn't be one or two-year money at four percent, Harry. It will be that if you get a maximum of four percent, it will go on indefinitely at four, because she is a first-class power and you can't discipline her.

MR. BERNSTEIN: I think the point Mr. Brown is making is one that this Delegation can quickly decide. You call them in at four and then you say, "Thereafter, the Fund discusses with the country what to do. If the money remains in the Fund, then the minimum charge shall not be less than five percent."

MR. BROWN: Or shall continue on this table with a maximum charge.

MR. BERNSTEIN: I don't think there is any objection at all to that statement and I think there is a great advantage to calling the country in.

MR. BROWN: I don't object to calling it in before it was to go up to five and then call the country in. Now you want to call them in at four. When it got up to five it was in the discretion of the Fund what rate it would put on. You increased the compulsory maximum from five to four.

MR. VINSON: He said compulsory.

MR. BERNSTEIN: He said compulsory maximum. I didn't understand that. They can set ten percent.

MR. BROWN: Compulsory minimum to four, is our understanding of the statement. I think it ought to be five.

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MR. WHITE: Of course this calling in of a country at that rate is a gesture to write in, but obviously the Fund has that authority all the time. The Fund can even at one and a half percent say--

MR. BROWN: I don't attach so much importance to calling them in, except to say--

MR. WHITE: The only suggestion you were making was to change what we had here. What we had here is that there is a compulsory minimum up to five percent. Are you suggesting that we reduce that compulsory minimum to four percent?

MR. BERNSTEIN: I was going to suggest that, but I believe the calling in is of the greatest importance.

MR. WHITE: I am merely suggesting that they already have that authority in many other ways.

MR. BERNSTEIN: This requires agreement on this of a method of getting rid of it.

MR. WHITE: That still is true if they are over two hundred percent, but, however--

MR. BERNSTEIN: I did suggest the four percent.

MR. BROWN: I say when you give countries like Russia and China a large quota they are apt to go six or seven years and four percent is not sufficiently--and it isn't four on the whole amount, but four percent on the high amount, that it is too low a minimum to cause them to resort--

MR. WHITE: It becomes four percent very quickly.

MR. ANGELL: If you work out those tables, remember you only add twenty-five percent a year and these marginal figures turn out to be average for the whole amount. These margins are average.

MR. BERNSTEIN: The last figure I give you is the average for the whole amount that is in the Fund at that stage for that country.

MR. ANGELL: Any figure down here is the average for all the other amounts which preceded the taking of that amount.

MR. BROWN: I am merely saying that China and Russia when you give them large quotas, that you have got all the more reason to put pressure on, and that is why I favor five percent.

MR. BERNSTEIN: When you say a minimum is five percent, you are making it a mighty high one, especially when you may be working out satisfactory arrangements. That is entirely for the Delegation to decide.

(Off record discussion)

MR. BROWN: I am willing to agree on this table.

MR. ECCLES: With a minimum of five percent.

MR. ANGELL: That is our understanding now, there will be a minimum of five percent, and everybody is in agreement.

MR. VINSON: The Delegation is in accord with the proposals submitted.

MR. BERNSTEIN: We will bring you back what the others say. We will have to talk to the British about it.

MR. WHITE: We get a lot of opposition on this.

MR. VINSON: The Delegation is in accord.

MR. BROWN: I think it is only fair to say that this table is below by a quarter of one percent below the table--

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MR. WHITE: We expected to reduce it more than that when we drew the original table.

MR. VINSON: Now in regard to the conversations with United Kingdom and Russia, has the Delegation any further remarks, suggestions, or instructions?

MR. WOLCOTT: On this alone, Judge, or on all of the questions?

MR. VINSON: On the whole proposal.

MR. ACHESON: I think you ought to call up Keynes right away and see if you can't see them in half an hour and then I would ask the Russians to come down here this afternoon.

MR. VINSON: Who will call Lord Keynes?

MR. ACHESON: I wouldn't call the Russians until after you talk to Keynes. He is going to make a fuss about this.

MR. WHITE: Do you want me to call them and say you are ready to see him as soon as he is ready this morning?

MR. VINSON: Yes. I have one other matter that might be of interest to the Delegation. The Steering Committee had two meetings yesterday, one at five o'clock and one at nine. It reached a decision in regard to a change in the procedure of the Conference. Here it is:

(Reading from Procedural Decisions of the Steering Committee, dated July 6, 1944) "The Steering Committee has determined upon the following procedures in order to expedite the work of Commission I and its Committees on the International Monetary Fund. It requests that the officers and members of the Commission and its Committees follow these procedures: 1. Commission I should meet next at 9:30 a.m. on July 10. In accordance with the prior decisions of Commission I, the reports of the Reporting Delegates of Committees should be circulated long enough in advance of this meeting to permit full consideration.

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2. The Committees of Commission I will want to conclude their consideration of all matters on which the texts of provisions have been laid before them in time to allow the Reporting Delegates opportunity to prepare their reports. 3. No matter should be referred to the Commission unless it has been considered first by the Committees or their subcommittees. 4. The Chairman of Commission I is empowered in advance of the meeting of July 10, to appoint such ad hoc committees as may be conducive to the securing of agreement on particular questions which have not been resolved by the Committees."

Now, in short, Number Four is hoped to speed up consideration. As I understand it at the present time, the Chairman of Commission Number One is empowered under existing rules to appoint ad hoc committees for the consideration of the matters that have been referred to the Commission which the Committees - this Number Four empowers the Chairman of Commission One to appoint ad hoc committees today and tomorrow upon matters which have not been reported to the Commission.

MR. ECCLES: The Commission has already appointed some ad hoc committees or can appoint them for matters which have been referred to the Commission. Matters which have not been referred to the Commission, the Chairman of the Commission can also appoint committees in order to hasten their reference to the Commission. Now, that will speed it up.

MR. VINSON: Of course, they are upon matters upon which there is diversion of opinions in the Committees, but the ad hoc committees of the Commission report to the Commission, and it is hoped that it will speed it up. Is there anything further?

MR. ECCLES: Shall we be subject to call - that is, the Delegates?

MR. VINSON: Yes, sir.

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MR. LUXFORD: You are not fixing the time for the next meeting?

MR. VINSON: I thought not.

MR. ECCLES: Is there any point in our meeting until after you have talked to the British and the Russians? It seems to me that until you have something to discuss--

MR. VINSON: We will adjourn subject to call.

July 7, 1944  
9:29 a.m.

HMJr: Go ahead, Luxford.

Ansel  
Luxford: I thought that you should know this before we lay down -- we give the country I was talking about before their final terms.

HMJr: Yeah.

A: We're telling them that this is a one-shot affair, this is what we are going to offer and no more and no changes. It's one, two.

HMJr: One, two?

L: Plus no other concessions.

HMJr: Well, what's the matter with that?

L: It's wonderful.

HMJr: What?

L: Wonderful, as far as I am concerned.

HMJr: Yeah. What's the time limit factor nine-thirty?

L: Well, here's the problem. The group are meeting right now.

HMJr: Yeah.

L: We fought over this thing all day yesterday.

HMJr: Yeah.

L: We finally got this result.

HMJr: Yeah.

L: Now, they're meeting right now on what our terms will be.

HMJr: Yeah.

L: What we're going to ask in exchange.

HMJr: Yeah.

- 2 -

L: And I wanted the decision reached before they adjourn this morning because the group has got to go talk to the U.S.S.R.

HMJr: I see.

L: See?

HMJr: Well, Vinson spoke to me about this yesterday, you see?

L: Yeah.

HMJr: I don't know whether he told you.

L: Yes, he did. And he -- he and Harry both asked that I speak to you about this this morning.

HMJr: Well, then I mean, there's coordination up there?

L: Yes, sir.

HMJr: Because I said it was very difficult for me to give advice from here.

L: That's right. We understand.

HMJr: But if it's one, two, what's the over-all figure? Eight, five?

L: Seven.

HMJr: How much?

L: Seven.

HMJr: How do you mean seven?

L: Eight, seven.

HMJr: Eight, seven. In other words, you lift it another two?

L: Yep.

HMJr: That's all right. You know what I said. I mean, even if it went ....

- 3 -

L: Yeah, I had that in the back of my mind. This is -- this is -- this is -- this is wonderful, I believe.

HMJr: Well, I'm pleased.

L: I'm glad to hear that.

HMJr: Now, what else.

L: Well that -- that's the big thing I wanted to check with you on because I don't think anybody wanted to go into these negotiations without your knowing about it.

HMJr: That's all right. Now, let me ask you -- I'm suggesting that you meet us at the airport tomorrow and ride back with me so that during that hour or hour and a half you can bring me up to date.

L: Fine.

HMJr: If that will be agreeable to you.

L: I'd like it very much, Mr. Secretary.

HMJr: Now, all right. Now, is Frederik Smith any where around?

L: Right here.

HMJr: Where is he?

L: In your office.

HMJr: Oh. Well, just tell him that -- to stay there a minute or two and I want to talk to him.

L: All right, sir.

HMJr: I'll hang up and I'll call back in a couple of minutes.

L: Fine.

HMJr: Thank you.

July 7, 1944  
9:55 a.m.

Admiral  
Leahy:

Hello, Mr. ....

HMJr:

Good morning, Admiral. Admiral, last night at my home Jack McCloy got in touch with me and what they would like very much is after this memorandum that I sent you yesterday on the De Gaulle matter....

L:

Yes.

HMJr:

After it has cleared with the American Chiefs-of-Staff and before it went to the Combined Chiefs-of-Staff, they would like to present to the President a finished plan. You see? They don't want the English to know about it until the President approves it.

L:

Well, that was my idea, Mr. Secretary, that they would get it over here to the White House....

HMJr:

Yes.

L:

....and that we -- that we would get the President's approval on it before any further action was taken.

HMJr:

Fine.

L:

Then at that time, if the President approves or if he wants a change, we could change it and then present it to the Combined in order that we could have Combined action on it.

HMJr:

So that was your idea.

L:

That was my idea all the time. I think that's what the President intended. He said he wanted to see....

HMJr:

Yeah.

L:

....the directive before it was issued.

HMJr:

Fine. Well, then I -- I will tell that to McCloy now.

L:

Yeah, if they'll get it over -- if they'll get it over to the White House....

- 2 -

HMJr: Yeah.

L: .... we can get the President to act on it. They ought not to be very slow about that on account of the short time that's going to be available.

HMJr: Fine.

L: And I have no doubt that the President will want to send that over to his English friend in order to get his comment on it before he finally approves it. I think he ought to.

HMJr: Well, I mean -- wouldn't it go to his English friends through the Combined Chiefs-of-Staff?

L: Yeah, it certainly would, but I think ....

HMJr: Well, I'm not going to worry about the mechan -- I was just the messenger on this -- you know how to do this much better than I do.

L: Yeah, I think I'll try to do it the way it looks best and get the President's agreement on it.

HMJr: Well, I'll just tell McCloy that you are waiting to get a finished plan.

L: To get it approved by the President before we take any further action.

HMJr: Yes, sir.

L: That's fine.

HMJr: I thank you.

L: Yes, sir. Good bye, Mr. Secretary.

July 7, 1944  
10:00 a.m.

HMJr: Hello.

Operator: Mr. Smith.

HMJr: Hello.

Operator: Go ahead.

Fred  
Smith: Hello.

HMJr: Fred, in presenting this to Harry be sure and make the point that it isn't that we don't want him to do it but it's the thing we wanted an anonymous person -- you see?

S: That's right.

HMJr: But be sure and do that.

S: Oh, that -- I had intended to do that.

HMJr: What?

S: I had intended to do that.

HMJr: Yeah. I mean, so that there are no circumstances to hurt White's feelings because I think he has been handling a very difficult job extremely well.

S: Yeah.

HMJr: See?

S: Yeah.

HMJr: Extremely well, but we want to get it off on an anonymous basis.

S: That's right. And just have them, in effect, reporting the conference.

HMJr: What's that?

S: And just have them reporting the conference.

HMJr: Have a reporter.

S: Reporting the progress of the Conference.

- 2 -

HMJr: I mean, well, the way it's done every day here in the Treasury.

S: That's right.

HMJr: I mean it's done every day. The men get stories out of the Treasury but it isn't Charlie Shaeffer.

S: Yeah.

HMJr: Or it isn't you.

S: Yeah.

HMJr: It -- it's the Treasury speaking.

S: That's right.

HMJr: Wait a minute.

(Pause)

HMJr: The people here think that if you get this idea over that the newspapers -- the unfriendly newspapers are making it too much Keynes-White.

S: Yeah.

HMJr: And that that doesn't help the Conference any.

S: That's right.

HMJr: See?

S: Uh huh.

HMJr: See?

S: Yeah.

HMJr: And that -- this story today is what sort of made me really -- made me boil over a little bit. But....

S: Well, that was....

HMJr: But -- but from the standpoint of the Treasury and the standpoint of myself, Fred, this is one hundred percent your responsibility.

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S: Well, that's not quite fair because I can't control it. You know that.

HMJr: Well, you could make the effort.

S: Oh, yes, I can make the effort.

HMJr: And you could -- and -- and your sense of sympathy should be acute to this.

S: Yeah.

HMJr: I think that's fair.

S: Yeah.

HMJr: Isn't it?

S: Yeah. Yeah.

HMJr: What?

S: Yeah, I think so. I can't -- I can't do it all the time, as I say -- I mean, I lost out yesterday.

HMJr: Yeah.

S: And this thing had all been talked out.

HMJr: No.

S: And I ....

HMJr: I don't want to be unfair, but I think it's better my calling you, I mean, then we'll -- you could say, "Look, boss, this bothers me and this is off on the wrong foot. What can we do?"

S: Yeah.

HMJr: That would be fair to expect that of you.

S: Uh huh.

HMJr: Well, anyway, what the hell.

S: Yeah. All right.

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HMJr: I'm -- I admit I'm not perfect. I hope you admit the same.

S: (Laughs) Okay.

HMJr: What?

S: All right, I will -- reluctantly.

HMJr: As the second best mind in America.

S: Yeah.

HMJr: Okay?

S: All right.

HMJr: Thank you.

S: So long.

July 7, 1944  
11:10 a.m.

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HMJr: Hello.

Operator: There you are.

HMJr: Hello.

John  
McCloy: Hello.

HMJr: Jack.

M: Yes.

HMJr: I spoke to Admiral Leahy this morning.

M: Good.

HMJr: And he said he had it in mind to wait until he  
got a memorandum on which we had all agreed upon  
before he moved.

M: Right. That's fine.

HMJr: So he is now waiting to get that memorandum.

M: Well, that's got the dope. Now, you've got --  
Dan Bell's got the agreement.

HMJr: Fine.

M: And Jimmy Dunn's got it.

HMJr: Fine.

M: And then I'll check in -- a little bit later  
in the day -- are you talking to anybody about  
fiscal matters today?

HMJr: How do you mean?

M: Well, Alphan or any of those fellows.

HMJr: No. Nobody -- nobody wants to see me.

M: (Laughs)

HMJr: I'm the forgotten man.

- 2 -

M: Well, I -- Alphand saw me last night and said he wanted to talk about fiscal matters.

HMJr: No.

M: And I said, well, that I understand you have a day set aside with the Treasury.

HMJr: Today was the day.

M: What's that?

HMJr: Today was the day....

M: Today was the day.

HMJr: ....that was set apart.

M: He hasn't turned up, huh?

HMJr: And I'm leaving at eight-thirty tomorrow morning for Bretton Woods.

M: Oh, you are?

HMJr: Yep.

M: Well, let's for goodness' sake then get this thing cleared up today. You get hold of -- after Dan Bell goes over that stuff, you get hold of him and let's get your -- you get your approval of this agreement....

HMJr: Yeah.

M: ....and then I'll get the State Department lined up and then we may want to attack the President today, on the final agreement.

HMJr: Yeah.

M: And if we could do that, then we'd be cleared to go from there on.

HMJr: Well, now, I'd better speak to Dan. You mean you....

M: You speak to Dan, yes.

HMJr: You mean you want to get this....

M: We want to get the agreement, of course.

HMJr: He's having Cabinet and I don't know whether he's having a press conference this afternoon or not, but I'll -- I'll find out.

M: You're going to be -- you're going to be at lunch with him today?

HMJr: Yep.

M: Yeah. Well, you may -- you might say something to him then.

HMJr: I'll ask Dan now.

M: Yeah. All right, fine.

HMJr: Thank you.

July 7, 1944  
11:35 a.m.

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HMJr: Yes, Fred.

Fred Smith: Everything is all fixed. I talked to Harry.

HMJr: Yes.

S: And I asked him to -- if it wouldn't be a good idea to have Luxford and Bernstein -- have Luxford run the conference....

HMJr: Yes.

S: ....anonymously.

HMJr: Yes.

S: And have Bernstein there to answer the technical details.

HMJr: Yes.

S: Luxford will make a report on what went on.

HMJr: Yes.

S: And Berney will be there to answer the -- the technical problems that come up....

HMJr: Yeah.

S: ....which is a better arrangement anyway.

HMJr: Yeah.

S: I mean, it's all right.

HMJr: Yeah.

S: Harry was not at all upset about it. He would just as soon be relieved of it. He's got enough to do anyhow.

HMJr: Yeah.

S: And everything is all right. I talked to McDermott about it and McDermott was not very happy.

HMJr: Yeah.

S: He would rather have White do it.

HMJr: Yeah.

S: But he's going to go along with it and we started today.

HMJr: You started today?

S: We started today. The first conference at three o'clock this afternoon will be run by Luxford and Bernstein and -- and McDermott has agreed in some way to get the word to the men that we just want a report of the Conference and then -- just an anonymous report of the ....

HMJr: Well, I -- you have to see that through yourself.

S: Well, I -- I will do it, but I mean, you see I can't talk to the reporters because that is -- is McDermott's job.

HMJr: Yeah, but you could check up on him.

S: Yeah. Well, I can do that but that's about all.

HMJr: What?

S: I can do that, I say, but that's about all. You see, I -- I mean, the line is very sharply drawn.

HMJr: Yeah, but I mean, if necessary -- if necessary and there's any trouble, you could say, "Well, I'd like to talk to McDermott myself about it."

S: Yeah. Well, I think it will go through because I did let him know that this was your desire -- very fervent desire.

HMJr: Yes.

S: I think he's pretty well sold on it.

HMJr: And Harry, you left him ....

S: He's feeling fine. Sure. We had one little problem. They wanted to take a -- Columbia

- 3 -

S:  
Cont'd.           asked us yesterday afternoon to take one of these press conferences -- that Harry would run it, and McDermott told them he could.

HMJr:            Yeah.

S:                Well, now, I have talked to McDermott and we've got it fixed, I think, so that Acheson will run this -- will actually run this press conference and Harry will have to be there in order to keep the book straight with the broadcast, but there will also be Luxford and Bernstein and he will simply be one of the technicians.

HMJr:            When will that be?

S:                That will be Saturday night.

HMJr:            I see.

S:                And ....

HMJr:            Oh, you mean Columbia is going to take it down?

S:                Yeah, but it will be very late at night. It will be about a quarter to twelve -- a quarter to eleven.

HMJr:            I see.

S:                And at one time they wanted to have you on but that's wrong because we wouldn't have a chance to build it up and we'd just be wasting it.

HMJr:            Yeah.

S:                So we're not going to let them put any of the bigshots on this thing on Saturday night.

HMJr:            Right.

S:                And then I'm going to try to get them to take this whole program with you running it in the middle of the week.

HMJr:            Did you -- did your secretary -- did your secretary read you that article by Grafton?

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S: Yeah. Ben Grafton.

HMJr: Wasn't that right to the point?

S: I didn't think so, frankly, because it was too full of things that aren't true.

HMJr: Oh, well.

S: All of that stuff about the waiters setting people around in various places is just absolutely unadulterated bologna.

HMJr: I see.

S: Just making a story -- proving a point.

HMJr: I see.

S: And I was not very much impressed, honestly.

HMJr: Okay.

S: All right.

HMJr: Right.

S: Well, I -- it's all taken care of....

HMJr: Thank you.

S: Nobody is unhappy and ....

HMJr: What?

S: I say, it's all taken care of and nobody is unhappy and Harry is relieved.

HMJr: Well, I'm delighted. That's one less worry.

S: Yeah.

HMJr: And I think that the net result will be that the chance for the success of the Conference will be better.

S: Well, I think one net result will be that the reporters will get more of what they wanted actually, because they want to know what's going on.

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HMJr: Yes.

S: And Luxford is a good reporter. That will be Luxford's job. It's up to him to keep them posted just exactly as he is keeping you posted.

HMJr: Right.

S: Not to the extent, however.

HMJr: Right.

S: All right.

HMJr: Thank you.

S: Okay.

July 7, 1944  
11:40 a.m.

GROUP

Present: Mr. Gaston  
Mr. D. W. Bell  
Mr. Sullivan  
Mr. O'Connell  
Mr. Haas  
Mr. Pehle  
Mr. Gamble  
Mr. Glasser  
Mrs. Klotz

H.M.JR: How was the fire?

MR. SULLIVAN: It was terrific. They had thousands of people jammed in a hall for a big bond rally. Fortunately, it started to rain and they all cleared out. Otherwise, I don't know how many would have been killed.

H.M.JR: How many were killed?

MR. SULLIVAN: Nobody was killed.

H.M.JR: Nobody?

MR. SULLIVAN: No one was killed unless it was the one who was fooling around there when the explosion happened. It cracked windows in towns fifteen to seventy miles away. It broke all the windows in the dance hall. When it happened everybody thought Grenier Field had been bombed, everybody was running around like crazy.

H.M.JR: Where is your wife?

MR. SULLIVAN: She is in Massachusetts, she was in Boston, she went up the next day with the children. The nearest place to them was a half mile away and that is only five miles from the place where this broke.

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H.M.JR: I want to go back again for a minute on the DeGaulle thing, and incidentally the thing we have been talking about this morning, everybody is happy. This afternoon at the Press Conference we will discuss it.

MR. GASTON: There is another Keynes story on the ticker. I guess you noticed it this morning.

H.M.JR: Now, what I want to say is this: this business--I mean I have to go back to Bretton Woods on this business and these people have got me in a jam on this DeGaulle thing. Admiral Leahy--I can't just call up Admiral Leahy and say, "I don't trust you". Supposing Admiral Leahy goes over and he is unsuccessful? He was once before when the President sent him.

MR. BELL: I think he asked for a conference to explain.

H.M.JR: Another thing, I think we should not see the President this afternoon. After he has had DeGaulle for an hour and for lunch and a press conference and then we go to see him tonight, I think it is wrong.

MR. BELL: It is wrong.

H.M.JR: I think he is going to be tired. Do you agree?

MR. BELL: I agree he is going to be tired. They feel this is the time to show this much of it up, and everybody is feeling good about the visit. The President and DeGaulle apparently got along well yesterday and it is a psychological moment to get something done between the two. I think Holmes talked to a few of them and told them to be careful what they said publicly. That this was running along smoothly and to keep their mouths shut.

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H.M.JR: Why not do it in a direct way? Let me call up Leahy and say, "This will not be ready this afternoon".

MR. BELL: And you won't see the President until tomorrow?

H.M.JR: I think it is wrong to see the President. And say "This is ready when he presents this to the President, would he like to have anybody with him."

MR. BELL: That is all right.

H.M.JR: That is the direct way.

MR. BELL: This is probably something that Admiral Leahy doesn't have to know so much about. The President can read over the required points. As Holmes said this morning the chances are they won't go into details.

H.M.JR: I know he wants to get the thing to the President before it goes to the Combined Chiefs of Staff. Then, I call up Leahy and Leahy said, "Let me handle it". All I can do is--

MR. BELL: Let him handle it for the present.

H.M.JR: And say, "This is the thing, how would you like to do it?" Then he may want to see some of you before hand or want some of you to accompany him. What?

MR. BELL: That is right. Are you going to call Leahy or Mr. McCloy and suggest that?

H.M.JR: I will call Leahy.

MR. BELL: You had your conferences with McCloy and there is a question whether to--

H.M.JR: I will let you talk to him. Let me call Leahy first.

-4-

MR. BELL: All right.

H.M.JR: I don't have to call McCloy. The only thing is that Holmes wants me to take this to the President myself.

MR. BELL: I think that is the feeling of McCloy too and, of course, the President said yesterday he wanted to see the agreements. McCloy's theory is that this, if it had gone to the Combined Chiefs of Staff, that the British would have the whole basis for the agreements and the fat would be in the fire.

(Secretary holds telephone conversation with Admiral Leahy)

H.M.JR: You might call up the Combined Chiefs of Staff and you handle that. In the meantime Hilldring went around--

MR. BELL: I think he went before you got my memo.

H.M.JR: And then for me to say to him, "I don't believe you in this thing, you better let somebody else do it," I can't do it anyway but direct, then they don't catch me. Are you satisfied?

MR. BELL: Yes, I am satisfied.

H.M.JR: And I am not going to sit around, because tomorrow the President will say don't bother me, I will take it up Tuesday. My job is at Bretton Woods. Do you agree with me?

MRS. KLOTZ: Yes.

H.M.JR: Don't tell them I ran away or anything like that, but this is the way the Admiral sees it and he said if the President doesn't like it, send for Bell and McCloy.

MR. BELL: I don't think--Admiral Leahy isn't going to sit down and study it.

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H.M.JR: He said yesterday, "Look, Mr. Morgenthau, you are giving DeGaulle every answer and frankly I don't like the fellow and don't trust him. Is this what you want?" I said, "Yes". He said, "If you say it is what you want, all right. He is an honorable fellow, I trust him and he said right along he don't know anything about me. If that is what you advise, all right." Do you agree with me as to this consideration?

MR. BELL: Yes, I agree. The WarDepartment will be a little dissatisfied.

H.M.JR: What are you going to do?

MR. BELL: I think it will be all right.

H.M.JR: Suppose I hadn't said anything and Hilldring went to him? Suppose I had not done anything? All right, that is that. Another crisis is passed.

Theodore Roosevelt Gamble, I thought you would be in New York.

MR. GAMBLE: I was in New York yesterday. I arrived back here at seven thirty-three a.m. by plane.

H.M.JR: I am afraid you were a little late. What time did you leave there?

MR. GAMBLE: It was a little after seven. I took an early morning plane, I couldn't get on any other plane and I didn't want to ride the train.

H.M.JR: Will you give an accounting of yourself?

MR. GAMBLE: Yes. New York will have its biggest E Bond Day today. They will have seventeen million one hundred thousand in their E report.

H.M.JR: How much?

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MR. GAMBLE: Seventeen million one hundred thousand which will bring them back close to the line. New York is the principal worry we have in the E Bond field. We are running over the G Bonds about eighty million, of which forty million is in the E.

H.M.JR: How much? Eighty million of which forty million is E?

MR. GAMBLE: Yes. From everything we can learn, Mr. Secretary, from the issue agents, principally, there is no reason not to expect our pattern will be maintained. It is my opinion we will go beyond forty million, and we will do an excess of three billion on E Bonds and we can likely do enough to compensate for losses in other fields. The worst that can happen is twenty nine hundred million against three billion. Taking the worst view of the sales, we could not miss it over one hundred million dollars, if it collapsed, more or less. We are running three billion nine hundred thirty-seven million over the G, over all. We will go over this afternoon with sixteen billion. We had fifteen billion eight-thirty.

H.M.JR: What do we do?

MR. GAMBLE: I would like to suggest that a press conference be held and that a prepared statement be given out. I would like to suggest further that I prepare the statement and pass it along to Mr. Bell and yourself for such changes and corrections as you might want to make in it. But I think it is important that announcing we have gone over the top we leave the door open for those communities that want to continue. We have asked them to continue until the thirty-first day of July. We have had much more activity than we had the last time. There is no reason for us to be satisfied and I think we should say so at a press conference.

H.M.JR: I have an appointment out of the Treasury at five.

MR. BELL: We won't have the figures until five-thirty or quarter of six.

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H.M.JR: I could come back.

MR. BELL: Do you want to announce it tonight?

MR. GAMBLE: I would rather announce it tomorrow.

MR. BELL: You won't have the breakdown until tomorrow afternoon. They have some, but are one day behind on their publicity.

H.M.JR: You wouldn't want me to announce it from Bretton Woods?

MR. GAMBLE: I would prefer that to doing a half-way job tonight. After seven o'clock you don't get very good coverage.

H.M.JR: You don't think you would have State mixing it up?

MR. GASTON: I don't think it would.

H.M.JR: I would like to do it myself.

MR. GASTON: Yes.

MR. GAMBLE: It would be good publicity breaking out of Bretton Woods.

MR. BELL: Would you make the local people mad?

MR. GAMBLE: I think not. I don't think so, Mr. Bell.

MR. SULLIVAN: Would you have something in that about urging them to continue until the end of the month? They are running a ten million drive for a destroyer to be named for Frank Knox.

MR. BELL: Something ought to be done for the whole New England area.

MR. GASTON: Get out a release here after the conference in Bretton Woods and Fred Smith can phone down what the Secretary said.

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MR. GAMBLE: I would like to give you a note on what I want you to say.

H.M.JR: Suppose you prepare a memo and give it to Allen Barth and let him dress it up.

MR. GAMBLE: And put it on the wire tomorrow.

H.M.JR: On the wire tonight. But let Allen dress it up a little.

MR. GAMBLE: I understand.

H.M.JR: You get the facts, but let him give me a little dressing. I don't want stuffing--I want the gravy--I like both.

MR. GAMBLE: I am interested in keeping the matter open for people that want to carry on.

H.M.JR: You furnish the white meat; I will furnish the stuffing. I think it would be nice to do it up there, but I would like to do it myself. They have an awful lot of financial writers up there, you know.

MR. GAMBLE: Would you be willing to do this, say that on next Wednesday or Thursday you will give them an estimate? The reason for that is, when we close the Drive on the eighth, and you say we have gone over sixteen billion, you lose the punch, whatever you are going to get. Even if you come back at the end of the Drive and give them a report, there is a certain tendency to forget. When we went over the last time, we had X percentage of the money in and because of the lag we looked worse at the end.

H.M.JR: I tell you, Ted, you and Bell prepare all those things. I don't rely on my own judgment on this.

MR. BELL: I would question making--

H.M.JR: I have so many balls in the air--I knew what I wanted to do about Admiral Leahy; I felt I was right and the Army was wrong, and I proved I was right. But, some times, I just can't pass on things. You and Bell get together.

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MR. GAMBLE: All right, sir. We can set the process in such a way at the end of the Drive, to keep everybody working until the eleventh hour. We have a psychological problem to over come.

H.M.JR: You and Bell talk it over.

MR. GAMBLE: Yes.

H.M.JR: If you can get a New Hampshire story, put in something about the Green Hills of New Hampshire. I would love to put in something about the Green Hills of New Hampshire.

MR. SULLIVAN: A reference by you to Frank Knox might be particularly helpful in the political field. Throughout New England, the Republicans, can't understand why Dewey in his remarks didn't refer to their two great Republicans.

H.M.JR: Well, put in something.

MR. GAMBLE: About the Republicans? (Laughter)

H.M.JR: No--

MR. GAMBLE: I understand, I was just ribbing.

H.M.JR: No, about this great citizen of New Hampshire and the Green Hills of New Hampshire. I love Mr. Tobey. (Laughter)

MRS. KLOTZ: Wasn't he something?

H.M.JR: You got to get Fred Smith to take off Tobey and son doing their speech.

MR. SULLIVAN: Tobey and son?

H.M.JR: The two of them, together, writing up the speech. I haven't seen it, Mrs. Klotz has seen him do it. He is really something.

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MR. SULLIVAN: You have material to work on.

H.M.JR: You know he said he was going to lay down his life for this Conference.

MR. SULLIVAN: Has he gone into the Conference yet?

H.M.JR: Oh, yes. And don't forget the Green Hills of New Hampshire.

Dan?

MR. BELL: I don't think I have anything, except I don't think you have time for a conference with O'Connell and Glasser and myself on the Italian situation.

H.M.JR: Maybe we can have a short one. That is important. Make a note of that. I will try to do that thing.

MR. BELL: It is certainly one question I think you ought to consider very carefully.

H.M.JR: Glasser?

MR. GLASSER: Nothing.

H.M.JR: O'Connell?

MR. O'CONNELL: Nothing.

H.M.JR: John?

MR. PEHLE: Does the Treasury have any objection to hiring Japanese-Americans? We are, in the War Refugee Board, very short of stenographic help. The Civil Service Commission has passed a Japanese stenographer who is here in town and has been checked by the FBI. I don't want to take her on if the Treasury's policy is contrary.

H.M.JR: I can only tell you what Henry Morgenthau, Jr. would do, see?

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MR. PEHLE: Yes, that is what I wanted to know.

H.M.JR: I would not. I would not.

MR. BELL: Haven't we taken on some?

MR. PEHLE: I had Stewart check with McDonald. He was told in Chicago some had been taken on and the Secretary said no more would be taken on without his approval and I want to follow the policy.

H.M.JR: I have been in Hawaii and have seen these people. They go to the Japanese schools, it is driven into them. Don't do it, John.

MR. PEHLE: It is certainly nothing that I am going to die about. I don't agree that the bulk of these people aren't loyal, as far as I can tell.

H.M.JR: Do you want to make an issue of it?

MR. PEHLE: No, I don't want to make an issue of it.

H.M.JR: Then forget it. Anything else?

MR. PEHLE: Nothing.

H.M.JR: Joseph?

MR. O'CONNELL: I haven't anything.

H.M.JR: You accepted the suggestion that Judge Byrnes made?

MR. O'CONNELL: It was a good suggestion.

H.M.JR: You will be going to the Supreme Court one of these days.

What is the latest word on the girl that's going to London?

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MR. O'CONNELL: She hasn't gone yet, it takes some time. She is still going Saturday. (Laughter)

H.M.JR: Sullivan?

MR. SULLIVAN: Nothing, sir.

H.M.JR: Before the Conference is over you should come in.

MR. SULLIVAN: I would like to.

MRS. KLOTZ: The Boy Scouts are the best of them all.

H.M.JR: Especially, Mrs. Klotz and the Boy Scout Master. That is something.

MRS. KLOTZ: They really are wonderful.

MR. SULLIVAN: I believe they picked out the ones that had distinguished themselves.

MRS. KLOTZ: They never would have been able to manage without them.

H.M.JR: You drop in before it is over.

MR. SULLIVAN: When is it going to be over?

H.M.JR: The twentieth.

MR. SULLIVAN: I leave a week from tomorrow for Chicago, you know, for the Conference.

H.M.JR: Go via New Hampshire.

MR. SULLIVAN: All right, I could.

H.M.JR: Think it over.

MR. SULLIVAN: Anything happening there tomorrow?

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H.M.JR: What else?

MR. SULLIVAN: That is all, sir.

H.M.JR: Gaston?

MR. GASTON: The FEA is sending four business men, exporters and importers to the Mediterranean to look into foreign business possibilities. Woodward of the United States Commercial Corporation sent them to me yesterday. I had Hoffman and also Bill Johnson in, but the principal conclusion was that there wasn't any way they can either buy or sell because of the monetary situation over there, but they are going over anyway to get acquainted.

H.M.JR: Anything else?

MR. GASTON: No.

H.M.JR: I don't think Fred will be up there tomorrow, but isn't that Kofeld--was that his name?

MR. GASTON: Yes.

H.M.JR: Fred said something about going to New York tomorrow and trying to get a radio hook-up.

All right, everybody.

July 7, 1944  
11:48 a.m.

HMJr: Hello. Hello.

Operator: Admiral Leahy.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Admiral  
Leahy: Hello, Mr. Secretary.

HMJr: Admiral, I'm sorry to bother you again on this agreement. Now, the Army and the Treasury and State ought to be able to come to an agreement on this proposed de facto authority in connection with the French some time this afternoon.

L: Uh ....

HMJr: Hello?

L: Hello.

HMJr: And they'd be able to get it over to you some time this afternoon.

L: Well, that's all right. I'll take it up with the President tomorrow morning.

HMJr: Now, do you want any ex -- first-hand explanation from them or do you want to see some of them?

L: I don't think so.

HMJr: You don't think so?

L: We'll just take it up with the President. If they -- if they adhere closely to that directive that they got from him, I think he'll approve it. If he doesn't, then he can -- I'll tell him that he'll have to talk to them.

HMJr: Well, if he doesn't, then he could do what he did the other time. He could send for Bell and ....

L: Yes.

HMJr: ....and McCloy and Dunn.

L: Yes, yes.

HMJr: How would that be?

L: That's the best way to do it. If he objects to it, I'll just tell him, well, after all he'll have to talk to them, but I hope they will adhere to that directive he gave them. If they do, he'll have to approve it I suppose. But if they go off base ....

HMJr: No, they ....

L: ....and try to do something else, which they're very likely to do unless somebody sits on their heads.

HMJr: Well, I'm sitting.

L: Well, then everything will be all right.

HMJr: I'm sittin'.

L: Huh?

HMJr: Old sittin' bull, that's me.

L: Well, that's good. I think it will be all right now, under those conditions.

HMJr: Well, we'll leave -- we'll leave it that way. The reason I'm a little fidgety, I'm leaving at eight-thirty tomorrow morning for Bretton Woods.

L: Yeah.

HMJr: But Dan Bell will be here.

L: Yes, yes. Well, if the President objects to it, I'll tell him he'll have to see Mr. Bell and Mr. McCloy and Mr. Dunn and straighten it out with them.

HMJr: Wonderful.

L: Fine.

HMJr: Thank you.

L: You're welcome, sir.

HMJr: Much obliged.

L: Bye.

July 7, 1944  
4:00 p.m.

FINANCING RELIEF AND REHABILITATION IN ITALY

- Present: Mr. Hoffman
- Mr. D.W. Bell
- Mr. DuBois
- Mr. McConnell
- Mr. Glasser

H.M.JR: Go ahead, Mr. Bell.

MR. BELL: Somebody else explain it. DuBois--

MR. DuBOIS: You go ahead.

H.M.JR: Sounds like you're passing the buck.

MR. GLASSER: The problem as you know, is to find funds to pay for the goods being shipped into Italy. The War Department says they don't want to use their appropriation for that. Part of the funds that have been turned over to the Italian authorities--they would like to get out the latest, October first. They want to do this through civilian agencies, particularly FEA. FEA has no funds to buy these commodities, unless, of course, they get lend-lease to Italy and there are difficulties in there unless UNRRA takes it over or unless they can get the dollars for troop pay. The dollars for the troop pay to the United States troops. Now, the problems concerned with lend-lease are that they are supposed to be contracting lend-lease and if they were to give lend-lease to Italy they would have to have a special arrangement that would require reimbursement and there is very little prospect of reimbursement, but they are working on that problem.

We propose again--I understand Harry White raised this with you last March, that we use the dollars in the special fund that would offset troop pay. The situation has changed since March because we are now giving the troop pay dollars to the poor western European countries and we would simply extend it to Italy.

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H.M.JR: How could you extend it to Italy?

MR. DuBOIS: What we would do, we would pay from now on to Italy, dollars equivalent to the lira that they are using for troop pay.

H.M.JR: To pay which troops?

MR. DuBOIS: Our troops. In addition to that, we would turn over to them such dollars in that special fund which represent our troop pay. And they would then use those dollars to pay for civilian supplies. The same idea we have in mind for (Inaudible).

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

MR. BELL: You promised the Congress that this money-- I understood you did--that this money was being set aside in a special fund and was being carefully watched, and that the Congress would have the say in the end as to what would be done. That was said informally, as I understand, to an informal meeting, to a group of the Committee, when you were explaining the stabilization fund. I don't know, I wasn't there. And I guess you remember that the first time you went to the House to a joint committee meeting, it came out we were issuing this currency in Italy and there was some criticism and I understand you spent some time telling them what this currency is, you told them about the accounting and so forth. There is a question here that if you agree to this, whether you should go back to those particular committees and tell them of this change.

H.M.JR: How are you going to those committees when they are not in session?

MR. BELL: You can't do it.

MR. DuBOIS: I have another idea as to a possibility there. Presumably, this matter would have to be cleared with the President and what would you think of the idea of the President sending a special message to the Congress.

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H.M.JR: No. In the first place, I wouldn't bother the President with it period. I wouldn't bother him, he has too many things on his mind.

MR. DuBOIS: I am thinking of it from another angle, Mr. Secretary. I think it would be a very effective message to the Congress and would be very effective too from many points of view.

H.M.JR: For what purpose?

MR. DuBOIS: I think we need something to clear up the Italian situation.

H.M.JR: No, I am completely out of tune with you. The Congress isn't interested. You are raising something which isn't at issue. Immediately people say, "Well, they are either for or against it". Right now they don't know.

MR. DuBOIS: This would not deal obviously with that kind of an issue.

H.M.JR: If I thought I should do it, I would do it and then, certainly, at some appropriate time I would go to Congress and say, "I had to decide, this is the change, and we felt in view of the fact we are doing it for the other countries, it was only fair to do it for Italy and when I talked to you it was in the early days"--

MR. BELL: The situation has changed considerably since you talked to them. And when you look at the broad picture it is just about as broad as it is long, because you take this money and pay for the supplies that FEA would put in there. Even the FEA would do it with new money.

MR. GLASSER: With new money.

MR. McCONNELL: What if you had--

MR. BELL: We would be taking lira for the goods.

MR. McCONNELL: You would be selling these goods for the dollars, with Italian lira. Now, what you do with that lira is the question. You would be substituting it for what you buy with money.

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MR. BELL: The whole picture is as broad as it is long.

H.M.JR: In the first place, maybe it is too easy the way you put it up to me, but you have the fact they are dealing with France, Belgium, and Norway, the same way. Right?

MR. BELL: Right.

H.M.JR: And, we have worked out this technique; I would work the thing out in two steps. I would do this thing-- this step number one, to get Italy in line with the other countries and I would wait a little bit. Then, having established this arrangement, a little later I would say, "All right, they have established it and if you raise this question about the dollars, if Italy wants to use the dollars to buy supplies for the civilians, we will grant that." I would not bother the President.

MR. BELL: That is the thing that worried me, what you said to the Congressional Committee.

H.M.JR: I would say, "Look, Gentlemen"--I would explain it this way--I would go back to last October, that was a long time ago. Now, we find that four other countries come in on this basis and we can't treat Italy separately, therefore, I desire to treat them the same as the others.

MR. GLASSER: Of course, when you talked to them then, it was enemy territory. Presumably, it is still--what do we call it--

H.M.JR: We have a Prince Regent.

MR. McCONNELL: It is a new title.

H.M.JR: Couldn't you say when I was there we talked about enemy territory. Now we are talking about the King's Italy?

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MR. BELL: That is right.

H.M.JR: We are now talking about, we have a new situation, what are we going to do to feed the population in the King's Italy and the way to do that, the way to treat them is the same as we do the other friends. What in the hell is the matter with that?

MR. McCONNELL: It seems to be the only way out.

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

MR. BELL: I would like to take the other side for a moment. I think the impression was left at the time you discussed that, we were not going to be in the same situation with respect to these enemy countries, this time as we were in the last war. We incurred all this expense and then we had to negotiate in the end and make some sort of an agreement with Germany to pay us the Army of Occupation cost and other loans. Here, you have the dollars and have them in your own hands and if Congress says, "We will give them fifty percent of those dollars" and if they said, "We will give you nothing," then you keep it all. I think that was the impression. I don't think it is so important but there is that difference.

H.M.JR: There is also this difference at this time which I don't think was in the last time. We are asking the countries as they are liberated to buy for their civilians supplies for their people up to the limit of their funds. We are not doing what we did in France last time. We loaned them the money. This is a better deal, isn't it?

MR. BELL: It is a good deal. We bought the francs last time the same as we are buying lira. And they took the dollars and those were resources to meet the difference in this country.

MR. GLASSER: We loaned them additional amounts.

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MR. BELL: We loaned them the amount necessary to meet all of their requirements over and above the dollar resources, the dollars necessary being made up from these francs.

H.M.JR: Did we make them use the dollars from their own troop pay to buy the supplies?

MR. BELL: They had a purchasing commission in this country and they showed the contracts to the Treasury and we paid them dollars from the francs.

H.M.JR: Has anybody got any better way to do this?

MR. BELL: I think it is a good way.

MR. DuBOIS: Financially, I think, it is in our interest to do it this way. You are getting paid for your civilian supplies, which otherwise you would not.

H.M.JR: Well, they are taking our troop dollars, aren't they?

MR. BELL: And paying for civilian supplies.

H.M.JR: Who do they pay?

MR. DuBOIS: FEA.

H.M.JR: And FEA gets the dollars?

MR. DuBOIS: Yes.

H.M.JR: What does FEA do with the dollars?

MR. DuBOIS: They go back to our credit.

H.M.JR: This isn't the thing that Lauch wanted?

MR. BELL: It is along the same line, but what Lauch had wasn't understandable.

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H.M.JR: Well, look, if I go before Congress and anybody questions it, I will say, "Granted, the situation was entirely different. You had the King of Italy down there. When I was over there one minute it was a Commission to negotiate the peace, then the next thing it was a Commission to wait on the King. The situation is different."

MR. BELL: By the time this thing becomes effective, Italy may have an army in the field.

MR. GLASSER: Italy has.

MR. BELL: It is a small one.

H.M.JR: I am doing this in a rush way, but it seems to me I couldn't bother the President with it. I am willing to take full responsibility on this, the way I did the French thing, without bothering him. This is all right, we will have some kind of supervision over it?

MR. GLASSER: We will have control of the funds, they will be in a blocked account.

MR. McCONNELL: It is the same plan that arises with the English.

MR. BELL: It has that advantage.

H.M.JR: Why do you keep back the gravy for the last minute? (Laughter) Let me ask you, Mr. McConnell, supposing I wasn't available, would you mind explaining this to the Congressional Committee?

MR. McCONNELL: Not a bit. We have until October first. The Army will carry the ball until October first, and it seems desirable to discuss with the committees what you are doing.

H.M.JR: Why does Mr. Bell hold a pistol to my head on the seventh of July?

MR. McCONNELL: Because we told them we would have an answer for them on the seventh.

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MR. BELL: There was a meeting this morning at 11:30, at which we were supposed to have an answer.

H.M.JR: You still think the President should send a message?

MR. DuBOIS: I was thinking of it, not primarily from the standpoint of informing Congress, but from his own standpoint, and I thought--

H.M.JR: Is this going to put any more food in the bellies of the Italians?

MR. DuBOIS: This would not be any such message. It would not be limited to the financial thing. It would deal with the whole situation and announce we are treating Italy as we are treating our other friendly countries. I mean, its effect on the Italian people in this country, and be a very good excuse for what I feel is necessary, a message from the President on his position with regard to Italy, which I heard from another source--it is not his intention to treat them as a friendly country.

H.M.JR: Well, draft a message for him and let me see it.

MR. BELL: It couldn't go before August first, anyway.

H.M.JR: Draft a message for me and let me look at it.

MR. DuBOIS: I would like to, very much.

H.M.JR: Give that to the young lady and tell her, her notes and this go together.

(The Secretary asked Mr. Glasser to hand a memorandum entitled "Financing Relief and Rehabilitation in Italy," dated July 1, 1944, from Mr. D. W. Bell to the Secretary, to the reporter) ATTACHED.

(Secretary holds telephone conversation with Mr. Fitzgerald)

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MR. McCONNELL: What is the size of that fund? I understand it is one hundred twenty million and equivalent to eighty million dollars in sterling, as accruing to pay both British and American troops, and it is accruing at the rate of ten million sterling and fifteen million dollars monthly.

H.M.JR: Let's see some of the raw materials go into Italy, come out of the British Empire and not out of the U.S.A., such as oil, gasoline.

MR. McCONNELL: Fertilizer.

H.M.JR: But oil and gasoline have been going out of middle Europe and not out of the U.S.A.

MR. McCONNELL: Don't you think the Treasury can keep a little better hand in on this?

MR. BELL: You can ask for details as to what they spend it for.

H.M.JR: Why not, when we agree to this, say we would like to have them submit to us in advance, their purchases? In advance for our Okay. I imagine FEA has its tongue hanging out to get me to agree to this, so let's say this: "We would like them to submit to us the name of the purchasing agent, the proposed purchase, the disposition of the material and the--

MR. McCONNELL: And the origin.

H.M.JR: Yes. How is that?

MR. McCONNELL: You want to make this condition on the same arrangement with the British?

MR. GLASSER: No.

MR. McCONNELL: You don't?

MR. HOFFMAN: They will have to do it, practically and politically.

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H.M.JR: You see, this gets into the raw materials business. I think that is a smart idea.

MR. BELL: Will you just apply that to minerals?

H.M.JR: No, everything. I don't want to be too obvious. There is no reason in the world, if they are going to purchase fifteen million dollars worth of goods and want us to do this thing, they are licked on this thing unless the Treasury goes along. As a condition, we want submitted to us in advance, what they are going to purchase, how much a month, and where it comes from and what they pay for it.

MR. McCONNELL: There is no reason to ship oil from Texas to Italy.

MR. BELL: I don't know what we have on the fertilizer.

H.M.JR: There is a lot of this stuff in Africa, this stuff could come from Africa. Do they have any phosphates in Africa?

MR. GLASSER: Yes, French North Africa.

MR. BELL: How about shipping space?

H.M.JR: They have small vessels and barges.

MR. McCONNELL: They have American motors and equipment in there, so they continue trading.

H.M.JR: Bob McConnell, I haven't the time--we have got to conserve certain raw materials of which we are very short and I think it is better when it is on a non-competitive basis. After all, if they can sell gas and oil at nine or eleven cents a gallon in Cairo, and when I was there that was what they were paying and all you wanted, it is a good buy--let's buy from them.

MR. McCONNELL: That is about what it is here, on the tanker.

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H.M.JR: Now, is everybody happy? Are you going to have to see me today on DeGaulle?

MR. BELL: We haven't yet cleared with War and State. They are supposed to be here any minute. Our agreement is very short, if you would like to look it over.

H.M.JR: That is all on that--is that all right, Bob, are you perfectly happy?

MR. McCONNELL: Yes, I am, sure.

(Mr. McConnell leaves the conference)

(Mr. DuBois hands Secretary an agreement between the French Committee and the Allied Commander on currency, attached)

H.M.JR: This is the financial--(reading agreement handed him by Mr. DuBois)--don't try to explain it to me. I read it but I didn't understand it, I read it so hurriedly.

MR. BELL: This is the currency angle, that is as far as it goes.

H.M.JR: This is purely a technical job and if they don't know how to do it, then who the hell does?

MR. BELL: It seems to me to cover the point.

MR. DuBOIS: One point we might mention--this isn't something which may happen, we are not too worried about it, but the French Committee may start printing up currency of their own or stamping the currency they have--the official currency of France.

H.M.JR: I have considered that as a possibility.

MR. DuBOIS: One thing we have done, we have protected the Commander so he doesn't have to take that.

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H.M.JR: I have seen the possibility--and what can we do about it? These are my plans--I will be home by six o'clock if you want to talk to me. I am planning to go to a movie tonight, but I don't have to go. I will be here at nine o'clock if anybody wants to see me.

MR. BELL: I don't think there is anything further. We can clear this with War and State and deliver it, along with the War Department draft. We may want to prepare a memo on it, highlighting the points.

H.M.JR: Do you want to know where I am until I step on the plane at eight-thirty tomorrow?

MR. BELL: I don't think there is anything. We have an understanding with Gamble--he will teletype that thing up to you. I think that is all we need the Secretary for.

H.M.JR: Thank you all for a good week's--I mean, good two weeks' work.

WHEREAS, it is understood that the Supreme Commander of the Allied Expeditionary Forces is prepared to deal with the French Committee of National Liberation as the de facto authority in France;

WHEREAS, in the military operations in France supplemental French franc currency is being used to fulfil the currency needs of the Allied Armed Forces;

NOW THEREFORE, in order to further such objectives, it is understood and agreed as follows between the Supreme Commander of the Allied Forces (hereinafter called the Commander) and the French Committee of National Liberation (hereinafter called the Authority):

- (1) All such supplemental franc currency which has been and may be issued in France will be treated as having been issued by the Authority.
- (2) The Commander will retain the supplemental franc currency in his possession on the date of this Agreement for use of the Allied Forces in France. The amount of such currency in his possession (including that held by his finance officers) and the amount held by Allied Troops or otherwise put into circulation totals \_\_\_\_\_ as of the date of this Agreement.
- (3) All supplemental franc currency, which is not now in circulation or which is not now in the possession of the Commander, shall be placed in circulation or made available to the Commander only by the Authority.
- (4) The Authority will promptly make available to the Commander upon his request additional French franc currency in such amounts, of such types, at such times and at such places as the Commander states may be necessary for the use of the Allied Forces in France.
- (5) Records and accounts will be maintained by the Commander which will reflect the transactions effected hereunder and the uses which are made of the French franc currency furnished hereunder. Such records and accounts will be made available for inspection at reasonable times by such liaison officer or officers as may be mutually agreed upon by the Commander on the one hand and the Authority on the other.

- 2 -

- (6) If it should become essential in the conduct of military operations to cause currency other than the French franc currency furnished hereunder to be used, such currency shall only be used with the approval of the Commander and after consultation with the Authority.
- (7) Any dollar or sterling payment arrangements which may be made with the Authority in connection with the costs arising out of operations or activities in France, including pay of troops on the one hand and payment for civilian supplies on the other, shall be negotiated separately by the United States Government and the British Government.

July 1, 1944.

Secretary Morgenthau

Mr. D. W. Bell

Subject: Financing Relief and Rehabilitation in Italy.

The following is a proposed Treasury program for financing relief and rehabilitation in Italy:

- (1) The proposal to use Lend-Lease for relief and rehabilitation supplies on a basis of cash reimbursement in lire is not deemed desirable by Treasury.
- (2) As an alternative it is suggested that we apply to Italy on a retroactive basis the principle adopted for the western European countries of making the dollars used for troop pay available to pay for relief and rehabilitation supplies.

Acceptance of this proposal will be subject to approval of appropriate Congressional committees.

- (3) The U. S. and British Governments should ask UNRRA to take part of the burden and should accept any aid which UNRRA will give.
- (4) The Army should continue to furnish civilian supplies at least until October 1, 1944.
- (5) A program should be initiated to build up the AF accounts. The foreign exchange in these accounts should be made available immediately for payment for supplies which the Army cannot or will not furnish and for necessary reconstruction goods not otherwise provided for.

- 2 -

- (6) The problem of financing reconstruction in Italy should not be dealt with at present. Meanwhile, the possibility of furnishing such supplies under Section 3-C of the Lend-Lease Act or the mechanism of the Export-Import Bank should be explored.

The main point of this program is to make available for relief and rehabilitation supplies the dollars used for the pay of troops in Italy. The following are the advantages of this proposal:

- (a) This is the policy which will be applied to Belgium, the Netherlands and Norway and is consistent with the President's policy of treating Italy as a liberated area rather than an occupied enemy country.
- (b) It will be politically difficult for the British to avoid following a similar policy. This would mean that the British would undertake a larger share of the cost of relief and rehabilitation in Italy than by any other method.
- (c) If the principle is applied retroactively as we recommend, it would mean making available about \$120 million and the equivalent of \$80 million in sterling. In addition, it would give Italy currently about \$15 million and the equivalent of about \$10 million sterling monthly. This would probably provide enough foreign exchange to do the full relief and rehabilitation job during the next year.
- (d) Our long run financial position would be better under this arrangement. By using the dollars in the special account now in payment for supplies to Italy, we will be returning to the U. S. the full amount of dollars used for troop pay, which we will undoubtedly be turning over to Italy at some point. If, on the other hand, these dollars are merely thrown

- 3 -

into the settlement of all claims against Italy and Italian counterclaims, we might have to share these assets with other countries that have claims against Italy. In addition, we would not be foreclosing the possibility of adding the cost of the pay of our troops to our claims against Italy.

- (e) Such a policy would give the final blow to any allegations that the expenditures of our troops are causing inflation in Italy because we would then be bringing in supplies at least equal in value to the total expenditures of our troops in Italy.

We believe a better case can be made to Congress for this proposal than for the F.E.A. proposal or for a proposal to give Italy relief and rehabilitation supplies on straight Lend-Lease or on credit.

WHEREAS, the Supreme Commander of the Allied Expeditionary Forces is dealing with the French Committee of National Liberation as the de facto authority in France;

WHEREAS, in the military operations in France supplemental French franc currency is being used to fulfil the currency needs of the Allied Armed Forces;

NOW THEREFORE, in order to further such objectives, it is understood and agreed as follows between the Supreme Commander of the Allied Forces (hereinafter called the Commander) and the French Committee of National Liberation (hereinafter called the Authority):

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- 2 -

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- (7) Any dollar or sterling payment arrangements which may be made with the Authority in connection with the costs arising out of operations or activities in France, including pay of troops on the one hand and payment for civilian supplies on the other, shall be negotiated separately by the United States Government and the British Government.

July 7, 1944.

MEMORANDUM FOR THE FILE

Meeting in Secretary Morgenthau's Office,  
July 7, 1944.

Present: Secretary Morgenthau, Under Secretary Bell,  
Messrs. McConnell, Glasser, Dubois and Hoffman.

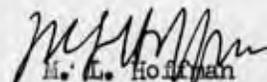
Subject: Financing Relief and Rehabilitation in Italy.

1. The Secretary referred to the memorandum prepared on this subject and asked that the points at issue be explained. Mr. Glasser explained that the heart of the program was the proposal to make available to Italy the dollars now held in the special account for the pay of troops. The advantages of this proposal were explained along the lines of the memorandum and, after some discussion, the Secretary agreed to the proposal.

2. A question was raised as to whether it would be necessary to get clearance from the Congressional Committees before proceeding to transfer the dollars from the special account. It was the view of the Secretary that it would be unnecessary inasmuch as Congress was not interested, and the situation had so substantially altered since his previous discussions with the Congressional Committees on the matter that he felt fully justified in taking the responsibility himself.

3. The Secretary said that in return for this agreement to make these dollars available to pay F.E.A. for civilian supplies to Italy he felt the Treasury should insist that the supply program be presented in full to the Treasury, including the nature of the commodities, source of supply, and amounts involved. He expressed the view that in this way the Treasury could keep an eye on the use of the funds and could perhaps exert some influence to prevent the acceptance by the U.S. of too large a share of the responsibility for supplying Italy.

4. The Secretary referred to the fact that the principle which would be applied to Italy under this program would be the same as that applied to the Western European countries. He said before actually making the dollars available for Italy a final agreement should be reached concerning France, the Netherlands, Belgium and Norway. After this decision has been reached, the second step, that is, agreeing that Italy should be treated the same, could be taken.

  
M. L. Hoffman

cc Messrs. Bell, Glasser, Dubois, McConnell

ALAN BARTH

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1306 30th Street, N. W.  
Washington, D. C.

July 7, 1944.

Dear Mr. Secretary:

You gave me a great sense of pride when you permitted me to be of some assistance to you. And now you have multiplied my satisfaction by your very generous and gracious letter.

I hope that you will continue to count on me as an eager volunteer for any assignment in which you think I might prove useful. An opportunity to be of service in these days is a privilege. In my case, you have contrived to make it a pleasure as well.

Thanks for your confidence and your kindness.

Sincerely,

*Alan Barth*

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

25

JUL 7 1944

Dear General Hines:

Reference is made to your letters of January 28 and May 13, 1944, relative to investments made for account of the United States Government Life Insurance Fund and recommending that a special Treasury obligation bearing interest at the rate of  $3\frac{1}{2}\%$  per annum be authorized for future investments and reinvestments for account of this Fund.

It is noted that the average effective interest rate of the securities in the Fund as of December 31, 1943 was 3.61%, and exclusive of the special  $4\frac{1}{2}\%$  bonds issued under Section 5 of the Adjusted Compensation Payment Act, the average rate was 2.76%. You call attention to the fact that the special  $4\frac{1}{2}\%$  bonds are callable in 1945.

You also direct attention to the fact that the World War Veterans' Act specifies that the basis of calculation of the reserves and all other values shall be the American experience table of mortality and interest at  $3\frac{1}{2}\%$  per annum. Inasmuch as Government life insurance policies, in addition to insurance against death, provide protection against total and permanent disability at no increased premium cost, you state it is apparent that the purchase in the market of any of the present outstanding Government securities, or the subscription to original Government issues at current interest rates, will not meet the requirements of the Fund.

In support of your recommendation for the issuance of a special Treasury obligation with interest at the rate of  $3\frac{1}{2}\%$  per annum to the Government Life Insurance Fund, you point out that special securities have previously been issued for the Adjusted Service Certificate Fund and the National Service Life Insurance Fund with rates of interest corresponding to the interest rates specified in the statutes governing such funds.

The mere fact that a life insurance policy states that the reserves and premiums have been calculated on the basis of a given mortality table at a given rate of interest does not mean that such rate of interest must be earned on invested funds in order to maintain actuarial solvency. On the other hand, it is recognized that the Government Life Insurance Fund is covering the risk of disability and the special risks due to war generally and the probable ultimate liabilities of the Fund will be increased accordingly.

- 2 -

The Treasury appreciates the fact that unless the interest income of the Fund is maintained at an average rate somewhere near the rate specified in the statute for the calculation of reserves, etc., an ultimate deficit may be incurred which will require an appropriation from the Federal Treasury. In line with this position the Treasury is prepared to issue special one-year certificates of indebtedness with interest at the rate of  $3\frac{1}{2}\%$  per annum, payable semiannually, to cover the investment of current funds available to the Government Life Insurance Fund and for the reinvestment of securities now in the Fund as they mature from time to time. It is understood that when the present  $4\frac{1}{2}\%$  special bonds held in the Fund are payable in 1946, the proceeds will be reinvested in the special  $3\frac{1}{2}\%$  obligations at that time.

I shall be glad if you will confirm that the action which the Treasury proposes to take is agreeable to you.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Brig. Gen. Frank E. Hines  
Administrator of Veterans' Affairs  
Veterans' Administration  
Washington 25, D. C.

VHines 7/1/44

Regraded Unclassified

JUL 7 1944

CC:L&R:PAV  
A-392431Through the Bureau of the Budget  
Attorney General  
Division of the Federal  
Register

My dear Mr. President:

I herewith submit for your consideration, with the recommendation that it be approved, a proposed Executive Order permitting the Select Committee to Investigate the Federal Communications Commission of the House of Representatives to inspect income, excess-profits, declared value excess-profits and capital stock tax returns.

In accordance with the request of the Committee, Executive Order 9448, dated June 8, 1944, authorized inspection of returns for the years 1932 to 1938, inclusive. It now appears that permission also to inspect returns for the years 1939 to 1944, inclusive, is actually desired, and that failure previously to request such permission was inadvertent. The proposed

-2-

Executive Order, which is supplemental to Executive Order 9448, authorizes inspection of returns for the years 1939 to 1944, inclusive. There is also submitted a proposed Treasury decision regulating such inspection.

Faithfully yours,

(Signed) John L. Sullivan

Acting Secretary of the Treasury.

The President,  
The White House.

PAV/MEW 6-29-44

( T. D. )

## TITLE 26 -- INTERNAL REVENUE

## CHAPTER I

## SUBCHAPTER E -- PART 458, SUBPART E

INCOME, EXCESS-PROFITS, DECLARED  
VALUE EXCESS-PROFITS, AND CAPITAL  
STOCK TAXES

Regulations governing the inspection of  
income, excess-profits, declared-value  
excess-profits, and capital stock tax  
returns by the Select Committee to In-  
vestigate the Federal Communications  
Commission, House of Representatives.  
Treasury Decision 5378 supplemented.

TREASURY DEPARTMENT,  
Washington, D. C.

JUL 7 1944

TO COLLECTORS OF INTERNAL REVENUE  
AND OTHERS CONCERNED:

Pursuant to the provisions of sections 55 (a), 508, 603, 729 (a), and 1204 of the Internal Revenue Code, income tax, capital stock and declared value excess-profits tax returns for the years 1939 to 1944, inclusive, and excess-profits tax returns for the years 1940 to 1944, inclusive, shall be open to inspection by the Select Committee to Investigate the Federal Communications Commission, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 21 (Seventy-eighth Congress, first session),

-2-

passed January 19, 1943, and subject to the rules and regulations prescribed in Treasury Decision 5378, approved June 8, 1944.

This Treasury decision is supplemental to Treasury Decision 5378.

(Signed) John L. Sullivan

Acting Secretary of the Treasury.

Approved:

The White House.

## EXECUTIVE ORDER

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INSPECTION OF INCOME, EXCESS-PROFITS, DECLARED VALUE EXCESS-PROFITS, AND CAPITAL STOCK TAX RETURNS BY THE SELECT COMMITTEE TO INVESTIGATE THE FEDERAL COMMUNICATIONS COMMISSION, HOUSE OF REPRESENTATIVES. EXECUTIVE ORDER 9448 SUPPLEMENTED.

By virtue of the authority vested in me by sections 55 (a), 508, 603, 1204, and 729 (a) of the Internal Revenue Code (53 Stat. 1, 29, 111, 171; 54 Stat. 974, 989), it is hereby ordered that income, excess-profits, declared value excess-profits, and capital stock tax returns made under the Internal Revenue Code for the years 1939 to 1944, inclusive, shall be open to inspection by the Select Committee to Investigate the Federal Communications Commission, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 21 (Seventy-eighth Congress, first session), passed January 19, 1943, and subject to the conditions stated in the Treasury decision relating to the inspection of such returns by that Committee, approved by me this date.

-2-

This Order is supplemental to Executive Order 9448, dated June 8, 1944.

This Order shall be published in the Federal Register.

The White House.

PAV/MEW 6-22-44

OFFICE OF  
THE ADMINISTRATIVE ASSISTANT  
TO THE SECRETARY OF THE TREASURY

106

Attachments:

1. Letter from Representative Lea to President.
2. Proposed Executive Order.
3. Letter from Attorney General Biddle to President, dated 4-30-43, approving order.
4. Letter from F. J. Bailey of Budget to Attorney General, dated 4-28-43, approving order (carbon copy).
5. Letter to President from Acting Secretary John L. Sullivan, dated 4-23-43, attaching Executive Order.

TELEPHONE 309

CHARLES S. BELL

ROOM 293

THE WHITE HOUSE  
WASHINGTON

June 8, 1944

MEMORANDUM FOR

MR. CHARLES S. BELL,  
Treasury Department

This is the letter from Representative Lea about which I just telephoned you. The file was returned to the Secretary with the President's confidential memorandum of May 10, 1943.



M. C. LATTA  
Executive Clerk

JUN 8 1944

MEMORANDUM FOR THE PRESIDENT

You will recall that in May of last year you were unwilling to sign an Executive Order authorizing the Congressional committee set up to investigate the Federal Communications Commission, then Chairmanned by Congressman Cox, to examine income tax returns. The new Chairman, Congressman Lea, has recently written you requesting that you now approve the proposed Executive Order stating that his select Committee believes that it will be of considerable aid to it in making a current investigation.

I see now no reason why the Executive Order should not be signed, and it is transmitted herewith with that recommendation.

(Signed) H. Morganthau, Jr.

Enclosure

JJO'C/kfa

JUN 8 1944

MEMORANDUM FOR THE PRESIDENT

You will recall that in May of last year you were unwilling to sign an Executive Order authorizing the Congressional committee set up to investigate the Federal Communications Commission, then Chairmanned by Congressman Cox, to examine income tax returns. The new Chairman, Congressman Lea, has recently written you requesting that you now approve the proposed Executive Order stating that his select Committee believes that it will be of considerable aid to it in making a current investigation.

I see now no reason why the Executive Order should not be signed, and it is transmitted herewith with that recommendation.

(Signed) H. Morgenthau, Jr.

Enclosure

JJO'C/kfa

## EXECUTIVE ORDER

-----

INSPECTION OF INCOME, EXCESS-PROFITS,  
AND CAPITAL STOCK TAX RETURNS BY THE  
SELECT COMMITTEE TO INVESTIGATE THE  
FEDERAL COMMUNICATIONS COMMISSION,  
HOUSE OF REPRESENTATIVES

By virtue of the authority vested in me by section 257 (a) of the Revenue Act of 1926 (44 Stat., 9, 51); section 55 of the Revenue Act of 1932 (47 Stat., 169, 189) as amended by section 218 (h) of the National Industrial Recovery Act (48 Stat., 195, 209); sections 215 (e) and 216 (b) of the National Industrial Recovery Act (48 Stat., 195, 208); sections 55 (a), 701 (e), and 702 (b) of the Revenue Act of 1934 (48 Stat., 680, 698, 770); sections 105 (e) and 106 (c) of the Revenue Act of 1935 (49 Stat., 1014, 1018, 1019); sections 55 (a), 351 (c), and 503 (a) of the Revenue Act of 1936 (49 Stat., 1648, 1671, 1733, 1738); and

sections 55 (a), 409, 601 (e), and 602 (c) of the Revenue Act of 1938 (52 Stat., 447, 478, 564, 566, 568), it is hereby ordered that income, excess-profits, and capital stock tax returns made under the Revenue Act of 1932, the Revenue Act of 1932, as amended by the National Industrial Recovery Act, the National Industrial Recovery Act, the Revenue Act of 1934, the Revenue Act of 1935, as amended by the Revenue Act of 1936, the Revenue Act of 1936, the Revenue Act of 1936, as amended by the Revenue Act of 1937, and the Revenue Act of 1938, for the years 1932 to 1938, inclusive, shall be open to inspection by the Select Committee to Investigate the Federal Communications Commission, House of Representatives, or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of House Resolution 21 (Seventy-eighth Congress, first session), passed January 19, 1943; such inspection to be in accordance and upon compliance with the rules and regulations prescribed by the Secretary of the Treasury

-3-

in the Treasury decision relating to the inspection of returns by that committee, approved by me this date.

This order shall be published in the Federal Register.

The White House

June , 1944.

## EXECUTIVE ORDER

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INSPECTION OF INCOME, EXCESS-PROFITS,  
AND CAPITAL STOCK TAX RETURNS BY THE  
SELECT COMMITTEE TO INVESTIGATE THE  
FEDERAL COMMUNICATIONS COMMISSION,  
HOUSE OF REPRESENTATIVES

By virtue of the authority vested in me by section 257 (a) of the Revenue Act of 1926 (44 Stat., 9, 51); section 55 of the Revenue Act of 1932 (47 Stat., 169, 189) as amended by section 218 (h) of the National Industrial Recovery Act (48 Stat., 195, 209); sections 215 (e) and 216 (b) of the National Industrial Recovery Act (48 Stat., 195, 208); sections 55 (a), 701 (e), and 702 (b) of the Revenue Act of 1934 (48 Stat., 680, 698, 770); sections 105 (e) and 106 (c) of the Revenue Act of 1935 (49 Stat., 1014, 1018, 1019); sections 55 (a), 351 (c), and 503 (a) of the Revenue Act of 1936 (49 Stat., 1648, 1671, 1733, 1738); and

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-3-

in the Treasury decision relating to the inspection of returns by that committee, approved by me this date.

This order shall be published in the Federal Register.

The White House

June , 1944.

O  
THE WHITE HOUSE  
WASHINGTON

May 10, 1943

CONFIDENTIAL MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

I think it very unwise to sign this Order to open the books to this Committee. The Chairman of the Committee is the same man who was accused by the Federal Communications Commission of accepting money from a radio station. He is very popular in the House but I think that there is still a thing called "good faith" in the Congress and in the Administration.

D  
F. D. R.

Enclosures

RECEIVED  
MAY 11 1943  
U.S. DEPARTMENT OF THE TREASURY

APR 23 1943

GC:L&R:PAV  
A-380359Through the Bureau of the Budget  
Attorney General  
Division of the  
Federal Register

My dear Mr. President:

I am submitting herewith for your consideration with the recommendation that they be approved, a proposed Executive Order authorizing the Select Committee of the House of Representatives to Investigate the Federal Communications Commission to inspect income, excess-profits, and capital stock tax returns, for the years 1932 to 1938, inclusive, made under the revenue acts covering such years, and also a proposed Treasury decision regulating such inspection.

The Executive Order and Treasury decision are submitted in accordance with the request of the Committee for authority to inspect such returns made under the Revenue Act of 1932 and subsequent <sup>years,</sup> ~~revenue acts~~ up to and including the Revenue Act of 1938.

Faithfully yours,

(Signed) John L. Sullivan

The President  
The White House

Acting Secretary of the Treasury.

JUL 7 1944

My dear Mr. Secretary:

Supplementing my letter of June 16 in connection with the reservation of new passenger-carrying automobiles for use by the Department of the Interior, there now remains three hundred and ninety (390). Attached hereto is a listing of the remaining vehicles and their locations. These vehicles I have had earmarked for your department.

I am most anxious to have them removed from the depots as soon as possible and, therefore, I shall appreciate it if you will see that a purchase authority is issued immediately. In the event there are cars to be used as trade-ins, please have the necessary Forms 812, covering same, attached to the purchase authority.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harold L. Ickes  
Secretary of the Interior  
Washington, D. C.

Attachment

E.L.Olrich:HCB:ejm

CC- Secretary's Correspondence Division  
Rm. 463 Treasury Building  
Washington, D. C.

## Blue Grass Ordnance Depot - Richmond, Ky.

	<u>2-DR.</u>	
Ford	18	18

## Casad Ordnance Depot, New Haven, Ind.

Ford	10	
Chevrolet	85	
Plymouth	<u>2</u>	97

## Columbus Ordnance Depot, Columbus, Ohio

Chevrolet	141	
Plymouth	<u>1</u>	142

## Lincoln Ordnance Depot, Springfield, Ill.

Ford	7	7
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## Fort Worth QM Depot, Fort Worth, Texas

Ford	45	<u>4-DR.</u>	
Plymouth	<u>29</u>	1	75

## Normoyle Ordnance Depot, San Antonio, Texas

Ford		6	
Plymouth		<u>4</u>	10

## Red River Ordnance Depot, Texarkana, Texas

Plymouth	17	24	41
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GRAND TOTAL

390

JUL 7 1944

Dear Mr. Sze:

This is in reply to your letter of June 29, 1944, regarding the termination of China Defense Supplies, Inc.

I am pleased to be informed that the business hitherto transacted by China Defense Supplies, Inc., will be continued by the Chinese Ambassador. As in the past, the Treasury wishes to cooperate with the Corporation at all times.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Sze-fo Alfred Sze,  
Acting Chairman,  
China Defense Supplies, Inc.,  
2911 Massachusetts Avenue, N. W.,  
Washington, D. C.

ALjrb - 7/6/44

CHINA DEFENSE SUPPLIES, INC.  
2311 MASSACHUSETTS AVE., N. W.  
WASHINGTON, D. C.

JUN 29 1944

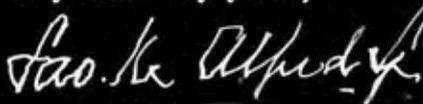
My dear Mr. Secretary:

I beg to inform you that, in accordance with instructions received from my Government, the work of the China Defense Supplies, Incorporated, shall terminate on June 30 and all business hitherto transacted by the Corporation shall be continued by His Excellency, The Chinese Ambassador.

I avail myself of this opportunity to express to you my sincere thanks for all courtesies and cooperation that you and your Department have been good enough on all occasions to extend to the members of this Corporation.

With expressions of high esteem,

Very sincerely yours,



Sao-Ke Alfred Sze,  
Acting Chairman

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

Washington, D. C.

CABLE TO AMERICAN EMBASSY, QUITO, ECUADOR

Reference is made to Department's 570 of July 1. A private report from Lisbon states: QUOTE Ecuador Legation declares impossible intervention to prevent deportation these people actually interned since Ecuador Government issued instructions cancelling all passports delivered by Stockholm Consulate. UNQUOTE

Simultaneously with acting upon Department's 570, please endeavor to obtain instruction from Ecuadorian authorities to their legations in Portugal and elsewhere countermanding any previous instructions such as the one reported above, which have had the effect of placing the persons concerned in danger of enemy persecution.

\*\*\*\*\*  
July 7, 1944  
10:30 a.m.

BAK:infar 7/5/44

(Via Courier)

FROM: American Embassy  
San Salvador, El Salvador  
DATED: July 7, 1944  
REC'D: July 14, 2 pm

Secretary of State  
Washington

A-288, July 7

Department's secret airgram no. A-204, June 29,  
3:00 p.m.

The following is for the information of the War  
Refugee Board:

The note of April 17, 1944, from Dr. Arturo Ramon  
Avila, at that time Foreign Minister, to the Spanish  
Minister (in charge of German interests) reads in  
translation as follows:

"The Minister for Foreign Affairs of El Salvador begs His Excellency the Envoy Extraordinary and Minister Plenipotentiary of Spain and Representative of the Interests of Germany in this Republic, if he perceives no objections, that he interest himself, with a view to safeguarding the lives of all those persons who bear Salvadoran passports of who claim (pretendan) to hold Salvadoran citizenship, in order that the German Government, for humanitarian reasons, extend to the said persons all the privileges, rights and immunities granted to interned civilians in conformity with the Convention of Geneva on Prisoners of War. Arturo Ramon Avila thanks in advance His Excellency the Duke of Bailen for his courtesy in taking this action, which, if it appears opportune to him, he would appreciate done by cable, and renews to him the assurances of his distinguished consideration. San Salvador, April 17, 1944."

The note of May 20, 1944, from Dr. Julio Enrique Avila, the present Foreign Minister, to the Spanish Minister, reads in translation as follows:

"The Minister for Foreign Affairs of El Salvador begs His Excellency the Envoy Extraordinary and Minister Plenipotentiary of Spain and Representative of the Interests of Germany in this Republic, to

consider as

-2- A-288, July 7, from San Salvador

consider as modified the request referred to in the note verbale addressed to him by (the Foreign Minister's) predecessor, Dr. Arturo Ramon Avila, that he interest himself, if there are no objections, with a view to safeguarding the lives of all those persons who bear Salvadoran passports or who prove (justifiquen) that they possess Salvadoran citizenship, or order that the German Government, for humanitarian reasons, extend to the said persons all the privileges, rights and immunities granted to interned civilians in conformity with the Convention of Geneva on Prisoners of War. Julio Enrique Avila thanks in advance His Excellency the Duke of Bailen for his courtesy in taking this action, which, if it appears opportune to him, he would appreciate done by cable, and renews to him the assurances of his distinguished consideration. San Salvador, May 20, 1944."

The modification consists in the change of the words "persons who bear Salvadoran passports or who claim (pretendan) to hold Salvadoran citizenship" to "Persons who bear Salvadoran passports or who prove (justifiquen) that they possess Salvadoran citizenship."

The Embassy unsuccessfully tried to have the present Foreign Minister send a note verbale identical with that of his predecessor, but Dr. Avila insisted on making the modification. He informs me that he is contemplating no new steps.

The Spanish Minister confidentially informed me that he had not bothered to transmit the second request as he considered it so similar to the first. The Swiss Government is therefore undoubtedly still working under the more liberal terms of the first request. It is consequently strongly suggested that no further action be taken unless the situation changes.

711  
GG:adm

GADE

London, July 7, 1944

No. 16717

**Subject: Mr. Brendan Bracken's Remarks on Hungarian  
Persecution of Jews**

**The Honorable  
The Secretary of State,  
Washington.**

Sir:

I have the honor to transmit herewith, for the information of the Department and the War Refugee Board, an account, taken from the London Times, of an address which Mr. Brendan Bracken, Minister of Information, made at a meeting in London on July 6, 1944, condemning the current persecution of Hungarian Jews. The Ministry states that Mr. Bracken spoke extemporaneously, and that the Times gave the fullest transcript of his remarks.

**Respectfully yours,  
For the Ambassador:**

**Dorsey Cassaway Fisher  
Second Secretary of Embassy**

Enclosure:

**As stated,  
in triplicate**

DGF:mf

**Original only to Department**

## MASSACRED JEWS IN HUNGARY

Mr. Brendan Bracken's Condemnation

Mr. Brendan Bracken, Minister of Information, addressing a luncheon gathering at the Dorchester yesterday in support of the Brigadier Kisch Memorial Committee, described the German treatment of the Jews in Hungary today as the biggest scandal in the history of human crime, the responsibility for which rested on the German people.

"One would think that in the last fortnight or so most of the members of the Government would have been greatly preoccupied by these flying bombs," he said. "I can tell you that we have another preoccupation, to some of us a great preoccupation, and that is the dreadful situation in Hungary today. I cannot exaggerate the brutality of the Germans in Hungary, nor will the British people, or any civilized people, ever forget that there is a gutting Hungarian Government in office, and they will be held responsible for the outrages perpetrated against the Jews there."

"What the Germans are doing is nothing less than setting up shuttles in Europe into which are shepherded thousands of Jews. They are dispatched with the sort of brutal efficiency in which the Prussians delight. This is the biggest scandal in the history of human crime, and the responsibility rests with the German people. They may shuffle out later on, and say, 'Oh, it is the wicked Nazis.' The German people have the responsibility, and also the German General Staff, who could have stopped it. I hope that when the time comes for exemplary punishment of the people responsible for these outrages the German General Staff will be the first to be dealt with."

Punishment of Generals

"These generals in Germany talk about chivalry, and the traditions of the German General Staff. I have never thought much of those traditions, but there is now a tradition of infamy attached to them that will never die so long as there is decency in life, and I hope that these men will pay for the bestial cruelties they are perpetrating against the Jewish people today."

Mr. Bracken said that he believed that the German armies were now reaching the stage in warfare when they would have no hope except to surrender. One thing of which he was absolutely certain was that Germany now realized that she could not win the war, and what delighted him so much today was that the Russian general seemed likely to take his troops first on German soil was a very distinguished Jew.

He believed that

PAPER: THE TIMES

CITY: LONDON

Page 2 of: MASSACRED JEWS IN HUNGARY

He believed that when that general did take his troops within the territories of the Reich it would show the world once more that in all human affairs, whether in generalship or in the humble business of agriculture, for which the Kisch memorial was intended, the Jews had played a most splendid part in our country and in all countries. A good Jew meant a good Briton, and there was no incompatibility between being a good Jew and a good Briton such as some stupid anti-semites suggested.

The luncheon was held to advance the appeal for funds which the Brigadier Kisch Memorial Committee is making to acquire land in Palestine for the settlement of Jewish ex-service men and their families. The fund is intended to commemorate the work of the late Brigadier F. H. Kisch, Chief Engineer of the Eighth Army in North Africa until his death from a mine in Tunisia, who between the two wars devoted his energies to the task of settlement of Jewish families in Palestine.

Lord Samuel, who presided, announced that over £40,000 had been subscribed towards the cost of the acquisition of the land, and the latest donations included £2,000 from Mr. Mark Ostler, £500 from Mr. S. W. Smith, and £200 from Sir Alexander Korda.

Miss Chauncey (For the Sec'y), Abrahamson, Akzin, Berenstein, Cohn, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Mann, Mannon, Marks, McCormack, Pehle, Sargey, Standish, Stewart, Weinstein, Cable Control Files

CABLE TO AMERICAN EMBASSY, LONDON

The War Refugee Board requests that you deliver the following message to Mr. Ernest Frischer, 100 Oakwood Ct., London W.14:

QUOTE Understand Rabbi of Neutra is in position to carry out important rescue activities. Are you informed? What are your contacts with him? What is your advice, your suggestions rescue program?

Shocked by Birkenau extermination. Were convinced Birkenau only labor camp. Kindly forward to us all information this matter through American Embassy and War Refugee Board.

WORLD JEWISH CONGRESS  
LEON KUBOWITZKI UNQUOTE

\*\*\*\*\*  
July 7, 1944  
10:30 a.m.

BAksin:ar 7/6/44

## CABLE TO AMERICAN EMBASSY, LONDON

The War Refugee Board requests that you deliver the following message to Mr. Joseph Linton, Jewish Agency for Palestine, 77 Gr. Russell St., London:

QUOTE Understand you informed of important resolution adopted by Emergency Advisory Committee for Political Defense of the American Republics and transmitted to the governments of these Republics on May 31. This resolution endorses the position taken by the United States Government that persons belonging to persecuted groups in enemy territory holding documents issued in the name of certain American Republics must be treated by the enemy as nationals of such countries for all purposes. By the terms of this resolution, all such persons would be considered eligible for exchange.

Since Palestine certificates authorize the admission of holders thereof to territory under the control of the British Government, the War Refugee Board has always considered that the exchange of Palestine certificate holders for enemy nationals is a matter that can be handled by the British Government more correctly, and therefore with more probability of success, than the United States.

Kindly advise us urgently of steps taken by you.

WORLD JEWISH CONGRESS  
LEON KUBOWITZKI UNQUOTE

10:30 a.m.  
July 7, 1944

BAksin:ar 7/6/44

FROM  
LONDON  
Dated July 7, 1944  
RECD. July 13, 8 am

UNRESTRICTED

Secretary of State  
Washington  
A-818, July 7, 1944

For the Secretary of the Treasury for Pehle from Taylor

The following is the official transcript of a statement of Mr. Eden in the House of Commons in respect to mass deportation of Jews from Hungary/as reproduced in ansard, July 5, 1944:-

"Mr. Silverman (by Private Notice) asked the Secretary of State for Foreign Affairs whether he has any information as to the mass deportation of Jews now proceeding from Hungary to Poland for the purpose of massacre; whether he can say how many have been slaughtered in this way in recent weeks, and whether there are any steps which the United Nations can take to prevent in the moment of victory the total annihilation of European Jewry by Hitlerite Germany.

"Mr. Eden: As regards the first and second points raised by my hon. Friend, I fear I have no definite information, though there are, I greatly regret to say, strong indications from various reliable sources that the German and Hungarian authorities have already begun these barbarous deportations and that in the course of them many persons have been killed. As regards the third point, there are unfortunately no signs that the repeated declarations made by His Majesty's Government in association with the other United Nations of their intention to punish the instigators and perpetrators of these frightful crimes have moved the German Government and their Hungarian accomplices either to allow the departure of even a small proportion of their victims or to abate the fury of their persecution. The principal hope of terminating this tragic state of affairs must remain the speedy victory of the Allied Nations.

"Mr. Silverman: May I ask my right hon. Friend whether such information as he has, tends in any way to confirm the figures which have been given in some quarters, namely, that in recent days the number deported amounted to 400,000, of whom the number killed amounts already to 100,000? Has he any information that the Hungarian Government has recently called upon their various police presidents to speed up the process so that it may be completed within the next 20 days?

"Mr. Eden:"

2nd page, Airgram 818, July 7, 1944 London

Mr. Eden: I have not heard anything on the last part of my hon. Friend's supplementary questions. In this terrible business I would really rather not give figures unless one is absolutely sure, because it is bad enough, God knows, without doing that. We have done all we can and we shall do all we can. I might say that his Holiness the Pope made some representations a little while ago, and the House probably knows that the King of Sweden has already made an appeal. I am bound to say that the action and attitude of the Hungarian Government is one that fills this country with loathing.

Mr. Silverman: While appreciating to the full my right hon. Friend's sympathy and constructive activity in this matter, may I ask does he realize that the Jewish community in Hungary is now the last remaining Jewish community in Europe? If any further appeal can be made - not to the butcher gang now running German affairs but to the Hungarian Government who, in the past, have not resorted to this sort of activity except under German pressure - might not that still be made?

Mr. Eden: I have considered that, and I agree that the previous record of the Hungarian Government makes this so much more terrible a story. The last representations we made, the hon. Gentlemen will perhaps remember, were actually in reply to a statement which he made endorsing the initiative of President Roosevelt. That was as lately as last March. I do not think we can add anything to that, although we shall, of course, use the B.B.C. to bring home to the Hungarian Government the feeling of this House and the nation on the matter.

Mr. Gallacher: Could not a direct appeal be made to the Hungarian people by the United Nations through the B.B.C. and other channels to defend these Jews against this persecution?

Mr. Eden: That has been done and is being done. Of course, the hon. Gentleman will know that it was as a result of the declaration made in Moscow that the original appeal was made, but I will consider a further appeal.

Mr. Austin Hopkinson: Is not the important thing first to ascertain the facts?

Mr. Eden: Yes, Sir, I agree. That was why I was not willing to give figures, but there can be no doubt in the main as to what is going on.

Mr. Graham White: Might it not serve a useful

3rd page, Airgram 818, July 7, 1944      London

purpose if his Majesty's Government were to associate themselves formally with the representations made by the Government of the United States of American and by the King of Sweden?

Mr. Eden: We have, Sir. We have been completely in step with the United States about that. The position of the King of Sweden is, of course, different from that of the United States Government, as he is the head of a neutral country."

WINANT

A-233

11:20 am.

July 7, 1944

SECRET

AMBASSY,

MANAGUA, (NICARAGUA).

Reference is made to the Department's A-204 of June 10 and your A-249 of June 16. On June 13 the Swiss Foreign Office informed Minister Harrison that no request has as yet been received by Switzerland from Nicaragua to safeguard persons in enemy territory holding documents issued in the name of Nicaragua from enemy persecution.

Please clear up this apparent contradiction and ascertain what reply was received from Switzerland. In case request has not gone out, kindly represent to Nicaraguan authorities the special importance attached by this Government to the humanitarian task of saving the people concerned and press for an immediate despatch of the suggested request.

Hull  
HULL  
GLW

WEB:MMV:KG  
7/5/44

WE

CCA  
/CCA///

SWP

Lisbon, July 7, 1944

**UNRESTRICTED**

**Subject: Action by Portuguese Government in regard to Provision for Maintenance of Certain Destitute Italian Subjects.**

**The Honorable  
The Secretary of State  
Washington**

**Sir:**

I have the honor of informing the Department of action recently taken by the Portuguese Government which, it is believed, shows an increasing concern for certain groups of destitute foreigners in Portuguese possessions.

Decree No. 33,771, published in the Diario do Governo, 1 Series, Number 144, July 5, 1944, provides as follows:

"considering that, because of present circumstances resulting from the war, it is urgent and necessary to give assistance to foreign citizens in Portuguese territory;....

"Article 1. There is opened in the Ministry of Finances, in favor of the Ministry of Foreign Affairs, a special credit of 1,300,000\$00, destined to the expenses of protecting foreigners in Portuguese territory by reason of the present circumstances resulting from the war, this amount being inscribed as an extraordinary expense in a new section of Article 49 of Section 8 of the budget of the Second of the Ministries named for the present year, as follows:

**EXTRAORDINARY EXPENSE**

**Section 8**

**"Extraordinary expenses resulting from the war**

**"Article 49 - Various charges resulting from the war:**

**"2) Expense of protecting foreigners in Portuguese territory motivated by the present circumstances resulting from the war, to be reimbursed at the**

**proper time**

proper time by the respective States....1,300,000\$00\*

It was not clear to this Embassy just what was meant by this appropriation but inquiry at the Foreign Office this morning disclosed the fact that this appropriation is made by the Portuguese to care for some 400 Italian citizens in certain of the Portuguese possessions who, because of the present unsettled situation in Italy, are out of touch with their homeland and without funds. This situation has been reported to the Foreign Office by the Secretary of State for Colonies.

The action taken has apparently been discussed with the Italian Legation in Lisbon and has their approval. It is anticipated by both the Italians and the Portuguese that the amounts expended will be refunded when conditions make it possible.

Since this action was taken in behalf of war victims, it is believed that the War Refugee Board will be interested, and if the Department perceives no objection, it will be appreciated if a copy of this despatch were transmitted to them. So far as we now know, this is the first action of this sort that has been taken by the Portuguese Government and is an indication of the increasing concern of the Portuguese Government in the unfortunate situation of victims of the war.

Respectfully yours,

For the Ambassador:

Edward S. Crocker  
Counselor of Embassy

AIRMAIL

NO. 695

Lisbon, July 7, 1944

RESTRICTED

Subject: Transmitting Memorandum to War Refugee Board  
Prepared by Robert C. Dexter, Special Attache,  
in Portugal, Concerning Note from British  
Foreign Office on General Problem.

The Honorable  
The Secretary of State  
Washington

Sir:

I have the honor of transmitting herewith memorandum prepared by Robert C. Dexter, Special Attache to this Embassy on refugee matters, conveying the substance of a note sent to the British Embassy from the British Foreign Office with their comments thereon, and the action taken by representatives of this Embassy and the British Embassy meeting in conference. This memorandum also deals with one or two other items in the program of the War Refugee Board in the peninsula. Provided the Department perceives no objection, it would be appreciated if the memorandum were forwarded to the War Refugee Board.

Respectfully yours,

For the Ambassador:

Edward S. Crocker  
Counselor of Embassy

Enclosure:

As stated above.

RCD:ew

MEMORANDUM

TO: John W. Pehle, Executive Director,  
War Refugee Board

FROM: Robert C. Dexter, Special Attache,  
American Embassy, Lisbon

I have delayed transmitting a detailed report of the situation in Portugal pending the return of assistant director Mann from Madrid. It is my thought that he and I together could then prepare a report dealing with all aspects of the situation in the peninsula. However, ~~because~~ two matters have arisen recently on which it might be helpful if I made an interim report:

1. Regarding the controversy between the Joint Distribution Committee and the World Jewish Congress, you will be interested to know that for the first time since the two organizations have been functioning in Portugal, their respective representatives met in an apparently friendly conference a day or two ago and yesterday they had lunch together. I expect to hear the outcome of the luncheon meeting shortly.

2. You will recall the detailed memorandum submitted with despatch No. 427 which was prepared by the British Embassy in Lisbon and transmitted to the Foreign Office on the latter part of April. A day or two ago the British Embassy here telephoned and reported that they had received a long instruction with detailed comments on this report, particularly regarding its recommendations. Representatives of the British Embassy and this Embassy conferred together and I think it will be interesting to you to have a summary at least of the Foreign Office report and an indication of the action that is to follow.

First of all, I should say that apparently the Foreign Office has given the situation here very careful consideration and has shown a genuine interest in the problem which is only equalled by the equally genuine interest which the British Embassy takes in these matters.

The British Foreign Office took up point by point the suggestions made in their Embassy's memorandum beginning on Page 2 of the memorandum as sent to you in April.

1a. The suggestion of admission of children has already been cared for by action of the Portuguese government at the request of both the British and American Embassies here.

1b. Page 3. The Foreign Office felt that little could be done in regard to admitting additional refugees from the East until we had absolute assurance that they would be cared for

within a short time elsewhere. The representatives of the two Embassies here added that the practical problems of transportation made the likelihood of many people from Slovakia and Hungary reaching here very difficult.

1c. The Foreign Office felt very strongly that both Embassies should make representations to the Portuguese Government regarding the treatment of refugees born in Russia. Since at the present moment there are so few of such refugees here, it was the feeling of the representatives of the Embassies in conference that it would be unwise to make representation in principle and that we would only antagonize the Portuguese Government and possible affect their attitude toward the general refugee situation adversely. It was felt that the few Russians that are here might well be handled by case basis.

1d. This recommendation has no practical effect. There is no special permission for relatives and each visa case has to be handled on its own basis.

2a. The Foreign Office felt that this was a matter that had to do with Portuguese internal policy and that it would probably be unwise for us to press it at the present time. There is no question that the allowing of refugees to work here would be one of the most beneficial things that could be done but in view of the economic situation of the country, it was felt that any attempt to secure such permission except in special cases where the individuals had special qualifications would react disastrously to the whole refugee program.

2b. The Foreign Office felt that the Embassy should make a definite attempt, formally and officially, to secure the transfer of refugees from prison to fixed residence. It was realized by the representatives of the two Embassies that this would be a delicate problem but it was, nevertheless, decided that I should prepare a draft note which the representatives of both Embassies should discuss in conference, and if we could arrive at similar wording, present joint notes to the Portuguese Government urging release of refugees from prison. In order to do this, it was obvious that the Embassy should guarantee (1) maintenance for such refugees as are released; and (2) should guarantee to make every attempt to get such refugees out of Portugal.

2c. This question, that of brutal treatment of the refugees by the Portuguese, is again a delicate one. Nevertheless, the Foreign Office felt and we agreed that something should be done about it. It was finally decided that the best way to handle this question was indirectly, and tentatively the British and American Embassies have agreed that the Attache for the War Refugee Board and a representative of the British Embassy should make it a practice of visiting all the prisons in which political refugees are kept in the mainland of Portugal. We can make an excuse for our visits that we wish to see certain refugees regarding visa possibilities, etc., but such visits, if made at periodic intervals, would, it is believed, check up on cases of brutality and prevent their recurrence. In this connection it is of vital importance that adequate transportation be provided. It would make far more of an impression on the Portuguese if the visitors arrived in a good-looking CD car than in a broken-down taxi.

3x. This matter of securing shipping for Constantia is in process at the present time. The Foreign Office was very sympathetic but had little definite to offer in the way of suggestion. After our conference it was felt that two matters might be taken up immediately.

First, there are two parts to this transportation situation: a. the transport of refugees from the Iberian peninsula to Palestine; and b. transport of refugees from Constantia to Palestine. In regard to both, the determining factor is the German safe conduct. It was felt that inquiry should be made as to just under what terms the Joint Distribution Committee, which is conducting the detailed negotiations, asked for the safe conduct. Following the conference I consulted with the Joint's representative and he said that they had asked for the safe conduct in two parts: 1. from Lisbon to Halifax; and 2. from Halifax to Constantia, and that so far both had been refused. It was felt by the representatives of the Embassy in conference that maybe the first would be given and the latter withheld but such is not the case; 2. The other problem is a much more serious one. The question was brought up by a representative of the British Embassy whether or not the War Refugee Board and the War Shipping Administration would be willing to do for a Portuguese ship what they agreed to do for the TARI, namely, to agree to provide another ship in case the Portuguese ship sailed without safe conduct and was sunk. My feeling was that this matter should not be taken up with the War Refugee Board until we found out what the attitude of the Joint Distribution Committee was on the matter. In addition I felt, and in this the other representative of this Embassy who was present and the British representative agreed with me, that the two questions were not parallel. The people in Constantia are in a very dangerous situation. Those on the Iberian peninsula are in an uncomfortable situation but three of us felt that we were not justified in risking the lives of the refugees here in having them sail on the ship without safe conduct even if the Portuguese were willing. That is not the case in the Black Sea area. However, without stating my own position at all, I put the question up to Mr. Pilpel of the Joint Distribution Committee and he was emphatic in his feeling that we should not ask refugees from the Iberian peninsula to sail for Palestine without a safe conduct. That definitely disposes of that aspect of the question.

Frankly I am exceedingly pessimistic regarding the possibility of getting a Portuguese ship. Every effort has been made and the efforts have been strongly backed by both Embassies, so far with no success. The Portuguese are short of shipping and I do not see any way in which we can get them to risk one of their ships without safe conduct nor do I believe that refugees should be asked to sail on a ship without it.

3y. The Foreign Office felt that plans should be made for dealing with the possible influx of refugees to the Iberian peninsula due to the military events further north and to the east. This was agreed upon by those present, and as a result, despatch No. 427 was sent to you.

- 4 -

(Enclosure)

3a. This matter, the Foreign Office said, had been referred to the Ministry of Economic Warfare and just what that means, no one present at the conference seemed to know. There is no question but that there is a need of additional packages but owing to the fact that communications are at the present moment pretty well cut off from Portugal to the rest of Europe and that not even packages for prisoners of war are moving in any great numbers, it seems to be a practical rather than a theoretical problem. Even if the permission were given, it is doubtful now that many packages would get through. Just yesterday word reached the Embassy that all mail, telegraphic and radio communications have been interrupted by action of the "Marquis." However, every effort is being made by the organizations interested to send packages and we hope that before long, more can be sent.

Lisbon July 6, 1944

CABLE TO AMBASSADOR NORWEB AND DEXTER, LISBON, PORTUGAL

The War Refugee Board requests that you deliver the following message to Mr. I. Weiseman, 179 Avenida Liberdade, Lisbon, Portugal:

QUOTE Have you recent information concerning number Jews of Turkish origin in France who have returned to Turkey, numbers and present condition those who are still in France? Have you also information concerning number of Jews of Portuguese and Spanish origin who were repatriated from Haidari?

WORLD JEWISH CONGRESS  
LEON KUBOWITZKI UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 53.

\*\*\*\*\*

July 7, 1944  
10:30 a.m.

BAksinar 7/6/44

**CABLE TO AMBASSADOR NORWEB AT LISBON FOR DEXTER**

Reference Stockholm's 12 of June 30 to you and WEB's 50, Department's of July , please deliver the following message from the War Refugee Board to Ferenc Chorin and Baron Moritz Kornfeld, Avenida Palace Hotel, Lisbon: QUOTE In the name of all our mutual friends I urge you earnestly to cooperate with Doctor Dexter of the War Refugee Board disclosing to him all information concerning your departure and any other information that may be of assistance in saving the lives of others. Please advise Doctor Dexter who in Budapest can be approached with some hope of success and the basis upon which such approach should be made. Best greetings to all of you. Signed Ernest Wittmann. UNQUOTE.

THIS IS WEB LISBON CABLE NO. 52.

\*\*\*\*\*

July 7, 1944  
10:30 a.m.

LSLessertals 7/6/44

## CABLE TO LISBON

From War Refugee Board to Norweb

Please deliver the following message to Robert Pilpel,  
c/o American Embassy, from Moses A. Leavitt of the American Jewish  
Joint Distribution Committee:

"Remittance \$150,000 representing balance of June budget  
executed July one. please secure confirmation receipt  
equivalent Swiss francs from Saly Meyer. Can you obtain  
additional information regarding difficulties Saly has  
receiving francs as we assumed remittance problems satisfactorily  
settled. We remitted \$300,000 July budget. Keep us advised  
when Saly receives franc equivalent. Alfred Jaretsky deeply  
interested Weiss family request you extend such aid as may  
be required."

THIS IS WRB CABLE TO LISBON NO. 54

3:50 p.m.  
July 7, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman,  
Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control  
Files

FH:db 7/7/44

## CABLE TO LISBON

From War Refugee Board to Norweb

Please deliver the following message to Robert Pilpel,  
c/o American Embassy, from Moses A. Leavitt of the American  
Jewish Joint Distribution Committee:

"Assume you in touch with Hungarian women recently  
arrived Lisbon Stop Can you send us report through Legation  
how they were evacuated also what possibilities increasing  
flow Stop Have they any suggestions for rescue or relief  
Hungarian Jews?"

Following for Dexter from War Refugee Board:

In view of Stockholm's No. 12 to you dated June 30  
and WRB No. \_\_\_\_\_ of \_\_\_\_\_, You should advise Pilpel of  
action you may have taken and ask Pilpel to keep you informed.

THIS IS WRB LISBON CABLE NO. 51.

\*\*\*\*\*  
July 7, 1944  
10:30 a.m.

BAS-326  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Lisbon

Dated July 7, 1944

Rec'd 11:34 a.m.

Secretary of State,

Washington.

2095, July 7, 11 a.m.

Looking into Vilmos Gabor case will report later.

Referring Department's telegram 1925 July 5, WRB 50.

This is WRB 94. Regarding Stockholm's 12 see Embassy's  
2054, July 1. Will forward information Stockholm if  
and when we have anything useful or reliable. Have some  
fairly effective Hungarian channels available as you will  
not from recent despatches.

NORWEB

WSB RR

KEM-574

PLAIN  
Lisbon  
Dated July 7, 1944  
Rec'd 11:06 p.m.

Secretary of State,  
Washington.

2096, 7th, 11 a.m.

FOR EDWARD CAHILI BOSTON FROM ELISABETH DEXTER  
UNITARIAN 298 WEB 95.

Referring Boston's 204, would welcome opportunity participate work Madrid office but believe definite assurance fair recognition should precede any further payments. Balance on hand there now probably about \$25000. Need for money also workers now reduced following departure some 600 refugees for North Africa, nevertheless our presence there very useful if new refugees arrive.

As proper demands to which Quaker headquarters should agree, I suggest (one) Elickenstaff agree help immediately arrange visas to permit periodic visits from this office (two) recognition Unitarian share work in letterheads, et cetera (three) permanent worker chosen by Unitarian to follow soonest.

Urge you arrange for personal remittances as outlined my letter 310G. This would absorb part of funds appropriated Spain and ensure aid to neediest people. Also suggest consideration possible needs reallocation part this money to provide budget for North Africa.

NORWEB

EDA WMB

EOC-366  
Distribution of  
true reading only by  
special arrangement  
(SECRET W)

Lisbon

Dated July 7, 1944

Rec'd 3:38 p.m.

Secretary of State,

Washington.

2102, July 7, 4 p.m.

Paulo Duarte admits receiving 97,775 escudos which he claims was from Susan Newell probably through Jewish Labor Committee. This is being used in effecting release of her brother from France. A small portion of funds has been sent to France by messenger but much is still here to be paid when brother is rescued. Referring telegram 1911, WRB 49, July 4. This WRB 96, Duarte leaving Portugal in two months. Doubtful wisdom of sending him additional funds for rescue work unless something that can be finished very soon.

Duarte's confusion and Embassy's due difference in amounts and date your first cable.

NORWEB

RB LMS

DME-567  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Lisbon

Dated July 7, 1944

Rec'd 10:11 p.m.

Secretary of State

Washington

2105, July 7, 7 p.m.

This is JDC 27 WEB 96 FROM PILPEL FOR LEAVITT

Total recent arrivals Spain 306, 237 men 33 women  
31 children 22 minus parents.

Assistance being given in Rumania, Slovakia and  
Hungary. This confirmed by phone from Jerusalem.

Saly making funds available through Intercross also  
borrowings noted our 23. This refers to your July 4  
referring Filderman.

NORWEB

MAE-543  
Distribution of true  
reading only by special  
arrangement. (SECRET-W)

Lisbon

Dated July 7, 1944

Rec'd 9:58 p.m.

Secretary of State,

Washington.

2107, July 7, 7 p.m.

Amilo Garrido, Portuguese Minister to Hungary  
not here. This is in further reply to telegram No.  
1925 WEB 50. This WEB 97. Embassy to be notified  
when (\*).

NORWEB

RB

RR

(\* ) apparent omission

CABLE TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN

The following is the substance of a message received from Amlegation, Bern: QUOTE From reliable sources we learn that the Rumanian Government has issued confidential instructions to border control authorities to facilitate the admission of Jewish refugees from Hungary for transit Rumanian Territory. UNQUOTE

The following is the substance of a further message from Bern indicating the nature of the reliable source referred to: QUOTE A message in code, received by air on June 2 from the Prime Minister of Rumania, was the basis for the information. Statement was made by the Rumanian delegate to ICRC, Soneriu, that he was able to give formal assurance (it is presumed for the ears of the Allies) that Jews coming from Hungary into Rumania would not only be allowed to cross the border secretly but that their safety would be looked out for by the Rumanians. The fact that the few Jews who are able to reach the frontier of Rumania do not seem to find the Rumanians making things difficult for them is born out by word received from Jewish sources in Budapest. UNQUOTE.

THIS IS WRB STOCKHOLM CABLE NO. 47

3:50 p.m.  
July 7, 1944

LSLesser:als 7/7/44

## CABLE TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN

The substance of your 2362 of June 28 is being communicated to the British and the Russians in accord with policy to do so with all such proposals no matter how dubious their nature or origin. The following points are not clear and would appreciate any information you may be able to supply; (a) whether financial consideration is still deemed essential, and if so, whether the same would be for the benefit of individuals or Germany; (b) why the offer deals only with approximately 2000 Jews when available statistics indicate that over 93,000 resided in Latvia prior to the war (this might elicit some information as to the fate of the others; it might also tend to emphasize the enormity of the crimes involved, and thus perhaps to increase the group's desire to be helpful); (c) the manner in which and the persons by whom the evacuees would be selected; (d) the means by which the evacuees would be transported to Sweden; and (e) what guarantees or evidence of good faith and effectiveness are available. Would also appreciate any further information you may have as to identity of three individuals named. Is there any possibility that Klaus is Krause of Andersen report?

Your 2362 is subject to construction that all that may be required for release of 2000 is the expression by the Swedish Foreign Office of a strongly sympathetic attitude towards this rescue operation, a willingness to receive those refugees gladly and to promise that the refugees would not agitate against the German authorities. If this interpretation is correct, you should urge the Swedish Foreign Office to take the required steps without any reference to this Government or its interest in the operation. Any refugees of the kind described arriving in Sweden as a result of this operation would come within the guarantees and assurances made in Department's 749 of April 25, WRB's 4.

THIS IS WRB CABLE TO STOCKHOLM NO. 45

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July 7, 1944  
1:40 p.m.

LSLessertals 7/6/44

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

July 7, 1944

5 p.m.

## AMLEGATION,

## STOCKHOLM

1351

The following for Olsen is WEB No. 44.

Treasury has issued license to World Jewish Congress permitting remittance of \$10,000 to Chief Rabbis Ehrenpreis provided that such funds will be utilized by Ehrenpreis only as authorized by you as WEB representative.

For your guidance, the World Jewish Congress desires that these funds be used for rescue and relief work for Jews in Bulgaria, Hungary, and Rumania referred to in Stockholm's WEB No. 25, Legation's No. 1966 of June 2. The necessary funds, goods and services may be acquired from persons in enemy territory against payment by any of the three methods prescribed in Section A of License No. W-2152 issued to American Relief for Norway, Inc. set forth in Department's No. 619 of April 8, 1944. Periodic reports on operations engaged in under this license should be filed with Treasury through Legation.

HULL  
 (GHW)

S/CR

WEB:MMV:OMH  
 7/6/44

NOE

SWP

WT

TELEGRAM SENT

July 7, 1944

TO BE SENT IN SECRET "W"

War Refugee Board

AMLEGATION,

STOCKHOLM.

1353

The War Refugee Board cable 41 below is for Johnson and Olsen.

Bohm, Andersen and Polen Hjalpen reports received. Reference your 2231, 2344 and 2360 of June 21, 27 and 28, your 31, 39 and 40 to War Refugee Board. While it is difficult to attempt precisely to outline program from here, the following general approach is suggested:

Since money and favorable post-war consideration may motivate action impeding, relaxing or slowing down tempo of persecution and facilitate escapes and concealments, it should be ascertained in what quarters such inducements may be effective. In this connection, contact should be established, at discretion, with appropriate persons mentioned in Department's 1246 of June 23 and such others as may become known. If circumstances warrant funds will be made available at neutral bank for post-war use or in part in local currency now, procured against blocked counter-value here or in neutral bank. For latter purpose local funds may be procurable from appropriate persons mentioned in Department's 1246 such as (6) in first group and such others as may become known. Whenever a concrete proposal based on financial arrangements of a substantial character or on favorable post-war consideration is broached, the matter should be referred to the Board for clearance, which will require evidence of effectiveness and good faith in the meantime. In order to care for less substantial transactions a fund of \$50,000 will be placed at Olsen's disposal which may be used in his discretion in addition to the fund already available to him for discretionary use.

The problem may be dealt with on various levels such as high official, low official and unofficial, central and local. In connection with unofficial channels an informed source suggests that ships and barges going down the Danube are generally empty and may afford a means of escape for a limited number of refugees in the guise of seamen or otherwise. Same source suggests that skippers can be approached on financial basis and crews through

s0-

- 2 -

so-called communist channels. Board is also advised that railroad line from Budapest to Mohacs, said to be about ten miles from partisan-controlled Yugoslav territory, might afford similar opportunities if contacts made with trainmen through what are termed communist channels. Board further advised that Transylvanian Unitarian Church, socialist and partisan groups may be in a position because of geographical situation and absence of real occupation to shelter refugees if they can reach that area. In addition, Board believes that Roman Catholic clergy and Nuncio may be helpful both in action and with advice.

Further in connection with lower official and unofficial channels the following list of persons, secured from same sources as list given in Department's 1246 may be useful: In or near Budapest: (a) Dezzo Vilmanyi, said to be former official in the Police Headquarters in Budapest, in 1939 transferred to the Police Department in the Ministry of Interior, in charge of passport matters and to have granted many persons passports for consideration. Also said to have ingratiated himself with the Arrowcross Party and was counted among their fellow travelers by them, but that Jews could always count on his favors if they met his terms, in cash; (b) Zoltan Timko, said to be Chief Prosecutor, Superior Court of Hungary, a chauvinist and reactionary, but opposed to the Nazis. It is said that he can be depended on to help Jews of reactionary and financial-commercial background; (c) Colonel Denes Deak-Horvath, said to be wealthy, independent, and politically unaffiliated. It is said that he is Chairman of Barcs Farmers' Granary Cooperative, General Manager of Hungarian Food Supply Co. It is also said that since 1940, he has been one of the leaders of the action protecting Polish refugees in Hungary and that he was fined for violation of the anti-Jewish laws. He is also said to have close connections with certain members of the present Hungarian government through which he may render useful services to our cause, notably with Anthony Kunder, the present minister of commerce; (d) Rezzo Koszeghy, said to be 49 years of age, a native of Hungary of German-Swabian descent, and a former official of the National Bank of Hungary who is now general manager of a textile and fur concern. Said to be trustworthy as assistant and go between and to have a student son in Switzerland. Said to have good contact with rank and file in government officers; (e) Dr. Jenő Bosoky, said to be a lawyer who for a number of years very skillfully played the role of an ardent Nazi and anti-Semite, with the objective of helping distressed or endangered Jews and liberals.

With

- 3 -

With reference to high official channels exploration may be made of the possibility, suggested by pages 29 and following of Bohm's report, of evacuation of Jews and persons similarly situated belonging to specific groups such as (a) holders of Palestine certificates, (b) holders of visas for entry into neutral countries, (c) persons to whom the issuance of visas for entry into an American republic is authorized provided they appear personally therefor before a consular officer in a neutral country, (d) persons holding passports or consular documents issued in the names of American republics, or who are under the protection of a neutral country as indicated by Bohm at page 26, (e) women and children, (f) aged and infirm men, and (g) parents, husbands, wives, children, etc., of American citizens.

You should advise Wallenberg of the foregoing to the extent that you deem advisable and inform him that the same constitutes a general outline of a program which the Board believes can be pursued. While he cannot, of course, act as the Board's representative, nor purport to act in its name, he can, whenever advisable, indicate that as a Swede he is free to communicate with Stockholm where a representative of the Board is stationed. He may thus express his willingness to lay before the Board's representative specific proposals if in any particular case he should deem so doing to be advisable, or if by reason of the nature of the proposal Olsen's or the Board's approval is necessary. Wallenberg should have with him copies of the President's Statement of March 24, Department's 502 of March 24, the Statement of the Senate Foreign Relations Committee, Department's 1311 of July 1, the Statement of June 28, and Archbishop Spellman's statement, Department's 1283 of June 29. These he might on proper occasions call to the attention of appropriate persons, expressing the view, having just come from outside German-controlled territory, that there is no question of American determination to see to it that those who share the guilt will be punished, but that helpful conduct now may result in more favorable consideration than actions heretofore might warrant.

Wallenberg should consult with the representative of the International Red Cross and impress upon him the urgent need of increasing Intercross representation in Hungary and intercession in an effort to secure permission to visit and inspect concentration camps, ghettos and other places of detention.

Wallenberg

- 4 -

Wallenberg might undertake also to see whether such permission might be granted him and his colleagues. To the extent that you deem it advisable you may call Wallenberg's attention to Bohm's suggestions so that he may undertake to determine their feasibility and whether they offer channels through which effective measures can be taken. Please express to the Foreign Office and to Wallenberg the Board's sincere appreciation for their wholehearted cooperation. The Board is aware of Sweden's great concern and active measures of assistance for the victims of Nazi persecution and is confident that through cooperation such as has been evidenced in this and other instances, further lives will be saved.

HULL

WRB:MMV:KG  
7/4/44

NOE

SE

SWP

BAS-546  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Stockholm

Dated July 7, 1944

Rec'd 10:18 p.m.

Secretary of State,  
Washington.

2510, July 7, 4 p.m.

Report dated June 24 on deportation and annihilation of Hungary's Jews mentioned in last paragraph of my 2412, July 1, 8 p.m., follows in paraphrase of summarized translation (Swedish Foreign Ministry has cautioned that in case report is published it is necessary to avoid disclosing source):

**BEGIN SUMMARY**

All Jews in Hungary east of line drawn southward from Kassa through Miskolcz, Szolnok and Szeged, as well as Jews in southern part of country extending to German frontier, have been assembled in camps with terrible sanitary arrangements or gathered temporarily in ghettos for transfer to camps as latter become empty. All such Jews -- men and women, children and old people -- appear subsequently to have been loaded into freight or cattle cars and sent partly to Germany and partly to Poland. By middle of June this deportation was reported to have reached total of 420,000 persons. With exception of 150,000 men aged 10 $\frac{1}{2}$  to 48 in military labor service there remain approximately 300,000 Jews who are scheduled for deportation before end of June. Date by which Hungary is to become "free of Jews" is now set for July 15.

Plan in early June was to gather the quarter million Jews who were in Budapest and suburbs into three separate ghettos. Plan was changed and Jews were ordered to move together into specified houses spread all over Budapest. Star of David is painted at entrance to each such "Jew house". Jews living elsewhere in capital were ordered to move into such houses by June 24. They were theoretically permitted to take with them whatever belongings they could transport. A few pushcarts and horse carts were only means of transport available to Jews who, therefore, could take along only small part of their belongings.

These and

-2- #2510, July 7, 4 p.m., from Stockholm

These and previous measures have deprived Jews of nearly all their belongings. Eight or ten are crowded into one room. Jews are only allowed to go out doors between 2 and 5 p.m. and must not receive visitors. To avoid sensation of daytime deportation of one-quarter million people intention is said to be to arrest Jews in Budapest gradually during night by searches and raids for internment or deportation. Christian houses will also be searched whenever denounced in order to find Jews hidden by Christian friends. German officials are said to feel disgust at high number of denunciations received. Special police corps headed by General Zold, notorious "executioner from Ujvidek" now seems to be used for these arrests.

This deportation of Jews of capital, scheduled for completion within three weeks, finds them faced with a terrible fate. Those with ability to work will probably be sent to German factories and receive fairly good treatment. The others, such as weak women, old people and children, will be deported to annihilation camps in Poland at Auschwitz-Birkenau near Kattowitz.

END OF SUMMARY.

JOHNSON

JT  
HTM

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm  
TO: The Secretary of State, Washington  
DATE: July 7, 1944  
NUMBER: 2511 (SECTION 1)

## SECRET

My number 2510 dated July 7 summarized the first part of report and second part is summarized in substance as follows. This is not suitable for publication since the contents would reveal the Swedish source of information.

SUMMARY: The Swedish Legation in Budapest, to the extent of its ability with the small staff available, has attempted first of all to aid persons who have Swedish connections and by telegraphing for increased authority, to create possibility for more effective intervention. The experience of the Swedish Legation in Budapest could not have been worse. Communication with the Swedish Legation by a majority of persons who were holding "protective papers issued by the Legation, was not possible later. As undeliverable, letters to them were returned sometimes. Of course only in a very few cases could personal visits by the Legation staff be undertaken and these proved to be ineffective or not feasible. Letters and notes addressed to Military officials or to the Hungarian Foreign Ministry by the Swedes were often kindly received and replies promised but practically never forthcoming were these replies. Naturally the difficulty of the Swedish Legation in achieving any important success has been enhanced by the evident annoyance of the present regime at Sweden's breach of trade relations and there is in fact in Stockholm no normal Hungarian Legation. Therefore there has been no compliance with even the most reasonable demands. As an example, if at least those Jews who have been given Swedish passports could enjoy a status equal to that of the subjects of Sweden and were left at liberty until they could be sent to Sweden, it would not seem unreasonable. However the authorities of Hungary, instead of agreeing to this, have declared that after the first of July they would intern all alien Jews. To oral inquiries it has not been possible to obtain from the Foreign Ministry anything but vague replies.

JOHNSON

DCR:MPL  
7/11/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm  
TO: The Secretary of State, Washington  
DATE: July 7, 1944  
NUMBER: 2511 (SECTION 2)

## SECRET

To oral inquiries regarding the internment of these persons in special camps under the care and protection of neutral Sweden, it has not been possible to obtain from the Foreign Ministry anything but vague replies.

Two fresh experiences will serve to illustrate the manner in which German and Hungarian officials place the blame on each other: Recently a member of the staff of the Legation was told in greatest confidence by a German officer who had been an eye witness of his repugnance to the unnatural cruelty with which the Hungarian deportations were connected. German Red Cross nurses were on hand to serve refreshments when the sealed box cars (the small vents in these cars had been closed) were opened at the frontier and for onward transportation passenger cars were ready but it was found that the Hungarian cars contained a great many corpses among which were squeezed humans, white haired, emaciated and desperate. During a conversation with a journalist close to the present regime it was suggested that if they wanted to get rid of the Jews in Hungary, instead of tormenting and exterminating them it would be more humane to let them use emigration permits when available. What the Government of Hungary does with its subjects does not concern any outsider and all peoples have the natural right to retaliate, was the journalist's reply. That the two persons talking clearly did not understand each other, which indeed was the case, was the rejoinder when it was brought out that little children could not have been able to sin against the nation. THE SUMMARY ENDS HERE.

As soon as they can be copied four enclosures to the report given above are promised by the Foreign Ministry. Aforementioned enclosures relate to (1) Jewish Council of Budapest's report on deportations and arrests; (2) report by two Slovakian Jews who escaped from an Auschwitz annihilation camp; (3) summary of item (2); (4) report by women who escaped from Auschwitz camp. When received these items will be summarized by cable and by despatch translations will be sent.

By pouch closing the 11th of July a full translation of the report, without enclosures, is being sent.

DCR:MPL  
7/11/44

JOHNSON

PARAPHRASE OF TELEGRAM RECEIVED

161

FROM: American Legation, Bern  
TO: Secretary of State, Washington  
DATED: July 7, 1944  
NUMBER: 4324

CONFIDENTIAL

Reference is made herewith to Department's cable of June 28, No. 2196.

On May 2 I conveyed to Minister Pilet as well as to ICRC the substance of Department's cable of April 29, No. 1498, with the appropriate indication that we should appreciate it if the Swiss Government would find it possible to associate itself with such approaches to the German Government as might be undertaken by ICRC.

With respect to procedure suggested in your cable of June 30, No. 221 (3), I have been in continuous communication, both formally and informally and personally as well as officially, with appropriate officials of the Swiss Government as have McClelland and other officers of the Legation. I am convinced that the Swiss have done and will conscientiously continue to do all they feel they can do consistently without compromising their position and endangering their usefulness otherwise as I have reported previously. Their willingness under given conditions to approach both German and satellite governments, their efforts to effect the release of children from enemy territory, their continued actual clandestine reception and accommodation of refugees regardless of practical obstacles along with other indications testify to their humanitarian activities; and they have always accorded sympathetic consideration to all proposals, whether or not they felt able to undertake action. Your expression of appreciation as conveyed in your cable No. 221 will be welcome, and at my first opportunity I shall convey it to M. Pilet-Golaz.

HARRISON

S E C R E T

CABLE TO MINISTER HARRISON AT BERN FOR MCCLELLAND

Information received here via Mexico that Gideon Richter and wife, Hungarian Jews, recently arrived in Geneva from Hungary. It is reported that they may have arrived in a German military plane. In an effort to secure such information from them as may be helpful you may deliver to them the following message from the War Refugee Board: QUOTE In the name of all our mutual friends and in an effort to save lives, please cooperate closely with Mr. McClelland, the War Refugee Board's representative in Switzerland, giving him the names of such persons as you believe may be approached successfully and the basis upon which such approaches should be made, as well as such other information as may be helpful in these trying times. Kindest regards. Signed Ernest Wittmann. UNQUOTE.

THIS IS WRB BERN CABLE NO: 74.3:50 p.m.  
July 7, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files

LSLesser:als 7/7/44

KEM-589

PLAIN  
Geneva  
Dated July 7, 1944  
Rec'd 11:31 p.m.

Secretary of State,  
Washington.

223, Seventh.

FOR AMCROSS FROM JAMES

"B534 your SW866. Best knowledge all CRISTINA cargo was loaded cars Sete but exact number unknown. Arrived Switzerland ex-CRISTINA to date approximately 80,000 SFP. Seawater had damaged all parcels except approximately 400 SFP. Sorting, drying, et cetera now proceeding and expected finished and next week. Results preliminary survey indicate probably approximately all following articles undamaged. Powdered milk, margarine, tinned meat, corned beef, salmon, pate, jam. Of other items probably following percentage utilisable with balance completely lost. Coffee fifty, cigarettes ten, soap fifty. Also possibly can sell following badly damaged items unfit human consumption at centimes per kilo, chocolate fifteen, biscuits ten, prunes raisins ten. Report indicated although personally believe this figure too high, 75 percent cheese utilisable. Balance can be sold 30 centimes kilo: Only 10 percent sugar saleable at 50 centimes kilo, balance completely lost. Report indicated 68 percent cargo here recoverable, 22 percent saleable, 10 percent completely lost, although my opinion percentage recoverable goods somewhat too high. Report Basel judgment inspectors Department Public Health and Agriculture who state absolutely necessary all useable items be sent camps for consumption within three months. As French POWs lack more than others food reserves suggest forwarding these supplies in bulk French camps. Please advise regarding sale supplies and as to my suggested disposition including instructions concerning balance CRISTINA cargo when, and if, it arrives here as delay in transit and time needed reconditioning may preclude possibility requesting additional instructions in view necessary consumption total damaged cargo within three months".

SQUIRE

EEC EMB

CABLE TO AMBASSADOR STEINHARDT AND IRA HIRSCHMANN, ANKARA,  
FROM WAR REFUGEE BOARD

On recommendation of War Refugee Board, Treasury has issued license to International Rescue and Relief Committee Inc., New York, permitting remittance of \$5,000 to Leon Denenberg provided that such funds be utilized by Denenberg only as authorized by Ambassador Steinhardt and/or Ira Hirschmann.

For your guidance, the funds may be used by Denenberg in order to arrange for the rescue of persons in enemy territory whose lives are in imminent danger and to sustain and safeguard the lives of such persons pending evacuation to places of safety. The necessary funds, goods or services from persons in enemy territory may be acquired against payment by any of the three methods which are prescribed under Section (A) of License No. W-2166 issued to the Union of Orthodox Rabbis and set forth in Department's cable dated April 8, 1944, No. 311.

Periodic reports should be filed by Denenberg through Embassy.

THIS IS WRB CABLE TO ANKARA NO. 75.

\*\*\*\*\*  
July 7, 1944  
12:10 p.m.

FH:db 7/7/44

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

July 7, 1944

6 p.m.

AMEMBASSY,

ANKARA

616

The following War Refugee Board cable 74 is for  
Hirschmann:

On recommendation of War Refugee Board, Treasury has  
issued license to Emergency Committee, New York, permitting  
remittance of \$5,000 to Eri Jabotinsky provided that such  
funds be utilized by Jabotinsky only as authorized by Ambass-  
ador Steinhardt and/or Hirschmann.

For your guidance, the funds may be used by Jabotinsky  
in order to arrange for the rescue of persons in enemy terri-  
tory whose lives are in imminent danger and to sustain and  
safeguard the lives of such persons pending evacuation to  
places of safety. The necessary funds, goods or services  
from persons in enemy territory may be acquired against pay-  
ment by any of the three methods which are prescribed under  
Section (A) of License No. W-2166 issued to the Union of  
Orthodox Rabbis and set forth in Department's cable dated  
April 8, 1944, No. 311.

Periodic reports should be filed by Jabotinsky through  
Embassy.

HULL  
(GLW)

S/CR  
WRB :MMV :OMH  
7/5/44

NE

SWP

WT

800-806  
Distribution of  
true reading only by  
special arrangement.  
(SECRET W)

Ankara  
Dated July 7, 1944  
Rec'd 9:44 p.m.

Secretary of State,  
Washington.

1228, July 7, 1 p.m.

FOR THE WAR REFUGEE BOARD FROM HIRSCHMAN

Ankara No. 88.

Reference is made to the Embassy's 1216, July 5,  
transmitting message to Leavitt from Schwartz  
and to Embassy's 1218, July 5 for War Refugee  
Board. I have discussed with Schwartz the pro-  
posed rescue program connected with embarkation  
of refugees on the five ships now at Constanza  
and I should like to urge the necessity for the  
transfer to Switzerland of the funds requested in  
Swiss francs.

LMS

KELLEY

KD-439  
 Distribution of true  
 reading only by special  
 arrangement. (SECRET-W)

Ankara  
 Dated July 7, 1944  
 Rec'd 3:54 a.m., 8th

Secretary of State  
 Washington  
 1230, July 7, 2 p.m.

FOR THE WAR REFUGEE BOARD FROM HIRSCHMANN  
 Ankara No. 89

By arrangement with Gilbert Simond of the International Red Cross, I conferred yesterday with Alexandre Cretzianu, Rumanian Minister to Turkey, at the home of Simond. Cretzianu took pains to emphasize the determined efforts of the Rumanian Government to assist in the transportation of Jewish refugees from Rumania. He asserted that since my absence from Turkey he had received two telegrams from Nicose Antonescu to the effect that "I am doing my utmost to assist in the transportation of Jewish refugees." Cretzianu insisted that he had in his possession further corroboration that the camp in Transnistria which had contained 48,000 refugees had been completely disbanded in March 1944, but that he could not guarantee any orderly movement of refugees, since he asserted that the bombing of Pleesti and Bucharest had caused marked confusion and chaos in Rumania for all citizens and had multiplied the difficulties connected with all traffic movements.

Cretzianu promised to verify the authority and function of the Rumanian Interministerial Committee dealing with refugee transportation, referred to in the Embassy's 1218, July 5 for the War Refugee Board. Stating that the Rumanians unanimously desire to withdraw from the war provided Rumania would not become another Italy, he warned that such a step at this time would unquestionably bring about complete German occupation and under such circumstances "I fear that Rumania may become another Hungary insofar as the Jews are concerned." Cretzianu emphasized the friendly role that his government was playing at this time in connection with the Jewish refugees. He promised to assist in expediting the embarkation of refugees on the ships in Constanza and to report to me through Simond the information he will receive from Antonescu after he has communicated our conversation to Bucharest.

I am proceeding today to Istanbul where I shall meet with the Jewish organization representatives there to form the advisory committee and endeavor to expedite the ships movements from Rumania.

KELLY

WSE  
 RPL

BAS-490

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

Ankara

Dated July 7, 1944

Rec'd 8:09 p.m.

Secretary of State,

Washington.

1233, July 7, 7 p.m.

Mr. Katski, representative of the War Refugee Board, has advised me that he was informed before leaving Washington that a sum of \$10,000 had been placed to my credit for reimbursing representatives of the War Refugee Board for traveling expenditures incurred by them in Turkey. I have informed him that no funds of any sort have been placed to my credit for expenditures on behalf of representatives of the War Refugee Board and that I have received no instructions with regard to making any payments on their behalf. Mr. Hirschmann has raised the question of my paying travel expenses connected with the carrying out of his duties. I would appreciate the Department's instructions.

KELLEY

HTM

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY

The War Refugee Board requests that you deliver the following message to Mr. Alberto Romano, Pera Palace, Beyoglu, Turkey from Dr. Kubowitzki, World Jewish Congress, New York:

QUOTE Please wire through American Consulate General and War Refugee Board latest information on Jewish situation in Bulgaria: How many deported in recent months, how many escaped, how many left. Inform also concerning possibilities of crossing Bulgarian-Turkish land border.

LEON KUBOWITZKI  
WORLD JEWISH CONGRESS UNQUOTE

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July 7, 1944  
10:30 a.m.

BAksin:ar 7/6/44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Beirut  
TO: Secretary of State, Washington  
DATED: July 7, 1944  
NUMBER: 137

## CONFIDENTIAL

Today I attended a luncheon given by the Syrian President at which the only other guests present were his Premier, Foreign Minister, Iraq Minister and Nuri Said and Taufiq Swaidi, both statesmen. Surprise was expressed, during the course of an informal discussion regarding foreign exchange control, that Syria and Lebanon have not been invited to send a delegate to Bretton Woods Monetary Conference; Iraq and Egypt had been invited and sent delegations; it would be in keeping with Levant States' newly won independence and desire to participate in postwar reconstruction of Middle East were they to be associated in pre-war/<sup>and</sup>conferences of this kind.

In reply I stated that I was quite without instructions of either a general or specific nature and then in answer to a query as to whether I could not informally request such instructions, I replied that I would be happy to do so, which is the reason for transmitting this cable.

The Premier took me aside after luncheon and explained the considerations which most prompted his hope that I pursue matters here, first, a desire to establish as from now that Syria, even though perhaps technically included within North African franc

b10c

-2-

bloc, was not without liberty a faction in field of monetary policy.

After consultation with the Foreign Minister the Premier then asked that I inquire whether, there was not still time for a small Syro-Lebanese delegation to attend the conference, in view of the reported fortnight's adjournment of Bretton Woods conference. Provided this could be accomplished they suggested as members of such delegation a representative of each finance ministry, accompanied as technical advisor by Dr. Said Hamadi, who is a well-known professor of economics and finance at American University of Beirut.

I presume that it would be necessary for us to arrange priority air transportation for the delegation, provided that this suggestion is found agreeable and practical by the conference authorities and the Department.

Foregoing message was repeated to Cairo for AEMME and to Algiers for the attention of Murphy.

WADSWORTH

Secretary of State  
Washington.

2459, 7th

Press for July 7 published following American items.

One. A four inch Bretton Woods despatch by a Tass special correspondent reporting second plenary session of the United Nations Monetary and Financial Conference. Item reports approval of credentials of representatives observers and selection of Stepanov, Erosta, Gutt, and Melville as Permanent Vice Presidents of Conference, as well as approval of projects for Committees on International Currency Fund and Reconstruction Bank.

Two. A four inch Washington item reporting United States war expenditure of over 87 billion dollars during fiscal year ending June 30. Item gives figures on income and deficit for 1944 and figure for war expenditure since June 1940.

Three. IZVESTIYA publishes a brief report of July 4 launching of American warships.

HARRIMAN

ef:copy  
7-12-44

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 221

Information received up to 10 a.m., 7th July, 1944.

1. NAVAL

NORMANDY. 5th/6th. One of H.M. Frigates torpedoed by E-boats N.W. LE HAVRE and considered total loss after being beached. Three officers, 50 ratings rescued.

6th. British assault area attacked by human torpedoes. Two sunk, two prisoners taken. Two H.M. Minesweepers sunk.

Off. BREST on 5th/6th 12th Escort Group attacked enemy mined trawlers escorting outward-bound U-boats. Three trawlers seriously damaged and may have sunk.

Yesterday two of H.M. Canadian Destroyers with one H.M. Corvette made promising attack on U-boat off BEACHY HEAD.

2. MILITARY

FRANCE. U.S. Forces have made limited advances on either side of LE HAYE DU PUIIS and astride CARENTAN-PERIERES road. Very bitter fighting continues CARPIQUET airfield where Canadians are grimly maintaining their hold on the buildings at its northern edge.

ITALY. German resistance very strong all sectors and little progress made. Poles still fighting in OSIMO, have captured MONTORO, four miles S.W. OSIMO after house to house fighting and have made slight advances towards CINGOLI. Troops of Indian Division were in touch with enemy four miles north of UMBERTIDE. Little progress 5th Army Front. House to house fighting continues ROSIGNANO where 2/3rds of town now in U.S. hands.

3. AIR OPERATIONS

WESTERN FRONT. 5th/6th. Tonnages: flying bomb sites 1641; DIJON railway centre 634.

6th. In clear weather and conditions, good visibility, 534 Bomber Command aircraft (1 missing) dropped 2,311 tons and 721 U.S. heavy bombers dropped 1,693 tons on flying bomb launching sites, two large sites, two supply sites and one supply dump. A direct hit with 12,000 pound bomb on S.E. end of large site MIMOYECQUES appeared to penetrate the concrete bursting inside and causing the building to collapse. U.S. heavy bombers (3 missing) also attacked KIEL - 587 tons, half incendiary and half H.E., with good results; bridges over the LOIRE - 251 tons; ARMENTIERS railway centre and six airfields - 293 tons A.E.A.F. flew over 3,000 sorties dropping 1,098 tons and firing 322 rockets on transport, fuel dumps, flying bomb headquarters, etc.; 53 motor vehicles, nine locomotives and 16 railway wagons destroyed, and about 75 similar units damaged. Enemy casualties 12, 1, 6. Ours - 14 aircraft missing.

6th/7th. 33 Mosquitoes sent to BUER Synthetic Oil Plants. All returned safely.

NORTHERN ITALY. 6th. Fortresses and Liberators bombed VERONA railway centre - 141 tons; BERGAMO Steel Works 143; AVISIO Viaduct - 123; railway bridges LATISWNA - 132 and CASARSA - 125; and oil storage installation AVIANO - 185; PORTO MAROHERA - 277 and TRIESTE - 253 tons. 7 Fortresses and 1 fighter missing.

4. GERMAN ACTIVITY.

From 6 a.m. 5th to 6 a.m. 6th. Flying bombs launched 149, destroyed by fighters 53, anti-aircraft 5, balloons 1, total 59.

During 24 hours ended 6 a.m. 7th 68 flying bombs launched, of which 46 crossed coast.

TREASURY DEPARTMENT  
WashingtonFOR RELEASE 3:00 P.M., E.W.T.  
Saturday, July 8, 1944Press Service  
No. 42-48

Secretary Henry Morgenthau announced this afternoon that at the close of business July 7, total subscriptions to the 5th War Loan already received had exceeded the goal, and amounted to \$16,650,000,000. Of this amount, \$12,400,000,000 has come from corporations and \$4,250,000,000 from individual purchasers.

Although the total goal for the drive has been exceeded, Mr. Morgenthau said the returns are still incomplete. There is still a large volume of sales attributable to the 5th War Loan which has not been reported. This is especially the case with individuals whose bonds are issued to them through more than 75,000 agents in every State, County and local community in the United States.

The magnitude of this job, the Secretary said, is indicated by the fact that in the 4th War Loan more than 70,000,000 individual bonds were issued. Each issuing agent must record and report his sales to a Federal Reserve Bank which in turn reports to the Treasury. This process normally takes several days and in some cases, much longer.

Mr. Morgenthau pointed out that a large percentage of bond sales to individuals are made through payroll deductions affecting 27,000,000 workers in over 200,000 establishments. The payroll periods of these firms vary widely — weekly, bi-monthly, or monthly and it usually requires two or more payroll periods for a worker to accumulate not only enough for his regular purchase but to pay for his extra war bond subscription as well.

Secretary Morgenthau observed that in previous loans, only about two-thirds of the total bond subscriptions made by individuals during the course of the drive are reported to the Treasury by its closing date. It is for this reason, the Secretary said, that the reporting period for the 5th War Loan as announced at the beginning of the drive, will extend to July 31.

"The results of this drive will be good news to the men on the fighting fronts", Mr. Morgenthau said. "But we should not forget that the sale of war bonds is a continuous obligation and opportunity for all on the home front. The 5th War Loan drive is another demonstration of the loyalty, unity and determination of the American people."

"A magnificent job has been done by the great army of volunteer workers who, in this drive, will have surpassed all previous records."

\* \* \*

TED R. GAMBLE

WAR FINANCE DIVISION

EXPENSES OF LOANS

JULY 8, 1944

PLEASE SEND AS RIGHT LETTER TO NAMES  
ON ATTACHED LIST, EXCEPT NAVY RADIO TO  
ALASKA, HAWAII AND PUERTO RICO:

SALES THRU JULY 7 SHOW 1,635 MILLION E'S, 369 MILLION F-O'S, 2,272 MILLION  
OTHER SECURITIES TO INDIVIDUALS FOR TOTAL OF 4,276 MILLION TO INDIVIDUALS,  
12,374 MILLION TO CORPORATIONS OR GRAND TOTAL OF 16,650 MILLION. STRICTLY  
CONFIDENTIAL ADVANCE FIGURE THROUGH TODAY NOT CLASSIFIED 17,384 MILLION.  
DESPITE FACT THAT THIS FIGURE IS NOT FINAL AND DOES NOT REFLECT IN FULL THE  
SPLENDID WORK YOU HAVE DONE IN THE PAST FEW DAYS AND ARE CONTINUING, I FEEL  
VERY PROUD OF THIS ACCOMPLISHMENT. WHEN CONGRATULATING THE WAR FINANCE  
DIVISION IN WASHINGTON TODAY, I HAD CALLED TO MY ATTENTION AGAIN THE FACT  
THAT THIS ACCOMPLISHMENT WAS THAT OF THE WORKERS IN THE STATES AND COMMUNITIES  
UNDER YOUR SPLENDID LEADERSHIP AND THAT OF YOUR COLLEAGUES IN OTHER STATES.  
I CANNOT BE TOO FULL IN MY PRAISE AT THIS JUNCTURE, ALTHOUGH I KNOW THAT YOUR  
FIFTH WAR LOAN JOB IS NOT FINISHED AND THAT YOU ARE CARRYING IT ON UNTIL THE LAST  
BOND IS COUNTED. I WANT YOU TO SHARE MY FEELING OF PRIDE TODAY AND RELAY TO ALL  
OF YOUR WORKERS MY PERSONAL AND OFFICIAL THANKS. TED GAMBLE AND BOB COYNE JOIN  
WITH ME IN THIS MESSAGE.

HENRY MORGENTHAU, JR.  
SECRETARY OF THE TREASURY.

HFG:ebn:ceb

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Executive Manager  
War Finance Committee  
2002 Comer Building  
Birmingham, Alabama

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War Finance Chairman  
E. Northern Avenue  
Phoenix, Arizona

W. W. CAMPBELL  
War Finance Chairman  
Forrest City, Arkansas

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War Finance Chairman  
551 Equitable Bldg.  
17th & Stout Sts.  
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War Finance Chairman  
Bailey Mill Road  
Basking Ridge, New Jersey

NEVIL FORD  
War Finance Chairman  
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Huntington, L. I., New York

PHIL J. TROUNSTINE  
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G. RUHLAND REEMANN  
War Finance Chairman  
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Haverford, Pennsylvania

JOHN A. REILLY  
War Finance Chairman  
4710 Langdrum Lane  
Chevy Chase, Maryland

VIA NAVY RADIO

GOVERNOR ERNEST M. GRUENING  
War Finance Chairman  
Juneau, Alaska

Fred H. Kanne  
War Finance Chairman  
1445 Nehoa St.  
Honolulu, Hawaii

R. H. O'Malley  
War Finance Committee  
c/o Hon. Jean S. Whittemore  
U. S. Customs House  
San Juan, Puerto Rico

July 8, 1944.

MEMORANDUM FOR THE SECRETARY

FROM: Assistant Secretary Sullivan

AS

FOR YOUR INFORMATION

On July 5th you sent to me a clipping from the Philadelphia Inquirer regarding a fire which threatened to destroy an old Swedish church. I attach hereto a memorandum from Commissioner Nunan in regard to this property.

Att.



## TREASURY DEPARTMENT

WASHINGTON 25

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUEADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

JUL 7 1944

## MEMORANDUM FOR:

Assistant Secretary Sullivan.

Reference is made to an article in the Philadelphia Inquirer of July 5, 1944, entitled "Peril to Church Stirs Criticism Morgenthau Hit as Result of Fire Adjoining Gloria Dei". You requested information concerning a certain warehouse adjoining Old Swedes Church, in which warehouse a fire recently occurred.

The records show that on February 17, 1938, the Collector of Internal Revenue at Philadelphia, Pennsylvania, bid in for the United States of America certain property located at the Corners of Washington Avenue, Delaware Avenue, and Water Street, Philadelphia, Pennsylvania. The property consisted of a lot, the area of which is approximately 57,000 square feet. The lot formerly belonged to P. C. Tomson & Company, Inc. The former owner was indebted to the Government for income tax to the extent of \$138,681.48. The estimated market value of the property at the time it was bid in for the United States of America was \$70,000.00. The latest information regarding the value of the property is that in 1941 the land alone was valued at \$32,943.00 for assessment purposes.

At the time the Government took possession of the P. C. Tomson & Company property, there were about six buildings on the lot. All were subsequently torn down at the direction of the Government except a warehouse. The buildings which were razed were in bad condition and the records indicate that complaints had been made by the city authorities. However, the larger of the buildings, the



- 2 -

MEMORANDUM FOR:  
Assistant Secretary Sullivan.

warehouse, was rented to Brett's Drayage for the sum of \$1.00 per month. The tenants agreed to employ guards for the purpose of safeguarding the property. The records indicate that two guards were maintained on the premises. It is advantageous to have property occupied even though the rental is small. The fact that a building is tenanted has the effect of preventing persons from damaging the premises. The Bureau has had some very unsatisfactory experience with property which has remained unoccupied. However, the rental of the warehouse was increased to \$75.00 per month about November 1943.

Complaints were received from time to time that the Church property might be in danger in case a fire should break out in the warehouse. The Bureau in the early part of 1943 asked the Collector of Internal Revenue at Philadelphia to take steps to have the warehouse vacated and demolished. The Collector secured bids to have this done. However, representations were made by the attorneys of the occupant to the effect that the warehouse was used in the war effort and that the tenant could obtain no other space at that time.

The Pennsylvania Railroad in a letter dated August 27, 1943, stated that the razing of the warehouse should be postponed until after the war. It was stated that the warehouse was served by a railroad siding. The Pennsylvania Railroad indicated that the continuation of the warehouse would assist the Railroad in meeting the requirements of various Government departments.

As the result of these representations the Bureau consented to postpone demolishing the warehouse provided the tenant at his own expense would close all openings on the side of the building facing Old Swedes Church. The tenant asked that the Bureau consent to the using of sheet rock in closing the openings. The Bureau replied to the effect that sheet rock could not be used unless it was approved by the Philadelphia Fire Department. The records

MEMORANDUM FOR:  
Assistant Secretary Sullivan.

show that the tenant used brick to close the openings. In a letter dated August 10, 1943, the attorneys for the occupant of the warehouse stated their client advised them to the effect that no inflammable materials are stored at any time upon the premises.

The fire which occurred recently left standing some of the brick walls of the warehouse. We have authorized the Collector to secure bids to have the walls torn down. The Collector is in process of doing so. Apparently the walls are very strong. The Bureau has been informed that the Philadelphia firemen attempted to pull them down but were unable to do so.

The property in question was bid in by the Government under the provisions of Section 3700 of the Internal Revenue Code. Where the Government obtains property in this manner it attempts to sell the same to the highest bidder under Section 3795 of the Internal Revenue Code provided a minimum bid is secured which is reasonable. This office knows of no authority whereby property acquired under the provisions of Section 3700 of the Internal Revenue Code may be transferred to another agency except by Congressional action.

Representative Sacks of Pennsylvania introduced a bill in the 76th Congress on January 22, 1940, designated as H. R. 8050 providing for the transfer of the Tomson tract to the Interior Department. However, the Budget Bureau advised that enactment of the proposed legislation would not be in accordance with the program of the President and the Chairman of the Committee on Public Buildings and Grounds of the House of Representatives was so informed in a report made by the Acting Secretary of the Treasury in a communication dated April 12, 1940. The Treasury Department declined to make any recommendations regarding the bill. It appears that the proposal was again introduced by Representative Sacks in the 77th Congress on January 31, 1941, in Bill H. R. 1014 carrying the identical language of the previous bill, but no action was taken thereon.

*Joseph D. Whelan*  
Commissioner.

This indicates that London is 183

seriously underestimating the role of the Bank

I.M.C. (44) P. R. 9

8th July, 1944.

But it seems to emphasize the importance of getting the Bank into

effective operation quickly

INTERNATIONAL MONETARY CONFERENCE

TIMES LEADER

(July 8th, 1944)

Bridging the Gap

K. 14/7

As international policies in preparation for peace begin to take shape, the picture is revealed on one hand of fairly precise plans to meet the Armistice emergency - if indeed there is a formal Armistice - and of immediately succeeding weeks or months, and on the other hand of some broader outlines of long-term planning for future international organisation, political and economic. The period of clearing up after the termination of hostilities, returning of men and women to their homes, first relief measures to be applied to terrible devastation, human and material, to which almost the whole continent of Europe has been exposed, can in principle be easily envisaged though the task's magnitude may well surpass anything within the present compass of our imagination. The period of stable peace and prosperity which is the ultimate goal of all endeavors of the United Nations can just as easily be made, and has been made, the subject of stimulating discussion and more or less detailed projects. Yet in practice, the first period will not lead directly into the second. The long critical transition from the period of remedial measures pure and simple to the period of stable permanent order will have somehow to be bridged, and it is not too much to say that what is done at this time will determine Europe's future destiny.

What is so far known of plans for this middle period is meagre and not reassuring. The official commentary on the recent Joint Statement of monetary experts claims the Joint Statement "carries matters somewhat further" with regard to "transitional arrangements in the period following the conclusion of hostilities". But closer inspection does little to substantiate that claim. The Keynes plan, in its first chapter, boldly includes among its primary purposes "an agreed plan for starting off every country postwar with a stock of reserves appropriate to its importance in world commerce, so that without undue anxiety, it can set its house in order during the transitional period to full peacetime conditions", and a later chapter suggested (tentatively and not as "necessary part of plan") that the clearing union might help finance "postwar relief, rehabilitation and reconstruction". This positive approach disappeared from the Joint Statement, which specifies that the proposed fund is "not intended to provide relief or reconstruction or to deal with international indebtedness arising from the war", and merely offers to members somewhat

-2-

guarded license to maintain exchange restrictions during transitional period. The creation of a United Nations Bank for Development and Reconstruction, which is being considered by a commission of the Bretton Woods Conference, covers one aspect but only one of this issue.

UNRRA's proceedings confirm the same need in the cognate field of operation. Just as the original plan of a clearing union took into account the exigencies of transition, so preliminary discussions leading up to constitution of UNRRA generally assumed its immediate task of relief and rehabilitation would flow over without a break into the equally critical work of reconstruction. Any such hopes, however, received short shrift at the Atlantic City Conference. UNRRA's limitations were insisted on in closing resolutions with clarity and emphasis which appeared to close every avenue: "Task of rehabilitation must not be considered as beginning of reconstruction; it is coterminous with relief. No new construction or reconstruction work is contemplated", and specific warning was added against any excess zeal in well-doing. "Problems such as unemployment are important but not determining factors.....The Administration cannot be called upon to help restore continuous employment in the world." These rather chilling rebuffs to optimism might have been appropriate if they had been part of a demarcation of functions between UNRRA and another international organization charged with the consideration of what may be called middleterm problems. But no such organization yet exists, nor so far as is known is contemplated.

As the United Nations forces move forwards across the European continent, the maintenance of order in liberated territories will remain a joint responsibility and in the last resort, a military responsibility. So long as joint military operations are progressing or joint forces of the United Nations stand on German soil, joint military command cannot divest itself of a measure of ultimate control over the maintenance of order behind its lines and especially in those great centers through which its communications must pass. Even if UNRRA's work is carried out with precision and generosity and in closest harmony with the military authorities, the civilian population will have other needs beyond immediate remedial measures of "Relief and Rehabilitation": and satisfaction of these needs is hardly less urgent from every point of view than providing food. Great industrial centers with tens of thousands of idle workers and empty factories where war production has suddenly stopped are predestined breeding-grounds of civil strife and disorder. "Problems such as unemployment" will no longer seem as irrelevant as they appeared to delegates at Atlantic City. If no provision is made to cope with them they may represent both political and military liability of first magnitude. That the first overt

/ social

-3-

social consequence of liberation should be a vast wave of unemployment is a danger which cannot be ignored and against which effective precautions cannot be taken too soon. It may have to be faced in the not distant future if the German invaders are quickly expelled from the industrial regions of northern Italy.

The problem will present itself equally in countries liberated by the Allies and in enemy countries they occupy. In all of them production for the German war machine has been the principal source of employment for many years and this source will be abruptly cut off. Regarding Allied countries apprehensions appear to have been assuaged by the ready assumption that the whole responsibility can be placed squarely on the shoulders of the national government of the territory. A little consideration will throw doubts on this. Whatever skill these governments may have displayed in preparing their economic plans and whatever success they may have had in commending them to their compatriots - conditions in these respects will not be uniform everywhere - the overriding responsibility will necessarily remain with the Joint High Command in all matters affecting the safety, discipline and communications of the United Nations armies in Europe. The gravity of the problem of economic reconstruction in enemy countries needs no emphasis, but even in Allied countries it cannot be simply dismissed as something that is not our business.

Behind these arguments of immediate practical import lies one of broader and more lasting significance. It is common ground that Europe's nations cannot win back their way to peace and prosperity unless they agree in the future to establish measures of common economic organisation and planning which will overcome policies of economic nationalism pursued in greater or less degree by every national unit in Europe between wars. But while the principle is everywhere admitted, practical steps for its application still tarry: if practical measures of reconstruction in Europe are left entirely to the initiative and responsibility of individual national governments, new traditions of isolationism will be created and new vested interests built up in untrammelled economic action of national units left to fend for themselves and new and formidable barriers raised against those common economic policies whose necessity everyone in principle recognizes. This was the mistake already committed once in 1919 when laissez-faire tendencies were given free rein in Europe in the vain hope that the League of Nations would eventually intervene as a sort of deus ex machina to save mankind from the folly of its peacemakers. Should this mistake be repeated, should Europe be allowed to dissolve once more into a number of isolated units each driven to seek its own separate salvation, it will be as vain as it was then to look for an international miracle of healing. Nobody has written as gently or more eloquently than Keynes himself in his famous "Economic Consequences of the Peace" on the economic shortcomings of 1919. Though the Bretton Woods Conference may be concerned primarily with remoter projects, it can hardly ignore middle-term

-4-

problems to which original currency plan made pointed references. It might at least serve as a platform whence to bring them to the attention of the world.

\*\*\*\*\*

DAILY EXPRESS

(July 8th)

A brief editorial says Lord Keynes has been quoted here as saying world will return to "flexible gold standard" under plan being discussed. "It is to be hoped this does not represent the view of the British Treasury. It certainly does not represent the British people's view.

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

187  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

GAR-837

PLAIN

London

Dated July 8, 1944

Rec'd 7:11 p.m.

Secretary of State  
Washington  
  
5395, eighth



Leading editorial in TIMES consists of urgent plan for international action in preparing to meet economic and social problems of postwar period, especially in Europe. It begins: "As international policies for the preparation of peace begin to take shape, a picture is revealed on the one hand of fairly precise plans to meet the emergency of armistice -- if indeed there is a formal armistice -- and of the immediately succeeding weeks or months, and on the other hand of some broader outlines of longterm planning for future international organization, political and economic. The period of clearing up after the termination of hostilities, the returning of men and women to their homes, the first measures of relief to be applied to the terrible devastation, human and material, to which almost the whole continent of

Europe

-2- #5395, eighth, from London

Europe has been exposed, can in principle be easily envisaged, though the magnitude of the task may well prove to surpass anything within the present compass of our imagination. The period of stable peace and prosperity which is the ultimate goal of all the endeavour of the United Nations can just as easily be made, and has been made, the subject of stimulating discussion and more or less detailed projects. Yet in practice the first period will not lead directly into the second period a long and critical transition from the period of remedial measures pure and simple to the period of stable and permanent order will have somehow to be bridged; and it is not too much to say that what is done or left undone at this time will determine the future destiny of Europe."

TIMES deplures that "What is so far known of plans for this middle period is meager and not reassuring". It says: "The official commentary on the recent joint statement of the monetary experts claims that the joint statement 'carries matters somewhat further' in regard to the 'transitional arrangements in the period following the conclusion of hostilities'. But closer inspection does little to substantiate this claim". TIMES asserts

-3- #5395, eighth, from London

asserts that Keynes plan did include problems of transitional period among its objectives, but that this positive approach "disappeared from the joint statement", which specified that proposed fund is not intended to provide facilities for relief, reconstruction or war indebtedness.

Turning to UNRRA, TIMES says that here too preliminary discussions had generally assumed that its operations would flow over without break from task of rehabilitation to that of reconstruction; but that "any such hopes however received short shrift at the Atlantic City Conference last winter", whose resolutions contained specific warnings "against any excess of zeal in well-doing" by ruling our questions of reconstruction and employment. TIMES asserts: "These chilling rebuffs to optimism might have been appropriate if they had been part of a demarcation of functions between UNRRA and some other international organization charged with consideration of what may be called 'middloterm' problems. But no such organization yet exists or is, so far as is known, contemplated".

Editorial

-4- #5395, eighth, from London

Editorial declares that as forces of United Nations move across Europe, maintenance of order will remain a joint responsibility, and in last resort a military responsibility. As long as joint operations are in progress, or joint forces stand on German soil, joint military command cannot divest itself of a measure of ultimate control over maintenance of order behind its lines. TIMES continues: "Even if the work of UNRRA is carried out with precision and generosity and in closest harmony with the military authorities, the civilian population will have other needs beyond immediate remedial measures of 'relief and rehabilitation'; and the satisfaction of these needs is hardly less urgent from every point of view than the provision of food. Great industrial centers with tens of thousands of idle workers and empty factories where war production has suddenly stopped are predestined breeding grounds of civil strife and disorder". Problems like unemployment will no longer seem as irrelevant as they apparently seemed to delegates at Atlantic City; if no provision is made to cope with them they may represent a political and military liability of first magnitude. Such problems may have to be faced soon if German  
invaders

-5- #5395, eighth, from London

invaders are quickly expelled from industrial regions of Northern Italy.

TIMES goes on to state: "The problem will present itself equally in the countries liberated by the Allies and in the enemy countries that they occupy. In all of them production for the German war machine has been the principal source of employment for many years, and this source will be abruptly cut off. As regards Allied countries apprehension appear to have been assuaged by the ready assumption that the whole responsibility can be placed squarely on the shoulders of the national government of the territory. A little consideration will suffice to throw doubts on this assumption. Whatever skill these governments may have displayed in preparing their economic plans, and whatever success they may have in commending them to their compatriots-- and conditions in these respects will not be uniform everywhere--an overriding responsibility will necessarily remain with the Joint High Command in the matters affecting the safety, discipline or communications of the armies of the United Nations in Europe. The gravity of the problem of economic reconstruction in

-6- #5395, eighth, from London

reconstruction in enemy countries needs no emphasis. But even in Allied countries it cannot be simply dismissed as something that is not our business".

Final paragraph of editorial refers to what it calls even broader and more significant argument that nations of Europe cannot win back their way to peace and prosperity unless agreeing on measures of common economic organization and planning, which will overcome policies of economic isolationism pursued to varying degrees by every European Government between the wars. "But while the principle is everywhere admitted, practical steps for its application still tarry; and if practical measures of reconstruction in Europe are left entirely to the initiative and responsibility of individual national governments, new traditions of isolationism will be created, new vested interests built up in the untrammelled economic action of national units left to fend for themselves, and new and formidable barriers raised against those common economic policies whose necessity every one in principle recognized. This was the mistake already once committed in 1919, when fissiparous tendencies were given free rein all over Europe in the vague

hope that

-7- #5395, eighth, from London

hope that the League of Nations would eventually intervene as a sort of deus ex machina to save mankind from the folly of its peacemakers. Should this mistake be repeated, should Europe be allowed to dissolve once more into a number of isolated units each driven to seek its own separate salvation, it will be as vain as it was then to look for an international miracle of healing". Saying that nobody has written more cogently than Lord Keynes himself on economic shortcomings of 1919, editorial concludes: "Though the Bretton Woods Conference may be concerned primarily with remoter projects, it can hardly ignore the middle-term problems to which the original currency plan made pointed reference. It might at least serve as a platform from which to bring them to the attention of the world".

Please furnish copy to Treasury Department.

WIMANT

WTD

Currie would like to come  
 up. I'd appreciate it if the Sec.  
 194

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

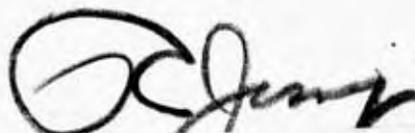
could approve.

July 8, 1944

To: Mr. White

From: F. C. Jessup

Mr. Willard tells me that if Secretary Morgenthau will telephone the White House and ask for clearance on the designation of Lauchlin Currie as a Technical Adviser of the United States Delegation, and if the White House will telephone clearance to Dr. Kelchner here, that will be all that is necessary.



Mr. White:

In this connection, the names of Mr. Adler and Mr. Arey also have to be cleared.

Mr Jessup suggested that Adler might be put on list as taking place of Silvermaster who had to leave.

L.S.

July 8, 1944

MEMORANDUM FOR THE PRESIDENT

Annexed are replies to Senators Thomas and Millikin regarding the subject of silver and its place in the International Monetary Fund.

(Signed) H. Morgenthau, Jr.

*Sent via Secret Service Aqu  
7/12/44 2:50 p.m.*

Draft of Letter to Senator Millikin

My dear Senator Millikin:

Thank you for your letter of June 19, 1944, commenting upon the importance that will be attached by a number of senators to the assignment of an adequate place for silver in the proposed International Monetary Fund.

I have brought this matter to the attention of Secretary Morgenthau who, as you know, is both the head of the American Delegation and the President of the United Nations Monetary and Financial Conference.

He has informed me that the subject of silver is presently under consideration at Bretton Woods.

Sincerely,

Draft of Letter to Senator Thomas

My dear Senator Thomas:

I have brought to the attention of Secretary Morgenthau your letter of June 21, 1944, concerning the role of silver in the proposed International Monetary Fund. As you know, he is both the head of the American Delegation and President of the United Nations Monetary and Financial Conference.

He has informed me that the subject of silver is presently under consideration at Bretton Woods.

Sincerely,

My dear Senator:

Thank you for your letter of June 19, 1944, commenting upon the importance that will be attached by a number of senators to the assignment of an adequate place for silver in the proposed International Monetary Fund.

I have brought this matter to the attention of Secretary Morgenthau who, as you know, is both the head of the American Delegation and the President of the United Nations Monetary and Financial Conference.

He has informed me that the subject of silver is presently under consideration at Bretton Woods.

Sincerely,

Honorable Eugene D. Millikin,  
United States Senate,  
Washington, D. C.

THE WHITE HOUSE  
WASHINGTON

July 5, 1944.

MEMORANDUM FOR

HON. HENRY MORGENTHAU, Jr.

FOR PREPARATION OF REPLY  
FOR MY SIGNATURE.

F.D.R.

