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July 25, 1944
9:35 a.m.

ITALIAN AND FRENCH CURRENCY

Present: Mr. Glasser
Mr. D. W. Bell
Mr. DuBois

MR. BELL: This is on the French. Do you want to tell the story?

H.M.JR: I didn't do my home-work last night.

MR. BELL: That's the Italian thing you didn't do. It is a memorandum to the President about the use of the Italian dollar, credited here on the books of the Treasury because of the military expenditures in Italy.

H.M.JR: Which is more pressing?

MR. GLASSER: The French.

H.M.JR: All right.

MR. GLASSER: The situation is as follows, to summarize the position up to date. The French have agreed with us on a currency agreement and on the Civil Affairs document. However, they have taken the position that they will sign none of those until they get the financial agreement. This represents, of course, a great change in their position, because the currency and the Civil Affairs document gives them all the sovereignty they ask for. They are satisfied. However, they are not interested in finance.

H.M.JR: I don't know what you mean.

MR. GLASSER: We gave them a document as to the financial arrangements that we wanted. This document had a lend lease and reverse lend lease arrangement. We would give them straight lend lease for military supplies. They would give us what we needed for our Army in France.

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We would give them under Section Three "C" those items needed in the war that would have a long life. They would pay over a longer period of time and the French would pay cash for civilian supplies. We also provided that they would use their gold in case they ran out of dollars for the payment for the civilian supplies. They took this document and answered by putting in their own draft which was unsatisfactory and which we are now in the process of revising. We will submit to them today another draft which is in answer to their draft.

Now the questions are, first, they don't want to use their gold. They will agree to pay eventually. They say, well, some other time, in case they run short of dollars, as they have already. The second point is in their latest draft they want us to agree to agree to a lend-lease agreement. That is, they want to commit us to say we will make a lend-lease agreement with them. They don't want to negotiate now. They want to sign the agreement first and then we will negotiate later. But they want to tie us up in a promise to have a lend-lease agreement.

H.M.JR: Well that is State Department business, isn't it?

MR. BELL: They are in on it, too, you see. The State Department and FEA, the War and Treasury.

H.M.JR: But they won't sign anything until they get a promise of lend lease?

MR. GLASSER: That's what it amounts to.

MR. DuBOIS: Even more than that. Their proposal amounts in effect to not only will we promise them lend lease, without any specific terms as to what lend lease will include, but also they make no definite commitment to pay us even for civilian supplies. Their provision, which was rather cute, was that they will pay us for any supplies that may not be included eventually in the lend-lease agreement to be negotiated. And what the document

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they handed us boiled down to was that we make a commitment to pay them in dollars for everything they want and they make no definite commitment to pay us for anything. Under the document they could make money on the war, is what it boils down to.

H.M.JR: Let me ask you this. Where does General Eisenhower stand now in the directive of the Combined Chiefs of Staff? Does he have it?

MR. GLASSER: No.

MR. BELL: They are kind of rolling along from day to day on an informal basis.

H.M.JR: Why don't they get it out?

MR. BELL: It is all tied in with this negotiation. When we get all of these agreements signed, then they will get a directive.

H.M.JR: Can't you get tough with these babies?

MR. DuBOIS: Absolutely!

H.M.JR: I have been up against Mendes-France and a lot of them. There comes a time you just have to get tough.

MR. DuBOIS: I think that is the essence of our present recommendations.

H.M.JR: Of course up there I was the boss and I could tell State I want to get tough and we would get tough. Now we got tough with Kung and he didn't make any objection. As you were told, we had offered one hundred and twenty-five million dollars gross and take it or like it, and the Army told him that the Army appropriations would be going back to the Treasury very shortly and they had no request in for new appropriations and he had better make up his mind pretty damned quick.

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MR. BELL: We didn't hear, did we?

H.M.JR: No, but we are going ahead on the basis of twenty million a month. We have everything they want and the Chinese haven't got a penny. And so what! We are in a perfectly good position.

MR. BELL: We are getting in a better position. We are going to have airfields maybe closer than China pretty soon.

H.M.JR: That's right.

MR. BELL: So they better--

H.M.JR: We have one now in Saipan, a damned good one, too. So I mean, I think it comes to a point where you have to tell these people to fish or cut bait, and I would just tell them to quit fooling around.

MR. DuBOIS: The whole weakness in all these negotiations is, Mr. Secretary, as I see it, that McCloy and the Army boys have created the impression in the French mind that these current civilian affairs agreements are essential to us. The French now think they can take advantage of the fact and that we need these agreements to get in effect what they want in the financial field. In other words, we give our shirt away in the financial field, because the Army feels it is essential to have the other documents. It doesn't make sense.

MR. BELL: I feel a little differently about it. I think that the military situation has to come first and the financial second. We have to go ahead here, regardless of the cost. We took the same attitude with China that if the military says these airfields are essential, we will pay for them regardless of the cost if they say go ahead. I think we have to take the same attitude here. I asked Julius Holmes the other day if he considered these agreements necessary. I did it purposely so that if he said that they are not necessary, then we could sort of sit back and just wait for the French to make up their minds

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and take as much time as they want to. But he said they are absolutely necessary, because if this present informal arrangement breaks down, then we are just going to have a terrible situation in France. How much truth there is in that, I don't know.

H.M.JR: But they don't want to issue their money and they don't want to sign or do anything?

MR. BELL: They are a little inconsistent all the way along. They don't want to be responsible for the issuance of the money yet the money is being accepted by the French. It is rather popular, even more popular than the other notes, and too, they have asked for some of the currency and they are going to get some against their set. Now they are inconsistent all the way along, it seems to me.

MR. GLASSER: Their attitude is, we want dollars for the currency. I mean, they say--

H.M.JR: We give them any dollars?

MR. BELL: No, and not going to unless this is settled.

H.M.JR: Have we sent food?

MR. GLASSER: Oh, yes. We are sending it in every day. The Army has a plan they call Plan "A" for supplying France and they are pouring this stuff in, according to schedule.

MR. BELL: Yes, sir. We gave them a memorandum which Mr. DuBois and Mr. Glasser drafted, which set out the principles on which we were willing to agree to go forward. It would be really a record of how we were thinking. But the consensus of the meeting was that we should not send the memorandum at this point, that Jack McCloy would use the memorandum as the basis of his telling the French in the next meeting which is this afternoon, just how we feel about their document, how we feel that these arrangements

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should be concluded. And then he said, if we don't get ~~some~~ place, later we send a memorandum of our views and make a record of it. I agree to that.

MR. GLASSER: I have a feeling that they will get tough after this meeting. If the French don't show any sense of going along after this next meeting, I think both McCloy and Dunn would agree to get tough.

MR. BELL: Now there is a background to this whole thing that has given the French encouragement, I think. Monnet was here, you know, for sometime. There was about a month or six weeks when he didn't show up at the Treasury or War Department. General Hilldring said one day, "I got worried about this bird and I sent my scouts to find out where he was. I found that he had been dickering with State and Lend Lease".

MR. GLASSER: He was living with Dean Acheson.

MR. BELL: So that Jack McCloy said Monnet went back to North Africa with a memorandum in his pocket which probably was prepared by himself which indicated that the French were going to get about two billion dollars worth of lend lease to reconstruct France. He was very happy about the whole thing. McCloy said that the War Department certainly didn't agree to anything like that and wouldn't. But he said he was encouraged to believe that he was going to really construct France out of lend lease. So there is that background and that encouragement to this present group of negotiators.

H.M.JR: I wish during the next couple of weeks that you would make a note. Draft for me a plan whereby the Secretary of the Treasury is made chairman of a group which conducts all negotiations with foreign powers that have to do with money or financial aid. When the President gets back I want to stick it under his nose. FEA, War Department, State, and I would be made chairman, wherever there is financial aid given in any form. Just a very short one-page directive. Take it out of Dean Acheson's hands.

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MR. BELL: Does that interfere with the present McCloy Committee?

MR. GLASSER: This is purely an ad hoc committee that was set up by the Committee. This was formed in the Secretary's Office.

MR. BELL: No, the McCloy Committee is a committee to make recommendations to the Combined Chiefs of Staff.

MR. GLASSER: Oh, that's the CCAC. Well, that is only on civilian affairs.

MR. BELL: Well, all this involves financing?

MR. GLASSER: Not aid, no, financial arrangements between the Army and the liberated countries, but I believe the Secretary is thinking in terms of any proposal that concerns aid--

MR. BELL: Any financial aid of any kind, you mean. I think we have to coordinate it with that committee. Of course we are represented on that.

MR. GLASSER: No, we are only invited in whenever they want us. We are not a member of that.

H.M.JR: Well, I want an example. Take this mess in Italy. I can give the President a half dozen examples and the final thing we are also called in to pull out their chestnuts.

MR. BELL: Well, there is a feeling, certainly in FEA, that we ought to give a lot of aid to France.

H.M.JR: What you can do when you are boss and the President and Mr. Hull just leave you alone. I would like to have this thing straightened out in my own mind. I want to put it up to the President that as Secretary of the Treasury I am responsible, and then I want examples of things that have gone wrong since we have gone into Italy

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and North Africa. Now if these promises are made how they owe us 280 million dollars in North Africa and the different things you know about which are pending, then if the President says no, then, "All right, Mr. President, as long as you understand it. I will either take full responsibility or not. If not, then you place full responsibility on somebody else."

MR. D. W. BELL: There is an eighty million debt in North Africa.

H.M.JR: And the whole dollar balance thing. I can ad lib my way.

But I want to go to the President and say I am perfectly willing to take this responsibility, but I am not willing to be on the borderline where I don't know whether I do or not.

MR. D. W. BELL: We are not getting any place on the reduction of dollar balances in Great Britain.

H.M.JR: And then give him the example of what we could do in Canada. I mean, I'd like to give him some of the good things we have done and some of the messy things which are all around.

A fellow like Ruml can come out and say how this should be done and that should be done, and how all fiscal and monetary matters should be put under Jimmie Byrnes and the President. Sure they should, because we fool around behind the scenes and nobody knows that we are doing it. So I'd like a document from the three of you--just a one-page directive, citing the cases of Italy and North Africa, and how bad things were in the Middle East.

MR. GLASSER: And the need to coordinate the policy.

H.M.JR: And now every time you go up against the English they are always coordinated.

MR. D. W. BELL: They are there first.

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H.M.JR: Twice Keynes told me he was going to walk out of the Conference, and I called his bluff.

MR. GLASSER: We are beginning to think, Mr. Secretary, about termination of Lend Lease, how and in what manner it is to be terminated, because time there is going to be very important. Every day lost is a day in which they get more, and our bargaining position has been weakened.

H.M.JR: Bring that in. My inclination is to call up McCloy and tell him I wish you would get tough and make a little speech.

MR. D. W. BELL: I wouldn't do that yet. Jack has a feeling that the French are going to come pretty far. He feels they are going to agree.

MR. GLASSER: I don't feel they will, but we ought to give him a chance to try it out today.

MR. BELL: I don't see how they can expect us to sign a memorandum to agree to give them the dollars and not pin them down to give us dollars in return for supplies.

MR. DUPOIS: The essence of our memorandum which he is supposed to present orally is just that--getting tough--if he presents it in the right way.

H.M.JR: What is Montgomery doing on the English side? They seem to run more or less separately in France. Does anybody know what they are doing?

MR. BELL: No, I think it is all under Eisenhower.

H.M.JR: But I thought they had printed money for them, and all that sort of thing.

MR. BELL: They are using the same francs we are using.

H.M.JR: Are they using it in France?

MR. BELL: No, it hasn't been printed yet. I have an idea that is to supplement the order we got for the

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Committee to use--

MR. GLASSER: May I make a statement on this point? We are printing for the French Committee a note like the supplemental franc. It does not have "Republique Francaise".

~~MR~~ BELL: It has just "France," in place of the flag.

MR. GLASSER: Then the British are now printing for the French a note which has "Republique Francaise" on it. Those are the one thousand and five thousand franc denominations.

MR. BELL: Five hundred and a thousand.

MR. GLASSER: It doesn't matter, but the French are planning to use that note along with our notes. It seems to me it is going to be pretty bad if the French people have a note--say a thousand-franc note--printed in England with "Republique Francaise," and a five hundred-franc note printed in the United States with just "France."

Now, we have just drafted a very strong cable--I just sent it around to you this morning--asking the British to stop the printing of that note in London, and if they won't agree to that, inform us immediately.

MR. BELL: We have our currency approved by the British, and we never heard of this until after its introduction.

H.M.JR: I see they made an Englishman head of Civil Affairs.

MR. GLASSER: We never heard of him. He has evidently had a long career in India or the Middle East. He was the Chief Civil Affairs Officer in Ethiopia.

MR. BELL: He comes ahead of Holmes now.

MR. GLASSER: Oh, yes.

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H.M.JR: Mendes-France told me something that surprised me. You remember the two French collaborationists that the French wanted to put in prison? When they were doing that, our Ambassador Wilson, under instructions, protested against it.

MR. GLASSER: Yes. The President gave the instructions.

H.M.JR: Do you know why?

MR. GLASSER: They have been helpful to us.

H.M.JR: He said he thought that was terrible.

Did you get what you want out of me on the French?

MR. BELL: There was nothing to get out of you, except to tell you what we are doing.

MR. GLASSER: It is nice to know that in case it slips this afternoon, you will be in back of us.

July 25, 1944
10:10 a.m.

PERSONNEL - SURPLUS PROPERTY DISPOSAL

Present: Mr. Olrich
Mr. D. W. Bell
Mr. C. S. Bell
Mrs. Klotz

H.M.JR: Well, sir, you begin wherever the beginning is.

MR. OLRICH: All right.

Well, I submitted to you through Mr. Charles Bell the organization chart as we have set it up. You may disagree as to personnel, but the form of organization and the method with which we are operating, in which I take over both the divisions and set it up as between surplus and procurement with a common administrator, is sound. I have had the best engineers in the country working with me on that. I had their services free. I have paid very substantial fees for doing my own work. We have tried it out and it is working. It will give clean-cut channels of authority with corresponding responsibility and the work will flow quickly through. We have a major organization job in Procurement, if we are to handle surplus. I have visited several offices and I have gone into the documents in those offices and I find in the average office in Procurement, declarations are at least one hundred and fifty days old. That is five months. That is not entirely a reflection upon the personnel down there. It is just a thing that happens when you throw too much work on too many people without the procedures and the channels of authority and responsibility being clean-cut.

We are going to clean that up very fast. I would say that in a period of sixty days in every office in the District we will be current. We have reviewed each office. We have found that we need better men in most of the offices or we need to advance the men to the

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rank that they should be. The man in Seattle is a good man and should be advanced to the Regional Director of both Procurement and of surplus property. I have had him here and I have talked to him. His work is far better than average. The San Francisco man I do not think is heavy enough for that particular office, without further study, because that is an important office and covers Los Angeles as well as San Francisco and will take in the Army installations and declarations of surplus from both Arizona and California, which will be enormous. So we are moving Colonel Hough. Mr. Mack has voiced his opinion that Colonel Hough is not capable of handling that office, and yet I have reviewed Mr. Hough's records okayed by Mr. Mack and in the things in which he now says he is weak, he marks him on his rating sheet as outstanding. It is hard to tie the two things up. Somewhere along the line, I think personalities are entering into it. To satisfy my own mind that the man could do the job, I called General Fleming whom I have known for years. He was on the WPA and in the Federal Works and Federal Housing and for whom I have a lot of respect. I discussed Colonel Hough with him and he says, "He was one of my men, he did an outstanding job for me, and if I could take him away from you I would be very glad to do it." He says you can rest assured he will do you an excellent job.

We have put a new man in, in Atlanta. He is a former businessman and he has done an excellent job. He has earned substantially more than we are paying him. I have had him up here and told him he is on probation. He is a man about forty-five to forty-eight years old and I have no fear of that region.

In the New York region, after a personal investigation of mine lasting one day, followed by an investigation of an old Procurement man and Marshall Field's man, the manager resigned--Albrecht. I have not accepted that, because I think the emotional strain has been a little too much for him and there is a satisfactory and a good place in Treasury for him and we should use his

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experience. He should never have been put in the New York Office.

H.M.JR: Is he a sort of small, stocky fellow?

MR. OLRICH: No, tall, not too stocky, but a good-looking chap.

H.M.JR: I was on the floor where they were handling surplus property.

MR. OLRICH: That might be Young.

H.M.JR: Yes.

MR. OLRICH: Young will make a good operating man, probably, but he won't make a salesman, because he is anything but a salesman. We will make changes there. The New York Office is a key spot. The man that goes there will be the top man in the United States that we can get ahold of, because that is the market of the world. Mr. Mapes in a written report to me indicated in his opinion Albrecht does not have the quality that he should be the Director of New York and yet he is in New York and New York has fallen down.

Mapes in Chicago will have that office which was six months behind. We will have that office cleaned up by July thirty. Your men are working with us there and they are doing a noble job. (Mr. D. W. Bell)

We have made a change in the Cincinnati Office because that was in a mess. We have demoted the Head of Procurement and put a new man in and we have another Regional Director in there to clean it up, because with the Jeffersonville Depot there we are getting tremendous surplus and we are moving none of it. That will be cleaned up. The man in there is a man that has earned five to twenty thousand dollars a year, ran his own business. We are checking on him now. We will be able to get a proper Regional Director in Washington, a man named Shlesinger, who was head of Lansburgh's Department

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Store here and who has retired for family reasons and has been sent in to us. He would like to take the Washington region as a stop-gap between the time now and when he may purchase a chain of department stores.

MR. D.W. BELL: He has retired?

MR. OLRICH: Yes, he couldn't stand the squabble between the two factions. He built the business from about five million to thirteen million dollars and put it on a very profitable basis. He is interested in Tahlheimers in Richmond. He was recommended to us by Fred Lazarus who is one of the outstanding retailers of this country.

H.M.JR: Ohio.

MR. OLRICH: We are trying to close with him. We will have to make a change in our Kansas City, our Fort Worth and our Denver offices. We will probably bring the San Francisco man either to Denver or Kansas City and build him up. So much for the lower levels.

In each one of those levels, however, we will have to get the proper sales manager, in which the Regional Manager that is demoted can become the Procurement manager, because they are skillful in that work. But at the same time I have demanded from Mr. Mack, that he visit each one of the Regions and personally investigate his own Procurement record. I have a schedule from him of the work he is going to perform in those Regions and I am demanding that he evaluate his man in that Region on the basis of performance and not personality. He has agreed to do that. I am setting up in my office an auditor, a head auditor, who will be responsible for auditing the procedures and methods and the current conditions of the work in all offices, so I know where they stand. We must not get into the condition we have allowed some of the offices to get into. That is not said critically but constructively.

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On the top level, out of ten merchandise managers, we have already secured eight. They are outstanding men and men that will pass any test. We are looking for a drug and electrical goods man. The last man we got, he owns the largest paper jobbing house in America and he is here heading the paper and paper products. The sales manager of the Argus Camera Company is coming down in charge of photographic materials and supplies and office machinery and related products. He has been loaned to us by his camera company. Ed Phillips one of the largest road machinery and farm machinery distributors in the East has been made the man in charge of that particular district. He is on loan, and I have the agreement of every large road machinery and farm machinery distributor in the country he will act as a local representative to assist us. Russell Duncan of Minneapolis, who owns his own company and has been in Government three years, WPB, OCR, redistribution, is the Chief Commodity Specialist and the man we would like to make the Deputy in charge of merchandising. He will pass the test.

Friday, I would like to make a deputy to assist me in trade relations.

H.M.JR: He is working out all right?

MR. OLRICH: Yes, that man will never go back to teaching school. Some business will take that man away. We cannot pay him more than sixty-five hundred dollars a year at the present time, because that is probably the maximum he has earned in private life. That is something that we will have to correct as time goes on.

H.M.JR: Is that a ceiling?

MR. C.S. BELL: No, sir, that is controlled by the Civil Service Commission.

MR. OLRICH: In other words, we will have to wait until he is long enough in service that we can advance him. There is no use sowing dragon's teeth in that direction.

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The other question now coming up is the question of the operating manager, which I had proposed John Loeb for, for reasons which we will not do. We will eliminate John from our organization. I will talk to you about that in the approach to it.

We will cover that Job by taking Fred Atcheson, who is the Comptroller of Marshall Fields and we will make him Acting Deputy in Charge of Operations until such time as we can find in the United States the man that should do that job. We will have under Atcheson, Jeff Sims, who will handle the control end of the business. Jeff hasn't had the greatest accounting education, but if Jeff Sims wanted to step out of this business today, he would command at least ten thousand dollars a year because of his knowledge of IBM and other things and he is a valuable man. I think I would rather lose any of the operating men over there. He has been there a long time and I don't think he has been recognized. I think he has been carrying a great deal of a load. We also have Widmann in the Operating Division in an important capacity and I think with proper leadership that young man will make one of the outstanding operating men in the country. He just needs guidance, that's all. He is rather lost. I think he copies and apes other people.

In my discussions with John, I am simply--

H.M.JR: John who?

MR. OLRICH: John Loeb. I am going to indicate that for certain reasons that he hasn't fitted in with the organization and therefore I am going to suggest that he resign. Now in that connection, Mr. Secretary, I think John Loeb, with his knowledge of surpluses, in some capacity other than relationship to the Treasury, would make a valuable assistant to Mr. Clayton. You may or may not agree with me, but I have watched his work. Now, I don't know any of his past relationship. Since I have been there and worked with him, he has done a lot of good work for us. He has prepared documents, attended meetings with me, but by that I mean meetings with other agencies and he has documented the results of those meetings and put them into

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operating procedures and done a good job. I will admit that John has an inclination of well, I wouldn't say crabby, but being sharp. I think he carried into private life too much of the brokerage attitude.

H.M.JR: I am personally very glad you are going to drop him, because the more I hear about him, the more I am convinced he is not the kind of person I want associated with the Treasury. I haven't got anybody else like him in the Treasury.

MR. OLRICH: Well, in that connection, Mr. Secretary, I am going to say I think part of his attitude has been because he has had to be the understudy rather than the man at the head. The man at the head, and I am talking about Cliff Mack, should be given a chance for his wide alley. He has been swayed by personalities and he has been easy. Any condition that exists in Procurement today is due to his unwillingness to act and the fact that he has been afraid to take decisive action when decisive action should have been taken. When in writing he admits that his New York manager is not capable of running the New York Office, then he must assume full responsibility for the conditions of that office.

H.M.JR: Well, just to finish with Loeb, the only condition I make and Clayton hasn't spoken to me, I have an exchange of letters between Clayton and myself that if he takes anybody on as liaison between his office and the Treasury, he would consult me, and I don't want Loeb as that liaison man.

MR. OLRICH: No, he has been working with me trying to find that man and the men he has been trying to get as the liaison men are such as John Mayfield of Scruggs, Vandervoort and Barney, Walker of Macy's, Noah of the American Woolen Company, Fred Lazarus, himself. He has asked John McKinley of National Tea, former President of Marshall Field and Company and today he is having an exchanging of correspondence with Winant of Bullock's of Los Angeles asking for a man named Bolton Minister who is an exceptionally capable, fine young man that knows retailing. He tried to get Ken Richmond of Abraham and Straus of Brooklyn.

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But most retail stores today, Mr. Secretary, are one-man organizations, and they can't spare these top men because they command tremendous salaries. When Kasper of Macy's, left Macy's because he didn't get the Vice-Presidency or promotion, the AMC hired him at a hundred thousand dollars a year.

H.M.JR: What is the AMC?

MR. OLRICH: Associated Merchandising Corporation, which buys for stores with volume in excess of six hundred million dollars.

That is the situation, and I'll clear that up. It isn't going to be easy for me to tell John Loeb that, because as far as his relationship with me is concerned, it has been satisfactory. I have made them so. I'll not brook any of the things that he has been accustomed to doing there, and therefore I have had none to contend with.

But I know Mr. Clayton would like him, and I know he would be a help to Mr. Clayton, because Mr. Clayton has problems policy that he can reduce to formula that will be helpful.

H.M.JR: I think that that will be a happy "out."

MR. OLRICH: I do. And I'd like to speak to Mr. Clayton again, today; but I have told Mr. Clayton, and Mr. Clayton agrees with us, that it would be an unfortunate choice for him to be liaison between Treasury and him. That has already been resolved.

H.M.JR: You are leaving town tonight?

MR. OLRICH: Yes, and I'll be back here on Monday.

H.M.JR: So much for that. All I can say is, the sooner the better.

MR. OLRICH: It will be taken care of.

H.M.JR: These men will bear me out that I don't ride personal prejudice.

(Mrs. Klotz enters conference)

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MR. OLRICH: No, you have your reasons.

H.M.JR: I mean, they know that. They have been with me. This isn't a matter of a personal prejudice, but--

MR. OLRICH: In that connection, I feel as you do. I think somewhere along the line there could have been a clarification of the atmosphere.

H.M.JR: I have just one suggestion to make. If Mack or his organization seem to have been as inefficient as that - if the office is so bad and he has made all these conflicting reports and all the rest, I want you people - now this I am not going to push on you.

MR. OLRICH: Well, I'd like to say something.

H.M.JR: But from what you have said to me this morning, if you and I were in business together, responsible to our stockholders, we would move that fellow out.

MR. OLRICH: Well, I'll say this: We have tried to make a sales manager out of a purchasing agent, and it can't be done.

H.M.JR: I'll go further. I tried to make a purchasing agent out of a damned good detective. Cliff Mack is one of the best detectives in the Treasury, and I wouldn't take that back for anybody. He is one of the best investigators that we have. But that doesn't mean that he is a round peg in a round hole.

But I am going to just say it once, Olrich, and the rest is up to you. That is fair, isn't it?

MR. OLRICH: That is right.

H.M.JR: But from listening to what you have said this morning, if you and I were in business together and on the Board of Directors, the fellow would go out.

MR. OLRICH: Well, I think first we ought to put him on notice. I think he ought to be given an opportunity to

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see whether he can handle Procurement. He did handle Procurement at one time and handled it well.

H.M.JR: Listen, I am simply delighted with what you are doing and the report you made to me this morning. I have listened, I have absorbed it, and this is one of the reactions I have gotten. I am just bringing it to your attention; I am not going to mention it again. As far as Mr. Mack personally is concerned, I am very fond of him. I think he is a wonderful character. If there is any mistake, it is my mistake. But if you can make use of him, I'd ten times rather make a man than break one. That has always been my policy. So if you can make him and save him, then I'll take my hat off to you.

MR. OLRICH: I'll try that, and I'd much rather make him than break him.

H.M.JR: Now, the other fellow we are talking about, the situation is quite different. Cliff Mack is my type of Treasury fellow--fellows who make the Treasury run. If you can find a place, and you are satisfied you can make that fellow a success, I'll take my hat off to you.

MR. OLRICH: We'll try. He'll be given a chance for his wide alley.

MRS. KLOTZ: That is what you would be doing, breaking the man, if you took him out.

MR. OLRICH: No, I have started him. I have his itinerary. He starts on August 7, and he must visit every operation to assure himself that it is done just as I have done--demanded a report of the documentation of our declarations to know the status of it.

In other words, when I report sales to you, those sales, Mr. Secretary, may be as much as three months old, but we'll catch our breath.

H.M.JR: But we understand each other about Mack?

MR. OLRICH: That is right. I am carrying the ball.

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H.M.JR: And I repeat myself once more, if you can find him this place, save him so that he can look himself in the mirror and be satisfied, I'd be delighted.

MR. OLRICH: All right. We'll see what we can do.

MR. D. W. BELL: I think one fault down there is that Procurement has lacked a little supervision from up here. We have sort of allowed Cliff to go wild.

H.M.JR: I think that is a gross understatement.

MR. D. W. BELL: He really was on every committee in town. He had no alternate. He tried to attend all the functions and he just couldn't do it.

MRS. KLOTZ: I understand on Lend Lease he did a perfectly amazing job. To send him back as a detective, I think would be terrible.

MR. OLRICH: I have simply taken him out of Surplus Property in which he is not fitted by training, because they are two separate jobs. Any man who is running a procurement program of a billion dollars or over has got all he can do. We are separating the operations and we are setting up a central administrative staff which will function for both, so there is absolutely no duplication of any position in all Treasury Procurement.

H.M.JR: What did you do about UNNRA? Did you decide to set up a third organization, or what?

MR. OLRICH: We haven't got that yet.

Now, that is so much for that. Then I'll proceed on those lines, and I'll clean it up today. If, because of other things I can't clean it up until Monday, I'll wait until Monday.

H.M.JR: Just so you know my time-table, I am going up to the farm at the end of this week for a week's rest, and then I'll not be available to anybody for about ten days.

MR. OLRICH: Right.

July 25, 1944
10:30 a.m.

OPA vs MUNSINGWEAR

Present: Mr. Olrich
Mr. O'Connell
Mr. D. W. Bell
Mr. C. S. Bell
Mr. Sullivan
Mrs. Klotz

MR. OLRICH: Now, do you want to talk about that other situation of Munsingwear and GPA?

H.M.JR: Yes, but the boys told me about that and I just wanted to tell you that I can be reached on the telephone for a week, but I can't after that.

MR. OLRICH: We are working on that. I have gone over and seen Mr. Field and I have seen Mr. Ketcham, the Assistant, and I have submitted the data and we have had a meeting with the agent.

H.M.JR: Who is working on this?

MR. C.S. BELL: Joe O'Connell.

MR. D.W. BELL: And Sullivan.

H.M.JR: Well, what has Sullivan been doing on it?

MR. D.W. BELL: They were both contact over there. Do you remember?

MR. OLRICH: You sent Sullivan over to see Rogers.

MR. C.S. BELL: Sullivan went over to see Rogers and Rogers told him he would expedite a conclusion on the thing.

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The conclusion was that he was going to prosecute the case, so that was the end of Sullivan's participation.

MR. OLRICH: John got that news only yesterday.

H.M.JR: Do you want Sullivan on this?

MR. OLRICH: I think he should be here to hear it.

H.M.JR: I have to go see Mr. Hull. Go right ahead.

MR. OLRICH: I visited Minneapolis and I sat down with the Enforcement Agent. I indicated to him that in the first place, his charges were incorrect, that he contended we had filed under one basis when we hadn't. We had failed to file certain documents was not in accord with the fact that those documents were in Washington. We have proven both of those cases. If they proceeded on that, they would have had to start another suit. We convinced them that we had filed under entirely different relations.

Then after the visit, I went over to Mr. Ketcham's office. I explained--

H.M.JR: Who is Ketcham?

MR. OLRICH: He is the Assistant to Field, the Assistant Chief Counsel. I explained to him that he could not look at conditions as they were in past years, but he would have to examine conditions as they were in 1942, immediately following Pearl Harbor, that the pattern of purchases of certain types of goods had entirely changed and as the result of those changes in the pattern of buying, we had done certain things, and while the quantities of merchandise within the narrow period of ten days might be insignificant toward a whole year's purchases, that we had complied with the law in every respect. They said they couldn't agree with me those amounts of goods were so insignificant. I told them they hadn't examined

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the facts and I gave them other figures over the telephone. Well, he says those figures are very persuasive.

H.M.JR: Who's this?

MR. OLRICH: Ketcham. I explained to him that in the month of January of 1941, when there was no war, when people were buying to fill in their stock, that Munsingwear had sold forty-nine hundred dozen goods. But in the January following Pearl Harbor, they had purchased twelve thousand dollars of goods, showing thus their forward buying for the new year. I explained in February of 1941 they had purchased twelve hundred dozen and in February 1942, they had purchased six thousand dozen goods. Then in March of 1941 they had purchased seventeen hundred dozen and in March of 1942 they had purchased--

H.M.JR: Look, old man, this doesn't mean anything to me. Now let me tell you something. I am not going to ask anybody's advice. I am convinced that you are an honorable, honest businessman. I don't want anybody's advice. Now what I am going to do is, I am going to call up Will Clayton and tell him that if OPA doesn't stop hounding you, he can have the whole Goddammed Procurement right in his lap, because I am not going to go out to look for anybody else. Now that is just the way I feel. I am not going to go through this thing again. I have you and you are doing the thing the way I want it, and if Will Clayton wants this whole thing dumped in his lap, he can have it.

MR. OLRICH: Well, I want to explain to you, Mr. Secretary.

H.M.JR: I am just fed up on these people, this red-tape and all the rest of the stuff. I tried to get Mr. Bowles to look at this thing himself and he is too busy. The only person who can stop me from doing it is yourself.

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MR. OLRICH: Well, we think we will win the law suit. That is what we have and we think we have enough information.

H.M.JR: What are your personal plans?

MR. OLRICH: My personal plan is that if the law suit isn't dropped, I have all the information back of it and it isn't just documentary, it is facts that we will dig up and facts that I have, that I have to resign to prosecute this law suit, because five hundred thousand dollars isn't chicken-feed.

H.M.JR: And they are still talking about prosecution.

MR. OLRICH: The last word that I had from Mr. Field himself was, "It is unfortunate that Treasury needs you, but we think that you have violated this law, that the men who were in a position to tell us what the intent was are gone, and we will have to take it on its literal face value, and it will be very wrong for one division to expect another division to drop what they consider is a very deliberate violation."

H.M.JR: Who is Mr. Field?

MR. OLRICH: He is Chief Counsel. Then since I have presented these other figures, they have asked me again if they would send me a letter from the Enforcement Division in which I am again to break down more figures. Mr. Secretary, if these figures are not important on the face of it, I am not going to sit back and give them the whole case that Munsingwear will present against them, because I think, and our counsel thinks, that we will win the case. Now, I have showed the figures to Mr. O'Connell, here, and I think Mr. O'Connell admits that there is enough there to warrant our position that we are well within the law both as to intent and as to practice.

H.M.JR: Is that correct?

MR. O'CONNELL: That's a little further than I would care to go. It is a pretty technical subject and I have

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heard the side that Mr. Olrich has, and I must say that it is persuasive, but not having participated in the discussions that were involved in OPA, I don't know. I think Mr. Olrich is probably right that he will win his law suit, but I can't say that there isn't anything to be said for the other side.

MR. OLRICH: Every interpretation is against me and every interpretation is for them.

H.M.JR: But I asked you and Sullivan--

(Secretary holds telephone conversation with Will Clayton, as follows:)

July 25, 1944
10:40 a.m.

HMJr: Hello.

Operator: Mr. Clayton.

HMJr: Hello.

Will
Clayton: Hello, Henry. Congratulations.

HMJr: Thank you. We missed you up there.

C: You did a swell job up there. I saw a lot of them last night.

HMJr: Did you?

C: And they all seemed very happy.

HMJr: Well, I -- I -- I think the thing came along surprisingly well.

C: I think it did.

HMJr: Now, are you sitting back in a chair?

C: How do you mean?

HMJr: Because I'm going to shoot something at you.

C: Okay. Go ahead.

HMJr: Now, I don't know, for -- off and on for about a month O.P.A. has been threatening Olrich and Munsingwear with a five hundred thousand dollar suit.

C: Yeah.

HMJr: And I went into it sufficiently to satisfy myself and my people tell me the same thing, that they have not done anything which isn't honorable and above board.

C: Yes.

HMJr: I tried to get Bowles -- to see him, but he's too busy. Now, if -- they have tried -- he's spent a lot of time on the thing and if they're going to sue him, he's going to resign.

C: Oh, my!

HMJr: And if he resigns -- now, get this! -- you're going to get the whole God damned Procurement in your lap. I will not fuss with it and I will not look for another man and I'm not bluffing.

C: Yeah.

HMJr: I have not got the time nor the energy to go out and look for somebody else.

C: Yeah.

HMJr: If I -- this is an honorable business man. I am convinced he's done nothing that is improper or unethical.

C: Yeah.

HMJr: But those people over there -- they've got a lot of two-by-four lawyers that can't make up their minds -- cannot take any responsibility so they've got to let the court settle it and smear this man and Munsingwear across the country.

C: Yeah.

HMJr: And I don't blame him for wanting to resign, but I am not going to go out and look for anybody else and I'm not going to touch the thing and you'll have the whole thing right in your lap.

C: Well, that's bad.

HMJr: Now, you'd better get in touch with Mr. Chester Bowles and he'd better stop five minutes and have a look at this thing.

C: Yeah. That's bad news for me.

HMJr: And I am not bluffing, Will.

C: Well, I -- I don't blame you one bit.

HMJr: But I -- it's this thing here of persecuting people on

C: Yes.

HMJr: technicalities is just God-damned nonsense.

C: Yeah, isn't it?

HMJr: Yeah.

C: Well, you know, Henry, it will be a -- it will just be -- it would be terrible if we lose that fellow because

HMJr: Well....

C: I have been so pleased with the way he has taken hold and put order into that thing and not only order but despatch. He gets things done.

HMJr: Yeah.

C: And I -- it will just -- it will just be a disaster almost to our program if that should happen.

HMJr: Well, I'm satisfied he hasn't done anything that he shouldn't have done.

C: Yeah.

HMJr: And our counsel is available on that but I asked -- sent word to Bowles whether he'd look into this thing himself....

C: Uh huh.

HMJr:and he -- and he hasn't.

C: Well, I'll get busy on it right away.

HMJr: And I am not -- this is table stakes.

C: Yeah.

HMJr: All or nothing.

C: Yeah. I'll get busy on it right away, Henry, and see what I can do. I've got a very dear friend over there, Jim Brownlee, who is next to Bowles....

HMJr: Yeah.

C: and I'll talk with Jim about it.

HMJr: Right.

C: Because he has -- he has a lot of influence there.

HMJr: Yes.

C: Now, I want to come over today or tomorrow when you have a little time to talk with you about another matter.

HMJr: Yeah.

C: What time would suit you best?

HMJr: Well, how -- either ten or eleven tomorrow.

C: Let's make it eleven.

HMJr: Eleven o'clock.

C: I'll be there at eleven.

HMJr: All right.

C: Thanks very much.

HMJr: And then

C: Then I'll be able to tell you something about this too.

HMJr: And if you want to see -- if you want to see Olrich, he's leaving town this afternoon. He's sitting here now. He's hearing what I'm saying.

C: Yeah.

HMJr: And

C: He told me he was going to have to go on this business and I'm -- I'm going to get hold of Jim Brownlee right now....

HMJr: Yes.

C: and see if I can't see him. I don't believe I'll be able to do it before lunch. I've got a luncheon engagement, but I'll do it immediately after.

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HMJr: The whole thing -- look, we have thousands and thousands of tax cases. See?

C: Yes.

HMJr: We've decentralized them. We don't bring them to Washington. The men have to make up their minds on the spot, "Yes" or "No".

C: Yes.

HMJr: These fellows aren't willing to do it. They want to drag the man through the courts.

C: Yes.

HMJr: Now, there might be, oh, a ten or fifteen thousand dollar fine involved at the most.

C: Uh huh.

HMJr: See?

C: Yes.

HMJr: If they only had the nerve to say so.

C: Yes.

HMJr: But we settle tax cases like this every single day in the field without referring them.

C: Of course.

HMJr: But these people won't do it.

C: Yeah.

HMJr: And I -- I'm very sincere. I'm not going to go and look out for somebody else and if this thing happens, you're going to get it right in your lap.

C: Well, I sure don't want it. I'll tell you that. And I -- I'll get busy right now and do everything I can, Henry. And I'll report to you.

HMJr: Thank you very much.

C: Okay. Goodbye.

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H.M.JR: Now that I am through, you can give me advice!

MR. OLRICH: Well, I tell you this, Mr. Secretary, if we didn't think we were right, we wouldn't come to you.

H.M.JR: Either I know an honest man when I see him or I ought not to sit in that desk, see? Sure, maybe some little technicality, maybe ten or fifteen thousand dollars.

MR. OLRICH: They say it is twenty-six hundred.

H.M.JR: Well, what the hell! I met this man out in Chicago, an honorable banker, he slipped on twenty dollars or something like that, they drag him through the courts and smear his name all through the place. I mean there is such a thing as let a fellow pay his fine, whatever it is, twenty-six hundred dollars. Have you found anything out about this thing since I left? I put you on the spot once before.

MR. O'CONNELL: As I said before, there has never been any question about any deliberate intent to avoid the law or any unethical conduct. OPA would say that. It is a purely technical argument as to which of three different regulations apply to Munsingwear.

H.M.JR: If I weren't Secretary of the Treasury-- I will never forget the day we tried to make out my first gasoline ration card and you had three people here for three hours.

MR. O'CONNELL: Me? I wasn't here.

H.M.JR: The General Counsel and his two Assistants trying to tell me how to make the thing out. For three hours, see, trying to tell me how to make it out. They couldn't make it out when gasoline rationing first came out, and it took three hours. I went up to the Board. They finally gave me a typewritten sheet. It was an

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application. I went up to the place because I wanted to get it myself. He said, "Why, Mr. Morgenthau, we can't bother with Washington, we only got the rules last night. You tell me what you think you need. We do things here by rule of thumb. We can't bother with Washington". I said, "This is the work of the General Counsel of OPA".

"I never heard of him". I told him what I wanted. I was reasonable. They gave me what I wanted, but it took me three hours. And every experience I have had with OPA stinks. That is the way I feel. I am not going to let this man be hounded, and if he goes, the whole thing is right in Will Clayton's lap. Okay, goodbye.

July 25, 1944
3:00 p.m.

ADMINISTRATION OF GENERAL COUNSEL'S OFFICE

Present: Mr. D. W. Bell
Mr. O'Connell
Mr. C. S. Bell
Mrs. Klotz

H.M.JR: I thought this had administrative angles, so if you would proceed.

MR. O'CONNELL: Right. I think I have what you might call a gripe and I would like to state my case and we will see whether you think it is a good one or not. I have come to feel increasingly over the past couple of months that a number of people--who I don't know exactly--were unsolicitedly helping me to run the Legal Division, unknown to me, unless after the fact. I would like to give you a couple of examples of what I have in mind--three or four, starting with the last one. Yesterday, you called Dan's attention to a letter or cable or something that had come from Taylor. I haven't seen it. I suppose it came to Harry White and from Harry to you--I don't know about that--in which Taylor asked for Joe DuBois to go to France.

H.M.JR: He asked for somebody, possibly DuBois.

MR. D.W. BELL: Said DuBois would be a good man.

MR. O'CONNELL: That is the sort of thing that I would think would be taken up by whoever would get it, other than you, with me before taking it up with you, under normal circumstances. The same thing happened in connection with Buz Aarons.

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H.M.JR: Let me just answer, will you please?

Look, I have been up at Bretton Woods. I worked moderately hard. The rest of the boys worked extremely hard. Somebody handed me the letter. I don't remember who, and that person--God dammit, you stop and think that they should give it to me or give it to you, if you don't mind my saying, it's ridiculous. It is perfectly ridiculous.

MR. O'CONNELL: What is ridiculous?

H.M.JR: Your objection at this time that somebody before handing me a letter at Bretton Woods, because it mentioned this fellow DuBois, should stop to give it to you first. Good God Almighty! If I can get along with forty-four nations, I mean somebody slips me the letter and what I did, I handed it to Mrs. Klotz or Mrs. McHugh and I said when we get back to Washington, we will take the matter up.

MR. O'CONNELL: If that were my case, I would agree that was ridiculous. But that is not my case.

H.M.JR: But you cited it, and if you don't mind, it is ridiculous.

MR. O'CONNELL: The only difference between that and Buz Aarons, that happened before you went to Bretton Woods was, and this happened in Bretton Woods, and the first I heard Buz was going to London was that I heard it from Harry White.

H.M.JR: We went all through that.

MR. O'CONNELL: Surely, I am giving you a list of examples. I think if the situation were reversed and I came to you and told you what Harry White ought to do with people in his shop, you would have every right to be annoyed.

H.M.JR: Give me a good case.

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MR. O'CONNELL: Well ten days ago you called Dan Bell from Bretton Woods again and as I understand it from Dan, told him that you understood Joe DuBois was unhappy and was doing very good work and suggested that he take it up with me to see whether or not I would be willing to make Joe DuBois Assistant General Counsel. I have no complaint about the phone call but it is perfectly obvious to me that someone said to you in Bretton Woods that somebody ought to be an Assistant General Counsel. You and I had talked about that two months ago. Right?

H.M.JR: Yes. Go ahead.

MR. O'CONNELL: The day before I learned from Joe DuBois after he had received permission to tell me you were planning to take him on a trip, he came to me and said, "If you don't make me Assistant General Counsel, I am going to resign from the Treasury right away, as soon as Luxford comes back and continue my work with the War Refugee Board, but I am not going to work for the Treasury any more," which was rather putting a gun to my head and I think he thought he had a pretty good weapon. I believe he has some reason to believe he has a pretty good weapon, but I must say I didn't like it.

H.M.JR: If that was the language, I think it was reprehensible.

MR. O'CONNELL: It was my language--

H.M.JR: No, no, no, that he came to you and threatened you like that. That, I think is reprehensible.

MR. O'CONNELL: The reason I was annoyed was that at the time he spoke to me he was back working for us and at that moment I was inclined to think we ought to make Joe DuBois Assistant General Counsel. The next day I learned about the trip; because I didn't know who else would know about it, I brought in the form of Joe DuBois for Dan to sign. It was after that that I learned that Joe was being suggested from Bretton Woods as an Assistant General Counsel and it sounded to me as though I was being teamed-up on.

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H.M.JR: Now, listen, Joe, in the first place, my conversations between Bretton Woods and Washington were privately confined to Dan Bell. I once asked to speak to Herbert Gaston. I had Pehle last night at the house. In the whole time I was away in three weeks--I am not trying to clear Pehle, I am just mentioning it because you know how interested I am--I never talked to Pehle once on Refugee matters, and I am very much interested in Refugee matters. In the whole time, I never talked to Blough, Haas or anybody else. We were doing things there on split seconds. You lived in one room, and your office was in the next room and you were on call twenty-four hours a day. This whole Bretton Woods thing has upset everybody in the sense that White had to pull people right and left to help him in order to get people like Luxford and a dozen or more people that he did. And he completely wrecked the Treasury, and the people he asked--if I wanted to be fussy--I saw the list after it was completed and the people were there. Charlie Bell can bear me out. I didn't know who was going to go to Bretton Woods until it became too late, like the case of some of the people from other departments, it was too late for me to say anything when it became an issue. While I was up there he invited Lauch Currie to come up there. Acheson was adamant. I had to do it and go through with it, because Harry White had already asked him, and it would make an important issue if Lauch Currie didn't come up for two or three days. I said what does he want to come up for? "Oh, just long enough to see it." Things like that happened every day. I took it because White was under such pressure that he couldn't come.

I will give you case after case where he went ahead and asked people to do this or that. I don't know, he may have talked to Charlie Bell, but different people he would send for to come up there and do this thing. Fred Smith would send Columbia Broadcasting people down by air and this person by truck and they would order automobiles. The thing, in other words, wasn't running like the Treasury is usually run. The thing was completely haywire, but in the sense that the usual authority which I use, wasn't used, because the thing was moving too fast

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and the people were too busy to bother to talk to me. I didn't ask them. Now the fact that you were only bothered in one or two cases, you were very lucky. I have fifteen as good examples as you have and mine are better, that happened to me personally, and I don't feel that anybody was trying to run around me, because White, in trying to do this thing, had to get the best people out of the Treasury and the best people that he could get from any other department. As I say, I don't want to mention names, but there were half a dozen people who were already on the list from other departments and Bell brought them in, which I thought was useless. I sent Bell down to Atlantic City to try to stop some of them. At least we didn't change the status. We got some of them off committees, but they still came because Harry insisted.

MR. C.S. BELL: That's true, sir.

H.M.JR: I never was consulted. Now the net result, let me just tell you this. I carefully chose you as General Counsel. I have not changed my mind that I still want you as General Counsel. You have done everything to my entire satisfaction, and I personally--there is nothing emanating from this chair in any way trying to undermine you. Now get this straight, see? A couple of these boys are very bright, very ambitious, and a little heady, and you have to ride them, not with a curbed bit but with a silken cord, because they are brilliant. There is no use talking about it. These boys are brilliant, and they have lots of opportunities to do other things and go other places, because they are.

Now, I am guilty of this, I have coddled them a little bit, but I want to keep them here, and when I go up to places like Bretton Woods and go up against some of the smartest people in the world in the financial field, I find that the Treasury can hold its own, and the main stay was White, Bernstein, Luxford, Schmidt and some others. Now, I don't know how Schmidt got there. I didn't know he was there until he had been there two or three days.

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That comes under you. You could say, "Look, Mr. Morgenthau, who told Schmidt to go up there? Foreign Funds is under me." Now, there is a good case.

MR. O'CONNELL: Harry White spoke to Schmidt and spoke to me.

H.M.JR: Well, all right, nobody spoke to me about Schmidt. You could say has no right being up there and I think that would be a much better case than some of the others.

MR. O'CONNELL: No, they spoke to me about it.

H.M.JR: Anyway, as I say, somebody does talk to me and tells me DuBois is restless, and that unless we do give him a title he is apt to go into the Army, and we have to do something for him. I, who don't want to talk to more than one person a day, called up Bell, which I think is all right.

MR. O'CONNELL: Certainly.

H.M.JR: Now the fact remains, I wouldn't dignify it by calling it a gripe. I would say, "Look, boss, this thing is getting under my skin"--

MR. O'CONNELL: It is and has been, and before Bretton Woods, Mr. Secretary. It has nothing to do with Bretton Woods. I have had no complaint about Bretton Woods, I think it was fine.

H.M.JR: Now, look, you are the boss back there, but do what I did at Bretton Woods. I never once used the authority, I didn't have to, that the President gave me that I was the sole boss of the American Delegation, which in that letter it said. I never had to use it once. I had the big stick. Never even threatened to use it. Now you are boss back there--

MR. O'CONNELL: That's what I am talking about. While I can control the people who work for me, I can't do anything about the people who don't work for me and I can't use a big stick if you don't give me a little help.

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H.M.JR: You don't need it. Now, in the case of DuBois. You, a couple of months ago, said to me, as I remember it, if he could give you more or less full time you would be glad to make him Assistant General Counsel.

MR. O'CONNELL: That's part of my gripe, Mr. Secretary, because somebody spoke to you about Joe DuBois and you spoke to me about Joe DuBois at the time you directed me to make Luxford Acting General Counsel. That is another instance of the sort of thing that is getting under my skin, but if I were in their shoes I would talk to them, I wouldn't talk to you about somebody who works for Dan Bell or Harry White or anybody else, and I can't control them. One of the reasons I can't control Joe DuBois is that they have been testing me for strength for the past two or three months and they are pretty well convinced I haven't got any strength. That's the way I feel.

H.M.JR: Don't let's make Joe DuBois the issue. You have to ride him with a silken cord and not with a curbed bit. Bell can testify that he has been doing good work on this French business. I don't know.

MR. D.W. BELL: Yes, he has done good work.

MR. O'CONNELL: Joe DuBois is one of the best men we have, there is no question about it, but there isn't anyone in that shop you have to treat with such kid gloves.

H.M.JR: I am glad you have come to me. You have made your point. I think you have a point. Unfortunately, I think you are magnifying this point.

MR. O'CONNELL: Maybe, but I have some problems that you don't see, too. I have three others as General Counsels and four hundred and fifty other lawyers and if I get pushed around by Foreign Fund Controls, I can't run the shop. I am losing another Assistant General Counsel.

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The best one I have. I am going to let him go because I don't think he is as happy to stay here as he was a few months ago. I am only pointing out to you that it is a matter of face that I don't allow Boyle or Joe DuBois or anyone else in my shop to push me around too much.

H.M.JR: They shouldn't push you around too much, and talking for either Bell or myself, I have never worked that way; I am not going to encourage anybody to do that thing. We have had this talk, and you have gotten it off your chest. I hope you feel better. I haven't changed one iota since the day I asked you to become General Counsel.

MR. O'CONNELL: I am glad to hear that, because I wasn't so sure.

H.M.JR: Not an iota, and I give you the backing the way I give it to everybody else. Now these orders that I give, I may again call up Bell when I am away.

MR. O'CONNELL: I am not complaining. Of course you called Dan Bell.

H.M.JR: I don't call up Heffelfinger or Kilby and tell them to talk to you, but I call up this fellow.

MR. O'CONNELL: I never had any complaint about your calling Dan. But I got to the point that I felt by virtue of our playing ball with some of the other outfits, staffing the War Refugee Board with some of the best lawyers and letting them go to Harry White, the sum of the reward is that it seems to give them a charter to run my office without knowing anything about it.

H.M.JR: What do you recommend about Joe DuBois?

MR. O'CONNELL: You've got me. On his merits he ought to be Assistant General Counsel.

H.M.JR: Isn't that the only thing?

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MR. O'CONNELL: No. It just means that my job will be that much harder, because they have knocked me off again, that is all. They know I didn't want to make Luxford Acting General Counsel. They know I was opposed to putting so much of our so-called high-priced personnel in what I think is only about fifteen percent of my job. We have three of our top five or six men working on that stuff now.

H.M.JR: That is where I differ with you.

MR. O'CONNELL: That is where they are.

H.M.JR: Yes, but the last three weeks that is what I have been doing and previous to that, it has been months and months of preparation.

MR. O'CONNELL: Sure.

H.M.JR: And in the work I am in, I have to have that kind of people in the General Counsel's Office to help me make a success of my work.

MR. O'CONNELL: My only point is that there are five or six good high-priced jobs in the General Counsel's Office and that the work of the General Counsel's Office covers the work of the Internal Revenue and a lot of others, and Procurement.

H.M.JR: It is like everything else. I should be interested more in Internal Revenue than I am, but I am not, because it isn't close to the war. Now, these other things are, and I need those boys and I can't--you have made that statement before--you still have, even if you gave DuBois this, you still have another vacancy?

MR. O'CONNELL: I have one when Lynch leaves. The one vacancy is the one that Joe DuBois could fill. My only point is that while I know that these things that these fellows work on are nearest to your heart and most important to you, still a much more important part of my job is the Bureau of Internal Revenue and I believe the Procurement.

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H.M.JR: Well, that's the bread and butter part of the Treasury and I was interested in it when I first came here and somebody has to do it.

MR. O'CONNELL: And that is one of the things I have to try to do.

H.M.JR: And when Sullivan gives so little time, you have to give it more time.

MR. D.W. BELL: He has two weeks coming to him, so he is switching it from the first week in August to the second week-end. It is okay with me.

H.M.JR: So I mean he isn't here very much and if Internal Revenue is anything like Procurement--

MR. O'CONNELL: There are a lot of things in the Bureau of Internal Revenue that require some attention.

H.M.JR: You are a big enough man and an old enough man--if you can send for Joe DuBois and have a heart to heart talk with the boy. Don't threaten Joe, but I would talk to him as an older man and try to shake him down and get on a working basis. Yes, sir, when this message came to Fitz from Luxford about Luxford's leaving, I said, "You give the the message to Mr. O'Connell".

MR. O'CONNELL: Luxford had already spoken to me.

H.M.JR: But I threw it right back in your lap. The only worry that you have is, have I got confidence in you, and my answer is yes.

MR. O'CONNELL: I wish things were that simple, but I am glad that you do.

H.M.JR: Now you have this fellow and that fellow and you could tighten up the things, but it is much easier to ride a spirited horse with a snaffle instead of a bit.

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MR. O'CONNELL: But I didn't think I had the reins.

H.M.JR: But you have the reins. You might also say on this thing that I wanted DuBois for two weeks, I was trying to keep the thing a secret, but the wives of these people will talk.

MR. O'CONNELL: I am afraid he had mentioned it to Dan.

H.M.JR: Dan always knows and Mrs. Klotz always knows. Those two people always know what I am doing. If they don't, it is because I am near-sighted. Those two people always know what I am doing and Mrs. Klotz always knows. Those two people always know.

MR. D.W. BELL: I think--

H.M.JR: There isn't anything one or the other or both don't know.

MR. D.W. BELL: I think this work that is being done here, Mr. Secretary, it has always been a little bit of a mystery in the General Counsel's Office, and the General Counsel has never known what has gone on. I am saying this in defense of Joe because it all happened before Joe came into the office. When Bernstein had it, he made it a great mystery, Bernie Bernstein.

H.M.JR: About what?

MR. D.W. BELL: All this foreign stuff we have been working on with the Army, and so forth, and it was highly secret, but Bernie always took the position that it was sort of a closed corporation down there and it sort of set itself off.

MR. O'CONNELL: Ed knew more about it than anyone has since, but Randolph never knew anything about it.

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And of course when I became General Counsel I inherited the situation in which part of the field was branched off. The practice had been built up of dealing in that area directly with the Assistant, to the exclusion of the General Counsel. That is still true in that area. It is not true with respect to the rest of the offices and if I were starting from scratch I would try at all costs to keep it from being in that area, too, because as General Counsel I should be aware of and should have the responsibility for all the work, although I would obviously in every field rely on fellows that worked for me for the technical work.

MR. D.W. BELL: I was mentioning that because I think an attempt ought to be made to bring it back under the General Counsel. It is bad administration.

H.M.JR: I agree. But if Luxford, for instance, if we give him time to sell this Bretton Woods thing and Joe DuBois goes in as Assistant General Counsel, Joe will naturally want to occasionally help Pehle, and Pehle came to me last night and said he wanted me to tell Dan Bell that if things come up any time now, he is beginning to have a little more time on some of these things and--

MR. O'CONNELL: On the point that Dan makes, I think that as far as the Monetary Conference is concerned the work that you would like Luxford to do in the next six months, I could have no quarrel with that. The whole thing is too far along for me to attempt to cut in between Luxford and the Secretary, if I wanted to. That is not true with respect to Joe DuBois, because in the few weeks he has been working on this stuff he has kept me quite fully informed. I have been to none of the meetings, but I have been busy and Joe has kept me quite fully informed and I think that with the help of Dan and such help as you can give me, I would like to get a little more in on the things which Joe DuBois will be responsible for as Assistant General Counsel. I have no feeling at this late date it would make sense.

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H.M.JR: That is perfectly reasonable.

MR. D.W. BELL: I think so and then Joe may leave, you know, in spite of everything you do. He has been talking about it for a long time and then I think it will be up to Joe O'Connell to furnish another man.

MR. O'CONNELL: That is the difficulty with that whole shop and that is, the parts are inter-changeable with the other parts of the office. With every other part, when Norman Tietjens or Phil Wenchel or one of the boys goes away, any other one in the shop can take their place adequately for a short period of time. There is no such thing with respect to Foreign Funds.

H.M.JR: You made the remark, "If you let Lynch go." Have I a choice?

MR. O'CONNELL: Well, Lynch has been offered what I understand is a very attractive job in connection with the aircraft industry. I think it grew out of his work in connection with termination of war contracts, and so forth. Lynch has been on the fence. It is a terribly attractive job, and I believe he has told those people unless the Secretary said he was entirely willing--it is sort of like the Fox situation in Foreign Funds.

MR. D. W. BELL: Fox was in Foreign Funds. I talked to him and let him go. He went with that French banking firm in New York, which was the thing that worried me.

H.M.JR: Lazard Freres? Was he the fellow who investigated Lazard Freres?

MR. O'CONNELL: No, he never had anything to do with it.

H.M.JR: Well, you can tell Lynch for me that I am available until Thursday noon, and I'd be very glad to have a talk with him, and I hope that he will not go in the middle of the war. We are all making sacrifices--no, we aren't; none of us know what sacrifices are. They said

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these robot bombs in London, the difference between those and the others was you could hear when the others were coming at you, you see. But you never know when a robot bomb is within two miles or two yards of you or not. So it is continuous. You are continuously under this threat. The other you could tell. It would come closer and closer; but not this thing.

MR. D. W. BELL: They say it is pretty bad. George Allen is back. He spent most of his time, I think, in the cellar. George Allen went over with the Red Cross. Why the Red Cross, I don't know; but he went with the Red Cross.

H.M.JR: Who is he?

MR. D. W. BELL: He used to be Commissioner of the District of Columbia.

H.M.JR: Oh, the insurance fellow. Sure.

But anyway, you tell Lynch between now and Thursday I'd like to talk with him.

Now, I am glad--I'd much rather you would come in and get it off your chest, and I think it is good that the two Bells heard it--I think it is good that I heard it.

MR. O'CONNELL: You are the one I wanted to hear it.

H.M.JR: All right. And, as I say, you have got a couple of spirited horses there and I am repeating myself, the way to ride them is with a snaffle bit and not with a curbed bit, and I don't think you'll have any trouble.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date July 25, 1944

TO Secretary Morgenthau

FROM Mr. White *HDW*Subject: Status of Stabilization and Gold Agreements on
June 30, 1944.1. Stabilization Agreements in Operation

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil ^{1/}	7/15/37	7/15/47	\$100,000,000	None	None Gold
Ecuador	3/1/42	6/30/44	5,000,000	None	None required
Iceland	5/1/42	6/30/44	2,000,000	None	None required

2. Stabilization Agreement Concluded but not yet Effective

Mexico	11/1/41	6/30/45	\$ 40,000,000	None	None required
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3. Gold Sale Agreement

Country	Dated	Expires	Commitment	Outstanding	Payment due within
Cuba	7/6/42	6/30/45	\$ 5,000,000	\$5,012,700.54	120 days from each sale

4. British Coin Purchase Agreement

Country	Dated	Expires	Commitment	Purchases
Liberia	9/26/42	6/30/44	\$ 2,000,000	\$669,400

^{1/} The agreement as amended also provides for sale to Brazil of up to \$300,000,000 in gold, of which \$220,986,143 has been sold.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25

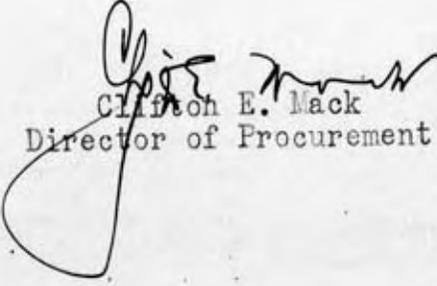


July 25, 1944

~~MEMORANDUM~~ TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

A requisition has been received for 15,000 tons of Manganese Steel Bars costing approximately \$2,100,000 for the manufacture of shells for the U.S.S.R.


Clifford E. Mack
Director of Procurement

Attachment



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25



July 25, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

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Cliff E. Mack
Clifford E. Mack
Director of Procurement
ant

Attachment

SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JULY 19, 1944
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5479.2 (5478.8)	\$2627.0 (2626.6)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$445.1 (445.1)
Requisitions in Purchase	\$ 128.6 (123.2)	\$ 28.5 (25.3)	\$ 54.1 (51.5)	\$.3 (.3)	-	\$ 45.7 (46.1)
Requisitions not Cleared by W. P. B.	\$ 114.6 (117.2)	\$ 30.7 (40.6)	\$ 67.9 (63.2)	\$.1 (.1)	-	\$ 15.9 (13.3)
Obligations (Purchases)	\$3779.7 (3756.6)	\$1938.3 (1933.3)	\$1514.2 (1498.2)	\$ 62.8 (62.8)	\$12.7 (12.7)	\$251.7 (249.6)
Deliveries to Foreign Governments at U. S. Ports*	\$2200.7 (2187.3)	\$1380.0 (1373.4)	\$ 751.8 (746.2)	\$ 23.8 (23.8)	-	\$ 45.1 (43.9)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of July 12, 1944.

SECRET

FEDERAL RESERVE BANK
OF NEW YORK

July 25, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended July 19, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford
H. L. Sanford,
Assistant Vice President.

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

Enc.

COPY

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

July 26, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended July 19, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

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

Week Ended July 19, 1944.

Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)							BANK OF FRANCE					
	DEBITS				CREDITS			Net Incr. (+) or Decr. (-) in Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in Funds (d)		
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)					Transfers from Official Australian Account	Other Credits (c)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,820.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
September	49.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8	-	-	-
October	38.2	16.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2	-	-	-
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-
1944													
January	44.6	22.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 62.7	-	-	-
February	143.6	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6	-	-	-
April	134.8	14.9	-	119.9	122.2	-	-	27.5	94.7	- 12.6	-	-	-
May	125.1	28.8	8.1	88.2	164.7	-	-	37.0	127.7	+ 39.5	-	-	-
June	101.9	24.1	-	77.8	95.7	-	-	28.0	67.7	- 6.2	-	-	-
July													
August													
Week Ended													
June 28, 1944	9.2	1.6	-	7.6	10.3	-	-	6.0	4.3	+ 1.1	-	-	-
July 5, 1944	72.8	5.7	0.2	66.9	6.7	-	-	1.0	5.7	- 66.1	-	-	-
July 12, 1944	6.7	2.1	-	4.6	41.6	-	-	10.0	31.6	+ 34.9	-	-	-
July 19, 1944	12.3(1)	4.7	-	7.6 (1)	12.7 (k)	-	-	-	12.7(k)	+ 0.4	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$21.4 million

See attached sheet for footnotes.

Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 2.0 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, \$ 6.0 million in connection with the expenses of our armed forces abroad, and \$ 3.2 million transferred from New York accounts of the State Bank of the U.S.S.R.
- (l) Includes \$2.0 million transferred to account of Reserve Bank of South Africa at this bank.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended July 19, 1944

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS			CREDITS					DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ (Rounds)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ (Rounds) (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth year of war (d)	723.6	-	723.6	958.6	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1943																
September	47.2	-	47.2	70.1	-	10.6	-	59.5	+ 22.9	16.8	15.0	1.8	20.0	-	20.0	+ 3.2
October	32.1	-	32.1	71.3	-	-	-	71.3	+ 39.2	42.8	40.5	2.3	26.5	-	26.5	- 16.3
November	15.4	0.1	15.3	95.1	-	5.9	-	89.2	+ 79.7	6.6	3.5	3.1	18.2	-	18.2	+ 11.6
December	146.8	0.3	146.5	55.1	-	-	-	25.1	- 91.7	39.7	36.5	3.2	27.0	-	27.0	- 12.7
1944																
January	32.3	-	32.3	78.5	-	10.6	-	67.9	+ 46.2	6.0	1.0	5.0	11.3	-	11.3	+ 5.3
February	25.4	-	25.4	118.5	23.1	2.1	-	93.3	+ 93.1	21.3	29.0	2.3	28.6	-	28.6	- 2.7
March	30.3	0.5	29.8	88.6	15.0	12.5	-	61.1	+ 58.3	27.6	24.5	3.1	29.9	-	29.9	+ 2.3
April	183.6	-	183.6	96.7	-	-	-	96.7	- 86.9	29.5	27.5	2.0	39.4	-	39.4	+ 9.9
May	154.2	-	154.2	86.3	-	8.1	-	78.2	- 67.9	42.6	37.0	5.6	39.6	-	39.6	- 3.0
June	100.1	0.1	100.0	63.3	-	-	-	63.3	- 36.8	31.4	28.0	3.4	21.8	-	21.8	- 9.6
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Week Ended																
June 26, 1944	25.9	0.1	25.8	10.6	-	-	-	10.6	- 15.3	6.1	6.0	0.3	-	-	-	- 6.3
July 5, 1944	67.5	-	67.5	26.7	-	0.2	-	26.5	- 40.8	3.0	1.0	2.0	13.5	-	13.5	+ 10.5
July 12, 1944	8.7	-	8.7	13.1	-	-	-	13.1	+ 4.4	14.1	10.0	4.1	1.2	-	1.2	- 12.9
July 19, 1944	4.2 (F)	-	4.2	6.6 (F)	-	-	-	6.6 (g)	+ 2.4	1.9	-	1.9	0.2	-	0.2	- 1.7

Average Weekly expenditures for

First year of war 6.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war 13.9 million.
 Fifth year of war (through July 19, 1944.) 17.2 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 14, 1942.
 (d) For monthly breakdown see tabulations prior to September 29, 1943.
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (f) Does not reflect transactions in short term U. S. securities.
 (g) Includes \$ 3.3 million deposited by War Supplies, Ltd. and \$ 3.1 million received from New York account of Canadian Chartered Bank.

Regraded Unclassified



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

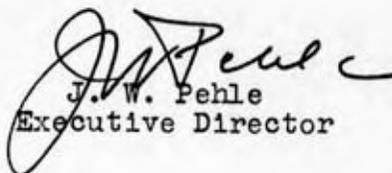
OFFICE OF THE
EXECUTIVE DIRECTOR

JUL 25 1944

My dear Mr. Secretary:

I am enclosing herewith a copy of the report of the War Refugee Board for the week of July 10 to 15, 1944.

Sincerely yours,


J. W. Pehle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of July 10 - July 15, 1944

TEMPORARY REFUGEE HAVEN IN ALGERIA A POSSIBILITY

We have been advised by Ambassador Murphy in Algiers that a reply has now been received from French authorities accepting in principle the proposal that a refugee camp be established near Philippeville in Algeria. The French have suggested that a commission be set up, composed of representatives of the Inter-Allied General Staff and of the French Committee and eventually including a representative of the Yugoslav Government, to establish rules and regulations for the administration of such a refugee center and to coordinate Allied and French efforts.

CONDITIONS IN THE SATELLITE COUNTRIES

Because of the widespread concern over the plight of the Jews in Hungary, a summary of the known facts of the situation was prepared for Board members. This summary (copy of which is attached) also dealt with pleas and proposals for action received by the Board, and with our more significant activities with respect to the problem.

Hull Again Denounces Nazi Atrocities

In the course of his press and radio conference on July 14, Secretary Hull issued a new denunciation of the threatened extermination of 1,000,000 Jews in Hungary. In a prepared statement Secretary Hull declared:

"The number of victims of these fiendish crimes is great. The entire Jewish community in Hungary, which numbered nearly 1,000,000 souls, is threatened with extermination.

"The horror and indignation felt by the American people at these cold-blooded tortures and massacres has been voiced by the President, by the Congress and by hundreds of private organizations throughout the country. It is shared by all the civilized nations of the world.

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"This Government will not slacken its efforts to rescue as many of these unfortunate people as can be saved from persecution and death.

"The puppet Hungarian Government, by its violation of the most elementary human rights and by its servile adoption of the worst features of the Nazi 'racial policy' stands condemned before history.

"It may be futile to appeal to the humanity of the instigators or perpetrators of such outrages. Let them know that they cannot escape the inexorable punishment which will be meted out to them when the power of the evil men now in control of Hungary has been broken."

At the same time Secretary Hull pointed to the cold-blooded murder of the population of Distomo in Greece as "another shocking example of the reign of terror which the Nazis have introduced in Europe and which becomes more savage as they become more desperate."

Neutral Swedish Efforts Fail

Minister Johnson has relayed to us certain additional information made available to him in strictest confidence by official sources, concerning efforts made by the Swedish Government to aid persons in Hungary. It was reported that the Swedish Legation in Budapest, acting through a limited staff, attempted, in particular, to aid persons in Hungary having Swedish connections. According to Johnson's informant, the experience of the Swedish Legation in Budapest could not have been worse. Communication between the Legation and persons holding protective papers issued by the Legation became virtually impossible. Letters to such persons were returned as undeliverable. Only in rare instances could personal visits by the Legation's staff be undertaken, and these accomplished little. Letters and notes addressed to military officials or to the Hungarian Foreign Ministry by the Swedes were politely received, but replies were practically never forthcoming.

One example cited was the case of Jews holding Swedish passports. Hungarian authorities, instead of agreeing to leave such persons at liberty until they could be sent to Sweden, as was done in the case of other Swedish subjects, declared that after the first of July all alien Jews were to be interned. Oral inquiries addressed to the Foreign Ministry elicited only vague replies.

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Vague replies were likewise received in connection with inquiries concerning the possibility of interning such persons in special camps to be maintained and administered by Sweden.

One member of the Swedish Legation in Budapest reported having been told in greatest confidence by a German officer of the latter's repugnance to the unnatural cruelty involved in the Hungarian deportations, to part of which he has been an eyewitness. It was said that when certain sealed box cars carrying Hungarian Jews were opened at the frontier so that their passengers could be transferred to other cars for onward transportation, it was found that the Hungarian cars "contained a great many corpses among which were squeezed humans, white-haired, emaciated and desperate."

Pope Pius Appeals to Hungarian Regent

We have been advised by the Apostolic Delegate in Washington that on June 25th an open telegram was addressed to Hungarian Regent Horthy by Pope Pius, voicing a personal appeal to the Regent to do everything possible to alleviate the suffering of persons being persecuted in Hungary because of their race or nationality. In response to this telegram, the Regent is said to have given assurance that he would do everything in his power to cause the demands of humanitarian and Christian principles to prevail.

The Apostolic Delegate urged that no publicity be given to the matter for fear that untimely publication might prove a detriment to the stated intentions of the Regent. The letter further indicated that the Apostolic Nunciature in Budapest, acting upon instructions from the Holy See, has been active for some time in behalf of non-Aryan Hungarians and is seeking to aid and protect them in every way. The Apostolic Delegate concluded with the assurance that "the Holy Father personally, the Holy See and its Representatives throughout Europe will continue to take every possible measure to lessen and to impede the persecution of the Jewish people."

Publicity Sought for Spellman Statement in Turkey

Ambassador Steinhardt has indicated that appropriate efforts are being made to obtain publicity in the Turkish press and through Turkish radio stations for the statement recently issued by Archbishop Spellman, appealing to Hungarians to desist from their persecutions of the Jews.

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Publication of Statement in Portugal Banned

According to a report from Minister Norweb, the publication and broadcasting of Archbishop Spellman's statement in Portugal has been stopped by the censor there. It was indicated, however, that indirect Hungarian approaches were successfully made.

Report from Bern

Board Representative McClelland has advised us that through his efforts the text of the Spellman statement was made available to the clandestine press and to church groups in Hungary. It was also carried in all important Swiss papers. McClelland indicated that, at the request of the head of the Catholic Church in Switzerland, the statement was read throughout the country from Catholic pulpits.

Minister Harrison meanwhile communicated to the Swiss Government the text of the resolution passed by the House Committee on Foreign Affairs, appealing to Hungarians to alleviate the sufferings of persecuted peoples there. The Swiss press published the resolution widely and a copy for possible transmission to Hungary was furnished a leading Hungarian.

Harrison also reported the receipt of a note from the Swiss Foreign Office indicating that our note protesting the Hungarian persecutions, which the Swiss agreed some time ago to transmit, was actually delivered to the Hungarian Foreign Office on June 27th.

Swedish News Comment Favorable

Minister Johnson has indicated that the Swedish King's personal appeal to Hungarian Regent Horthy with respect to modifying the treatment of Hungarian Jews has been widely heralded in Swedish newspapers. One newspaper is said to have stated that "all neutrality ceases to exist" in the face of such deliberate and cold-blooded crimes against a defenseless people. Another stated that the terrible fate suffered by millions of Jews under the Nazi regime "will shake the world to its very foundation perhaps more than anything else when the full truth of what actually happened some day becomes known." No more crying injustice has ever been committed, it added, than this annihilation of innocent people on racial and religious grounds.

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London Editorial Reported

According to word received from Ambassador Winant, news of the King of Sweden's Hungarian appeal was carried throughout the British press. An editorial in the Manchester Guardian pointed out that there have been admissions from the Nazis that their persecution of Jews in Hungary has not been popular, and called for a stern warning by Britain, the United States, and Russia of what will happen to the persecutors when hostilities cease. "We have the means, through leaflets dropped by our bombers, of reaching the Hungarian people," the editorial concluded. "Why delay?"

Eden Makes Statement

In another communication from London, Winant advised the Board of a statement made by Anthony Eden in the House of Commons about the deportation of Jews from Hungary. The Foreign Minister stated that there are unfortunately no signs that the repeated declarations made by the British and by other United Nations of their intention to punish the instigators of Jewish persecutions have moved the German Government or their Hungarian accomplices to allow for the departure of even a small proportion of their victims or to abate their persecution. The principal hope of terminating this tragic state of affairs, he said, must remain the speedy victory of the Allied Nations.

In response to a question as to whether or not a further appeal could be made to the Hungarian Government, Mr. Eden indicated that facilities of the British Broadcasting Company would be used to bring home to the Hungarian regime the feelings of the British Nation.

Satellite Rescue Program Proposed

It has been suggested to us by various sources that the issuance to Hungarian Jews, particularly children and families with children, of Palestine certificates and American and neutral visas in quantity might have the effect of delaying deportations and actually saving many lives. Accordingly, we are considering the practicability of such a program in terms of the balance of Palestine certificates available, 5,000 U. S. visitors visas, additional U. S. immigration visas to persons entitled to non-quota or preference status and to persons to whom U. S. immigration visas now expired were issued after July 1, 1941, along with a comparable number of visas of the other American republics, British dominions, and neutrals.

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In cables to our representatives in Stockholm and Bern we are indicating that, before taking up the proposed program with the State Department, we would appreciate receiving from them as soon as possible their views and recommendations with respect to the suggested program. The informal views of informed persons in the Swedish and Swiss Foreign Offices are also to be solicited, if such discussions appear to be appropriate.

Meanwhile, as an experiment to determine whether the availability of American visas will facilitate the departure from enemy-occupied areas of members of persecuted groups, we have arranged for U. S. consular officers in Turkey to issue visas to four children and two adults now in Rumania upon their application for such visas following their arrival in Turkey.

We are asking that Harrison and McClelland request appropriate Swiss officials to approach Rumanian and Bulgarian authorities on behalf of the United States, with the request that Rumanian exit permits and Bulgarian transit visas be issued to this group. In support of this request, the Swiss would advise both the Rumanians and the Bulgarians that the issuance of U. S. visas to the four children has been authorized upon their arrival in Turkey and that the Polish Government has issued immigration certificates to the two adults acting as their guardians.

We are also asking our Embassy in Ankara to request appropriate Turkish officials to arrange for the issuance of Turkish transit visas to the group if such visas have not already been issued.

FUNDS FOR FEEDING PROJECT LICENSED

The Treasury, upon our recommendation, has authorized the American Jewish Joint Distribution Committee to transmit an additional \$100,000 to its representative in Istanbul for the continuation of its feeding program from Turkey. The foodstuffs are distributed by the International Red Cross to refugees in Rumania, Yugoslavia, and Czechoslovakia.

EVACUATIONS TO AND THROUGH TURKEY

Immediately upon his return to Turkey, Board Representative Hirschmann began an inquiry into the virtual cessation of refugee traffic from Constanza to Istanbul during May and June. Hirschmann learned that after the "Maritza" went down as a result of a gale in the Black Sea - after disembarking a third load of refugees - Bulgarian authorities, fearing

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a loss of additional small ships, withdrew permission releasing ships for refugee purposes. Efforts were then made to obtain the use of certain small Turkish ships engaged in transporting merchandise from Istanbul to Varna, Bulgaria.

Hirschmann reported that the Jewish Agency has now arranged for four Turkish and one Greek ship to transport refugees on their return voyages from Constanza to Istanbul. The ships ready for sailing at Constanza were said to be the "Kazbek," the "Mafkura," the "Bilbil," the "Marina," and the Greek "Myrna." It was indicated that these vessels could transport, respectively, approximately 450, 150, 350, 350, and 1200 passengers.

"Kazbek" Reaches Istanbul Safely

We were subsequently advised of the arrival of the "Kazbek" in Istanbul on July 9. Among the 759 refugees from Rumania were 265 children, most of whom came originally from Transnistria, 187 young agricultural students, and 65 refugees of other nationalities, mostly Hungarians and Poles.

In response to a request made by a representative of our Embassy there, the Turkish Ministry of Foreign Affairs arranged with the Turkish State Railways to have a special train made available for the entire contingent, and on the day following their arrival, the refugees left Istanbul for Palestine via Syria. Hirschmann indicated that the British passport control in Istanbul was most cooperative in completing the issuance of the necessary visas for Palestine without delay.

With this successful completion of the voyage of the "Kazbek," there is reason to believe that repeated operations of this character, by small boats operating without safe-conduct, will be possible.

Since the operation of evacuation ships without safe-conduct appears to be the only means of rescuing appreciable numbers of refugees in the Balkan area, we have formally indicated to the organizations concerned our willingness to share the moral responsibility involved. At the same time we have asked Hirschmann to advise the Soviet Government, through its Ambassador at Ankara, of the contemplated operations. Although a Russian safe-conduct would not appear to be necessary since the evacuation vessels are not enemy ships, we have authorized Hirschmann to get in touch with Ambassador Harriman in Moscow directly, in the event that he considers a formal Russian safe-conduct desirable.

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Hirschmann was unable to forward to us any reliable estimate as to the number of refugees in Constanza, since the number is said to vary greatly from day to day. Hirschmann's report repeated information previously reaching us to the effect that the Rumanian Government had established a committee for emigration, but suggested that the formation of this committee had actually interrupted arrangements already made for securing exit permits for persons desiring to leave Rumania. The Rumanians were reported to have decided to permit children and adults over 45 to leave the country, and this plan was said to have been accepted by the Germans.

"Bardaland" Safe-Conduct

According to a cable from Minister Johnson, the Swedish Foreign Office has stated that there is definitely no possibility of reopening with the Germans the matter of safe-conduct for the "Bardaland" on the basis of assurances that the refugees evacuated would not be taken to Palestine.

Rumanian Government Proposes Sale of Two Vessels

Another communication from Minister Johnson stated that the Director of Service Maritime Roumaine (a government enterprise), during a recent visit to Stockholm, had indicated that the Rumanian Government is extremely anxious to sell two of its vessels, the "S.S. Transylvania" and the "S.S. Besarabia," currently tied up at Istanbul. These are said to be virtually new combined passenger and cargo vessels, each with sleeping accommodations for 550 persons, in first-class condition, and available for immediate use. It was asserted that on short trips these vessels could accommodate over 2,000 persons each.

A preliminary figure of 12,000,000 kronor was mentioned for both vessels. The original cost of each was said to have been 12,000,000 kronor, and a current valuation of 35,000,000 kronor was cited for the two vessels. It was suggested by the Rumanian official that the vessels might be purchased for refugee evacuation from Constanza. In the event the boats are purchased by the International Red Cross or the Swedish Red Cross, it was asserted that the Rumanians would guarantee safe-conduct and would also guarantee, as a condition of sale, the obtaining of German safe-conduct for the vessels. It was further proposed that the purchase price of the vessels be deposited in Sweden with a guarantee that the funds be available for the purchase of goods for delivery in Rumania after the war. These goods would be held blocked in Sweden in the name of the group or organization purchasing or chartering the vessels.

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We have cabled Hirschmann in Ankara for his reaction to this proposal.

EVACUATIONS TO AND THROUGH SPAIN

According to a communication from Ambassador Hayes, James Mann has spent several days in Spain talking with interested persons in Madrid and Barcelona concerning refugee problems. Mann reopened with Hayes the question of our sending a representative to Spain who would serve as an attache of the Embassy. Hayes stated that, while he is not yet convinced that there is work in the refugee field in Spain that is not already being done by the Blickenstaff organization, he would agree to our sending James Saxon to Spain for a period of not more than two months, to make a thorough study of refugee matters, with the understanding that Saxon would remain as an attache only if Hayes is then convinced of the need for such a representative.

Evacuations to Camp Lyautey

Mann has indicated that in his talks with Blickenstaff, there was emphasized the importance of evacuating from Spain stateless refugees holding North African entry visas to Camp Lyautey, particularly in view of the delays to date in arranging such evacuations. It was said that French convoys are calling regularly at Spanish ports to evacuate French refugees to North Africa in groups of 300 to 500 per trip. Mann indicated that if a commitment could be obtained for the French to take some 25 to 50 stateless persons in each convoy, our position there would be greatly improved. The Blickenstaff organization, it was stated, can deliver the refugees at the proper ports with the necessary documents, and the French would only have to furnish space in vessels.

We are asking Ackermann and Saxon in Algiers to do their utmost to obtain such a commitment from the French.

Evacuation of Spanish Refugees from Portugal to Mexico

In connection with Minister Norweb and Board Representative Dexter's recent report concerning the absence of instructions to the Mexican Legation in Lisbon with respect to the 500 residence visas which Mexico is to grant for Spanish refugees now in hiding in Portugal, we have now learned that the newly appointed Mexican Minister to Portugal has been given full authority to grant the visas involved to persons approved by him.

We are asking that Norweb and Dexter confirm this understanding as soon as possible after the new Minister reaches Lisbon, and that they make no comment about it until such confirmation has been obtained.

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EVACUATIONS TO AND THROUGH PORTUGAL

James Mann has advised us that as a result of his special mission to Lisbon, an agreement has now been reached settling the fundamental differences in connection with the rescue and relief activities of certain private organizations in that area. Mann indicated that a detailed report on the matter would be made immediately upon his return to Washington.

Prominent Hungarian Jews Escape

According to a cable from Minister Norweb, during the last week in June a group of 32 Hungarian Jews arrived in Lisbon, including a number of prominent capitalists and industrialists. The group is said to have come from Berlin via Lufthansa planes; passports are said to have been given them only after they reached Barcelona. Spanish and Portuguese visas, the latter issued at Berlin, are said to have been affixed to these passports. Norweb indicated that Portuguese authorities are requiring the entire group to proceed to a place called Curia for enforced residence.

Norweb stated that all kinds of rumors are current and that a great deal of mystery surrounds the presence of the group in Portugal. Some of the rumors suggest that the Germans allowed this group of prominent Jews to leave in order to arrange peace terms through influential Jewish leaders in Great Britain and the United States, while other rumors suggest that this Government is involved by virtue of the unfreezing of certain monies belonging to the group. With respect to such rumors, Norweb indicated that they may be intended to create suspicion and foster misunderstanding in Moscow in an effort to create a schism between Russia and other Allied Nations.

EVACUATIONS TO AND THROUGH SWITZERLAND

Minister Harrison has reported to us that on July 10 a joint British-American approach was made to the International Red Cross, asking that Intercross communicate to the German Government the fact of the Swedish Government's willingness to accept Jewish children from any part of German-controlled Europe, along with an unspecified number of children from Norway and other occupied countries. Harrison indicated that a reply had been promised in the near future.

Relief Requested for Yugoslav Refugees

Board Representative McClelland has advised us that at the present time there are about 1250 civilian Yugoslav refugees in Switzerland, in addition to approximately 1900 military internees. McClelland suggested that if the United Yugoslav Relief Fund could send funds to three relief

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organizations in Switzerland now attempting to care for these people with limited funds, they could be used to good advantage, particularly for the relief of children and students. The Swiss Government, it was said, would have no objection to the sending of such funds. We are presently working with the United Yugoslav Relief Fund on the development of this program.

Evacuation of Abandoned Children from France to Switzerland

The State Department has now extended to July 1945 provisions concerning the issuance of U. S. immigration visas to child refugees escaping from enemy territory.

According to another communication from Minister Harrison, Swiss Minister Stucki has repeatedly requested Laval and other Vichy authorities to permit the departure of child refugees from France. Harrison indicated that Stucki had promised that he would continue to press for an affirmative reply upon his return to Vichy.

EVACUATIONS TO AND THROUGH SWEDEN

In response to our request for information as to the former nationalities of the stateless refugees for whose support Board Representative Olsen has suggested that funds be furnished by American organizations, we have been advised that most of the persons concerned are of German and Austrian origin, although several other European countries are represented. An estimated 75 percent of the stateless refugees in Sweden are said to be Jewish. Olsen indicated that the only group assisting these refugees which regularly receives funds from the United States is the Mosaic community, which is said to be receiving \$1,000 monthly from the American Jewish Joint Distribution Committee. The assistance of the Mosaic community, along with aid furnished by several other Swedish organizations, has been sufficient to provide only minimum living requirements. As a result, Olsen stated, stateless refugees in Sweden are living under circumstances considerably more difficult than are other refugee groups there having legations responsible for them. We have discussed this matter with the JDC which cabled the Mosaic community for a detailed estimate of needs with a view to arranging for additional funds for these refugees.

Relief Requested for Polish Refugees in Sweden

According to another cable from Stockholm, Johnson and Olsen have had several discussions with the Polish Minister in Stockholm concerning the difficulties encountered in providing suitable assistance to some 500 Polish refugees

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there. Due to their limited vocational training, most of the employables have found work only on road construction or in the forests at very low wages. Consequently their incomes must be supplemented to provide them with even minimum living standards. Financial support from the Polish Government-in-Exile in London and from Swedish charitable organizations is so limited that approximately half of the funds required must be borrowed locally, with the hope that the Government-in-Exile will assume the obligations incurred.

It was stated that, with the help of certain Norwegian organizations, additional Polish refugees are reaching Sweden from Norway every week. According to the Polish Legation, there are approximately 6,000 Poles in Norway as compulsory workers or prisoners of war. It was stated that fairly large numbers of these persons could be brought to Sweden if funds were available to finance their evacuation and for their maintenance after arrival.

Approximately 300 Polish refugees now in Finland are also thought to be in immediate danger, and could presumably be evacuated to Sweden.

Johnson and Olsen suggested that we may wish to investigate whether an organization can be found which is in a position to contribute \$15,000 monthly over the next few months to a general program of assisting Polish refugees there and to further the rescue of additional Poles from neighboring territory under German control. The Board has discussed this with the Polish Relief Fund and the President's War Relief Control Board and it is expected that the requisite funds will be arranged for in the near future.

Evacuation of Refugees from Finland to Sweden

According to word received from Stockholm, it was planned to evacuate to Sweden a large number of the central European refugees in Finland by means of the "S. S. Birger Jarl," along with the previously scheduled evacuation of U. S. nationals. Advance arrangements for appropriate living quarters for these refugees were undertaken by Olsen through the Swedish Red Cross and local Jewish organizations.

Among the persons who left Finland on the "Birger Jarl" was Charge d'Affaires Gullion, who had attempted to complete plans for Jewish evacuations before his departure. Gullion cabled upon his arrival in Stockholm that only one Jewish

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refugee had appeared for transportation to Sweden before the vessel's departure, despite the prediction on the part of one member of the Finnish-Jewish community that a substantial number of refugees would take advantage of the evacuation facilities offered. Gullion indicated that since the whole evacuation was a last-minute effort, it had undoubtedly been difficult for the individuals concerned to make final plans. To this explanation Olsen added the observation that the Jewish community of Stockholm has been extremely apathetic about initiating steps to evacuate to Stockholm any further Jewish refugees, particularly stateless ones, beyond the 106 who arrived in May. It was thought that this attitude on the part of the local community may have discouraged the Helsinki group.

Olsen subsequently indicated that strong discussions were held with representatives of the Swedish and Finnish Mosaic communities because of their failure to follow through on the evacuation opportunity presented by the "Birger Jarl." At the same time it was indicated that the evacuation of stateless Jews from Finland is nevertheless proceeding by means of other vessels, and that in a week or so approximately 50 such refugees will have arrived in Sweden.

Olsen stated that there are approximately 300 aged or ill Finnish Jews who probably could get permission to go to Sweden on the basis of an invitation from the Swedish Mosaic community, including offers of homes and full medical care. Such an unofficial approach on friendly and humanitarian grounds was believed to be the only successful basis of securing Finnish permission for such evacuations, since any official approaches would imply that Finnish Jews are in jeopardy and would consequently be resented.

Aside from a few Jewish children of Finnish nationality who might get permission to go to Sweden, some of them with their mothers, it was thought that steps to evacuate to Sweden any of the remaining 1500 Jews in Finland would be quite impossible at this time.

It was urged that if the proposed evacuations are approved in principle by the Board, we indicate immediately whether guarantees of maintenance and support in Sweden can be supplied for the refugees involved.

Maintenance by Private Organizations

Since it is highly desirable from the Board's standpoint that as many refugees as possible be maintained by private sources, efforts have been made to obtain guarantees of such support for the refugees being evacuated from Finland to Sweden.

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As a result of our efforts in this direction, we were able to advise Olsen that the JDC, which partially supports a Swedish organization known as Mosaika Foersamlingen, wishes the latter organization to assume responsibility for the expenses involved in evacuating and maintaining Jewish refugees from Finland. Estimates are being requested of the Swedish organization as to the probable number of such refugees, the cost of their transportation from Finland to Sweden, and the amount needed for their maintenance in Sweden for the next three months.

CONDITION OF JEWS IN GREECE

A detailed report on the German persecution of Jews in Greece during the years 1941-44, prepared by a Jewish tobacco merchant who escaped from Greece to Turkey late in April of this year, has been forwarded to us from Istanbul. This report corroborates various dispatches previously received concerning persecutions in Greece.

BRITISH EXCHANGE PROJECT

We have been advised by Board Representative Hirschmann that early in July 283 Jewish refugees arrived in Istanbul from Camp Bergen-Belsen near Hannover, Germany, and 61 from Camp Vittel in France. This group proceeded immediately to Palestine under the supervision of the Turkish Red Crescent. These refugees represented completion of the third German-British exchange of this character to date, through which Jews holding Palestine certificates have been exchanged for German nationals from Egypt, South Africa, and Palestine.

In this connection it was pointed out that there remain in German areas 3,000 to 4,000 persons holding Palestine certificates, but the British have stated that they have no additional Germans available as exchange material. A precedent seems to have been firmly established, however, which may be significant in connection with our own proposed exchange involving holders of America and Latin American passports against German nationals in the western hemisphere.

RECOGNITION OF LATIN AMERICAN PASSPORTS

According to a cable from Madrid, our Embassy there was informed by the Spanish Ministry of Foreign Affairs that, in response to our request, the Spanish Embassies in Berlin and Vichy were instructed to endeavor to obtain the return to Vittel of the persons said to have been transferred from there to unknown destinations. No positive results, however, have thus far been reported.

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A high official of the Spanish Ministry also stated that all Spanish diplomatic and consular representatives in areas under German occupation or control, including Hungary, have been instructed to render all possible assistance to Jews and other persons in imminent danger of death or persecution regardless of nationality. These efforts, it was asserted, have been responsible for the saving of many lives. One instance cited was the case of some 500 Sephardic Jews who were said to have been allowed to leave German concentration camps, from which they were to have been deported to Poland, and proceed to Spain on the strength of documentation provided by Spanish diplomatic and consular representatives. The majority of these persons, it was said, have now been transferred to Camp Lyautey, and the Spanish Government is reportedly again negotiating with the German Government for the release of an additional 160 Sephardics, along with a group of approximately 50 Jewish rabbis and their families. The Spanish Government is also said to be cooperating with representatives of Jewish organizations in Tangier in an effort to bring 500 Jewish children out of Hungary to a temporary haven in Spanish Morocco.

It was added that our Embassy has constantly endeavored to keep the Spanish Government fully informed as to the attitude of this Government, and that the Spanish Government itself appears to be seriously concerned over the inhuman persecution of innocent persons and inclined to cooperate in their rescue.

Further Instructions Sent to Hayes

We have now cabled to Ambassador Hayes in Madrid a detailed report on steps taken by Bolivia and Paraguay in response to our representations. These two republics have now directed Spain, as their protecting power, to take steps for the protection of Jews and other persecuted individuals in German-controlled territory holding Bolivian or Paraguayan passports. We have asked Hayes to approach Spanish officials--and, if he considers it advisable, the Bolivian and Paraguayan Legations as well -- and represent as strongly as possible the interest which this Government has in speedy and continuing action being taken by the Spanish Government along lines previously suggested.

In view of the situation in Hungary we have asked that special efforts be devoted to obtaining German and Hungarian assurances concerning the protection and eligibility for exchange of persons in Hungary holding documents issued in the name of any American republic.

Hayes has also been asked to convey to appropriate

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German and satellite officials, through any unofficial channels that may be available, the fact that any officials responsible for ignoring the rights to which holders of documents issued in the name of any American republic are entitled must expect personally to bear the consequences. Hayes was asked to stress that their failure to seize every available opportunity to save lives will be considered as strong evidence of their concurrence in the policy of mass-slaughters of Jews and other civilian populations and of their participation in such crimes.

A somewhat similar cable is being sent to Harrison and McClelland in Bern. Since it is not clear from recent reports to what extent this Government's attitude regarding the status and treatment of persons claiming American and Latin American nationality has been noted by Swiss authorities and conveyed to the German Government, we are asking that representations to the Swiss Government be continued in the strongest possible terms. We are objecting, in particular, to the report relayed by the Swiss Foreign Office to the effect that Germany is still undertaking to pass on the merits of individual claims and to the apparent lack of any Swiss protest on this matter. We are reiterating our position that only the government in whose name the document has been issued, and not Germany, may deny its validity, and that unless and until such government expressly and specifically denies the validity of a document issued in its name, Germany must accord the person to whom such a document was issued the treatment, rights, immunities, and privileges to which nationals of the countries involved are entitled.

We are also indicating that we cannot accept the distinction which the Germans have attempted to draw between the issues of such documents who are now in internment camps and those issues who are elsewhere. We are indicating that we therefore insist upon the return by the Germans to internment camps reserved for nationals of American republics of all persons to whom such documents have been issued but who have been removed from such camps for consignment to the "general treatment accorded to eastern Jews."

We are indicating to Harrison and McClelland that further efforts are being made to induce still other governments protected by Switzerland or Spain to request suitable action in Bern or Madrid. Without awaiting the outcome of such requests, however, Harrison and McClelland are to continue their efforts to obtain results on the basis of this Government's attitude and the attitude of such Latin American governments as have already communicated with Switzerland and Spain.

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Ecuadoran Action Requested

In a communication to our Embassy in Ecuador the State Department has asked that efforts be made to obtain instructions from Ecuadoran authorities to their legations in Portugal and elsewhere, countermanding previous instructions allegedly cancelling all passports delivered by the Ecuadoran Consulate in Stockholm.

Report from El Salvador

We have now been advised by our Embassy in El Salvador of the exact nature of the modification made by the present Salvadoran Foreign Minister in a recent note to the Spanish Minister to El Salvador. Our Embassy tried unsuccessfully to have the present Foreign Minister send a note identical with that of his predecessor, which had requested that the Spanish Minister take steps to safeguard the lives "of all those persons who bear Salvadoran passports or who claim to hold Salvadoran citizenship." The modification made in the note delivered on May 20, one month after presentation of the original note, consists of a change from the words "persons who bear Salvadoran passports or who claim to hold Salvadoran citizenship" to "persons who bear Salvadoran passports or who prove that they possess Salvadoran citizenship."

The Spanish Minister has confidentially indicated that he did not bother to transmit the second request because of its similarity to the first. The Swiss Government is therefore undoubtedly still working under the more liberal terms of the first request.

COOPERATION WITH THE INTERGOVERNMENTAL COMMITTEE

In a message to Sir Herbert Emerson we have indicated our earnest hope, particularly in view of the urgency of the present situation in the Balkans, that it will be possible to start at once the credit scheme to which this Government has agreed, with the Intergovernmental Committee using the JDC as its agent in the several countries where the need is desperate.

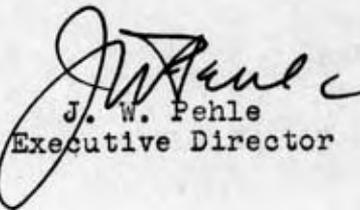
We have indicated to Sir Herbert that the JDC now has the opportunity to spend at least an additional \$4,000,000 on productive rescue operations in the Balkans. We have also indicated to him the general conviction on the part of all responsible agencies in the near East that substantial numbers of people may now be saved. For these reasons we have urged that the IGC agree to underwrite certain credit operations already organized, as it is being asked to do,

- 18 -

so as to enable the JDC to proceed immediately with new rescue operations.

COOPERATION WITH BRAZIL

According to a communication from our Embassy in Brazil, despite various urgent representations to the Brazilian Foreign Office, President Vargas, to whom the matter was referred, has thus far shown little inclination to open the doors of Brazil to any immigration in the near future. A Foreign Office spokesman indicated that he was not particularly hopeful that Brazil would follow our war refugee policy, despite the urgency of our representations and in spite of the evident plight of the persons involved.


J. W. Pehle
Executive Director

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE July 25, 1944

TO Secretary Morgenthau
FROM J. W. Pehle

There is attached hereto a memorandum giving the basic facts concerning the refugee group now on its way to Fort Ontario.



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE July 25, 1944

TO J. W. Pehle
FROM Anne Laughlin *a.l.*

We now have some definite information on the composition of the group of refugees selected for the Emergency Refugee Shelter at Fort Ontario, New York. CG Allied Force Headquarters, Advance Command Post, Caserta, Italy, has furnished us the following statistics:

There are 209 families ranging in size from two-member families to eleven-member families. We have made the following breakdown by age and sex:

Males under 18	--	110	
Males 18 - 40	--	57	(of this number 39 are heads of families)
Males over 40	--	<u>354</u>	
Total Males			521
Females under 18	--	97	
Females 18 - 40	--	174	
Females over 40	--	<u>192</u>	
Total Females			<u>463</u>
Grand Total			984

The following religious groups are represented:

Protestant	--	5	
Greek Orthodox	--	14	
Roman Catholic	--	47	
Jewish	--	918	(of which 135 are Orthodox Jews)

The following occupations are represented:

Actors	--	2
Architects	--	2
Artisans	--	25

Artists	--	5
Bankers	--	6
Bookkeepers	--	6
Butchers	--	6
Dentists	--	2
Drivers	--	2
Engineers	--	2
Executives	--	13
Farmers	--	4
Jewelers	--	2
Lawyers	--	9
Manufacturers	--	27
Masseuses	--	2
Mechanics	--	2
Merchants, tradesmen, salesmen	--	192
Musicians	--	3
Optician	--	1
Pharmacists	--	4
Photographers	--	2
Physicians	--	5
Rabbis	--	2
Secretaries	--	4
Teachers	--	4
Tailors, dressmakers	--	26
Technicians	--	2
Writers, journalists	--	9

The remainder of the group is made up of children and housewives.

The countries of origin or citizenship of the family heads are as follows:

France	--	1
Greece	--	2
Spain	--	2
Bulgeria	--	3
Hungary	--	3
Danzig	--	4
Rumania	--	4
Turkey	--	4
Czechoslovakia	--	12
Russia	--	14
Germany	--	61
Poland	--	84
Yugoslavia	--	146
Austria	--	154

Emer. Fund for the Pres., Natl.
Def., 1942-44, Allot. to War Ref.
BD

July 25, 1944

MR. CHAUNCEY L. WADDELL
THE UNIVERSITY CLUB
1 WEST 54th STREET
NEW YORK, NEW YORK

I HAVE RECEIVED YOUR LETTER AND TELEGRAM OF JULY 24.
WAR REFUGEE BOARD OFFICIALS ARE DISCUSSING MATTER WITH
INTERESTED PERSONS TOMORROW. YOU MAY BE SURE THAT THIS
PROPOSAL WILL BE CAREFULLY AND SYMPATHETICALLY CONSIDERED.

/s/ Henry Morgenthau, Jr.
SECRETARY OF THE TREASURY


JWP:1hh

7/25/44

WU5 NL

NEW YORK NY JUL 24 1944

1944 JUL 25 AM 8 04

HENRY MORGENTHAU JR

470

ARTHUR SULZBERGER TELEPHONED YOU THIS AFTERNOON ABOUT THE URGENT PLAN WHICH SEVERAL PROMINENT HUNGARIAN JEWISH REFUGEES IN NEW YORK BELIEVE MAY SAVE LIVES OF SOME AND POSSIBLY MANY JEWS IN HUNGARY. I AM SENDING YOU SPECIAL DELIVERY LETTER TONIGHT WHICH I EARNESTLY URGE YOU TO READ ON RECEIPT TOMORROW. SINCE I TALKED WITH ARTHUR SULZBERGER THIS AFTERNOON THE UNITARIAN SERVICE COMMITTEE HAS ENDORSED OUR PLAN AND AGREED TO HAVE SUGGESTED EMISSARY GO AS THEIR SPECIAL REPRESENTATIVE. EARNESTLY BESEECH YOU TO DO WHATEVER YOU CAN TO FACILITATE EXECUTION OF THIS PLAN.

CHAUNCEY L WADDELL.

804A JUL 25.

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The University Club
1 West 54th Street
New York City

55 Liberty Street, New York.

July 24, 1944.

Honorable Henry Morgenthau, Jr.,
Treasury Department,
Washington, D. C.

My dear Mr. Secretary -

Arthur Sulzberger telephoned you this afternoon about the urgent matter which several of my Hungarian Jewish friends believe may save the lives of a number, and possibly many, Jews in Hungary. He telephoned back to me that you would rather receive a telegram or letter than for me to explain the matter by telephone.

Meanwhile, this afternoon, Dr. Joy of the Unitarian Service Committee, has heartily approved our plan and states that his Committee will be glad to send Mr. Bogdanffy, the man described in the enclosed memorandum, to Lisbon as their special representative.

Dr. Erno Wittmann, who wrote the enclosed memorandum, is one of the leading lawyers of Hungary. I have known him and his wife intimately for fifteen years, having been referred to him in 1930 when I asked the advice of Sullivan and Cromwell as to the best lawyer in Budapest to represent my banking firm in some negotiations in Hungary. Dr. Wittmann is a lawyer of the highest ethical principles and I know that his judgment can be relied upon.

-2-

The War Refugee Board has already seen Mr. Bogdanffy and are seeing him again on Wednesday. Briefly, the plan is to have Bogdanffy go to Lisbon, as the special representative of the Unitarian Service Committee, and there to meet Braun, the head of the Gestapo in Hungary. Several of the leading Hungarian refugees in New York will contribute a considerable sum to save their friends and relatives. Further, it is requested that the Treasury shall utilize certain deposits in banks here of Hungarian companies for the purpose of saving employees and shareholders of those companies.

Bogdanffy is quite confident that he can make the arrangement with Braun whose motive is to get whatever money he can. Bogdanffy also believes that he may even be able to hold off wholesale liquidations, at least for a time, by making arrangements with Braun.

I am sure that your realistic sympathy for our Hungarian friends and their beleaguered relatives will cause you to do everything in your power to expedite this endeavor, which would be worth all the effort and cost even if only one life were saved.

Sincerely yours,

Chauncey L. Waddell

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Confidential

1. Eugene de Bogdánffy, originates from one of those Armenian families who settled centuries ago in Transylvania and were assimilated by the Hungarian ruling class. His family migrated due to the Turkish oppression. He was a banker in Budapest and especially did business with Germany. His connections with Nazi Germany were good. He bought participations, etc. in Jewish businesses to protect them against Nazis. My past experiences with him were favorable. He is a very able and honest man. In 1936, he negotiated and concluded certain deals between the Hungarian freezing and poultry feeding industry /an industry which was exclusively in Jewish hands/ and the Hungarian Government, the latter acting in its own name and for Germany. I advised certain Hungarian parties interested as sellers. Since 1941, Bogdánffy has been in the United States and is married to a British subject.

2. Otto Braun, a German, was involved in the murder of Erzberger. He escaped from Germany when the prosecution started. He came to Hungary and was hidden by the then Minister of War, Julius Gombos, who later became the Prime Minister. Braun was hidden on Gombos' private estate near Budapest. Due to German pressure, prosecution started. Braun was arrested and later released. At the request of the Hungarian Government, Messrs. Sam. F. Goldberger, textile works in Budapest, engaged him as salesman. The head of the Goldberger concern, Mr. Leo de Buday-Goldberger, is a great friend of Horthy and one of the leaders of the Jewish community in Budapest. The Goldbergers were clients of mine. When the Nazis came to power in 1933, Braun got a very important position. He was delegated to Budapest to foster the German economic penetration in Hungary. He had his offices with the Hangya /ant/, a quasi public corporation. Bogdánffy was economic advisor of the Hangya. Braun was Germany's delegate to the Hangya. The Hangya bought, with German help, various Jewish interests in Hungary such as cooling plants, feeding plants, vinegar distilleries, etc.

Bogdánffy and Braun cooperated at the Hangya and Braun received participations from Bogdánffy's brokerages. Braun is now head of the Gestapo in Hungary.

3. Bogdánffy proposes: that Braun be invited to Lisbon, Portugal, and negotiations started between him and those interested to save the lives of Hungarian Jews.

The idea is excellent, but only if Bogdánffy goes to Lisbon, invites Braun and negotiates the deal with him. Bogdánffy is absolutely confident that he can persuade Braun to come to Lisbon and make a deal with him. The present head of the Visa Division of the State Department, Mr. Travers, formerly United States Consul General in Budapest, knew Mr. Bogdánffy in Budapest and can give full information about him.

4. The danger in Hungary is imminent. Hungary, not the present one, but the pre-Trianon one, is part of the German "innere Festung" if the Russians will reach it and besiege it, the Germans will liquidate the rest of the Jews as they liquidated those who were in the war zone territories. The Jewish inteligentia, and the wealthy Jews should they be seved from the Germans, but remain in Hungary, will be liquidated by the Russians as a revenge for October 1919.

5. Financing. A group of Hungarian refugees in New York will contribute quite a considerable amount to save their friends and relatives. Further it is requested that the Treasury shell utilize certain deposits ect. of Hungarians with banks in the United States, even though the depositors are domiciled in Hungary and the deposits of limited liability companies could be utilized to save controlling shareholders and employees of the companies.

Erno Wittmann.

CIRCULAR AIRGRAM TO AMEMBASSIES TEGUCIGALPA, SAN JOSE, QUITO, MANAGUA,
PORT-AU-PRINCE, CARACAS, LA PAZ, GUATEMALA CITY, ASUNCION, SAN SALVADOR

Please refer to previous communications regarding persons affiliated with persecuted European groups in enemy controlled areas holding documents issued in the names of American republics and efforts to safeguard their lives. Intense persecution of such groups, including forced deportation and mass extermination has been introduced into Hungary, where persons holding documents issued in the names of American republics are reported to be in danger because of absence of representation in that country. Amlegation Bern cables:

QUOTE With regard to general question of Latin American documentation in German controlled countries, the suggestion that such Latin American Governments as have not previously made arrangements for their interests in Hungary to be taken care of urgently ask Switzerland or other neutral country to assume such representation is made by the Legation for the consideration of the Department. All Latin American countries without direct representation in Hungary except Uruguay, Chile, Brazil and possibly El Salvador, would seem to be concerned in this. UNQUOTE

Please consult appropriate officials of the Foreign Office in an endeavor urgently to secure representation in Hungary by Switzerland for the government to which you are accredited. Although such government's interest in Hungary may be nominal, its representation in Hungary preferably by Switzerland is an essential first step to the humanitarian effort to save the lives of persons there holding documents issued in such government's name, and the approach to the Foreign Office should be on that basis. If the government to which you are accredited agrees to this measure, please request it to instruct the protecting power substantially as follows: (1) Passports and other documents issued in its name to persons in Hungary subject to persecution, are recognized and confirmed; (2) Hungarian Government to so be advised and that it is expected that persons holding such passports and other documents will be accorded the treatment, rights, privileges, and immunities of nationals of the government to which you are accredited; and (3) the United States is authorized to negotiate for the exchange of such persons. You may assure the Foreign Office that in the event of such negotiation every preference will be given by the United States to unquestioned nationals of the government to which you are accredited, and that such government will not be expected physically to receive other persons, who, if exchanged, will be routed to other havens.

Please advise the Department promptly of the results of your approaches.

July 25, 1944

2:15 p.m.

LSLesser:tmh 7-25-44

NO. 435

OFFICE OF THE REPRESENTATIVES OF THE UNITED STATES

RESTRICTED

Algiers, July 25, 1944

SUBJECT: Fedhala Refugee Camp.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to enclose a translation of a note, dated July 6, received from the Commissioner for Foreign Affairs with respect to the Refugee Camp at Fedhala. The note was referred to the representatives of UNRRA and the President's War Refugee Board and upon their suggestion it is being transmitted herewith for reference to Governor Lehman and the interested agencies of the United States Government for their comments.

The subject raised in the first numbered paragraph of the note from the Foreign Office, namely, the conditions imposed upon the settlement of the Sephardic refugees in the Fedhala Camp, appears to be reasonable and in accord with the agreement entered into with the French authorities.

On the other hand, the subject dealt with in the second numbered paragraph of the note, namely the mobilization of refugees in the Fedhala Camp, is formally raised by the French for the first time. In this connection the Representative of UNRRA in charge of the Camp, Mr. Beckelman, has advised the Mission that he has encouraged recruiting among the refugees on a voluntary basis and that the French Army, the French Foreign Legion, the British Pioneer Corps, and the Yugoslav Army have each enlisted some of the men. This program of voluntary enlistment has been instituted as a means of aiding those refugees who are capable and desirous of participating in the Allied war effort. It is Mr. Beckelman's feeling, however, as well as that of the Representative of the War Refugee Board that to subject all physically fit men in the camp to compulsory mobilization would be wholly undesirable. Acceptance of the condition that those who refuse

- 2 -

to participate in the common war effort should be kept within the camp and not benefit from the facilities envisaged in the agreement reached between the British and American Governments and the French Authorities would mean making an internment center out of the camp insofar as those persons were concerned.

Early in the negotiations with the French it was expressly emphasized that all possible means should be taken to avoid the impression being given that the refugee center at Fedhala was a concentration camp. The French authorities concurred in this view, and moreover agreed that the refugees in the camp should be granted certain freedom of movement in Morocco. It is therefore believed that care should now be taken that the conditions concerning the mobilization of the refugees do not prejudice these facilities or the purpose behind them.

A second consideration involved in the French proposal is the danger that if the enemy were to learn that any individuals from among the group in the camp coming out of enemy territory on Spanish papers were being mobilized into the Allied armies, this avenue of escape might be immediately closed. Moreover, this consideration is important in view of the representations currently being made to the Spanish authorities for the purpose of increasing the possibilities of rescuing victims of enemy persecution escaping from enemy-occupied territory.

It is to be noted that the French base their condition of compulsory mobilization of the Fedhala refugees upon the argument that the same treatment is accorded to all foreign refugees fit for mobilization who arrive in French North Africa. The facts that the refugees in the Fedhala camp have been admitted upon a purely temporary basis and that the Inter-Governmental Committee is obligated to move them to more permanent areas for settlement places them in an entirely different category from other foreign refugees arriving in French North Africa. These circumstances could easily justify the position that for the Fedhala refugees, mobilization should be kept upon a strictly voluntary basis. Otherwise the policies of the American and British Governments in facilitating the rescue of persons presently in danger of losing their lives at the hands of the enemy may be seriously prejudiced.

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The British Mission which is in receipt of an identical note from the French Foreign Office is referring the communication to London for comment.

Respectfully yours,

Selden Chapin
Counselor of Embassy, In Charge

Enclosure:
Translation of note from
Commissioner for Foreign
Affairs, dated July 6, 1944.

711.5

GR:jcc

Original copy to Department.

Enclosure to despatch No. 435, dated July 25, 1944, from Algiers.

(A Translation)

FRENCH COMMITTEE
OF
NATIONAL LIBERATION

French Republic

Commissariat for Foreign Affairs

Direction Politique
Afrique-Asie-Oceanic

Algiers, July 6, 1944

No. 97/836

The Commissioner for Foreign Affairs presents his compliments to Mr. Selden Chapin and has the honor to call his attention to the two questions stated below with respect to the refugees camp of Fedhala.

I - Sephardic refugees.

Mr. Beckelmann, acting in the name of the United Nations Relief and Rehabilitation Administration, pointed out to the Department of Foreign Affairs the interest that would result if the Sephardic Jewish Refugees would be temporarily accepted in the lodging center of Fedhala, in the same way as other stateless people.

The Commissariat for Foreign Affairs has given his approval, in a letter of which copy is attached to this note, to the request addressed by the Delegate of UNRRA, on two conditions:

that the installation of the Sephardics in the camp of Fedhala be made in accordance with the agreements entered into by the French and Allied authorities;

that the Sephardics whom the UNRRA intends lodging in Fedhala are not citizens of a nation that has been spared by the war and on whose territory they could find refuge.

II - Mobilization of refugees.

Up to now, all foreign refugees, fit for mobilization, have, on their arrival in North Africa, either enlisted in the French Army, or in British pioneer units, or have been placed under obligation to participate in some way or other in the Allied war effort. It seems only fair to apply similar rulings to stateless refugees.

- 2 -

The Commissioner for Foreign Affairs believes that the guests of Fedhala Camp who are fit for mobilization must be asked to comply with the rules stated above. Those who refuse to participate in the common war effort will be maintained in the camp and will not benefit from the facilities envisaged in the agreements arrived at between the French, American and British Governments.

To: Mr. Selden Chapin,
Counselor of Embassy,
American Diplomatic Mission, Algiers.

(A Translation)

From: Commissariat of Foreign Affairs

TO: Mr. W. Beckmann
Chief of Mission
Civil Affairs
Algiers.

Sir,

In your letter of April 29th you asked me whether it might be possible to accept in the camp of Fedhala Sephardic Jewish refugees who are to be sent to Morocco shortly.

I have the honor to confirm to you that I do not see any objection to the temporary installment of the refugees in question, on condition that this right does not extend to those of the Sephardics who are citizens of nations untouched by the war, such as Spain or Portugal.

On the other hand, I believe I ought to add that:

(1) in no case, the total number of refugees to be admitted in Morocco must exceed 2,000 persons as stated in the agreement between the three Allied Governments;

(2) the measures of security that have been taken with regard to the first group of refugees coming from Spain, must be equally placed upon the Sephardic refugees. Especially no person will be admitted into Morocco without the previous agreement of the French, American and British Security Services.

(3) the Sephardics will have to submit, in all matters, to the regulations settled under the agreement of the French, American and British Governments, for everything that concerns the sojourn of the refugees in the Protectorate.

I beg you to accept, Sir, my best consideration.

July 25, 1944

5 p.m.

AMREP,

ALGIERS.

2281

The following WRB cable 36 is for Saxon.

Sir Herbert Emerson has received in London through Gouverneur Valentin Smith, the Intergovernmental Committee representative in Algiers, the recommendation of the local management of Camp Lyautey that the camp be closed and its 600 inmates be transferred to existing camps in Egypt and Palestine and to countries willing to receive them. This recommendation is based on the opinion of the local management that in view of the improved international situation it is improbable that further large contingents of refugees will arrive at Lyautey and that therefore the costly maintenance of 600 persons in a camp established to care for 2,000 refugees is not (repeat not) justified.

Emerson replied to Smith that the question of the future of Camp Lyautey is one primarily for the British and American Governments in consultation with the French authorities and that the Intergovernmental Committee had no instructions to give although it felt that a decision to close the camp now would be premature.

For your information the War Refugee Board has cabled Ambassador Winant in London as follows:

QUOTE

TO BE SENT IN SECRET "W"

-2-#2281, July 25, 5 p.m., to Algiers

QUOTE The War Refugee Board is in full agreement with Sir Herbert Emerson that a decision to close Camp Lyautey now would be highly premature. In our opinion the international situation has not (repeat not) become stabilized to such a degree as to justify the taking of an irrevocable step such as that suggested. Moreover, such a suggestion is difficult to understand, if refugees escaping from enemy territory, and the recent decision to expand at once existing refugee facilities in the Middle East and to open new camps in French North Africa, Tripolitania and Oswego, New York. UNQUOTE

HULL
(GHW)

CABLE TO AMBASSADOR WINANT AT LONDON FROM THE DEPARTMENT AND THE WAR
REFUGEE BOARD

The substance of a message from Amlegation Bern is as follows:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

This Government is authorizing its consular officers in neutral countries to issue immigration visas to every person who has been in enemy-controlled areas since December 8, 1941, to whom an American immigration visa was issued or for whom such visa was authorized on or after July 1, 1941, the date when present regulation and security-checking system went into effect, provided such person is not affirmatively found to have become disqualified for a visa or to have been the subject of a subsequent adverse report. The issuance of such visas is, in the discretion of consular officers, not subject to the interdepartmental review procedure. Visas are to be issued, of course, only when such persons arrive in neutral countries. This Government is requesting the Swiss Government to advise the German, Hungarian, Romanian, and Bulgarian Governments as well as such authorities as there may be in Slovakia of the substance of the foregoing and to request the release to neutral countries of persons holding American visas or for whom American visas were authorized on or after July 1, 1941. The Governments of Switzerland, Spain, Sweden, Portugal, and Turkey are being requested to permit the entry of such persons, upon the assurance that they will be adequately maintained and that arrangements will be made for the evacuation of all such persons admitted into their territories who may be found not (repeat not) to be qualified for the issuance of such visas. Such governments are also being requested to advise Germany and Germany's allies of their willingness to receive such persons.

The Turkish Government is also being requested to advise enemy governments of its willingness either to issue transit visas to all persons in enemy controlled areas holding Palestine certificates, or to admit such persons into Turkey in transit to Palestine without the formal issuance of visas.

In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as

- 2 -

military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly.

Please keep Department and Board advised.

Please advise Sir Herbert Emerson of the Intergovernmental Committee of the foregoing and endeavor to ascertain from him some indication as to the extent to which IGC funds may be available for the maintenance of such refugees from Hungary as may arrive in neutral countries following such approaches. The War Refugee Board would appreciate as early a response to this inquiry as possible.

Under all of the circumstances it might prove tragic if the fullest advantage of the present opportunity were not (repeat not) taken. Consequently, you are requested urgently to propose to the Foreign Office the necessity of immediately making available to Jews in Hungary Palestine certificates in substantial additional numbers. In this connection, the possibility should not be overlooked that once the holders of such additional certificates arrive in Turkey or Spain, they may be routed to havens other than Palestine if circumstances should be deemed to preclude their entry into Palestine. Please advise the Department and Board of such views as the Foreign Office might express.

12:15 p.m.
July 25, 1944

LSLesser:tmb 7-24-44

CABLE TO AMBASSADOR WINANT AT LONDON FROM WAR REFUGEE BOARD

Please deliver the following message to Joseph Linton, 77 Great Russell Street, London:

QUOTE Concerning exchange material for holders of Palestine certificates, am informed that 600 Germans from Palestine are still in Australia to which country they were previously removed, and that a great number of German nationals formerly interned in the Netherlands East Indies are in British Columbia. Kindly check on this information and inform us through American Embassy and War Refugee Board of present state of exchange negotiations. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

July 25, 1944
2:40 p.m.

LSLesser:tmh 7/24/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: July 25, 1944
NUMBER: 5813

CONFIDENTIAL

TO AMBASSADOR WINANT, LONDON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Sir Herbert Emerson:

QUOTE Refer to your message of July 20, War Refugee Board is delighted with promptness and nature of IGC's decision. In both its direct and indirect results, the operation will make a significant contribution to the alleviation of distress and to the saving of lives. We are particularly appreciative of the generosity shown in scope and flexibility of the plan. UNQUOTE

HULL

GMY-546

PLAIN

London

Dated July 25, 1944

Rec'd 7:00 p.m.

Secretary of State,

Washington.

5885, Twenty fifth

Secretary of Intergovernmental Committee on Refugees requests delivery of following message to Pehle, WRB, also to Lehman, UNRRA:

"Executive Committee of Intergovernmental Committee on Refugees has decided session of Plenary Committee be held London 15th August 1944. It has directed me to convey to you a cordial invitation to attend in your capacity of Executive Director of War Refugee Board (Director-General of UNRRA) as observer or should you unfortunately be unable to attend appoint representative or representatives for the purpose. Letter follows. Emerson, Director."

WINANT

HTM

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY
LONDON, July 25, 1944.

AIRMAIL

SECRET

No. 17,069

SUBJECT: Activities of the "Council for Matters Connected with the
Rescue of the Jewish Population in Poland".

The Honorable

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to refer to the Department's telegram No. 4539 of June 8, 4 p.m., and to the Embassy's telegram in reply No. 4737 of June 14, 4 p.m., regarding the proposals of Dr. Scherer of the Polish National Council in connection with financial help for Jews in Poland.

The matter was discussed with the Foreign Office, which has now advised the Embassy that a council for assisting Jews in Poland has been established on a more definite basis than was the case at the time Dr. Scherer made the proposals referred to. The communication from the Foreign Office is quoted below in full:

"Would you please refer to the note which you handed to me on the 12th June about the Council recently created by the Polish Government for the rescue of Jews in Poland.

According to a PAT communique which appeared in the 'Dziennik Polski' on the 13th May a 'Council for assisting the Jews' has been functioning for over two years past in German-occupied Poland as a part of the Polish underground administration. For security reasons it is however impossible to give details of the extensive and efficacious help which this Council has already given to the Jews in Poland. We have no reason to doubt that this Council exists and gives valuable help to persecuted Jews.

Page 2

The PAT communique goes on to say that on the 20th April of this year the Council of Ministers decided to extend this charitable action by creating here in London a 'Council for matters connected with the Rescue of the Jewish Population in Poland'. The execution of this resolution was entrusted to Monsieur Banacryk as Minister of the Interior. He appointed to the Council three Aryan Poles, viz. Ciolkoss (Socialist Party), Kulerski (Peasant Party) and Sopicki (National Work Party), and three representatives of Polish Jewry, viz. Rabbi Babad, A. Reiss and Dr. E. Scherer. The last named is, like the three Aryan Poles, a member of the Polish National Council, on which he represents the "Bund", or Jewish Socialist Party.

According to PAT, besides the help which is already being given, the Polish Government intends to put considerable funds at the disposal of the newly created Council which, it is anticipated, will also obtain further funds from non-Polish sources.

The first meeting of the Council was held in London on the 25th May. Banacryk made a long speech in the name of the Polish Government. Dr. Hertz, the Chief Rabbi, was present as a guest. On the proposal of Anzel Reiss, Ciolkoss was unanimously chosen to be chairman of the Council. Dr. Scherer was asked to draft the regulations laying down procedure, etc.

We have no doubt that the Polish Government is sincerely interested in the new Council and would like to see it doing real work. The three non-Jewish Poles on the Council are all persons of some standing, especially Ciolkoss, who is also a man of great energy."

It is presumed that the War Refugee Board would be interested in the foregoing information.

Respectfully yours,
For the Ambassador:

Howard Bucknell, Jr.
Minister-Counselor

SHB:IMW

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

July 25, 1944

Noon

AMCONSUL,

NAPLES

411

The following WRB cable 37 Algiers series is for Ackermann.

Delivery of following message from Dillon Myer, War Relocation Authority to B. Ralph Stauber requested.

QUOTE Arrangement requested for preparation brief factual biographies by selected refugees with this information, mimeographed if possible, ready when boat docks. Also arrange for persons selected to be available for possible press interviews at time of landing. Line up necessary interpreters. Washington office representatives of WRA will be on hand to arrange press contacts. UNQUOTE

HULL
(GLW)

WRB:MMV:OME
7/24/44

SE S/CR

SWP

FEM-421

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

Tangier

Dated July 25, 1944

Rec'd 12:56 p.m.

Secretary of State,

Washington.

220, July 25, 11 a.m.

My 157, June 2 for War Refugee Board.

Tangier Jewish Community has followed up in Madrid with Spanish Red Cross matter of evacuating 500 Jewish refugee children from Hungary. Mrs. Reichmann who proceeded to Madrid 10 days ago for this purpose states that Spanish Foreign Office informed her that instructions would be sent to Spanish Minister, Budapest to issue visas to this group. She adds that Spanish Red Cross agreed to communicate with International Red Cross, Geneva, requesting that body to assist transit of children. Mrs. Reichmann has now shown me (One) copy of telegram from Jewish Community, Budapest stating that Spanish Minister has received no instructions; (Two) telegram from Blickenstaff of American Relief Organization, Madrid, stating that cannot request Geneva, organization to assist until (*) to issue visas are sent to Budapest; (Three) telegram in similar sense from Spanish Red Cross and (Fourth) telegram from Geneva indicating willingness International Red Cross to assist if requested. Tangier Jewish Community requests assistance our Government in securing transmission authority to issue visas to Spanish Minister, Budapest. Copy to Madrid.

CHILDS

(*) apparent omission

WMB JJM

HMK-708

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

Tangier

Dated July 25, 1944

Rec'd 7:53 a.m., 26th

Secretary of State,

Washington.

221, July 25, noon

Department's 97, July 20 from War Refugee Board.

Mrs. Rene Reichmann states that food parcels for Hungary will contain one kilo Argentine chocolate bought here and will be sent through Spanish Post Office by arrangement with Spanish Red Cross. She adds Catholic Bishop, Tangier, has telegraphed Catholic Bishop, Budapest, to ascertain if he will supervise distribution of parcels and that Embassy, Madrid, has requested similar service of International Red Cross, Geneva. No opinion concerning possibility of delivery can be given until receipt of replies but Reichmann stresses that she does not contemplate sending parcels until absolute assurance is received that appropriate delivery will be effected. Department will be informed concerning replies when received. Reference Legation's despatch 2042, April 10, Reichmann states she continues to receive evidence receipt of parcels previously sent.

CHILDS

EEC JJM

LFG-611

~~SECRET~~

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

Jerusalem

Dated July 25, 1944

Rec'd 8:40 p.m.

Secretary of State,
Washington.

102, July 25, 7 a.m.

FOR WAR REFUGEE BOARD

Joseph Schwartz requests that following message be transmitted to Leavitt, Joint Distribution Committee, New York, #208. Careful examination situation Istanbul reveals necessity for complete and immediate reorganization of our setup there. Have therefore asked Charles Passman to make himself available for emergency service there and will have to send another American there as assistant for the being and to take over when Passman leaves. Passman has cabled Louis Oungre and Julius Simon, New York, for authorization to proceed to Istanbul soonest. Important you discuss with both and prevail upon them agree to view present real emergency. Advise urgently

Resnik advised of contemplated change and for the time being will ask him to proceed Lisbon^o.

PINKERTON

HTM

MJB-612

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

Jerusalem

Dated July 25, 1944

Rec'd 8:30 p.m.

Secretary of State,

Washington.

103, July 25, 1 p.m.

FOR WEB

Joseph Schwartz requests following message be sent to Leavitt JDC, New York.

"209. Hungarian Minister at Ankara has advised Barlas Palestine certificate holders whose names are registered with Swiss Consulate, Budapest, will be given exit permits and allowed to proceed to Palestine. There are now 800 families holding certificates representing approximately 20,000 individuals. Also children up to ten years will be permitted to leave for Palestine in accordance with request of War Refugee Board which also asked that food be permitted to be sent to Hungary through International Red Cross which request was also granted. Further at the request of Swedish Government all Jewish families in Hungary having any connection with families in Sweden will be permitted to depart either for Sweden or Palestine. For the time being and while these decisions are being carried out deportations from Hungary stopped and it is hoped that departure certificate holders will begin within fourteen days. Most important we do everything possible together with Jewish agency agreed early departure first group in order to demonstrate practicability of this program and thus maintain also stoppage deportations. Therefore it is important that we authorize Istanbul to proceed at once with arrangements shipping at least 2,000 persons and that we guarantee cover eighty percent costs agency supplying balance. Costs of sea journey might involve five to six hundred thousand but no details yet available. Please send your authorization to Lisbon where now proceeding."

PINKERTON

RNK WSB

Panama, July 25, 1944

AIR MAIL

No. 116

SUBJECT: War Refugee Board

UNRESTRICTED

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's circular airgram, June 19, 1944, regarding the President's special message to Congress reporting on the efforts of the Government to rescue the Jews and other victims of enemy oppression from Axis-occupied Europe.

There are forwarded attached copy and office translation of the Foreign Office's reply to this Embassy's memorandum transmitting a copy of the special message in question in which Panama adheres to this unselfish task.

Respectfully yours,

For the Ambassador:

John J. Muccio
Counselor of Embassy

Enclosures:

Copy and office translation of
Memorandum of July 12, 1944.

VLC/mw

Enclosure No. 2 to Despatch No. 116
dated July 25, 1944, from Embassy, Panama

TRANSLATION

Ministry of Foreign Relations
Diplomatic Department

MEMORANDUM

The Ministry of Foreign Relations has received the Memorandum of the Embassy of the United States of America dated June 26 which quoted the special message that His Excellency the President of the United States sent to Congress reporting on the efforts of the Government of the United States to rescue the Jews and other victims of enemy oppression and specifically dealing with the action taken by the President in establishing an emergency relief shelter for refugees at Fort Ontario, Oswego, New York.

The Government of Panama, which joins with the United States and the other United Nations in the great cause of rehabilitating the oppressed peoples and in the restoration of the rights, views with great approval and pleasure the noble step of President Roosevelt. In this task, inspired by the highest principles of humanity, the Chief Executive of the United States has reiterated the practical realization of his high objectives. The special message under reference is the true expression of the humanitarian feeling and the high ideals and generous action which constitute the reason for the great struggle in which the world is embroiled.

The Government of Panama has joined in this unselfish task which in the name of justice and in the hopes of a better world, has been undertaken and is being carried out by the American Executive.

S.L.

Panama, July 12, 1944.

Copied: mm
Translated: mm

CABLE TO AMBASSADOR NORWEB AT LISBON AND DEXTER

1. There follows the substance of a message received from Amlegation Bera:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Portugal are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

Please advise appropriate Portuguese officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Portugal's willingness to permit the entry into Portugal, with or

- 2 -

without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons if admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Spain, and Sweden.

3. There follows the substance of the pertinent portion of a message to Ambassador London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Portuguese Government with the request that Portugal advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Portugal. You may assure appropriate Portuguese officials that if Portugal so advises the Hungarian Government, Jews arriving in Portugal from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Portugal. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Portuguese Government.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

THIS IS WRB CABLE TO LISBON NO. 62

12:15 p.m.
July 25, 1944

MS-680

PLAIN

Lisbon

Dated July 25, 1944

Rec'd 1:28 a.m. 26th

Secretary of State,

Washington.

2293, Twenty-fifth 6 p.m.

FOR LEAVITT FROM PILPEL JDC 34 WRB 113.

Reference Tangiers budget. Wish advise 154
escudos Tangiers purchases 100 pesetas. Advise whether
you able transfer escudos directly Tangiers or under
license to us for retransmission Tangiers.

NORWEB

HTM

D
BMK-683

PLAIN

LISBON

Dated July 25, 1944

Rec'd 1:35 a.m., 28th

Secretary of State.
Washington.

2294, Twenty-fifth, 6 p.m.

FOR LEAVITT FROM PILPEL JDC 33 WRB 114

Saly renews suggestion for blocked account USA payments by relatives there behalf refugees. Suggest Elias accept funds in multiples of \$50 units, advise Saly and hold for Saly's account instead of making remittances as heretofore. Saly would then make payments Swiss francs. Accounts to be settled postwar. Saly satisfied such arrangements. Please advise.

NORWEB

BTM

LC - 497
Distribution of
true reading by
special arrangement
(SECRET W)

Lisbon

Dated July 25, 1944

Rec'd 5:11 p.m.

Secretary of State,
Washington.

2295, July 25, 6 p.m.

WRB 116 JDC 31 FOR LEAVITT FROM PILPEL

Mayer says Charles Guggenheim address Hotel
Standish Hall, New York, has more than two million
francs for sale in same manner as Rothschild.
Investigate and report.

NORWED

WRB RR

FBI - 491
Distribution of true
reading only by special
arrangement. (SECRET = W)

Lisbon

Dated July 25, 1944

Rec'd 5:10 p.m.

Secretary of State,

Washington,

2296, July 25, 6 p.m.

This WRB 115 JDC 32 for Leavitt from Pilpel.

Robert Rothschild's representative Nordmannor advised
reference our 15. Ask Rothschild advise Nordmannor give you
particulars whoever else can act for him.

NORWEB

WSB RR

GEM-528
Distribution of
true reading only by
special arrangement.
(SECRET W)

Lisbon

Dated July 25, 1944

Rec'd 6:22 p.m.

Secretary of State,

Washington.

2297, July 25, 7 p.m.

FOR HIAS 425 LAFAYETTE STREET, NEW YORK FROM BERNATEIN WRB 116.

Rumanian Premier advised his Minister Lisbon that Dr. William Filderman, President Rumanian Jewish Community, in good health. With Mr. Zisu and other delegates from community recently interviewed Antonescu regarding evacuation from Rumania of Jews from Hungary and elsewhere. News came to Jacobson from Sophia Aasodis is Portuguese Jewess, and is to be transmitted to Association Rumanian Jews, New York.

A neutral ship a short time since took 1,000 refugee Jews and other transports are being arranged.

It is hoped that Ronetti Filderman, the doctor's son, a deportee from Southern France, can be returned home. Negotiations are under way to this end.

NORWEB

JT
RR

CABLE TO AMBASSADOR NORWEB AT LISBON FOR DEXTER

Please deliver the following message from the War Refugee Board to Isaac Weissman, 179 Avenida de Liberdade, Lisbon:

QUOTE Received information concerning rescue possibilities through Anderra Valley over Hospitalette. Mrs. Thomas, Hotel Moderne, Necaldas, is reliable contact. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 63

July 25, 1944
2:40 p.m.

LSLesser:tmh 7-25-44

AIRGRAM

FROM Thomas D. Bowman
 Johannesburg
 Dated July 25, 1944
 Received August 14, 8 a.m.

Secretary of State,
 Washington.

A-27, July 25, 1944, 11 a.m.

In reply to the Department's telegram No. 217 of July 14, 7 p.m., I quote the following letter from the South African Red Cross regarding assistance to Rumanian Jews by the War Refugee Board.

"We are in receipt of your letter of the 20th July 1944, reference File No. 814 TDB/jed, and in reply have to advise you as follows.

The Reference WR/692 on our cable is purely the reference of this office and has no significance to the War Refugee Board except insofar as their reply to the above is concerned.

The actual enquiry was instituted by the South African Jewish War Appeal who had learned that the International Red Cross Committee were assisting with the relief of certain Jews in Transdinstria, and were anxious to know what the form of such relief was. We accordingly cabled to our International Committee in terms of annexure hereto under reference WR/667, and same annexure under reference C.9926. We thereupon cabled the War Refugee Board in terms of the aforementioned cable WR/692 which also appears in the annexure hereto.

We trust that this is the information which you require and shall be pleased to receive further advice in this connection."

The annexures referred to above are as follows:

COPY OF CABLE SENT TO GENEVA 10.6.44. REF: WR/667.

WHAT IF ANY ARE ACTIVITIES OF REDCROSS FOR RELIEF OF CIVILIAN POPULATION INCLUDING JEWS IN TRANSDINSTRIA STOP

COPY OF CABLE RECEIVED FROM GENEVA 5.7.44. REF. C9926

VOTRE WR/667 AVANT OCCUPATIONS RUSSE AVONS FAIT PARVENIR VIVRES ET VTEMENTS AUX DEPORTES JUIPS EN TRANSMISTRE STOP WAR REFUGEE BOARD CONTINUUS INTERESSER JUIPS EN ROUMANIE

COPY OF CABLE SENT TO WAR REFUGEE BOARD, WASHINGTON 7.7.44 REF. WR/692
 WE ADVISED BY GENEVA THAT YOU ARE ASSISTING JEWS IN ROUMANIA STOP
 COULD YOU PLEASE LET US HAVE DETAILS YOUR SERVICE.

THOMAS D. BOWMAN
 AMERICAN CONSUL GENERAL

File No. 814
 TDB/mc

EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2790

Madrid, Spain, July 25, 1944.

Subject: Transmitting copy of Note to Minister of Foreign Affairs on subject of reported delivery of refugees by Spanish border officials to German patrol.

The Honorable
The Secretary of State,
Washington.

Sir:

1/

I have the honor to enclose a copy of Note No. 2809 of July 24, 1944, which I have addressed to the Minister of Foreign Affairs concerning a series of frontier incidents reported to have taken place during the early part of June 1944 in the Province of Buzos, in the course of which a number of refugees of French and other nationalities are reliably stated to have been refused entry into Spain and to have been handed over by Spanish frontier officials to German border patrols.

A high official of the Ministry of Foreign Affairs has informed a representative of the Embassy, in this connection, that immediately upon receipt of information concerning these occurrences the Ministry issued drastic instructions countermanning the provincial order upon which the action of the frontier officials concerned appears to have been based, and that a careful investigation of the circumstances surrounding the issuance and execution of those orders is now in progress. He expressed the personal opinion that the reported incidents may, in fact, have been the result of the misinterpretation by local border officials of orders intended to apply to attempted incursions into Spain of armed Spanish dissidents, the presence of such groups on the frontier having been recently reported. (Embassy's telegram No. 2472, July 15, 1944, noon.) It was, of course, made clear to him that this circumstance, even if true, could in no way be considered as condoning or excusing the conduct of the border officials concerned.

The incidents in question have been made the subject also of forceful representations on the part of the British Embassy and the French Mission in Madrid, and it is the Embassy's opinion that the Spanish Government has been sufficiently impressed with the gravity of these incidents to do everything possible to prevent their recurrence.

cc: Mr. [Name] [Title]

It may be mentioned that a copy of the Ministry's Note Verbale No. 701 of November 17, 1943 to which reference is made in the enclosed Note was transmitted to the Department under cover of the Embassy's despatch No. 1692 of December 7, 1943.

Respectfully yours,

W. Walton Butterworth
Charge d'Affaires ad interim

Enclosure:
Note No. 2809, July 24,
1944, to Foreign Minister

File No. 320
WB:ajf
Original to Department
Copies to Naples, Algiers, Bilbao, Barcelona

COPI

Enclosure to despatch No. 2790 dated July 25, 1944 from W. Walton Butterworth, American Charge ~~des~~ Affaires ad interim, at Madrid, Spain on subject of Reported delivery of refugees by Spanish border officials to German patrol.

No. 2809

Madrid, July 24, 1944.

Excellency:

Although Your Excellency has, I am certain, already been fully acquainted with the circumstances of the recent frontier incidents in the Province of Buzca, I cannot let these deplorable occurrences pass without conveying to Your Excellency, on behalf of my Government as well as for myself, an expression of profound shock and deep regret that they should have been permitted to occur.

According to information which has come to my attention, an order appears to have been issued on June 9, 1944 to frontier guards in that Province instructing them to turn back certain categories of refugees attempting to enter Spanish territory without proper documentation, with the consequence that a considerable number of refugees of French and other nationalities were, on and shortly after that date, refused entry into Spain and turned over to the custody of the German authorities from whom they were fleeing.

According to this information, a group of approximately 23 persons, including a considerable percentage of women and children, arrived at the frontier town of Sallent early in the morning of June 9, 1944, were temporarily detained by the Spanish border authorities at that point, and were several hours later given false directions to Comfranc which, if fact, took them back into German-held territory. They were prevented from falling into the hands of German patrols solely by their chance meeting with another group of refugees travelling in the opposite direction and, together with the latter group, returned to Sallent where they arrived on the morning of the following day. It is reported that the 22 men included in this party were thereupon placed by the border authorities at Sallent in a motor truck and driven back across the frontier into German-occupied territory to a depth of five kilometers where they, together with 26 other refugees who had had the misfortune to be encountered en route, were handed over to a German frontier patrol. It has been subsequently reported that these 38 persons were then taken in German custody to the concentration camp of Oloron where a number of the women and children were released and the rest of the group sent on to the Fort du Ha at Bordeaux, a place of detention understood to be an habitual stopping point for such prisoners on the way to Germany.

Other incidents of the same sort have been reported from other border points in Bascon Province, but in these instances there appear to have arisen circumstances which led the Spanish border authorities to refrain from carrying out their expressed intention to return the refugees concerned to German custody. It is reported, for example, that a group of refugees arrived at Huelva on June 11th, and that the order for their expulsion was rescinded by the border authorities only in the face of public indignation on the part of residents of that village which arose following the attempt of one of the refugees concerned, a Netherlands subject, to save himself from such a fate by committing suicide. Frontier police at Sempere, moreover, are understood to have endeavored on June 12th to send back to France a citizen of the United States and a stateless refugee, and to have been dissuaded from such action only after prolonged argument on the part of the refugees concerned.

Your Excellency, who, I am confident, has been as shocked as I at what has occurred, will not fail to recognize the grave implications of these incidents, which have amounted to open defiance on the part of Spanish border officials in the persecution and possible assassination by the German authorities of innocent persons attempting to find on Spanish soil asylum from Nazi tyranny, and, in view of the reiterated assurances which the Embassy has in the past received from the Ministry of Foreign Affairs, particularly in the latter's Note Verbale No. 701 of November 17, 1943, to the effect that no refugees would be delivered against their will to the German authorities or expelled from Spain except across the frontier of their own choice, I should be most appreciative of assurances from Your Excellency which I could convey to my Government that immediate and effective steps have been taken to ensure against a repetition of such incidents and to make certain that the above mentioned assurances of the Ministry will in the future be scrupulously and unflinchingly respected by Spanish officials at every level of authority.

Your Excellency will understand that the grave concern which my Government is bound to feel in the face of the incidents cited herein springs not only from its determination that political and military refugees of all nationalities fleeing from the shadow of Nazi persecution shall not be denied the asylum to which the neutrality of Spanish territory entitles them, but also from its ever-present apprehension lest the denial of this right of asylum result in the delivery into enemy custody of citizens of the United States, an eventuality the effect of which on public opinion in the United States should not be underestimated.

- 3 -

I avail myself of this opportunity to express to Your
Excellency the renewed assurances of my highest consideration.

/s/ W. WALTON BUTTSCHER
Charge d'Affaires ad interim

His Excellency
Lieutenant General Count Jordana,
Minister of Foreign Affairs.

Subject
Copies to British Embassy, French Mission, Netherlands Consulate

78

EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2791

Madrid, Spain, July 25, 1944.

Subjects Transmitting copies of Notes to Ministry of Foreign Affairs requesting cooperation of Spanish Government in effecting rescue of Jews from Hungary.

The Honorable
The Secretary of State,
Washington.

Sir:

Supplementing my telegram No. 2567 of July 24, 1944, 5 p.m., I have the honor to enclose a copy of an Aide Memoire of July 22, 1944 which I have handed to the Under Secretary for Foreign Affairs, bringing to the attention of his Ministry the substance of an unconfirmed press report to the effect that the appropriate Hungarian authorities have assured the International Red Cross that no further deportations of Jews from that country will take place and that Jewish children will be permitted to depart from Hungary to countries willing to receive them and reiterating the Embassy's expectation that the Spanish Government will do everything in its power to facilitate the exodus of such persons to temporary haven on Spanish territory pending their evacuation to further destinations to be arranged by the American and British Government.

There is also enclosed a copy of the Embassy's Note Verbele No. 2814 of this date supporting the request of the British Embassy in Madrid for Spanish visas for 1500 Jewish persons in Hungary for whose ultimate destination

cc: Miss Chauncey (for the Sec'y), Abrahamson, Aksin, Borenstein, Cohn, Dubois, Friedman, Gaston, Hodel, Laughlin, Lesser, Kern, Hannon, Marks, McCormack, Pehle, Sargoy, Standish, Weinstein, Fitas

2/

overseas that Embassy has assumed responsibility, together with a copy of the latter's Note of July 18, 1944 to which the enclosed Note Verbale refers.

Respectfully yours,

W. Walton Butterworth
Charge d'Affaires ad interim

Enclosures:

1. Aide Memoire, July 22, 1944
2. British Note to Foreign Office,
July 18, 1944
3. Note Verbale No. 2814,
July 25, 1944

File No. 800-War Refugee Board
NWB:jf
Original to Department
(for Osalid machine)

COPY

Enclosure No. 1 to despatch No. 2791 dated July 25, 1944, from H. Walton Butterworth, American Charge d'Affaires ad Interim, at Madrid, Spain on subject of Rescues of Jews from Hungary.

AIDE MEMOIRE

There has come to the attention of the Embassy of the United States a press report, as yet unconfirmed, to the effect that the International Red Cross has received from the appropriate Hungarian authorities assurance that no further deportations of Jews from that country will take place, together with authorization to direct the evacuation of Jewish children to countries willing to receive them.

In view of the interest which the Spanish Government has manifested in the humanitarian task of saving the lives of the innocent victims of German persecution and in view particularly of its cooperation in recently authorizing the issuance of Spanish visas to 500 Jewish children in Hungary whom it is desired to bring to temporary haven in Spanish Morocco, the Embassy wishes to take this opportunity, in the light of the above-mentioned press report, to express to the Ministry the hope that that Government will continue to assist in the rescue of the persecuted Jews in Hungary by making temporarily available to them the facilities of Spanish territory, it being understood that the United States Government will, as was stated in the Embassy's Note Verbale No. 2616 of June 21, 1944, continue to make every effort to find havens of refuge for these unfortunate people in order that they may be moved on as promptly as possible to further destinations outside of Spain.

Madrid, July 22, 1944.

Hubert

/sr

COPY

Enclosure No. 2 to despatch No. 2791 dated July 25, 1944
 From H. Walton Butterworth, American Charge d'Affaires ad
 Interim, at Madrid, Spain on subject of Rescue of Jews
 from Hungary.

No. 912

URGENT

His Majesty's Embassy present their compliments to the Ministry of Foreign Affairs and have the honour to request their assistance on behalf of a group of 1500 Jewish persons in Hungary whose lives are at present in danger but could be saved by their immediate evacuation through Spain to a destination overseas.

The Embassy are informed that all these persons, for whose destination overseas the Embassy are prepared to be responsible, are in contact with the representative of the Jewish Committee, Mr. Kastner, Senay Andor 15, Budapest. They have the honour therefore to request that instructions may be sent by the Spanish Government to the Spanish Legation at Budapest authorising the issue of transit visas to any such persons up to a total of 1500, whose names may be submitted to the Legation by Mr. Kastner.

As the matter is one of considerable urgency the Embassy will be most grateful if the Ministry would be so good as to have these instructions telegraphed to Budapest as soon as possible. As a number of the persons concerned have been moved to Germany and others may be moved there shortly, the Embassy have the honour to suggest that similar instructions be sent to the Spanish Embassy, Berlin.

BRITISH EMBASSY

MADRID.

16th July, 1944.

/sr

COPI

Enclosure No. 3 to despatch No. 2791 dated July 25, 1944 from W. Walton Butterworth, American Charge d'Affaires ad interim, at Madrid, Spain on subject of Rescue of Jews from Hungary.

No. 281A

NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to the British Embassy's Note Verbale No. 912 of July 18, 1944 requesting the assistance of the Ministry in facilitating the evacuation through Spain to an assured destination overseas of a group of 1,500 Jewish persons in Hungary whose lives have been placed in imminent danger by the recent German-inspired persecutions in that country.

In view of the active interest of the United States Government in the rescue of the victims of German persecution, the Embassy wishes to avail itself of this opportunity to support the request of the British Embassy and to urge that the Spanish Government, prompted by its desire to assist in this humanitarian task, comply with that Embassy's request that the necessary visas be granted at the earliest possible moment.

Madrid, July 25, 1944.

WWS:jf

7/25

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: July 25, 1944
NUMBER: 2577

SECRET

With reference to message of July 15 from the Department, Number 1996, the Embassy has been assured by a reliable official of the Foreign Office that the Spanish Government will be glad to cooperate in every way possible in order to facilitate the exchange, on Spanish territory, of refugees from territory which is German-controlled for German nationals from South America; also in making arrangements for the prompt transfer onward of the former refugees to Fedhala, by any means whatever which may be agreed upon by the governments taking part in the exchange of these people.

As regards the latter point, the official has said that the Government of Spain, subject to tonnage being available, would very likely agree to the use of a Spanish ship for this purpose, if the exchange agreement included arrangements for it and all belligerents adequately guaranteed safe conduct.

However, the Embassy believes that the transportation onward of such refugees, exchanged on Spanish territory, could be arranged more satisfactorily outside Spain, and that the arrangement that would be most effective would be for them to be sent to Fedhala on the same ship which transports the German repatriates to the port of exchange, in this way making the stay on Spanish territory as short as possible. Their through transportation to Gibraltar by rail, for embarking there on a ship provided for the purpose is an alternative plan suggested by the Department. As set forth above, we assume that any and all arrangements decided upon will be covered by the exchange agreement and safe conducts by the belligerents.

The chief difficulty which would be encountered in carrying out the arrangements which are envisaged in the Department's message referred to, seems to the Embassy to be the insistence, on the part of authorities of French North Africa, on screening the refugees going to Fedhala before they are admitted, and their insistence on their right to refuse admission to those people to whom they object for reasons of security or for any other reasons. It is believed necessary, if the carrying out of these arrangements is to be successful, that all of the refugees of which the exchange groups are composed be allowed to go on without delay to Fedhala (or other destination for which arrangements are made) without having to undergo preliminary screening or any other formalities on Spanish territory, and it is suggested that, with this in mind, the French authorities be approached with regard to the matter.

- 2 -

The Embassy feels that it can give assurance to the Department, provided the above obstacle can be overcome successfully and provided adequate arrangements for the transportation of these refugees onward can be made, as suggested, that the Spanish Government will not jeopardize the success of the exchange operations by failure to cooperate, as that Government seems anxious to be of assistance.

For reasons given in message of June 21, our Number A-268, the Embassy is particularly anxious that no temporary stopovers on Spanish territory be made, although it may be stated that assurances have been informally given that the Spanish Government would agree, if necessary, to such stopovers of the exchange groups.

The above message has been repeated as Number 412 to Algiers.

BUTTERWORTH

DCR:LCW 7/28/44

CABLE TO OFFICER IN CHARGE, AMERICAN EMBASSY, MADRID FROM THE DEPARTMENT
AND THE WAR REFUGEE BOARD

Please express Department's and Board's sincere appreciation to appropriate Spanish authorities for action reported in your 2479 of July 15. Reference Department's 992 of April 10 and subsequent message dealing with holders of Latin American passports.

Embassy, La Paz, informs Department that Bolivian Minister of Foreign Affairs has stated to the Charge that (1) Bolivia would refrain from withdrawing any Bolivian passports now in possession of persons detained by German authorities; (2) if and when the protecting power of Bolivian interests on the request of the German authorities submits lists of persons holding Bolivian passports, Bolivia will instruct the protecting power that such passports have been confirmed; (3) Bolivia gives its approval to the Government of the United States approaching the German Government through appropriate channels with a view to initiating negotiations for the exchange of German nationals for holders of Bolivian passports or consular documents; and (4) that Bolivia immediately communicate with the local representative of the protecting power (Spain) with a demand that the lives of all persons holding Bolivian passports or claiming Bolivian citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

Department is taking appropriate action with regard to (3).

The above may be informally transmitted to appropriate Spanish authorities for their information.

12:15 p.m.
July 25, 1944

CABLE TO OFFICER IN CHARGE, AMERICAN EMBASSY, MADRID

1. There follows the substance of a message received from Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among these groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy government that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Spain are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

Please advise appropriate Spanish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Spain's willingness to permit the entry into Spain, with or without transit

- 2 -

visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed information in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Sweden, and Portugal.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Spanish Government with the request that Spain advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Spain. You may assure appropriate Spanish officials that if Spain so advises the Hungarian Government, Jews arriving in Spain from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Spain. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Spanish Government.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

12:15 p.m.
July 25, 1944

SECRET

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

Hicem representative Lisbon reports having been advised by reliable source that acting Hungarian Charge d'Affaires, Lisbon received following message from his Government:

QUOTE One. Responding to appeal from Swedish Government Hungarian Government agrees permit emigration to Sweden or Palestine of Jews who have relations living in Sweden or who have business connections there. Two. Responding to appeal of British Government through Swiss Government, Hungarian Government agrees to renew the formerly effective but meanwhile suspended permission of Jews possessing valid entry visas to emigrate Palestine. Three. To the appeal of the War Refugee Board by way of Switzerland, Hungarian Government agrees to admit assistance by International Red Cross for Jews in camps or ghettos in Hungary and to despatch Jewish children under ten years of age to Palestine. While these measures are being carried out deportations of Jews for labor abroad is suspended. UNQUOTE

Please endeavor through such channels as may be available to you to ascertain promptly whether any such message was transmitted to local Hungarian mission and the extent to which the same may be substantiated as representing current Hungarian policy. Please advise Board as quickly as possible of the results of your inquiries.

THIS IS WRB CABLE TO STOCKHOLM NO. 59

July 25, 1944
2:35 p.m.

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

Bern: 1. There follows the substance of a message received from Amlegation

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Sweden are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

- 2 -

Please advise appropriate Swedish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Sweden's willingness to permit the entry into Sweden, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Spain, and Portugal.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Swedish Government with the request that Sweden advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Sweden. You may assure appropriate Swedish officials that if Sweden so advises the Hungarian Government, Jews arriving in Sweden from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Sweden. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Swedish Government.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

THIS IS WRB STOCKHOLM CABLE NO. 58.

12:15 p.m.
July 25, 1944

FME-665
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated July 25, 1944
Rec'd 12 a.m.

Secretary of State,
Washington.

2779, July 25, 11 p.m. (SECTION ONE)

Following information has been received indirectly from Wallenberg in Budapest. This is number 594 WRB.

(One) Prospects appear favorable for evacuation to Sweden of 650 Jews in Hungary who possess Swedish papers of one kind or other. Both Hungarians and Germans are reported to have expressed willingness in principle to let this group leave for Sweden but problem remains of securing German transit permits and transportation to Sweden. Local circles appear optimistic on these points. There were between sixty and seventy of foregoing group who have been deported and so far efforts have been unsuccessful in determining their whereabouts. Swedish Foreign Office is being requested by local Mosaic community to press German Government regarding these missing Jews.

(Two) Prospects also appear favorable for evacuation to Sweden of 200 Jewish children under ten years old. Both Hungarian and German authorities are reported to have assented to offer of local Mosaic community to take these children in Sweden. Transportation details not worked out as yet.

(Three) Wallenberg reports deportation of Jews from Hungary has stopped for time being but situation is still tense and further deportations may be expected.

JOHNSON

RB

RR

BAS-663
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated July 25, 1944

Rec'd 11:47 p.m.

Secretary of State,

Washington.

2779, July 25, 11 p.m. (SECTION TWO)

(Four) Wallenberg believes that considerable assistance and protection could be rendered by organizing refugee camps under protection of Swedish Legation. He suggests that he experiment with the idea of proposing locally a camp for 100 people. He believes that the authorities would permit this, even though they have rejected somewhat similar proposals of the International Red Cross. He inquires whether financial support would be supplied for such a plan, were it accepted by the Hungarians and what his basis of selecting refugees should be.

(Five) Wallenberg reports that he rented a 16 room office which, because of its extraterritorial nature, has given him the opportunity of providing asylum for several prominent Hungarian rabbis and religious leaders. He also reports that he expects to be back in Stockholm for a few days at end of month. (End message)

JOHNSON

WSB

CABLE TO JOHNSON, STOCKHOLM, FOR OLSEN FROM WAR REFUGEE BOARD.

Treasury has received application from Stephen Lengyel to remit \$2,000 to King of Sweden in connection with following cable sent by Lengyel to the King:

QUOTE I DESPERATELY BEG FOR MY FAMILYS LIFE AND IMPLORE YOUR MAJESTYS HELP TO SAVE THEM FROM NAZI EXTERMINATION GIVING THEM TEMPORARY REFUGE BY CONTACTING AND GRANTING THEM A VISA INTO SWEDEN SIMULTANEOUSLY I ASKED THE FEDERAL BANK TO FORWARD ALL NECESSARY FUNDS FOR TRANSPORTATION AND UPKEEP TO AVOID ANY BURDEN TO SWEDEN I AM FINANCIALLY RESPONSIBLE FOR ALL EXPENSES THEIR NAMES ARE MY BROTHER ALEXANDER LENGYEL MOTHER ETHEL LENGYEL EGER HUNGARY USZODA UCCA 9 MOTHERINLAW HERMINE STEINITZ SZENDE SISTERINLAW CLARA SZENDE SEBESTYEN BROTHERINLAW LADISLAS SEBESTYEN AUNT ELSA STEINITZ MOLNAR BUDAPEST TEREZ KORUT 2 GOD BLESS YOU AND I PRAY THAT THEY STILL LIVE UNQUOTE

Before Board makes recommendation to Treasury, we would appreciate your views on proposed transaction, including possible alternatives you may wish to suggest.

THIS IS WRB CABLE TO STOCKHOLM, NO. 60.

4:15 p.m.
July 25, 1944

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

1. Please express to appropriate officials of the Swiss Foreign Office the deep appreciation of this Government for the information contained in your 4506 of July 14 and your 4604 of July 19.

2. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, please request appropriate officials of the Swiss Government to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Switzerland are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the Consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

In advising Swiss officials of the foregoing please attempt to secure their prompt agreement to advise enemy governments of Switzerland's willingness to permit the entry into Switzerland, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Sweden, Turkey, Spain, and Portugal.

3. There follows the substance of the pertinent portion of a message to Ambassador London:

- 2 -

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Swiss Government with the request that Switzerland advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Switzerland. You may assure appropriate Swiss officials that if Switzerland so advises the Hungarian Government, Jews arriving in Switzerland from Hungary will be evacuated to United States territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Switzerland. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Swiss Government.

4. Refer Department's 981 of March 18 and Department's 2336 of July 3. The availability of the visas therein authorized for Jewish children arriving from Hungary via France should not be overlooked. All means of utilizing these visas for such children should be thoroughly explored with appropriate Swiss officials, and all appropriate action to make such use of such visas is hereby authorized. Broadened authorization for children's visas will be transmitted as promptly as arrangements therefor are completed.

5. In view of your 4257 of July 5 please consider the advisability of requesting Romania to admit Jews from Hungary and to afford them refuge in Southeastern Romania until evacuation can be effected.

6. Turkey is being requested to admit all persons in enemy territory holding Palestine certificates and to advise enemy governments of its willingness to do so.

7. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

THIS IS WRB BERN CABLE NO. 94.

12:15 p.m. July 25, 1944

LSLesser;tmh 7/24/44

SECRET

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND FROM THE DEPARTMENT AND
THE WAR REFUGEE BOARD.

Reference your 4502 of July 14, 1944, ultimate and penultimate sentences. You are authorized and requested to take all action necessary to validate letters of protection which interested persons hold and to secure Swiss protection for applicants notwithstanding Department's prior holdings with respect to documentation.

THIS IS WRB BERN CABLE NO. _____
96

July 25, 1944
2:45 p.m.

CABLE TO HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Please deliver following message to Dr. Gerhard Riegner, 37 Quai
Wilson, Geneva, from Dr. A. Leon Kubowitzki, World Jewish Congress:

QUOTE Regarding the last paragraph your message
June 14 impossible send rescue funds through War Refugee
Board representative in Bern in manner suggested by you. UNQUOTE

THIS IS WRB CABLE TO BERN, NO. 92

10:10 a.m.
July 25, 1944

Miss G.L.

CABLE TO MINISTER HARRISON, BERN, FOR McCLELLAND FROM WAR REFUGEE BOARD

Please deliver following message to Noel Field, 12 rue de
Vicour College, Geneva, from Raymond Bragg, Unitarian Service Committee:

QUOTE CABLED YOU JUNE 5 BRYAN 800 STOP JUNE 28
JULY APPROPRIATION 5666.60 BRYAN 500 STOP
TODAY AUGUST APPROPRIATION 5666.60 YOUR
MOTHER 100 SPECIAL PROREFUGEE RELIEF
FRANCE YOUR DISCRETION 10,000 UNQUOTE

THIS IS WEB CABLE NO. 91.

10:10 a.m.
July 25, 1944

FHodelims 7/24/44

CABLE TO HARRISON? BERN? FOR MCCLELLAND FROM WAR REFUGEE BOARD

Reference WRB Cable to Bern No. 83 (Department's 2417) of
July 15, 1944.

Please advise at once whether Swiss francs have been received
and turned over to Saly Mayer.

THIS IS WRB CABLE TO BERN, NO. 93

11:30 a.m.
July 25, 1944

SECRET

CABLE TO MINISTER HARRISON AT BERN AND Mc CLELLAND

Hicem representative Lisbon reports having been advised by reliable source that acting Hungarian Charge d'Affaires, Lisbon received following message from his Government:

QUOTE One. Responding to appeal from Swedish Government Hungarian Government agrees permit emigration to Sweden or Palestine of Jews who have relations living in Sweden or who have business connections there. Two. Responding to appeal of British Government through Swiss Government, Hungarian Government agrees to renew the formerly effective but meanwhile suspended permission of Jews possessing valid entry visas to emigrate Palestine. Three. To the appeal of the War Refugee Board by way of Switzerland, Hungarian Government agrees to admit assistance by International Red Cross for Jews in camps or ghettos in Hungary and to despatch Jewish children under ten years of age to Palestine. While these measures are being carried out deportations of Jews for labor abroad is suspended. UNQUOTE

Please endeavor through such channels as may be available to you to ascertain promptly whether any such message was transmitted to local Hungarian mission and the extent to which the same may be substantiated as representing current Hungarian policy. Please advise Board as quickly as possible of the results of your inquiries.

THIS IS WRB BERN CABLE NO. 97 .

 July 25, 1944
 2:35 p.m.

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND FROM THE DEPARTMENT
AND THE WAR REFUGEE BOARD

Embassy, La Paz, informs Department that Bolivian Minister of Foreign Affairs has stated to the Charge that (1) Bolivia would refrain from withdrawing any Bolivian passports now in possession of persons detained by German authorities; (2) if and when the protecting power of Bolivian interests on the request of the German authorities submits lists of persons holding Bolivian passports, Bolivia will instruct the protecting power that such passports have been confirmed; (3) Bolivia gives its approval to the Government of the United States approaching the German Government through appropriate channels with a view to initiating negotiations for the exchange of German nations for holders of Bolivian passports or consular documents; and (4) that Bolivia would immediately communicate with the local representative of the protecting power (Spain) with a demand that the lives of all persons holding Bolivian passports or claiming Bolivian citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

Department is taking appropriate action with regard to (3).

The above may be informally transmitted to appropriate Swiss authorities for their information.

THIS IS WRB BERN CABLE NO. 95.

12:15 p.m.
July 25, 1944

LSLesser:tmh 7-24-44

CABLE TO MINISTER HARRISON AT BERN FOR MCCLELLAND

Please deliver following message from War Refugee Board to Gerhard Riegner, 37 Quai Wilson, Geneva:

QUOTE Interredcross Washington informed headquarters Geneva of our request to Intervene for Jews non-Hungarian citizenship whose deportation has been postponed August 1st stop Urge you take up matter with Interredcross headquarters taking position that these Jews be recognized as civilian internees and treated according Geneva Convention stop Interredcross should approach Hungarian authorities expressing determination to protect these non-Hungarian Jews stop Cable results through American Legation and Warrefugeeboard.

Your message of July 4 received through War Refugee Board implies that Italian Jews are still arriving in Switzerland. Urge you to let us have regularly lists of arrivals. Would be grateful for a recapitulatory list of those arrived so far. A Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 98

 July 25, 1944
 2:40 p.m.

LSLesser:tmh 7-25-44

SECRET

CABLE TO OFFICER IN CHARGE, AMERICAN EMBASSY, ANKARA, AND HIRSCHMANN FROM DEPARTMENT AND WAR REFUGEE BOARD

1. There follows the substance of a message received from Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

In view of the foregoing it is of the utmost importance that no effort be spared to induce the Turkish Government promptly either to issue transit visas to every person in Hungary holding a Palestine certificate or to inform the Hungarian Government that all such persons may enter Turkey enroute to Palestine without the formal issuance of visas, and to advise the Hungarian Government of its willingness to do so. Furthermore, every effort should be made with Jewish Agency representatives to secure the speedy issuance of as many additional Palestine certificates as possible to persons in Hungary. Time is obviously of the essence and the Board should be informed promptly of any difficulties that may be encountered.

2. Since the above quoted message may have broad implications, please endeavor urgently to ascertain whether the Turkish Government will promptly advise the Governments of Germany, Romania, and Bulgaria and such authorities as there may be in Slovakia (as well as Hungary) that Turkey is prepared to issue transit visas to all persons holding Palestine certificates or to admit such persons enroute to Palestine without the formal issuance of transit visas. If Turkey has already taken this position, it would nevertheless seem appropriate at this time formally to restate it to all Axis governments. Please keep the Department and Board advised.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the

maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleagues and either in collaboration with them or alone, as the circumstances may develop, approach appropriate officials of the Turkish Government with the request that Turkey advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Turkey. You may assure appropriate Turkish officials that if Turkey so advises the Hungarian Government, Jews arriving in Turkey from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Turkey. You should inform the Department and the Board promptly of the results of your consultation with your British colleagues and your approach to the Turkish Government.

4. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941, and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Turkey are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

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Please advise appropriate Turkish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Turkey's willingness to permit the entry into Turkey, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly.

5. The foregoing measures represent an attempt on the part of this Government to take advantage of the information contained in the message from Amlegation Bern, the substance of which is quoted above, on various bases. The Board would appreciate any views that Hirschmann may have with respect to any further action that might be taken. In this connection, Hirschmann might consider, in the light of Department's _____ of _____, WRB's 78, and such information as he may have through channels available to him, the advisability of requesting the Roumanian Government freely to admit Jews from Hungary into South Eastern Roumania pending their evacuation therefrom. Any views that Hirschmann may have should be transmitted to the Board promptly.

6. The instruction set out in paragraph marked three above is issued notwithstanding your 1287 of July 15.

THIS IS WRB CABLE TO ANKARA NO. 83.

12:15 p.m.
July 25, 1944

EE-686
Distribution of true
reading only by special arrange-
ment. (SECRET W)

Ankara
Dated July 25, 1944
Rec'd 2:15 a.m., 26th

Secretary of State

Washington

1365, July 25, 7 p.m.

FOR PEHLE WRB FROM HIRSCHMANN

Ankara No. 106.

Through the intermediary of the International Red Cross representa-
tive in Istanbul, a further meeting was arranged on July 21 at Istanbul
between the Rumanian Minister to Ankara Alexandria Cretzianu Monsieur Jaquinet
of the International Red Cross and myself.

I made the following urgent requests of Cretzianu:

One. In view of the reported new policy of the Hungarian Government
that Jewish refugees will be permitted to leave Hungary for Palestine
provided they have Rumanian transit visas, I requested that the Rumanian
Government issue without delay thousands of such visas to Jews in Hungary
who would remain in Rumania only long enough to embark on the vessels from
Constanza. Cretzianu promised to immediately "warm ly and strongly recom-
ment to Bucharest by telegram that the above request should be granted".

Two. In view of the explained deadlock in Rumania which is preventing
the departure of the Turk ships and the Greek ship SMYRNIE from Constanza
concerning which I (have?) am informed Cretzianu, I requested him to ob-
tain information regarding the reasons for this deadlock. I also asked
Cretzianu to urge his Government to facilitate by all possible means with-
out delay the departure of these vessels. Cretzianu agreed to do so.

Three. Since it has been reported in Istanbul that some Rumanian
political personalities were seeking to proceed from Rumania to Turkey by
means of the refugee ships I inquired of Cretzianu as to the veracity of
this report since such a situation might possibly interfere with the move-
ment of refugees. Cretzianu asserted that he was aware of this possibility
and informed me that there were two categories of politicians in Rumania
who might be interested in such voyages: (a) the so-called Liberals with
whom he asserted he was in sympathy and who might be available to perform
useful political services at this time outside of Rumania (b) politicians
who are seeking to "desert the sinking ship" Cretzianu declared that he
would work against the efforts of the latter to secure Turkish visas and
such Rumanians employing the device of refugee ships to escape from Rumania
would meet with his opposition.

- 2 -

Cretzianu informed me that the resolution of Mihailu Antonescu, setting forth the auspices and authority of the Rumanian Inter-Ministerial Committee to deal with the transportation of Jewish refugees (reported to you in Embassy's 1321) was a matter of secrecy and had not as yet been disclosed, and that he would prefer that it be not publicly divulged for the present.

My impression from this interview further confirmed my view that Cretzianu is speaking for the Rumanian Government and is searching more intensively for a means of assistance in the rescue and transportation of refugees through and from Rumania.

KELLEY

WFSUJM

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ¹⁵²
COMMUNICATIONS
AND RECORDS

BJR - 653

PLAIN

London

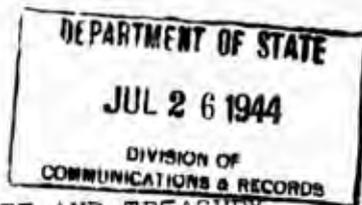
Dated July 25, 1944

Rec'd 11:15 p.m.

Secretary of State,
Washington.

5893, Twentyfifth

FOR SECRETARIES OF STATE AND TREASURY



The following is a summary of London press articles of June 25 dealing with the Bretton Woods Conference.

The FINANCIAL NEWS is the only newspaper which gives the full text of the final draft of the monetary agreement. It also carries a long editorial on the agreement which states that this first inter-Allied measure of reconstruction had to succeed and did succeed in securing provisional agreement. However, the editorial adds "this is a happy augury, but satisfaction on that account can hardly be unqualified. Among the nations and groups of nations taking part there was evident, clearly enough, from time to time, a tendency to press individual claims and to jockey for sectional advantages. That has been the bane of many past

-2- #5893, Twentyfifth, from London.

past international gatherings, and it will doubtless raise its head again in future, whenever international decisions have to be taken in this imperfect world. And in that respect the conditions were more favorable to a successful outcome than they will be, necessarily, at many future conferences. The convening country - the United States - was not only determined that success must be achieved at all costs, but in the long run it held, in the present distribution of the world's resources, the trump cards in its own hand. Russia's interest, by contrast, was strictly limited; for her own economy and methods left her less to gain or lose, perhaps, by the Conference's decisions than almost any major country in the world. Great efforts had been made to secure Great Britain's provisional acquiescence in the main principles of the proposed system before the conference met. The main difficulty was likely to come from smaller nations desirous of putting as high a price as possible on their consent which, ultimately, was known to be inevitable. In short, this was a conference where major disagreement between the greater powers was largely ruled out, and the main question was
how much the

-3- #5893, Twentyfifth, from London.

how much the buying in of certain of the others would cost in terms of distortion of details. From that viewpoint, the cost of agreement, it must be admitted, has been more moderate than might have been feared."

With reference to British ratification of the agreement the editorial states "for Great Britain to declare that in no circumstances would she be prepared, for her part, to implement the provisional findings at Bretton Woods, would be as unreasonable and unrealistic as to swallow the report whole without criticism or detailed inspection. This country cannot give a final judgment on any multilateral world trade plan until it has had some experience of multilateralism in practice, given the conditions of a post-war world in which particular nations will be pursuing varying economic policies, and she herself will be following one aimed at full employment, significantly increased export trade. In one sense, any consent which the government, backed by Parliament, can give, must be tentative, with an escape clause. If the best does turn out not to be feasible for us, then - to put it bluntly - the second best - by way of a system of regional

-4- #5893, Twentyfifth, from London.

regional trade groupings as distinct from a pure multilateral system - must be available as a trap door".

With regard to America's actions, the editorial stresses the importance of the following factors which, it is claimed, will help to determine whether or not multilateral trade can be maintained, the attitude of the Senate, decisions on the tariff, availability of dollars and the success of attempts to prevent violent internal fluctuations in trade and prosperity.

An editorial in the DAILY EXPRESS points out that while the framework of the fund and bank has been developed the details of the two institutions are yet to be developed. The editorial asks "many are the questions. Does the monetary fund tie sterling to gold? Will it rule out full employment? Will it bar agricultural prosperity here at home in the interests of international finance? Will it mean the end of sterling bloc and of imperial preference? This nation was regaining its prosperity before the war within the Commonwealth and Empire, and in association with other nations in the sterling area. These were solid advantages and cannot be lightly abandoned. It will take more than

-5- #5893, Twentyfifth, from London.

more than 'missionary endeavor' to persuade the British people to return to any form of gold standard".

The DAILY TELEGRAPH states that the Soviet Government was "singled out for special mention" by Secretary Hull when he congratulated the delegates upon the success of their work. The news item also contains a short excerpt from Secretary Hull's speech.

A FINANCIAL TIMES article quotes from speeches of Secretary Morgenthau and Lord Keynes at the final session of the Conference. The correspondent quotes at length a WALL STREET JOURNAL survey of bankers stating that most bankers are opposed to the fund and the bank. The correspondent also questions public and Congressional enthusiasm for the programs. This paper also prints a summary of the articles of the bank.

Oscar Hobson in the NEWS CHRONICLE states that the striking degree of agreement among the delegates "would certainly suggest that governments will hesitate to take the responsibility of wrecking the plans adopted by the Conference by refusing to ratify".

Hobson points out that in view of the fact that no single government has sufficient votes to veto the agreement

-6- #5893, Twentyfifth, from London.

agreement, it would only be the United States or the British Empire plus very little outside support that could wreck the plan by not ratifying the agreement.

Hobson notes that the two most significant changes in the final draft from the "joint statement" relate to the quota fixing and scarce currency proposal. Hobson points out that the attempt to fix quotas on a strictly economic basis failed as the quotas finally fixed have no logical justification.

The TIMES prints in full the statement issued by Mr. Curtin, the Australian Prime Minister.

The financial editor of the MANCHESTER GUARDIAN views the draft agreement favorably and states "although the stabilization fund itself has been still further adapted to American ideas its weaknesses are largely offset by the proposed World Bank. The bank plan has never been properly submitted to the British public as the fund proposal was. In fact, few people over here really believed that agreement on the bank would be reached at the Monetary Conference". He expresses the opinion "since both institutions are to be set up together - though the whole scheme has still to be submitted

submitted

-7- #5893, Twentyfifth, from London.

submitted to the respective Parliaments - opinion here seems to be much less critical than it was when the fund was being debated by itself".

- With reference to the amount of foreign exchange that will be made available yearly to Britain, the ~~article~~ states that the sum is very little in comparison to Britain's prospective deficit, and adds "after that we can go on drawing on the fund but must pay interest at rates which rise steeply, so that it will soon become worth while to look for more permanent finance by way of a loan. This seems a reasonable device for keeping the fund available for purely temporary needs".

A long editorial in the MANCHESTER GUARDIAN states "it is certainly encouraging to find that the first attempt of the Allies to reach agreement on the more permanent problems of the peace has been so successful".

The editorial points out that objections to the agreement will undoubtedly be raised but that it is unlikely that any future discussions will upset the "broad agreement to rebuild a system of multilateral world trade, which is the main purpose of the twin proposals

-8- #5893, Twentyfifth, from London.

proposals". It also states that the ratification of the agreement "would open the way to agreement on commercial policies and trade in primary commodities. All these parts of the Allied post-war program are interdependent, and the whole conception is large and constructive enough to be worth having at the cost of much risk and inconvenience."

The editorial asserts that the final draft relating to the fund is less satisfactory than the joint statement principally because the scarce currency provision no longer contains reference to sanctions against over exporting countries.

With regard to the bank, the editorial states "the bank was rightly described as more urgent than the fund, for it will help to finance the restoration of industry and agriculture as well as the 'more permanent reconstruction' of the war ravaged countries".

According to the editorial, the proposed bank capital is "much too small to give more than a first start to the task of reconstruction". However, the belief is expressed that "both the bank and the fund will be needed to give confidence to the countries emerging from the war so that they may trust the

international

-9- #5893; Twenfyfifth, from London.

international system sufficiently to join it. Although both will be found too small the principles of orderly world finance had first to be worked out and agreed. The practical alternative to the present scheme is not a better international trading system but none at all".

WINANT

HTM

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UNRESTRICTEDFROM
LONDON

Secretary of State

DATED July 25, 1944

Washington

Rec'd Aug. 1, 2pm

A-907, July 25, 1944

For Secretaries of State and Treasury from Taylor

The Economist of July 22 carried in "Notes of the Week" a report on the Bretton Woods Conference and the Statist of the same date carried both a summary comment and a leading article on the Conference.

The Economist gives a complete list of the quotas for the Fund by countries and comments as follows on the quota distribution:

"The distribution is at places incongruous. The significance of the quotas can only be derived from the foreign trade of each member country, and to give to the bank virtually the same allocation as to the (?) appears more than slightly absurd. Really difficult to justify is the grant of a higher quota to China than to France. Those incongruities are the price paid for agreement on the wider aspects of the scheme, and the more glaring discrepancies will no doubt be remedied in the light of actual experience. The dispute on the constitution of the executive committee of the Fund has been settled by increasing the number of directors to twelve, five being appointed by the 'big five,' and two by the Latin American nations, leaving five to represent 'the rest.' The South Americans thus won their fight, showing as much aptitude in capitalizing their newly won creditor status as they have done in other directions in wielding the power of an international debtor."

The article notes that the Americans "won" over the British as to the location of headquarters for the Fund and Bank.

Commenting on Anglo-American cooperation at the Conference, the article states:

"One of the most satisfactory features of the whole conference has been the excellent cooperation between the American and British delegations, a tribute not only to the wisdom of the delegates, but to the thoroughness of the preparatory work."

The report also states that the problem of sterling balances "overshadowed a good deal of the proceedings at Bretton Woods" and that the spokesman of the British delegation announced this week that invitations had been sent to Empire countries with sterling balance problems to meet in London

after the Conference. Indian delegates are reported to estimate their ultimate sterling balances at £1,000 million and the Egyptian delegates at £250 million. Closing reference is made to Sir John Anderson's statement in Commons this week on sterling balances that:

"....'we are here presented with a formidable problem of which we have not hitherto in history had any comparable experience.'"

The Statist introduces its summary comments on the Conference as follows:

"The Bretton Woods Conference would appear to have achieved rather more than its best friends had hoped at one time, and although at the time of writing the three days' extension has not expired, there is little likelihood of further fundamental dissension. The International Monetary Fund is, in the phrase of Mr. Henry Morgenthau, Jr., Secretary of the Treasury, 'born.' Like most infant arrivals, its immediate future will be as full of peril as of interest. For it is still open to the governments concerned to disregard and repudiate the abstract approval which their expert nominees have given to the Fund. It is, nevertheless, gratuitous to assume that conclusions arrived at in the Bretton Woods Conference will not be approved by responsible governments in due course."

The Statist continues with a discussion of the quotas for the Fund and notes:

1. that there will likely be moves to amend the quota allotments, particularly by the reestablished governments of the Continent, but that "there is no reason to assume that readjustments of quotas will not be an entirely amicable affair;"
2. that the announcement of the quotas has been received by "some influential press quarters....as a menace to the future position of this country and the Empire" because the quotas agreed to "would appear on the surface to give undue prominence to the United States and Russia for example."

The Statist calls the attention of these press critics to the fact that "the scheme is a purely voluntary agreement" and to the consideration that "the right of immediate secession without penalty automatically imposes upon the stronger participants the duty of serious and liberal consideration of proposals put forward by weaker brethren."

The article continues "a great deal - in fact everything - depends upon the accuracy with which initial exchange parities are fixed" and adds that their determination has been wisely postponed for the present.

July 25, from London

Regarding sterling balances arising from the war, the Statist notes that the Indian delegates fell into line and agreed to leave the war debt problem to be settled by separate machinery. It also states that "there are existing arrangements under which a sensible proportion (of Indian sterling balances) will be eventually available to India in the form of dollars."

With reference to the bank, the Statist complains vigorously that the public has been kept in ignorance of the proposal and charges "our own authorities" with sole responsibility for this lack of information:

"We also know that the project of a world bank had been discussed, but of detail exactly nothing. By the time this issue is on sale the Bretton Woods experts of forty-four nations will presumably have given their joint blessing to the notion of a world bank, and it will be the duty of governments in due course to examine and adopt if possible the findings of the experts. It is no reflection on either the ability or the integrity of the experts to say that their deliberations on the proposed bank would probably have gained in strength and reliability if the proposals had been subjected to the same prolonged period of cross-fire of public opinion as in the case of the fund. As things are, we must perforce rely upon unofficial and abridged reports by conference proceedings for even the main outlines of the proposed bank."

The discussion of the Bank is concluded with the remark:

"In the absence of more exact information, judgement on the bank must be suspended. But it is possible to sympathise with reported American doubts that a preponderance of voting power in the hands of powerful nations may well be used to thwart industrial development elsewhere. This is precisely the kind of consideration in which prior public discussion would have been most helpful to delegates."

The Statist article on "Bretton Woods - and After" begins with the statement:

"It was inevitable that the feat achieved by the delegates to the Bretton Woods conference, of reaching agreement on one important issue before them, should be greeted by general acclaim and congratulation. That some post-war international monetary and currency machinery must be set up all are agreed, and any sign that unanimity upon its structure is obtainable is naturally to be welcomed. Having said so much, any transports about the first Bretton Woods agreement

July 25, from London

must be moderated by an examination of its significance....What has really happened is that forty-four nations have agreed to provide in pre-decided quotas 'money for a purpose yet to be revealed.' When progress is made towards a statement of detailed policy and procedure, and those other obstacles are overcome, there will still remain the final hurdle of obtaining ratification from the legislatures of the various nations concerned. Agreement reached at the expert level may not ensure agreement on the lower level of legislative consideration, where the prospect is wider but the atmosphere less rarefied and clear."

The article, after touching briefly on the "directorate" of the bank and the subscriptions to the bank, devotes its primary attention to the question of the ratio of guaranteed loans to bank assets and the problem of proper safeguards for loans made or guaranteed by the bank. Lord Keynes is quoted to the effect that the loans will be subject to careful scrutiny and that "the commissions charged by the bank for guaranteeing loans will amount to such sums that the bank will be in a position to make good one out of every four loans, which is the percentage of defaulted loans between the wars." The article comments:

"Here is a strange, new technique of banking, surely. Until the defaults occur it is not possible to say whether the one for four will be a big or a little one. Common prudence will select the maximum risk. Commission to cover the defaults will thus be at the highest possible rate, and the bank's technique will be dictated by this assumption of estimated defaults."

The discussion of guaranteed loans continues with the statement:

"The whole question of joint guarantee through an international bank teems with difficulties hidden behind the 'major difficulty' as enunciated by the spokesman. The joint guaranteeing countries will be linked through their new association, but there can be no possible interference with the political sovereignty of each state. Smaller nations may well indulge in such economic and political absurdities, including revelations and repudiations, and thus leave the 'rich' or 'prosperous' countries to carry the baby alone....It is held by the spokesman that International bank loans will not be as liable to default, because there will be that strict supervision which will ensure that they are only made for 'good projects.' Any experienced banker of the old school could have told Bretton Woods that the project for which any loan is made has no bearing on default. That is governed by one or both of the factors - the integrity of the borrower or some command over his conduct."

July 25, from London

Parenthetically, the article notes that the Fund, as such, can "impose sanctions" but refers to Eden's statement that there are two types of sanctions, "those which have no effect and those which lead to war."

The article closes with the statement:

"What is essential is that when the legislators of this country come to consider the final recommendations they should remember that such difficulties are not removed by merely postponing them for the attention of a new body, and that the only test which Britain can afford to apply to any proposed machinery is that of Britain's immediate interests in the first lustrum or decade of world reconstruction. To overburden the British taxpayer in order to gratify a mood of world philanthropy, or to trust too fully in what Lord Keynes calls 'good bonds' and 'proper purposes,' might in the very long run help humanity at large, but might confer that benefit at the expense of the survival of British trade and commerce...the various legislatures will certainly not be slow to fasten upon strengths and weaknesses in the final plan which promise to aid or injure their national interests. Our own need not, therefore, fear to offend the others, or even to offend our own experts."

WINANT

NOT TO BE RETRANSMITTEDSECRETCOPY NO 11OPTEL No 242

Information received up to 10 A.M. 25th July 1944.

1. NAVAL

Preliminary reports state ships of Eastern Fleet bombarded SABANG early this morning with satisfactory results.

2. MILITARY

Successful raid by our infantry and tanks at ESQUAY while south of MALTOT our artillery effectively engaged tanks and armoured troop carriers.

Italy Further progress yesterday by Indian Troops North of CITTA DI CASTELLO and by U.K. troops NE of MONTEVARCHI. South Africans reported GREVE clear and further left New Zealanders made appreciable progress against opposition; still further left our advance reached CASTELFLORENTINO. U.S. troops have occupied southern part of PISA and have beaten off two enemy counter attacks on their right flank. PISA area reported under heavy German Artillery fire.

Russia Russians have captured LUKOW and LUBLIN. Have reached SAN on 50 mile front and crossed it in several places. The LVOV-PRZEMYSL RAILWAY has been cut and Germans report heavy fighting in LVOV.

Burma Our troops advancing south along the IMPHAL-TIDDIM road are now 17 miles south of BISHENPUR. Further east they have occupied a village 18 miles S.E. of PALEL.

3. AIR OPERATIONS

Western Front 23rd/24th. Tonnages - KIEL 2,753; CONGES 440, two flying bomb launching sites 365.
24th. U.S. Heavy Bombers dropped 590 tons on concentrations between PERIERS and ST. LO and 252 tons on opportunity targets with unobserved results.

169 Mustangs attacked airfields and transport in Southern Germany. Bomber command dropped 70 tons on 2 flying bomb sites. Medium light and fighter bombers of ARAF dropped about 100 tons on fuel and ammunition dumps and on railways in Northern FRANCE while 788 fighters attacked communications, etc. behind the battle area. German casualties 28:0:24 - Ours 4 bombers and 7 fighters and fighter bombers missing.

24th/25th. 1,152 bomber command aircraft despatched: STUTTGART 614 (22 missing); DONGES Oil Depot 113 (3 missing); 2 flying bomb launching sites 114 (1 missing) BERLIN, FRANKFORT and AACHEN 40 Mosquitoes. Diversionary sweep, bomber support, sea mining etc. 271. STUTTGART and the launching sites were bombed through cloud but at DONGES weather was clear and good concentration achieved.

Italy and France 23rd. 147 Medium and light bombers and 372 fighters attacked communications Northern Italy. 24th. U.S. heavy bombers dropped 283 tons on tank repair works and ball bearing works TURIN, 82 on GENOA Harbour and 273 on 2 airfields in South of FRANCE.

German Activity During 24 hours ending 6 A.M. 25th, 62 flying bombs launched.

Regraded Unclassified

July 26, 1944
11:30 a.m.

OPA vs. MUNSINGWEAR

Present: Mr. C. S. Bell

H.M.JR: Mr. Will Clayton told me that he saw Mr. Brownlee of OPA yesterday, who is Deputy to Mr. Bowles, since Mr. Bowles was out of town, and that he, Mr. Brownlee, sent for the General Counsel and they went into this whole thing about Mr. Olrich.

Mr. Brownlee is going to suggest on Monday to Mr. Bowles that they appoint a committee of three, consisting of Brownlee, the General Counsel, and a third man to sit down with Mr. Olrich and see if they can't come to some kind of an understanding, and that he would let me know if Bowles would accept that suggestion on Monday, and he was sure he would.

Mr. Clayton said that as far as he was concerned, he was worried sick over the thought of having the thing come back on his hands, but he would let me know. You can pass that on to Olrich, if you will.

MR. BELL: All right, sir, that might do it.

H.M.JR: At that level. Brownlee was formerly the President of the Frankfort Distillery.

MR. BELL: Well, it gets it out of the hands of the clerk.

H.M.JR: Will you pass it on to Olrich?



TREASURY DEPARTMENT

WASHINGTON 25

July 26, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of \$50,000 as of July 24, 1944.

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

Enclosure

PROPERTY FOR DISPOSAL

SPECIAL ITEMS VALUED IN EXCESS OF \$50,000

AS OF JULY 24, 1944

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>1. Textiles and Wearing Apparel</u>			
<u>Mosquito Bars, new</u>			
Rectangular tents of netting. Excellent quality. Some commercial interest has developed since news release was issued. No definite offers. Advertis- ing program starts this week.	464, 676	\$ 5.70	\$2 648 653
<u>Rods for Mosquito Bars</u>			
Two piece, enameled iron rods, screwing together to make "T" shaped support for one end of mosquito bar. Two pairs (4 pieces) are needed for each mosquito bar. Advertising program starts this week.	464,000 sets	0.21	97 444
<u>Leggings</u>			
Spiral wool and laced canvas types. Old and in poor condition. Holding for opportunity to put out on bid.	213,280 pr.		109 833

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Hats, Army Service</u>			
The old style, broad brimmed, campaign hat. List of re-makers is being obtained. An offer of 25¢ each was made by chain store group in Arizona last week. New bid of 60¢ received. Negotiating for higher price.	119,928	\$3.00	\$ 359 784
<u>W. A. C. Caps</u>			
Appears to be a salvage item. Contacts have been made with uniform houses.	76,712	2.20	168 766
<u>Filter felt (new)</u>			
54 in to 72 in., rolls. Samples have been sent to large users of felt; trying to negotiate sale.	163,086 yds.	2.00	326 172
<u>Blankets, cotton.</u>			
Will be transferred to F. E. A.	99,479	2.15	213 879
<u>Cotton Duck, #4</u>			
42" fire, water and weather resistant. New item; no action as yet. Being cleared through Government agencies.	76,741 yds.		115 879

170

170

172

Quantity

Unit Cost

Cost to Govt.

Slide Fasteners

2,876,828

\$.19

\$ 537 190

16½" Zippers; 500,000
Talon Zippers sold to
manufacturer at cost price;
negotiations on remainder with
original manufacturers.

Shearlings

Tanned sheepskins with wool left
on. This is remainder of approxi-
mately 11 million sq.ft. which have
been sold to FEA and public at prices
averaging 29¢ per sq.ft., which is
above present market price.

900,000 sq.ft.

0.50(est)

450 000

2. Automotive Products

Spare Parts, automobile, new & used

Two declarations - Fort Crook, Neb.
and Richmond, Ky. Consultations with
representatives of the 4 manufacturers
being held currently, with W.P.B. parti-
cipation. Contracts are still in "talking"
stage.

3 000 000

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	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Engines, Cadillac Automobile</u>			
125 H.P., with spare parts and panel units. Without transmissions. Region has been notified that Army will definitely withdraw the engines for installation in light tanks.	260	\$355 (engines only)	\$ 126 062
<u>Tires, Rubber, Truck & Bus</u>			
	70,164		
<u> Tubes, Inner, Truck & Bus</u>	26,037		1 197 019
New and used. Disposal program is being handled by tire expert and Regions have been instructed to circularize property among Federal agencies; remainder to be sold to manufacturers.			
<u>Tires, Rubber, Motorcycle,</u>			
<u> Passenger and Truck</u>	4,166		87 876
Used; various types and sizes. Due to condition (used-fair) given, special inspection has been made by tire experts without cost. Report will determine whether these units will be made part of special disposal program.			

174

Quantity

Unit Cost

Cost to Govt.

3. Furniture

Mattresses, new and used

182,879 new (all in one region).
895,415 used. Plan is being formulated to distribute new merchandise nationally in areas where market exists for the particular type of article. The salvage value of cotton for insulation is high enough to make it feasible to scrap used mattresses if no other outlet appears.

1,078,294

\$5.50 (av)

\$5 930 617

Bed Parts

Springs, metal fabric, heads, feet, and side rails, etc. We are working with bed mfrs., looking towards re-purchase.

50 000

Pillows, new and used

Some cotton; some feather pillows.
134,710 new; 470,845 used. Plan is being formulated to distribute new merchandise nationally in areas where a market exists for the particular type of article. No sound method yet devised for sale of used pillows needing sterilization.

605,555

\$0.73

442 055

174

175

Quantity

Unit Cost

Cost to govt.

Cots, wood and metal

Single and double deckers, and bedsteads, such as used in cantonments. Marketing plan in process. OPA price policy affecting disposition; change in policy under discussion.

15,000

\$ 60 000

Cuspidors

Three types, - large, medium and small. Sales plan to dispose of item through chain stores in "Saturday night" towns is being devised.

70,000

\$.80

56 000

4. Hardware

Gasoline cans, 5 gal.

Jerry cans designed to transport gasoline in small quantities to point of use.

1,044,934

1.75

1 830 000

Square containers, 7½ gal.

"Tappan" model 228. Square can, screw cap and chain. WPB thinks they can be used in paint industry; decision this week.

265,560

2.09

555 020

175

176

Quantity

Unit Cost

Cost to Govt.

Drums, 55 gallon, used

Includes 12, 14, 16, and 18 gauge drums, in small lots, located in 11 regions. Require re-conditioning if drums are to be used for other than petroleum products. WPB requests sale of portion to a recon-ditioner for use as lard kettles. An ad-ditional 9,579 will be sold to Standard Oil of Louisiana.

130,773

\$ 2.50

\$ 326 933

Wood screws, brass, new

Bid invitations are now out. Will be opened about July 27th.

500 tons

1634 items

357 000

Smoke generators

Obsolete, individual smoke pots with chim-neys. Has been "on bid", with no offer over \$0.11 each. They consume too much oil and make too much smoke for use as smudge pots for agricultural use. Negotiated sale in process.

67,600

3.50

236,600

Smoke generator, vehicular, parts

Motorized generator piping, valves, fittings oil filter cartridges, etc., in great quan-tities. New declarations just received. No action, as yet. These are standard parts that can be sold in hardware stores.

277 000

176

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Incinerators, new</u>			
For human excretion only. Capacity 2000 lbs. per hour. Gallinger Hospital and National Capital Parks (D. C.)., have slight interest.	34	\$9818	\$ 333 812
<u>Sinks, enameled, cast iron</u>			
Kitchen sinks, ranging in size from 12" square to 24" square; with 9813 cast iron traps. No gov. agency interested. Region has issued bid invitations.	8,640	4.60 (sinks only)	53 206
<u>Furnaces, hot air, oil fired</u>			
New, for homes. Cannot be installed in <u>new</u> homes because of fuel regulations. An offer from the trade is believed on the way, looking towards use for replacing worn-out furnaces.	659	69.25	51 058
<u>Rafts, pneumatic life</u>			
Capacity is 5 men - 1000 lbs. Completely equipped, including carrying case, sea anchor, oars, hand pump, repair kit, bucket, 40 feet cord, plugs, etc. (Includes advance declarations.)	2,185	200.00	437 000

QuantityUnit CostCost to Govt.Bicycles, new

All sales withdrawn at present.
Advised needed for export.

2,000

\$ 28. (av.)

\$ 56 000

Scabbards, bolo

An obsolete scabbard for a bolo knife.
Made of hickory, duck covered, trimmed
with calfskin, with web belt. Has no
value except for use with a particular
knife none of which is available.

114,290

1.60

190 864

Snowshoes, Emergency

Paratrooper's special type. Has no
value as sports item. 15,502 pr.
withdrawn by declaring agency, out of
37,000 pr. originally declared.

22,837 pr.

4.25

96 915

Snowshoes, used

Serviceable, trail and bear paw type
snowshoes. New declaration-no action
as yet.

11,745

9.00

105 654

Skis, laminated, new & used

7ft. & 7½ ft. hickory, ridge-top
laminated skis with steel edges.
Painted white. 7½ ft size not popular for
general sport use. Many interested purchasers
and method of disposal being worked out.

7,566 pr.

14.50

109 712

178

178

179

Quantity

Unit Cost

Cost to Govt.

Guns, double-barrel

Double-barrel Marlin, Ranger, Western Field, Ithaca, Stevens, L. C. Smith, Iver, Johnson, Hefer, Fulton, Spring- field, Wichester and Browning shotguns; limited number 12 gauge of over-under.	5064	\$ 40 (av.)	\$ 202 560
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5. Medical and Hospital Supplies

Talc

A coarse grade of talc made for use as a gas decontaminating agent. 2386 tons in 4½ lb. pkgs. 3373 tons in 50 lb. pkgs. Sales have been made in regions previously at prices ranging from \$1.00 to \$9.00 a ton. Atlanta has been authorized to sell 754 tons at \$5 a ton for 4½# packages. \$8.75 a ton for 50 # packages.	5759 tons		200 000
--	-----------	--	---------

Dichlorimine T. (antiseptic)

World War I item, called Dakin's antiseptic. Has no marketable value. Has oil base that may be rancid. Being tested by American Pharmaceutical Ass'n.	298,646 pts.	1.67	498 738
--	--------------	------	---------

179

QuantityUnit CostCost to Govt.Hydrogen Peroxide, 8%

In pound bottles. Barber and Beauty Shop Ass'n. is circularizing its membership in regard to its use at this strength. Possible use as a fabric bleaching agent.

351,022 lbs. \$ 0.35 \$ 122 813

Medicines and Medical Supplies

Non-standard and obsolete items in New York depot. An outlet for instruments is being developed through F.E.A. Deteriorated medicines remain a problem.

52 288

Surgical Supplies and Instruments

Louisville Army Depot declaration. List has been screened through the medical trade associations. Many items obsolete advise is that its sale will not upset the trade. The Region is to send out invitations for bids.

250 000

Dental Supplies and Equipment

Veteran's Administration stock at Perry Point Maryland. List is being reviewed by Lend Lease to determine what can be used abroad.

100 000

QuantityUnit CostCost to Govt.6. Paper and Wood ProductsAmmunition Boxes, wood

Small size - 1 cu.ft. capacity, fastened with wing nuts. Larger quantities were sold favorably at recent date. This lot has been offered to meat packers through W. F. A.

85,000

\$ 0.75(est) \$ 63 500

7. MachineryConstruction machinery, heavy

An estimated 5,000 pieces of equipment, 95 percent used. Includes such items as 659 air tools, 263 agricultural tools, 108 graders, 160 tractors, 103 pumps, 4 shovels, 48 scrapers, 137 mixers, etc. FEA might be interested in some items. Unknown amount out on bid and an unknown amount may have been sold.

5,000 000 est.

182
181

Page-14-

QuantityUnit CostCost to Govt.Ice grousers, new

Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each grouser weighs 6 lbs. A tractor needs 296. There is no known application on standard machines; no market, except for scrap.

17,726

\$ 2.80

\$ 50 000

Snow Plows, V type

Designed for use with motor graders or tractors. Majority new, but not all in perfect condition. Applicants to W.P.B. for this equipment will be referred to our Region 8.

90

550

50 000

Dragline excavators, used

Earth moving machines weighing 250,000 lbs. each. Obsolete. Bad condition. Located 25 miles from railway over bad roads. Will cost \$3000 each to dismantle and reassemble. No offers in sight.

3 pcs.-30,000

90 000

182

QuantityUnit CostCost to Govt.Platform trucks, steel, new

Steel trucks, on casters. Size 6' x 4'. Designed to move airplane engines on air field.

13,287

\$ 75.

\$ 996 525

Quartermaster has cancelled request for withdrawal, since size is wrong for their use. Quantity represents 3 years production of this type truck. Sales are being made to test the market. WPB can find no outlet and suggests public sale.

Diesel Engines, complete

Air cooled, nine cylinder radial type. This Division has asked Army to withdraw the property and re-sell the engines to their maker. No decision has been made by Army to Mr. Clrich's letter of July 11, 1944.

131

2 300 000

Disc. wheels for gun carriage

Disc wheels, rims and tires for 105 m.m. gun rolling carriage. Used. In good condition. The special size tire (5.50 x 18.00) resulted in refusal by Lend-Lease. It is proposed to remove the tires and dispose of them as part of the tire and tube program. Informal offer has been made by Chicago distributor.

7,417

12 (est)

89 000

187

Quantity

Unit Cost

Cost to Gov't.

8. Equipment

Cameras, aircraft

Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.

96

\$ 307 386

9. Electrical Products

Batteries, dry cell and packs

50 types in varying quantities. Ranging in cost from \$0.05 to \$5.80 each. Overage for Army use. A maximum of \$165,855.00 worth (cost to gov't) in undetermined status. A large percentage now on invitations to bid. Letters on status of declarations to be sent August 1.

over 50 000

184

185

Quantity

Unit Cost

Cost to Govt.

10. Miscellaneous Products

Imprinting Machines, new

An addressograph plate press, portable, used to obtain impression of soldier's "dog tag" in the field. Four oil companies studying possibility of using device in service stations to obtain impression of customers' "Charge-A-Plates."

30,000

\$21.95

\$ 658.500

Belt pockets for cartridge clips

Web pocket with fastener. A radio advertiser has taken option on lot after purchasing a small lot at \$0.06.

1,000,000

0.10

100 000

Spurs, new and used

Radio advertiser's decision is to take balance for novelty "give-away". Contacting Chicago office for final sale.

261,000 pr. 1.40 (av)

365 400

TOTAL . . . , \$32,898,887

185

186

SURPLUS TRUCK REPORT
 For 7 Days and Period Ended July 22, 1944
 (Period Began Jan.1, 1944)

	<u>7 Days to July 22</u>	<u>Period to Date</u>
Total Trucks Declared	483	21504
Less Declarations Withdrawn	12	848
Less Loans to Other Federal Agencies	4	125
Less Transfers to Other Federal Agencies	<u>120</u>	<u>2477</u>
Net Trucks Declared for Sale	347	18054
Less Trucks Sold	1717	10936
Balance of Trucks on hand		7118

ANALYSIS OF INVENTORY

Inspected and ready for sale	5075
Not Inspected	<u>2043</u>
	7118

ANALYSIS OF DISPOSAL ACTIVITY

	<u>Declarations</u>	<u>Disposals</u>	<u>Inventory End of Period</u>	<u>Inventory Change</u>
Period Ending July 1st.	20311	10300	10011	
7 Days to July 8th	293	1150	9150	-857
7 Days to July 15th.	417	1083	8488	-666
7 Days to July 22nd.	483	1853	7118	-1370

186

187

SURPLUS USED CARS REPORT
For 7 Days and Period Ended July 22, 1944
(Period Began Jan. 1, 1944)

	<u>7 Days to July 22</u>	<u>Period of Date</u>
Total Used Cars Declared	190	3385
Less Declarations withdrawn	5	64
Less Loans to Other Federal Agencies	-	19
Less Transfers to other Federal Agencies	<u>2</u>	<u>541</u>
	<u>7</u>	<u>624</u>
Net Used Cars Declared for Sale	183	2761
Less Used Cars Sold	21	1943
Balance of Used Cars on Hand		<u><u>818</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	493
Not Inspected	<u>325</u>
	818

ANALYSIS OF DISPOSAL ACTIVITY

	<u>Declarations</u>	<u>Disposals</u>	<u>Inventory End of Period</u>	<u>Inventory Change</u>
Period Ending July 1	2864	2013	851	-
7 Days to July 8th	41	260	632	+219
7 Days to July 15th	290	266	656	+ 24
7 Days to July 22nd	190	28	818	+162

187

Surplus Motorcycles Report
 For 7 Days and Period Ended July 22, 1944
 (Period Began Jan.1, 1944)

	<u>7 Days to July 22</u>	<u>Period to Date</u>
Total Motorcycles Declared	67	4900
Less Declarations withdrawn	0	1
Less Loans to Other Federal Agencies	0	0
Less Transfers to Other Federal Agencies	0	209
	<u>0</u>	<u>210</u>
Net Motorcycles Declared for Sale	67	4690
Less Motorcycles Sold	13	3906
Balance of Motorcycles on Hand		<u><u>784</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	590
Not Inspected	<u>194</u>
	<u>784</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>Declarations</u>	<u>Disposals</u>	<u>Inventory End of Period</u>	<u>Inventory Change</u>
Period Ending July 1	4518	4102	416	- -
7 Days to July 8th	26	0	442	+ 26
7 Days to July 15th	289	1	730	+288
7 Days to July 22nd	67	13	784	+ 54

JUL 26 1944

Dear Mr. Klauber:

This is in response to your letter of July 21 asking what governmental problems requiring public understanding and public action will arise after the German collapse.

The Treasury Department's chief task in that period will continue to be that of providing adequate funds to finance war expenditures. Though total war expenditures may be substantially reduced when the Germans have been eliminated as active belligerents, it seems certain that deficit spending will continue at a relatively high level. This situation will no doubt require maintenance of heavy wartime taxation and participation on a broad scale by the public in the Treasury's borrowing program. The general feeling that the main war is over and that the cleanup of Japan is only a sideshow may increase the difficulties of maintenance of an adequate tax program as well as adequate participation in war bond purchases.

Although economic developments which it would be difficult now to appraise accurately may greatly affect the war finance problem of the interim period of which you speak, it should be possible to reach some general conclusions and I shall be happy to assign representatives to discuss the matter with you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Edward Klauber
Acting Director
Office of War Information
Washington 25, D. C.

HEG:aja
7/28/44

OFFICE OF WAR INFORMATION

WASHINGTON

59630

OFFICE OF THE DIRECTOR

July 21, 1944

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

Dear Mr. Morgenthau:

While no one can say when Germany will be defeated, it still seems probable that the shooting war in Europe will end some time before it ends in Asia. We shall then be left with only half a war on our hands, which will however be of such magnitude and complexity that it would have looked a few years ago like a full-sized war, enlisting all the energies of the nation.

I need not point out to you the serious domestic problems that will then arise. When Germany shall have collapsed too many people may feel as if the war is over, despite the fact that we still have a powerful and well entrenched enemy who also must be completely defeated before we can feel any security. There will be a widespread tendency to relax, to turn back or to want to turn back to peace-time occupations. This feeling will certainly be intensified by the fact that some parts of home-front participation in the war effort can be abandoned, or at least greatly diminished, after the end of fighting in Europe; while others will have to be continued as vigorously as before. It is the duty of all agencies of government to make the people realize that while some things they have been asked to do or to refrain from doing are no longer necessary, others are and will continue to be necessary until complete victory has been won. It is the conviction of this office that the people will be willing to go on doing whatever may be necessary, so long as it is necessary, if we can make them understand why.

As you perhaps realize, the channels that OWI uses to inform the public of war needs are purely voluntary. Thus, it is vitally important that we try to learn what our over-all problems are likely to be so that we can demonstrate to these mediums the necessity for continuing their cooperation.

This is not an enterprise that can be improvised on short notice. Though all of us are fully occupied with immediate problems, we cannot afford to put off our plans for dealing with a situation which, if it were badly handled, could cause the utmost public confusion.



To forestall such a misfortune, I am writing to the head of every agency involved, to ask you what problems you are likely to have after the German collapse which will require public understanding and public action. Many of these problems will doubtless overlap the fields of action of several agencies. Accordingly, when we have a rough list in hand I shall confer with you in the hope that we can begin now to block out information programs that should avert the threatened public confusion. I hope it may be possible for you to send me this information, preliminary and approximate though much of it may be, as soon as possible.

Cordially,



Edward Klauber
Acting Director

July 26, 1944

~~Mr. Vincent~~
My dear Mr. Vincent:

For your confidential information, I am sending you herewith a copy of the minutes of the meeting with Dr. Kung which took place at Bretton Woods on July 16th.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. John Vincent,
Chief, Division of Chinese Affairs,
Room 396, State Department,
Washington, D.C.

c.c. to: General Clay
Dr. Kung

Envelope marked "Strictly Confidential"

*By messenger (Summons)
4:30 p.m. 7/26/44*

July 26, 1944

My dear General Clay:

For your confidential information, I am sending you herewith a copy of the minutes of the meeting with Dr. Kung, which took place at Bretton Woods on July 16th.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General Lucius D. Clay,
Director of Materiels,
Room 4E613, Pentagon Building,
Washington, D.C.

c.c. to: Dr. Kung
Mr. Vincent

Envelope marked "Strictly Confidential"

*By messenger Simmons
4:20 pm 7/26/44*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date July 26, 1944

TO Secretary Morgenthau

FROM Mr. White *HDW*1. Stabilization Fund's Gold Transactions

During the three months ending June 30, 1944, the Stabilization Fund sold approximately \$412.2 million of gold to foreign countries principally to be earmarked for their accounts with the Federal Reserve Bank of New York. Sales by countries were as follows:

Gold Sales to Foreign Countries

<u>Country</u>	<u>Millions of dollars</u>
Argentina	32.421
Bolivia	.499
Brazil	39.900
Chile	2.656
Costa Rica	4.000
Cuba	20.000
Ecuador	1.500
Guatemala	5.075
Iran	2.000
Netherlands East Indies	.735
Paraguay	.016
Portugal	42.893
Switzerland	20.780
Turkey	19.950
Uruguay	10.473
United Kingdom	200.000
Venezuela	<u>10.000</u>
Total	412.898

During the same period, the Stabilization Fund sold \$9.7 million of gold to acquire local currencies in India, Iran, and Egypt for

- 2 -

the purpose of financing United States war expenditures in those currencies. Sales by countries were as follows:

Gold Sales for Acquisition of Local Currencies

<u>Country</u>	<u>Millions of dollars</u>
India	7.292
Iran	1.137
Egypt	<u>1.307</u>
Total	9.736

The Fund purchased approximately \$6.2 million of gold from the earmarked account of the Central Bank of Guatemala.

In order to maintain its gold balance, the Fund also purchased approximately \$423.3 million of gold from the Treasury General Fund.

As a result of the above transactions, there was a net increase of approximately \$6.9 million in the Stabilization Fund's gold holdings by June 30, as shown in the following summary:

Summary of the Fund's Gold Transactions

<u>Sales</u>	<u>Millions of dollars</u>
To foreign countries	412.898
For acquisition of local currencies	<u>9.736</u>
Total	422.634

- 3 -

<u>Purchases</u>	<u>Millions of dollars</u>
From foreign countries	6.222
From the General Fund	<u>423.274</u>
Total	<u>429.496</u>
Net increase in the Fund's gold holdings	6.862

2. Treasury Gold Stock

During this quarter, the Treasury's gold stock decreased \$425.9 million from \$21,599.9 million to \$21,174.0 million as of June 30. Known and estimated amounts of sales and acquisitions were as follows:

<u>Sales</u>	<u>Millions of dollars</u>
Sold to the Stabilization Fund	423.274
Sold to industry	9.660
Miscellaneous	<u>1.060</u>
Total	433.994
 <u>Acquisitions</u>	
Newly-mined domestic	2.550
Imports bought directly by mints and assay offices	3.810
Miscellaneous (coin and scrap)	<u>1.730</u>
Total	<u>- 8.090</u>
Net decrease in the Treasury gold stock	425.904

3. Total Gold Holdings of the United States

- 4 -

	<u>March 31, 1944</u>	<u>June 30, 1944</u>
Treasury gold stock	\$21,599,893,995	\$21,173,992,330
Stabilization Fund gold	<u>14,277,104</u>	<u>21,139,972</u>
Total	\$21,614,171,099	\$21,195,132,302

The decrease in the gold holdings of the Treasury and the Stabilization Fund during this quarter was \$419.0 million.

Mr. Messinger

Mr. Glasser does not think a further reply is required.

Mr. D. Bell does not think the Secretary should be bothered reading this material; says it is just the same as if the U.S. Social Security Board got out a plan -- the Secretary would not wade through it and would give it to Mr. Bell.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

*no further
reply necessary
just file
sub
8/3*

DATE July 26, 1944

TO Secretary Morgenthau
FROM Mr. Glasser *W.S.*

The British White Paper on Employment Policy is obviously a compromise product of the Coalition Government and represents a common meeting ground for such widely divergent factions as the Tories on one hand and the Labour Party on the other. Its proposals would be considered extremely "New Deal" in this country. In fact, even in Britain, nearly all shades of opinion regard the principle, enunciated in the White Paper, that the maintenance of full employment is a definite Government responsibility, as an immense step forward.

Aside from this fact, this document is of significance to the United States as it discusses:

1. British plans for a high level of exports.
2. The continuation of controls through the transition period.
3. Subsidization of new industry in the "depressed areas".
4. Measures to be taken to maintain total expenditure on the advent of a slump. Many of the proposed measures are financial in character, e.g. control (exactly what type is not specified) of capital investment, deficit financing when necessary, continuation of the "cheap money" policy.

In addition, the success or failure of the contemplated employment program as a whole must necessarily affect the United Kingdom's international position vis-a-vis the United States.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 14, 1944

TO Mr. D. W. Bell
FROM Mr. Glasser *W. G.*

Subject: The British White Paper on Employment Policy

This paper presents the general principles and the specific measures now envisaged by the Government to be used in maintaining a high level of employment in Great Britain after the war. The Government accepts the responsibility for maintaining employment in these opening words:

"The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war."

International

The Government proposes to attain the high level of exports on which Britain's prosperity is predicated in the following ways:

1. International cooperation aimed at increasing world trade and maintaining it on a multilateral basis.

2. Improvement of industrial efficiency, most particularly in the export industries.

3. Granting export industries very high priorities during the transition period.

Although it is clearly stated that the employment program depends on a high level of exports there is no mention of what devices are to be resorted to if the anticipated export trade fails to materialize.

Transition Period

The treatment of the problems of the transition period has received widespread acclaim, proposing as it does: the continuation of consumer rationing and price control, the control of capital, the allocation of labor and raw materials in accordance with a priority system, and the disposal of government plants and stocks in such a way as to stimulate early reemployment.

Local Unemployment: Depressed Areas

The "special areas" (notably cotton and coal centers), with their chronic unemployment, are to undergo a diversification program, including the direction of suitable new industries to these areas and an extensive retraining program to fit the workers for these industries. The measures of direction contemplated are: negatively, the refusal of building permits; positively, financing assistance and the granting of government contracts.

General Conditions of a High and Stable Level of Employment

This is the most important section of the report. The general conditions are: (1) the maintenance of total expenditures, (2) reasonable stability of prices and wages, and (3) mobility of workers in occupations and localities. Total expenditure is broken down into (a) private consumption expenditure, (b) public expenditure on current services, (c) private investment, (d) public investment, (e) foreign trade balance. Of these, private investment and foreign trade are deemed the crucial elements but, at the same time, the hardest to control.

- 3 -

The appropriate time for government intervention is stated:

"The crucial moment for intervention is at the first onset of the depression ... The Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump."

Maintenance of Consumer's Expenditure

1. Variation in social insurance contributions.
2. Other consumer expenditure controls such as deferred tax credits, and, possibly, a government purchase program.

Maintenance of Capital Expenditure

1. Manipulation of the interest rate.
2. Encouragement of private enterprise to plan capital expansion cycle-wise, with the possible use of deferred tax credits as an incentive.
3. Planning of public expenditure. The concern in this area seems to be with influencing local public capital expenditure towards expansion during slumps and contraction in prosperity which is, of course, contrary to the natural tendency for expenditure to follow revenue. There is little indication of any intention of using public capital expansion, local or central, to compensate for a contraction in private investment.

Central Finance

Starting with the statement: "None of the main proposals contained in this paper involves deliberate planning for a deficit in the National Budget in years of sub-normal trade activity," this section goes on to lament the large unproductive debt resulting from the

- 4 -

two wars, and the fact that Britain, with her declining birth rate, cannot look forward to "automatic" increases in the national income. The main body of the report closes with this sentence:

"The Government will have equally in mind the need to maintain the national income, and the need for a policy of budgeting equilibrium such as will maintain the confidence in the future which is necessary for a healthy and enterprising industry."

Comment

This report is obviously a compromise product of the Coalition Government and represents a common meeting ground for such widely divergent factions as the Tories on one hand and the Labour Party on the other. However, its proposals would be considered extremely "New Deal" in this country.

Aside from this fact, this document is of significance to the United States inasmuch as it discusses British plans for a high level of exports, proposes the continuation of controls during the transition period and the subsidization of new industry in the "depressed areas", and describes the measures to be taken to maintain total expenditure in the event of a slump. It is also true that the success or failure of the employment program as a whole must necessarily affect the United Kingdom's international position vis-a-vis the United States.

- 5 -

It is interesting to note that this report contains the long awaited statement on monopoly and cartels - a statement which much of the press comment has taken to be meaningless:

".... Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole."

The Embassy report on this White Paper, prepared by Edith Denhardt, suggests that whatever the nature of the succeeding Government, the basic conceptions as well as most of the proposals in this report will be adopted as Government policy.

Miss Chauncey -

205

Mrs. Klotz said this letter
should be sent to Glasser for preparation
of a complete reply. This is merely an
acknowledgement.

McH

25

June 29, 1944.

Dear Sir:

Thank you for your letter of June 16, which enclosed a copy of a report on the British Government's White Paper on Employment Policy, as prepared in the Embassy. I am looking forward very much to reading this paper and feel sure that the analysis and comments will be most enlightening.

With cordial regards and best wishes,

Sincerely,

(Signed) Henry

Honorable John G. Winant,
Ambassador Extraordinary and Plenipotentiary,
American Embassy,
London, England.

GEF/dbs



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY
London

June 16, 1944

Dear Henry,

I am enclosing a copy of a report on the British Government's White Paper on Employment Policy prepared in the Embassy.

I think that the publication and reception of this Paper is of great significance in relation to Britain's post-war economic plans, and that you will be especially interested in the analysis of, and the comments on, the White Paper which form the subject of the enclosed report.

Sincerely,

John S. W. ...

The Honorable H. Morgenthau,
Secretary of the Treasury,
Washington, D.C.



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EMPLOYMENT
POLICY

*Presented by the Minister of Reconstruction to Parliament
by Command of His Majesty
May 1944*

LONDON
HIS MAJESTY'S STATIONERY OFFICE
SIXPENCE NET

Cmd. 6527

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EMPLOYMENT POLICY

FOREWORD

The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war. This Paper outlines the policy which they propose to follow in pursuit of that aim.

A country will not suffer from mass unemployment so long as the total demand for its goods and services is maintained at a high level. But in this country we are obliged to consider external no less than internal demand. The Government are therefore seeking to create, through collaboration between the nations, conditions of international trade which will make it possible for all countries to pursue policies of full employment to their mutual advantage. The discussions which have been undertaken to this end are briefly mentioned in Chapter I of this Paper.

If by these means the necessary expansion of our external trade can be assured, the Government believe that widespread unemployment in this country can be prevented by a policy for maintaining total internal expenditure. The measures by which such expenditure will be influenced are described in Chapters IV and V.

There will, however, be no problem of general unemployment in the years immediately after the end of the war in Europe. In this transition period our problems, though no less difficult, will be different. It will be a period of shortages. Though there will be risk of unemployment due to the dislocation involved in the gradual change from war to peace, the total man-power available will be insufficient to satisfy the total demand for goods and services. It is likely to be some time before the need arises to put into operation the long-term policy for averting mass unemployment which is described in Chapters IV and V. The Paper therefore deals first, in Chapters II and III, with the special problems of the transition period and the measures to be taken for preventing local unemployment by securing a balanced distribution of industry and labour.

Unlike other Papers on post-war problems which the Government have presented or are preparing, this is not primarily an outline of projected legislation. For employment cannot be created by Act of Parliament or by Government action alone. Government policy will be directed to bringing about conditions favourable to the maintenance of a high level of employment; and some legislation will be required to confer powers which are needed for that purpose. But the success of the policy outlined in this Paper will ultimately depend on the understanding and support of the community as a whole—and especially on the efforts of employers and workers in industry; for without a rising standard of industrial efficiency we cannot achieve a high level of employment combined with a rising standard of living.

THE INTERNATIONAL AND INDUSTRIAL BACKGROUND

1. This Paper is concerned with the course of policy which the Government propose to follow internally in order to maintain the highest possible level of employment. But the level of employment and the standard of living which we can maintain in this country do not depend only upon conditions at home. We must continue to import from abroad a large proportion of our foodstuffs and raw materials, and to a greater extent than ever before we shall have to pay for them by the export of our goods and services. For as the result of two world wars we have had to sacrifice by far the greater part of the foreign investments which we built up over many years when we were the leading creditor country of the world. It will not, therefore, be enough to maintain the volume of our pre-war exports; we shall have to expand them greatly.

2. A country dependent on exports—and relying largely, as we do, on the export of manufactured goods of high quality—needs prosperity in its overseas markets. This cannot be achieved without effective collaboration among the nations. It is therefore an essential part of the Government's employment policy to co-operate actively with other nations, in the first place for the re-establishment of general economic stability after the shocks of the war, and next for the progressive expansion of trade.

3. The aims of this international co-operation are to promote the beneficial exchange of goods and services between nations, to ensure reasonably stable rates of exchange, and to check the swings in world commodity prices which alternately inflate and destroy the incomes of the primary producers of foodstuffs and raw materials. It will also be necessary to arrange that countries which are faced with temporary difficulties in their balance of payments shall be able both to take exceptional measures to regulate their imports and to call on other nations, as good neighbours, to come to their help, so that their difficulties may be eased without recourse to measures which would permanently arrest the flow of international trade.

4. The Government have already given proof of their intentions. They have signed the Atlantic Charter. They have made a Mutual Aid Agreement with the Government of the United States of America,* one of the chief aims of which is agreed action "directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods." They have also declared their acceptance of the comprehensive recommendations made to the Governments and authorities of forty-four nations by the United Nations Conference on Food and Agriculture held at Hot Springs in 1943, in so far as those recommendations are applicable to conditions in the United Kingdom. One of those recommendations† recognises that "the promotion of the full employment of human and material resources, based on sound social and economic policies, is the first condition of a general and progressive increase in production and purchasing power. . . . Progress by individual nations toward a higher standard of living contributes to the solution of broader economic problems, but freedom from want cannot be achieved without effective collaboration among nations."

The Government are considering, with the Governments of others of the United Nations, how these general agreements regarding the common ends of

* Cmd. 6347, 1942. Part of Article VII.

† Cmd. 6451, 1943. Resolution XXIV. Achievement of an Economy of Abundance.

international economic policy can best be carried out in practice. For this purpose they are working in close consultation with the Governments of the Dominions and of India. The early renewal of the economic strength of the British Commonwealth of Nations and the economic development of our Colonial dependencies are among the substantial contributions we can make to stability in the world's economic order. The Government will also collaborate with other Governments in considering how effect may be given to the principles and recommendations recently put forward by the International Labour Organisation. Further reports on all these matters will be made to Parliament in due course.

5. While the Government will spare no effort to create, in collaboration with other Governments, conditions favourable to the expansion of our export trade, it is with industry that the responsibility and initiative must rest for making the most of their opportunities to recover their export markets and to find fresh outlets for their products. In the interest of the whole national economy, our export industries must be resilient and flexible; and in the period immediately after the end of the war their claims for raw materials, labour and factory space freed from war purposes must have a high priority.

6. Though there will be special reasons for giving this measure of early priority to the export trades, the need for increased efficiency in industry is in no way limited to those trades. To maintain and improve our standard of living there must be steady progress in the efficiency of our industry as a whole. During the war British industry has amply demonstrated its power to improve the technique of its production, and this improvement must continue if we are to solve the problems of the post-war years. The Government have been considering, as part of their general reconstruction plans, what help they can give to this end. The Chancellor of the Exchequer has already announced in his Budget speech the means by which taxation policy will be adapted to foster the development of industrial research, and to facilitate the modernisation of industrial plant, machinery and buildings. These important modifications in the incidence of taxation on industry will make a substantial contribution towards industrial recovery after the war and will pave the way for a continuous technical advance throughout British industry. The means of promoting industrial efficiency will be kept under constant review—other proposals to this end are already under examination—and the Government will continue from time to time to report their conclusions or present their proposals to Parliament on this subject.

7. The earlier paragraphs of this Chapter, which were concerned with the balance of payments and the export trades, referred mainly to the manufacturing industries. In the remainder of this Paper the term "industry" is used in its widest sense to cover all the manifold activities which provide employment. Thus, it includes, not only the manufacturing and processing industries, but the industries providing raw materials and primary products, such as agriculture, forestry, fishing and mining, services such as shipping, inland transport and the distributive trades, and all the varied activities of commerce.

The prosperity of a particular industry depends partly on circumstances peculiar to that industry and partly on the general economic condition of the country. This Paper sets forth the Government's policy for securing general conditions favourable to a high level of employment throughout industry as a whole. In addition, special measures may be taken from time to time which are directed to the circumstances of particular industries. The Government have, for example, declared their determination to ensure that we shall have in this country after the war a healthy and well-balanced agriculture; and the special measures needed to secure this are now being discussed with representatives of the industry. This Paper does not deal with

special measures which are peculiar to a particular industry. But all alike will benefit from the general policy which it describes; for, to the extent that this policy succeeds in maintaining a high level of employment, it will sustain the demand for goods and services of all kinds.

CHAPTER II

THE TRANSITION FROM WAR TO PEACE

8. After the end of the war with Germany, the war with Japan will have first call on our resources of man-power and materials. There will, however, be some redistribution of man-power which will release labour for urgent civilian work. At this point we shall enter a period of unsettled economic conditions, which is likely to last until some time after the end of war with Japan. The plans for this transition period must be extremely flexible; for no one can yet know when the war with Germany will come to an end or how long thereafter Japanese resistance will continue.

9. During the present war, as during the last, unemployment has shrunk to negligible proportions. In April, 1944, the figure was 75,000; whereas during the years between the wars it varied between one and three millions.* The reasons for this improvement are obvious. The call of the Armed Forces for men and munitions is limited only by the availability of labour and other physical resources. There could therefore be no question of demand falling short of the level necessary to employ all available resources. On the contrary, steps have had to be taken to hold demand in check and to prevent a runaway rise of prices by such means as high taxation and encouragement of war savings, rationing of food and clothing, allocation of materials, control over the employment of labour and direct control of prices.

10. At the present time we have about 23 million men and women in the Armed Forces and in gainful employment—an increase of 4½ millions since 1930. There has been an enormous transfer of man-power to the Armed Forces, Civil Defence and the munitions industries; and, within industry, a very large change-over from civilian production and services to more direct war needs. Something like 80 per cent. of employment in the manufacturing industries is now on Government account. During the transition from war to peace these movements will be reversed. There will be both a reduction in the total man-power employed and a substantial movement from the Forces and war work to civilian production and services. The numbers involved in this change-over may be in the region of 7 millions. For many the transfer will not involve any change of employment; substantial numbers in the munitions industries will be re-employed by the

* After the last war there were a few months of dislocation and unemployment, while industries were switching over from war to peace. There then followed the brief but violent boom (which reached its peak in the summer of 1920) while stocks were being rebullied, war arrears of maintenance made good and the accumulated demands of foreign countries satisfied. Unemployment was very low, and prices and wages soared. As soon as demand at home and abroad slackened towards the end of 1920, prices began to slump. Deflation followed inflation, with disastrous results. Wage reductions led to widespread industrial unrest. There was a startling increase in unemployment, which reached 11 millions in March, 1921, and rose to 2½ millions about the middle of that year, owing largely to a shortage of fuel caused by a stoppage of work in the coalmining industry. From this figure unemployment gradually fell to about this level from 1923 millions and (apart from the coal dispute in 1926) stayed at about this level from 1923 to 1929. With the onset of the great depression at the end of 1929, unemployment mounted to over 2½ millions in just over one year and did not fall below that figure until the middle of 1933, after which we had a steady decline to under 1½ millions in the middle of 1937.

same firm as soon as its plant can be turned over to production for civilian needs. But large numbers will have to change their present occupations and their place of employment, including not only members of the Armed Forces but many workers now employed on tasks, such as shell filling, to which there is no peace-time parallel, and those who will have to make room for the men and women returning from the Forces to their pre-war jobs.

11. Side by side with the gradual release of this great labour force there will be a vast transformation in the demand for the products of labour. Government expenditure on aircraft, warships and munitions will naturally contract, though the needs of the Armed Forces are likely to remain high for a considerable time; on the other hand, the pent-up demand for civilian goods of all kinds will be released. There will be an immense need for all the things we have had to go short of during the war.* There will be houses to be built, shops to be filled, factories to be transformed, plant and rolling-stock to be replaced and export trade to be renewed and extended.

12. If this switch of demand could be immediately matched by a corresponding switch of supply, there would be no need to fear the occurrence of unemployment in the period immediately after the war. But of course this cannot happen in practice, even though the war against Japan continues after the defeat of Germany and, as a result, there is a more gradual re-allocation of labour to civilian tasks. Of the millions of men and women who will have to find new jobs on release from the Armed Forces, Civil Defence and the munitions industries, not all can be released in the areas where the immediate demand for their labour is greatest, nor will all those who are released have the special skills to fit them for the peace-time tasks available. Moreover, for a time, shortage of key workers or of particular raw materials or types of equipment may delay the full re-employment of all the labour released. New designs have to be created and approved; factories need to be re-tooled or re-opened; semi-manufactures have to be produced before full manufacture can begin; the skilled labour which is needed for one set of processes cannot immediately be reconstituted by the release of skilled labour from others. Peace-time production, like war production, will necessarily take some time to get fully into its stride.

13. There will be inherent in the situation a three-fold danger:—

- (a) that patches of unemployment may develop where the industrial system fails to adapt itself quickly enough to peace-time production;
- (b) that demand may outrun supply and create an inflationary rise in prices;
- (c) that civilian production, when it is resumed, may concentrate on the wrong things from the point of view of national needs.

Government action will be directed to forestall, so far as possible, each of these dangers.

14. It would be vain to imagine that patches of unemployment can be eliminated altogether in the transition period; but they should not be so widespread or so persistent as is sometimes feared. After the last war the number of ex-Service men claiming out-of-work donation never rose substantially above 400,000, although demobilisation was proceeding at an average rate of nearly 700,000 a month in the first quarter of 1919. The total

* The present clothing ration provides roughly one-half of the pre-war consumption of clothing. Supplies of household goods have also been greatly reduced. Only about one household in ten can now buy a pair of sheets and one household in five a pair of blankets each year. Only one person in seven can now buy each year a knife, fork or spoon, one person in three a kettle, saucepan or frying pan, one person in four a teapot or jug. The manufacture of carpets, vacuum cleaners, refrigerators and other household appliances is virtually prohibited.

number of unemployed persons rose to over a million at one time in 1919, but this figure was soon reduced to a low level and remained low until the end of 1920. It is unlikely that the change from war to peace will be anything like so abrupt this time. The Government are, however, making preparations to reduce the resulting unemployment to a minimum:—

(a) by assisting firms to prepare to switch over their capacity to peace-time production as quickly as possible;

(b) by finding out in advance where the skilled labour which will gradually become available for civilian work will be most urgently required;

(c) by arranging, so far as war conditions permit, that labour and raw materials will be forthcoming for urgent civilian work and ensuring that the machinery of allocation devised in war-time will be adaptable to the special conditions likely to obtain after the end of the war in Europe;

(d) by arranging, so far as possible, that curtailments of munitions production shall take place in areas where the capacity and labour can be used for civilian products of high priority;

(e) by arranging that the disposal of surplus Government stocks shall not prejudice the re-establishment and development of the normal trade channels for producing and distributing similar goods;

(f) by regulating the disposal of Government factories in such a way as to help towards the early restoration of employment.

15. The Government are already working out plans, based on the use of the above methods, to promote the orderly expansion of peace-time industries throughout the transition period. (The priorities to be applied in the earlier stages of the period are outlined in paragraph 18 below.) These plans have been helped by experience gained in the large-scale shifts from one type of war production to another which have been carried out with success in the last two years. Their guiding principle is to secure, so far as possible, that labour and capacity no longer needed for munitions production shall be used for producing civilian goods of high priority; and that releases of premises, labour and material are co-ordinated in advance so as to reduce local or temporary unemployment to the minimum. Discussions have already been held with many of the industries concerned, in order to find out what difficulties individual industries and firms expect to meet in switching over to peace-time production and absorbing men and women released from the Services and from other war work.

16. The second danger will come when people relax from the discipline and strain of war, and look round for opportunities to spend the money they have saved and to make up for their years of self-denial. If there were then a scramble to buy, while there was still a shortage of goods, prices would rise. This would mean an inflationary boom—bringing with it the social injustice and economic disturbance which inevitably accompany inflation.

If, therefore, we are to restore civilian production and to maintain employment we must enter the post-war period with a firm determination to keep stability in the general level of prices. This cannot be secured by the Government alone; there must be continued public support for policy on the following lines:—

(a) Rationing and a measure of price control must be continued for some time. Increases in rations of manufactured goods, such as clothing, will be regulated to correspond with increases in production. The speed

at which food rations can be increased and varied will largely depend on the extent to which we can obtain overseas supplies.

(b) Price control cannot be effective unless it is accompanied by a stable general level of costs*. If all will work together to keep the level of internal costs down, it should be possible to avoid any sharp rise in the cost of living. No undertaking can be given so far in advance to peg the cost of living index to any particular figure by Government subsidies; for one important factor in our internal price level, i.e. the cost of our imports, will depend upon the future level of world prices, which cannot be forecast. But, generally, the Government, if supported by the co-operation of all sections of the public, will continue their present policy of providing subsidies to prevent temporary and considerable rises in the cost of living.

(c) The habit of saving must still be encouraged. Unless people are still prepared to go on putting aside some part of their earnings in savings, instead of spending it on consumption goods, labour and capacity which is needed for schemes of post-war reconstruction and social development will have to be diverted to increasing the supplies of consumption goods.

(d) The use of capital will have to be controlled to the extent necessary to regulate the flow and direction of investment. Heavy arrears of capital expenditure on buildings, plant and equipment have to be overtaken, and construction on new development must begin. Without control, therefore, there would be a scramble to borrow, leading to a steep rise in rates of interest. The Government are determined to avoid dear money for these urgent reconstruction needs. In this period, therefore, access to the capital market will have to be controlled in order to ensure the proper priorities.

17. It cannot be expected that the public, after years of war-time restrictions, will find these proposals altogether palatable; and the Government have no intention of maintaining war-time restrictions for restriction's sake. But they are resolved that, so long as supplies are abnormally short, the most urgent needs shall be met first. Without some of the existing controls this could not be achieved; prices would rise and the limited supplies would go, not to those whose need was the greatest, but to those able to pay the highest price. The Government are confident that the public will continue to give, for as long as is necessary, the same wholehearted support to the policy of "fair shares" that it has given in war-time.

18. The third danger is that production of unessential goods may interfere with the production of essentials. In order to direct the efforts of industry towards the right tasks in the right order, it will be necessary to establish certain broad priorities and to enforce them for a time by means of the issue of licences, the allocation of raw materials and some measure of control over the labour and staff required for industry. There are three main reasons why this must be done:—

(a) During the war we have obtained a large proportion of our imports first by the sale of our foreign assets and later by lend-lease or on credit. This process cannot continue indefinitely; and if we are to be able to buy the imported food and raw materials which we need to maintain our standard of life, we must expand our export trade. An export drive is thus of paramount importance, and home demand—whether for consumption goods or capital expenditure—must not be allowed to divert the resources needed for exports.

* This is discussed more fully in Chapter IV(b) below.

(b) Production for the home market must be directed in the first place towards the necessities of civilian life and, until these primary needs are met, resources which could be applied to meet them should not be diverted to the production of luxuries for home consumption.

(c) Production of the capital goods needed to restart and re-equip industry at the highest pitch of efficiency must be rapidly expanded.

19. It is not yet possible to forecast the length of the transition period during which the prevailing tendency will be for demand to outrun supply. The need to maintain large armed forces may prolong this period considerably; and, although the most pressing shortages may disappear and the most vexatious controls be relaxed, our main problem for a considerable time to come may be, not to avert mass unemployment, but to secure with a limited labour force an adequate production of the goods needed to improve our standard of living and to increase our exports. The immediate difficulties for our external trade will be serious. We may be struggling to restore our exports while we are still at war with Japan and liable to provide help for the liberated territories. We shall, therefore, be compelled during this period to regulate imports and to manage our exchange resources with great care.

On the other hand, the recuperative powers of modern productive technique are very strong. Under favourable external conditions, it may not be very long before production becomes adequate to meet the various calls upon it. When that happens, the first aim of employment policy—the maintenance of an adequate level of expenditure on goods and services—will no longer be realised automatically, as a by-product of the war effort or of reconstruction, but will call for the application of a policy deliberately directed to that end.

CHAPTER III

THE BALANCED DISTRIBUTION OF INDUSTRY AND LABOUR

20. Before proceeding (in Chapters IV and V) to describe the long-term policy proposed for maintaining total expenditure, it is necessary to turn aside from the main argument of the Paper to describe the measures which the Government will take to check the development of localised unemployment in particular industries and areas. Although their effect will continue for many years thereafter, these measures will begin to operate in the transition period and can therefore be described most conveniently at this point in the Paper.

21. Apart from temporary unemployment due to the seasonal and other irregularities in particular trades, patches of longer-term unemployment develop in particular industries and areas when the demand for their products is insufficient to provide work for the whole of their labour force. This is due to a temporary or a permanent decline in an industry or group of industries caused by technical change, the trend of fashion, or the growth of foreign competition.

22. Unemployment of this type was a familiar feature in this country's economic life between the wars. The industries affected were mainly export trades—such as cotton and coal—and some of the heavy industries which had been greatly expanded during the last war. Areas which were largely dependent upon depressed industries showed heavy unemployment percentages, not only in the basic industries, but in subsidiary local trades and occupations as well.

23. The suffering in these areas was enhanced by their lack of a proper industrial balance. An area may be industrially unbalanced either because it is over-dependent upon a single industry or group of industries which tend

to fluctuate together; or because it is predominantly concerned with the export trade, which is especially liable to sudden fluctuations not within the control of our internal policy; or because it contains industries which provide employment mainly for men or mainly for women; or because its industries are subject to unpredictable changes in demand. Dependence on a single industry and the subsidiary industries which grow up round it is a natural form of industrial development which has in the past enabled certain areas to reach the highest peak of temporary prosperity while circumstances were favourable. Shipbuilding and the heavy industries in the industrial belt of Scotland, coal and iron in South Wales, and cotton in Lancashire are examples. But the price to be paid for such temporary prosperity is high when the period of depression comes. A region like South Wales in the early '20s, with half its workers employed in getting coal, three-fifths of which was shipped overseas, was dangerously dependent upon foreign trade. Conversely, regions with a wide range of industrial skills, like Birmingham, have been able to see many of their old industries die away during the past half century without losing their general prosperity, because they have had the resilience to develop new activities to replace those which became obsolete.

24. The first line of attack on the problem of unemployment in these unbalanced areas must be to promote the prosperity of the basic industries on which they primarily depend, e.g. coal, steel, engineering and shipbuilding. It will be an aim of Government policy to help these industries to reach the highest possible pitch of efficiency, and secure oversea markets.

Secondly, these industries, and the areas which are largely dependent on them, will share in the benefits which will flow from the Government's policy (explained in Chapters IV and V) for maintaining domestic expenditure at a high level. But it will not be enough to rely on the general maintenance of purchasing power to solve all the problems of local unemployment. A solution on these lines alone would be too long drawn out and might involve the partial depopulation of industrial regions which are a national asset that we cannot afford to lose.

25. The Government therefore propose to attack the problems of local unemployment in three ways:—

(a) By so influencing the location of new enterprises as to diversify the industrial composition of areas which are particularly vulnerable to unemployment.

(b) By removing obstacles to the transfer of workers from one area to another, and from one occupation to another.

(c) By providing training facilities to fit workers from declining industries for jobs in expanding industries.

Distribution of Industry.

26. It will be an object of Government policy to secure a balanced industrial development in areas which have in the past been unduly dependent on industries specially vulnerable to unemployment. The Government will encourage the establishment of new enterprises in these "development areas" by the following means:—

(a) *Location of new factories.*—In order that the Government may be fully informed of the course of industrial development, industrialists contemplating the establishment of new* factories, or the transfer of a factory

* For the purpose of this legislation "new factory" will include extensions of existing factories, but in framing the definition the Government will seek to exclude from the restrictive provisions small establishments and small extensions of existing establishments.

from one area to another, will be required to notify the Government before their plans reach an advanced stage. This will enable the Government to exercise a substantial influence over the location of new industrial development, as contemplated by the Barlow Report*. On the one hand, power will be taken to prohibit the establishment of a new factory in a district where serious disadvantage would arise from further industrial development. On the other hand, the Government will be able to use their influence to steer new factory development into areas which call most urgently for further industrial diversification. In exercising this influence account will be taken of strategic, as well as industrial and social, considerations. In this positive aspect of their policy, the Government will be prepared, in suitable cases, to offer to industrialists who are willing to establish new factories in development areas the special inducements indicated below.

(b) *Munitions Factories*.—Where practicable, factories now engaged in war production in these areas will be retained on that work if it is reasonably clear that they can be employed in the production of munitions after the war. Factories which are not likely to be required for the manufacture of munitions after the end of the war will be released as early as possible, and those owned by the Government will be leased or sold for civilian production.

(c) *New factory building*.—To the extent that existing factory buildings are insufficient to secure a proper balance of industry in the development areas, the Government will give priority to these areas in the grant of licences for the building of new factories and extensions of existing factories.

(d) *Factory Premises for Smaller Firms*.—The Government will continue and extend the policy of erecting in development areas factories on individual or collective sites, for sale or lease, including factories which can be rented in sections.

(e) *Government Contracts*.—Due regard will be paid to the needs of these areas in the placing of Government orders of all kinds.

(f) *Financial Assistance*.—The Government will take such steps as may be necessary to secure that enterprises which establish themselves in these areas in conformity with the Government's policy, and show good prospects of success on a commercial basis, shall have adequate facilities for obtaining short-term and long-term loans and, where necessary, share capital.

27. The Government will also take such action as may be necessary to secure the full development in these areas of the basic services on which industry depends and to stimulate the modernisation of their capital equipment, e.g., the improvement of communications (including docks and harbours, as well as roads and railways), the extension of power services, and the improvement of housing, other amenities and general public services. In addition, the Government will organise research with a view to discovering what types of industry would fit most naturally into the long-term economy of each of these areas.

28. The measures required to balance and diversify industry will of course vary from one area to another, and the areas in which such measures may be required from time to time cannot be foreseen. There can be no final list of "development areas." Areas which have regained their prosperity by the aid of these measures will be removed from the list, while others may have to be added to it as economic conditions change.

29. With the introduction of this new policy for securing a balanced distribution of industry, the need for the Special Areas legislation will disappear.

* Cmd. 6153, 1940. Report of the Royal Commission on the Distribution of the Industrial Population.

The Special Areas are not at present depressed, and experience during the war has shown that production there can be as efficient as in other parts of the country. Much social capital is already invested there in the form of houses, shops, public services, etc. Neither this social capital nor the corporate life of these communities can be sacrificed. There may be some small and isolated villages, especially in mining areas, which, owing to permanent changes in industrial conditions, offer no hope of sound economic revival. In these rare cases the population may have to be re-established elsewhere. There will be other larger areas where the temporary causes of special industrial prosperity have disappeared, e.g., because of the exhaustion of a wasting asset, but where the economic life of the community could be put on a sound basis if the population were reduced. In these special cases some proportion of the workers may have to be re-established elsewhere. But where a large industrial population is involved, the Government are not prepared either to compel its transfer to another area or to leave it to prolonged unemployment and demoralisation.

30. No single Department could conveniently undertake the responsibility for formulating and administering the policy for the distribution of industry outlined in the foregoing paragraphs. This is essentially a policy of the Government as a whole, and its application in practice will involve action by a number of different Departments, each of which will adapt its administration to conform with the general Government policy. The main responsibility will rest with the Board of Trade, the Ministry of Labour and National Service, the Ministry of Town and Country Planning and the Scottish Office.

Standing arrangements will be made for supervising and controlling, under the Cabinet and as part of the central Government machinery, the development and execution of the policy as a whole. At the other end of the scale, there will be a Regional organisation, which will bring together the representatives of the Departments concerned in the local application of these measures.

It is necessary, however, that there should be a single channel through which Government policy on the distribution of industry can be expressed. It would not be satisfactory if the public were left to deal with a number of different Departments on different aspects of the same problem. The Government therefore propose that the channel for the expression of Government policy in this matter shall be the Board of Trade, which will be the Department responsible for all general questions of industrial policy and will be suitably strengthened to undertake the heavier responsibilities which Government will assume in this field after the war. The President of the Board of Trade will be responsible to Parliament for all the general aspects of the policy; and, on these, enquiries and representations from interested sections of the public will be made through the Board of Trade.

Distribution of Labour.

31. In an expanding economy workers must be ready and able to move freely between one occupation and another. This is necessary in order to reduce the dislocation which arises from changes in technique and fluctuations in market conditions, and also to ensure that the expansion of new industries under the stimulus of a high level of demand is not hampered by a shortage of skilled labour. During the first year or so after the war the problems of labour mobility will centre mainly around the re-settlement of members of the Armed Forces released from service and war workers released from war work. The Government have already announced their training schemes for re-settling ex-Service men and women and released war workers. As the re-settlement of persons who have been uprooted by war service draws

to a close, the Government propose to continue training schemes on similar lines as a permanent measure, so far as this is needed to assist necessary transfers from one industry or occupation to another.

32. For jobs calling for no great amount of skill and requiring only a few weeks' instruction, employers should arrange to give the instruction in the course of employment. No matter how little skill is involved in a new job, proper instruction should be given for it and the worker should not be left to pick up the new technique as best he can. This is a need which can best be met by the development of methods of training within industry; and does not call for any financial assistance from public funds. For jobs calling for greater skill and requiring a more extended period of specialised instruction, the training should also be carried out as far as possible by employers. This type of training is best given under properly designed training schemes providing a definite course of instruction. Employers who provide such courses, approved by the appropriate Department, will receive Government grants calculated on a capitation basis to be settled after consultation with the industry concerned.

There are great advantages in providing training in the factories, where the trainees can see ahead of them the jobs which they are qualifying themselves to fill. For certain occupations, however, training can be better given in a separate school or institution than in employers' workshops. To meet the need for this kind of training, which employers cannot provide, the facilities for institutional training which are provided in the Government Training Centres, Technical Colleges, etc., will be developed and extended.

33. It will be a fundamental principle that where re-training is required it shall be provided as soon as it is clear to the Ministry of Labour that the worker is not likely to be able to resume his former employment within a reasonable time: he will not be expected to wait until he has been unemployed for a long time before becoming eligible for re-training. This will enable the Government to take steps to train the necessary labour for new and expanding trades in time to be available when the demand for its services matures. It will also prevent the training schemes from becoming discredited by being confined to persons who have been unemployed over a long period and cannot readily be placed in new employment.

34. The allowances granted to the trainees will be completely divorced from payment of unemployment benefit. The worker entering upon a course of training must be made to feel that he has left unemployment and unemployment benefit behind him and has started on a new job. Training allowances will be fixed on a higher scale than unemployment benefit, subject to the principle that they should not be so high as to provide a higher income than the general run of wages likely to be received by trainees in their first subsequent employment.

35. If retraining schemes are to be a success there must be the fullest co-operation between employers and the Trade Unions. Difficulties have arisen in the past because some sections of industry have been reluctant to admit trainees. There have been various reasons for these difficulties, including rules and practices which were devised to safeguard the security of employment of existing workers and their wage standards, and to maintain a proper standard of skill. In some cases the difficulty has been increased by competition between Unions. During this war causes of friction, including demarcation, have been greatly reduced; and the Government believe that, with the creation of conditions designed to produce full employment and stability, all parties in industry will agree that existing rules and practices

may safely be modified to allow the ready admission of trainees, provided that proper steps are taken to train them to a standard which will justify the payment of the recognised rate of wages. Care will also be taken to ensure that the number of trainees does not exceed the number capable of being absorbed in the particular trade.

36. While the Government do not rely primarily on large-scale labour transfers for a solution of the unemployment problems of particular areas, they are anxious to overcome some of the obstacles which stand in the way of the transfer of workers to places where suitable employment is available for them. Experience before the war showed that two of the most serious obstacles were the worker's difficulty in obtaining a suitable house to rent in areas where work was available, and the special costs which for a time fall upon him while he is settling down in his new environment.

Since the end of the last war, the difficulty of obtaining a house to rent has been an especially important factor. Workers who could afford and were anxious to rent houses in the areas to which they were moving found themselves unable to do so and were forced to buy houses on mortgage. Steps will be taken to secure that a substantial proportion of the new houses erected after the war shall be available at a rent which is within the means of the average wage earner.

Where workers are transferred under approved schemes to a new area, they will be eligible for resettlement allowances to meet the costs involved in their removal and that of their dependants. Special arrangements will also be made for the training and employment of juveniles.

CHAPTER IV

GENERAL CONDITIONS OF A HIGH AND STABLE LEVEL OF EMPLOYMENT

37. In the transition period, as we have seen, employment policy will be primarily concerned with the transfer of men and women to peace-time jobs. But however smoothly this transition can be made, and however rapid may be the return to normal conditions, there will still remain for treatment those long-term problems connected with the maintenance of an adequate and steady volume of employment which eluded solution before the war.

38. The chart in Appendix I shows unemployment rates for the period 1858-1938. Throughout the period there was a fairly regular cycle of unemployment—evidence of instability in our economic system. And (although the figures are not strictly comparable throughout the whole of the period) the average level of unemployment after the war of 1914-18 was, on account of the special and continuing problems of the export trades, higher than in the period before 1914.

39. If these features which have afflicted our economic life in the past are to be banished, as it is our resolve to banish them, from the future, three essential conditions must be satisfied:—

(a) Total expenditure on goods and services must be prevented from falling to a level where general unemployment appears.

(b) The level of prices and wages must be kept reasonably stable.

(c) There must be a sufficient mobility of workers between occupations and localities.

(a) **The Maintenance of Total Expenditure**

40. Assuming a given level of wages and prices, and full mobility of labour, workers will lose or fail to find employment because there is not a sufficiently large expenditure on the goods and services which they might produce. If more money is spent on goods and services, then more money will be paid out as wages and more people will be employed. Thus, the first step in a policy of maintaining general employment must be to prevent total expenditure (analysed in paragraph 43) from falling away. Once it is allowed to do so, a minor decline may rapidly gather momentum and take on the proportions of a major depression. If, for example, there is a decline in the demand for steel for the erection of new buildings, unemployment will first appear among steel workers. The steel workers, in consequence, will have less to spend on food and other consumer goods, so that the demand for consumer goods will fall. This leads to unemployment among the workers in the consumer goods industries who, in turn, find their purchasing power reduced. As a result of this general loss of purchasing power in the community, the demand for new building is still further reduced and the demand for constructional steel falls once again. The original decline in expenditure produces secondary reactions which themselves aggravate the source of the trouble. This is an over-simplified illustration, but it is sufficient to make it clear that the crucial moment for intervention is at the first onset of the depression. A corrective applied then may arrest the whole decline; once the decline has spread and gathered momentum, interventions on a much greater scale would be required—and at that stage might not be effective.

41. The Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump. This involves a new approach and a new responsibility for the State. It was at one time believed that every trade depression would automatically bring its own corrective, since prices and wages would fall, the fall in prices would bring about an increase in demand, and employment would thus be restored. Experience has shown, however, that under modern conditions this process of self-recovery, if effective at all, is likely to be extremely prolonged and to be accompanied by widespread distress, particularly in a complex industrial society like our own.

42. The methods which the Government propose to adopt to maintain total expenditure are described in Chapter V. It will, however, be convenient to analyse here the constituent parts of this total expenditure, for they differ greatly both in their susceptibility to fluctuations and in the ease with which these fluctuations can be controlled.

43. In a country which could ignore the outside world these parts would be four in number:—

(a) **Private Consumption Expenditure**

Private expenditure on food, clothing, rent, amusements, etc.

(b) **Public Expenditure on Current Services**

Expenditure by public authorities on education, medical services, national defence, etc.

(c) **Private Investment Expenditure***

Private capital expenditure on buildings, machinery and other durable equipment and on additions to goods in stock.

(d) **Public Investment Expenditure***

Capital expenditure on buildings, machinery, roads and other durable equipment by the central Government, local authorities or public utilities.

But in a community linked with the outside world some expenditure (i.e. that upon imports) does not directly lead to employment at home, while some employment at home (i.e. labour engaged in making things for export) arises out of the expenditure of people in other countries. It is convenient to allow for these facts by adding a fifth item (which may of course be a minus quantity) to the list of the constituents of total expenditure, namely:—

(e) **The Foreign Balance**

The difference between exports (visible and invisible) and imports (visible and invisible).

44. Expenditure on private consumption is perhaps the element least liable to sudden and spontaneous variation; for, so long as people's incomes do not greatly change, their habits of buying are likely to remain much the same. Public expenditure on current services, including national defence, will also be fairly constant as a rule, unless the Government decide as an act of deliberate policy to vary expenditure on some items in order to compensate for swings in other parts of total national expenditure. Public capital expenditure has in the past fluctuated considerably, largely because public authorities have often taken the view that in a period of depression, when their revenue was precarious, economy on capital expenditure was the right policy.

45. It is, however, in the two remaining components of total expenditure—private expenditure on capital equipment and the foreign balance—that spontaneous variations are likely to be greatest and at the same time most difficult to control. A business man deciding whether it is worth his while to sink more capital into his business will be influenced by a very wide range of considerations: whether his market is likely to grow or decline; what his competitors are doing; whether prices are likely to go up or down; whether the latest type of machinery is much superior to his own, and so on. It is in practice impossible to foresee with any certainty what decisions business managements will reach on these matters: the prevailing atmosphere of optimism or pessimism, particularly in periods of rapid industrial change, probably has as much influence on them as any independent analysis of the facts.

46. In the majority of highly industrialised communities it is expenditure on private investment which is the most usual and most potent cause of instability in total expenditure, and consequently in employment. But this country, because of the relative importance of its export trade, which before the war provided employment for about one and three-quarter million persons,

* Strictly speaking, *net* expenditure in both cases, i.e., after allowing for expenditure on maintenance and renewal of existing capital equipment and of goods in stock. Such expenditure, of course, also gives rise to a demand for labour; but this is already allowed for in the figure of final demand for the goods, whether capital or consumption goods, which the equipment is being used to make, and we must not count it twice. Indeed, if part of the sums currently set aside for depreciation, etc., are not actually being expended on renewals and replacements as has happened during the war, we must make a corresponding deduction from the expenditure on *new* equipment in order to reach the true figure of "net investment expenditure". Similarly, a deduction would have to be made for the depletion of stocks in any given period.

is also particularly subject to fluctuations in employment arising from fluctuations in international trade. In 1929, for instance, the depression in British industry was transmitted to this country from abroad. The state of our foreign balance depends very largely upon the behaviour of persons and Governments outside our jurisdiction. Our aim must therefore be to agree with other countries on international measures which will be to our mutual advantage and will render them partners with us in a common economic policy. As has been mentioned in Chapter I, the Government have already embarked on such discussions, with the object of increasing and stabilising the volume of world trade.

47. The most serious obstacles to the maintenance of total expenditure therefore lie in these highly inconvenient facts:—

First, those elements in total expenditure which are likely to fluctuate most—private investment and the foreign balance—happen also to be the elements which are most difficult to control.

Secondly, an increase in one part of total expenditure can only within limits offset a decrease in another. For if, through a decline in private investment, the construction of new factories is discontinued and building labourers are thrown out of work, it may be useful to stimulate the purchase of clothing but it would be idle to expect the building labourers to turn up the next day ready to handle sewing machines in the clothing factories. Again, if important British exports fell off sharply, it would be essential, at the earliest moment, to find alternative exports to fill the gap: an expansion of internal demand would not alone be an appropriate remedy and indeed, if it were applied too vigorously, might lead to inflation.

48. The guiding principles of the Government's policy in maintaining total expenditure will be as follows:—

(a) To avoid an unfavourable foreign balance, we must export much more than we did before the war.

(b) Everything possible must be done to limit dangerous swings in expenditure on private investment—though success in this field may be particularly difficult to achieve.

(c) Public investment, both in timing and in volume, must be carefully planned to offset unavoidable fluctuations in private investment.

(d) We must be ready to check and reverse the decline in expenditure on consumers' goods which normally follows as a secondary reaction to a falling off in private investment.

The plans which are being prepared for this purpose are described in Chapter V.

(b) The Stability of Prices and Wages

49. Action taken by the Government to maintain expenditure will be fruitless unless wages and prices are kept reasonably stable. This is of vital importance to any employment policy, and must be clearly understood by all sections of the public. If we are to operate with success a policy for maintaining a high and stable level of employment, it will be essential that employers and workers should exercise moderation in wages matters so that increased expenditure provided at the onset of a depression may go to increase the volume of employment.

50. This does not mean that every wage rate must remain fixed at a particular level. There must always be room for the adjustment of wages and conditions, e.g. on account of changes in the form, method or volume of production. Also there must be opportunity for the removal of anomalies in the rate

of remuneration of different grades and categories of workers, both within an industry and between different industries. The principle of stability does mean, however, that increases in the general level of wage rates must be related to increased productivity due to increased efficiency and effort.

51. An undue increase in prices due to causes other than increased wages might similarly frustrate action taken by the Government to maintain employment. If, for example, the manufacturers in a particular industry were in a ring for the purpose of raising prices, additional money made available by Government action for the purpose of maintaining employment might simply be absorbed in increased profit margins and no increase in employment would result.

52. Stability of wages and stability of prices are inextricably connected. If the general level of wage rates rises and there is a corresponding increase in prices of goods for civilian consumption, the individual wage-earner will be no better off and there may be no increase in the total amount of employment available.

53. Thus, the stability of these two elements is a condition vital to the success of employment policy; and that condition can be realised only by the joint efforts of the Government, employers and organised labour. The Government for their part are prepared to do what they can to stabilise prices so as to avoid or mitigate changes not rendered inevitable by higher costs either of imports or of production at home. If, however, the cost of living is thus kept stable it must be regarded as the duty of both sides of industry to consider together all possible means of preventing a rise in the costs of production or distribution and so avoiding the rise in prices which is the initial step in the inflationary process.

54. Workers must examine their trade practices and customs to ensure that they do not constitute a serious impediment to an expansionist economy and so defeat the object of a full employment programme.

Employers, too, must seek in larger output rather than higher prices the reward of enterprise and good management. There has in recent years been a growing tendency towards combines and towards agreements, both national and international, by which manufacturers have sought to control prices and output, to divide markets and to fix conditions of sale. Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole.

(c) The Mobility of Labour

55. Even if there is an adequate overall demand for labour, maintained by a total expenditure sufficient to provide every worker with a job, it does not follow that unemployment will altogether disappear. In an economy which aims at keeping employment at its highest level, change will always be going on; new industries will be starting up, new processes replacing old; new ways of meeting consumers' demand will be under experiment. Numbers of people will therefore be registering as unemployed at Employment Exchanges on any particular date—there will always be people who are changing from one job to another, or are unemployed for some such temporary reason. If short-term unemployment arising from such causes is to be reduced to a minimum every individual must exercise to the full his

own initiative in adapting himself to changing circumstances. The Government will assist by the measures designed to bring the men to the work and the work to the men which have been described in Chapter III. They will also seek to prevent mobility of labour being impeded by arrangements of a type sometimes made before the war whereby workers worked part-time and claimed unemployment benefit for the rest of the week.

56. It would be a disaster if the intention of the Government to maintain total expenditure were interpreted as exonerating the citizen from the duty of lending for himself and resulted in a weakening of personal enterprise. For if an expansion of total expenditure were applied to cure unemployment of a type due, not to absence of jobs, but to failure of workers to move to places and occupations where they were needed, the policy of the Government would be frustrated and a dangerous rise in prices might follow.

CHAPTER V

METHODS FOR MAINTAINING TOTAL EXPENDITURE

(a) Capital Expenditure

57. If we could stop violent fluctuations in public and private capital expenditure taken together, and could keep the foreign balance reasonably stable, we should have gone far to prevent wide variations in demand and consequently in general employment. The following paragraphs outline the measures by which the Government propose, as part of their long-term policy, to influence the volume of capital expenditure, private and public.

58. In ordinary times the volume of capital expenditure is influenced by movement in the rate of interest. If the cost of borrowing money is high, some projects which are not profitable at that rate will be held back. When it falls again, those projects will be brought forward and others will also be taken in hand.

59. For some time after the end of the war it will be necessary, as explained in paragraph 16, to maintain a policy of cheap money. Thereafter, the possibility of influencing capital expenditure by the variation of interest rates will be kept in view. The experience gained since 1931 of co-operation in this field between the Treasury and the Bank of England and the Joint Stock Banks will make it possible to operate a concerted and effective monetary policy designed to promote stable employment.

60. Monetary policy alone, however, will not be sufficient to defeat the inherent instability of capital expenditure. High interest rates are more effective in preventing excessive investment in periods of prosperity than are low interest rates in encouraging investment in periods of depression.

61. The Government therefore propose to supplement monetary policy by encouraging privately-owned enterprises to plan their own capital expenditure in conformity with a general stabilisation policy. The larger private enterprises may be willing to follow, in their own interests, the example set by the Government in the timing of public investment and to adjust their activities accordingly. For to a strong and well-established business, confident of its long-run earning powers, there are obvious attractions in executing plans for expansion or for the replacement of obsolete plant at times when costs are low. And a wider understanding of the social importance of the aims of employment policy should inform and reinforce the interest which business men as a whole undoubtedly have in evening out fluctuations in capital

expenditure. A further inducement would be provided if it were found practicable to adopt a device similar to that of the deferred tax credits mentioned in paragraph 72 below and calculated to stimulate capital expenditure at the onset of a depression. This and other possible methods of influencing the volume of private investment will continue to be studied as knowledge and experience of the new technique for maintaining total expenditure are accumulated.

62. Public investment can, however, be used more directly as an instrument of employment policy.

Only a small proportion of public capital expenditure is undertaken by the central Government, by far the greater part being within the province of local authorities and public utility undertakings. In the past, capital expenditure by these authorities has generally followed the same trend as private capital expenditure—it has fallen in times of slump and risen in times of boom, and has tended therefore to accentuate the peaks and depressions of the trade cycle. In the future, Government policy will be directed to correcting this sympathetic movement. It should be possible for the Government to maintain the stability of public investment when private investment is beginning to fall off at the onset of a depression. But this may not be enough: for the purpose of maintaining general employment it is desirable that public investment should actually expand when private investment is declining and should contract in periods of boom. There are, however, practical limits to the extent to which Government action can produce swings in public investment to offset such swings in private investment as it cannot prevent. Thus, a large part of the capital expenditure of public authorities—for example on housing, schools and hospitals—is dictated by urgent public needs, the satisfaction of which cannot readily be postponed to serve the purposes of employment policy. And, in the other direction, the Government could not compel substantial acceleration of the capital programmes of these public authorities without much more power of direction than they now possess. There are, therefore, limits to the policy; but within those limits the Government believe that they can influence public capital expenditure to an extent which will be of material value for the purpose of maintaining employment.

63. The procedure which the Government have in mind is as follows. All local authorities will submit annually to the appropriate Department their programme of capital expenditure for the next five years. For the first of those years, at least, the plans will have been worked out in all details and will be ready for immediate operation; for the later years they will naturally be increasingly tentative and provisional. These programmes will then be assembled by an appropriate co-ordinating body under Ministers and will be adjusted, upward or downward, in the light of the latest information on the prospective employment situation. If this entails a slowing down of programmes, adequate powers, through the withholding of loan sanctions or grants, are ready to hand. If it entails an acceleration, the Government will, by granting loan sanctions or otherwise facilitating finance, bring forward projects which otherwise might have had to wait for a later opportunity.

The Government are considering the lines on which this procedure can be applied to the programming of capital expenditure by public utility companies.

The machinery envisaged in this paragraph will enable the Government to set each year a target for the whole volume of public works in the succeeding year.

64. In order that public investment may be more quickly mobilized to redress the balance of private investment the Government also intend to seek means of reducing the time-lag which ordinarily intervenes between a decision to undertake public capital expenditure and the actual start of the work. Speed here is crucial, for if a decline in demand can be caught quickly enough and corrected, a comparatively modest amount of compensating expenditure will be sufficient to restore the balance.

The Government therefore propose that the existing arrangements between themselves and other public authorities should be reviewed, in consultation with those authorities, in order that any causes of unnecessary delay in varying the level of this expenditure may be removed. There may also be other retarding influences, e.g., in Parliamentary Private Bill procedure, which are capable of improvement.

65. Finally, forward planning may have to be carried down to the industries which supply the primary needs of public investment. Much time would be saved if, in those capital industries which are most subject to fluctuations and are the first to be affected by an increase in public investment, attention had been given beforehand to the quickest ways of switching production from the types of article needed for private investment to the types required for those forms of public investment which stand highest in priority on the reserve list of public works.

66. The Government believe that in the past the power of public expenditure, skilfully applied, to check the onset of a depression has been underestimated. The whole notion of pressing forward quickly with public expenditure when incomes were falling and the outlook was dark has, naturally enough, encountered strong resistance from persons who are accustomed, with good reason, to conduct their private affairs according to the very opposite principle. Such resistance can, however, be overcome if public opinion is brought to the view that periods of trade recession provide an opportunity to improve the permanent equipment of society by the provision of better housing, public buildings, means of communication, power and water supplies, etc.

(b) Consumption Expenditure

67. If, despite our efforts, there are still swings in capital expenditure, with consequent fluctuations in the expenditure of people engaged in the industries producing capital goods, such as the iron and steel industry, the incomes of persons engaged in making clothing, wireless sets and other goods for consumption will also be lowered. These persons in turn will reduce their rate of consumption of food and other goods and thus the influence of the original swing in investment will be rapidly transmitted throughout the whole range of industries.

68. We must create another line of defence against this progressive degeneration of the state of trade by putting ourselves in a position to influence the community's expenditure on consumption. Here again, speed will be essential. The ideal to be aimed at is some corrective influence which would come into play automatically—on the analogy of a thermostatic control—in accordance with rules determined in advance and well understood by the public.

For this purpose the Government, after examining a number of methods, favour the adoption, when settled conditions return, of a scheme for varying, in sympathy with the state of employment, the weekly contribution to be

paid by employers and employed under the proposed new system of social insurance. The standard rate of contribution would be assessed on the basis of a forecast of the average level of unemployment, in such a way as to keep the social insurance fund in balance over a number of years. But the rate of contribution actually levied would exceed the standard rate at times when unemployment fell below the estimated average level and would be less than the standard rate at times when unemployment exceeded this average. An outline for a scheme of this kind is set out, by way of illustration, in Appendix II.

69. The effect of this scheme would be that, above a certain level of unemployment, a rise of two points in the unemployment percentage would decrease by an average of £500,000 a week the total of the social insurance contributions paid by workers in employment—apart from the corresponding reduction in the costs of employers. This would substantially augment the purchasing power in the hands of employed workers; and the additional money thus left in the hands of many millions of people would help to maintain demand for consumers' goods, thereby offsetting, at least in part, the decline in the expenditure of those who had lost their employment. This maintenance of purchasing power would reduce substantially the variations in total expenditure and employment.

70. A plan of this kind is in no way inconsistent with the contributory basis of the social insurance scheme. It is still intended that over a period of years the contributions to the fund, supplemented by State assistance on the agreed scale, should balance its outgoings, and that the standard rates of contributions should be altered from time to time if necessary to secure this result.

71. A scheme for varying social insurance contributions would be an inappropriate remedy for the type of unemployment which is likely to arise in the transition period. Moreover, there would be serious risk of confusion if such a scheme were brought into operation too soon after the introduction of the new system of social insurance. The introduction of that system will itself present a formidable problem of administration for the State, and contributors also will need time to adjust themselves to the new conditions. On both grounds it would be preferable that there should be an interval for the new system to establish itself before this additional complication is introduced. While, therefore, the plan and any necessary qualifications of it will be drawn up in detail, it will not be put into operation until the abnormal conditions of the immediate post-war years have disappeared.

72. The Government have also examined a number of other devices for influencing the volume of consumption, such as the variation of rates of taxation and the incorporation of some system of deferred credits as a permanent feature of national taxation. Since after the war a very considerable proportion of the national income will have to be taken in taxes, it is clear that relatively small variations in rates of taxation, whether effected by deferred credits or otherwise, will have a significant effect on the purchasing power available to the public and so on employment. Deferred credits are preferable to any system of direct variation which, apart from its other disadvantages, would come into operation more slowly than an effective policy demands. If experience should show that the variation of social insurance contributions was of value in keeping employment steady at a high level, but that another instrument for operating upon the volume of consumption was also desirable, it might well become a matter for consideration whether in prosperous times

rather more taxation should be raised than was necessary for the Budget requirements of the year and that excess treated as a credit repayable to the taxpayers in bad times.

73. These measures would operate by increasing the purchasing power in the hands of consumers. There is also the possibility, to which reference has already been made in paragraph 44 above, that the Government might directly sustain employment in consumer goods industries by placing orders at a time when the normal demand for their products was flagging.

The Government are large purchasers of certain types of consumer goods, e.g. boots, clothing and furniture; and they could within limits vary the volume of these orders according to the general state of trade. Local authorities could also be invited to aim at a similar variation in their orders for stores of this kind. If all public authorities adopted a policy of buying for stock when employment was flagging and allowing their stocks to run down when trade was brisk, they would make some contribution towards the stability of employment in those industries.

It might be suggested that the Government should go further and should place orders for consumer goods which are not required for Government use with a view to meeting a temporary deficiency in demand. This would, however, involve the purchase of goods by the Government for subsequent re-sale to the public, and there would be a risk that Government stocks over-hanging the market would create uncertainty and cause traders to reduce or postpone their orders for these goods. It is possible that for certain classes of goods Government orders could be placed without risk of these consequences; and it is proposed to continue the study of this problem. Further examination is also being made of other methods for influencing the volume of employment in the consumer goods industries, including the possibility of regulating hire purchase transactions according to the state of trade.

(e) Central Finance.

74. None of the main proposals contained in this Paper involves deliberate planning for a deficit in the National Budget in years of sub-normal trade activity. A policy of low interest rates is helpful rather than otherwise to the Budget. Any action which can be taken to improve our foreign balance works in the same direction. The designed variations in the capital position of the social insurance fund will not affect the Revenue Budget. Financial inducements to public authorities to expand capital expenditure will mainly take the form of an annual grant towards meeting recurrent charges on the loans raised and their burden will consequently be spread over a long period. Moreover, the success of measures designed to stabilise the national income and prevent cyclical depressions will have the effect of ironing out Budget deficits which are normally associated with severe depression.

75. Much of the public capital expenditure by public authorities which has been described is likely to be remunerative in the commercial sense and will amortise itself. There will be other public capital expenditure—e.g. on roads, schools, parks, etc.—which provides no assets yielding income; but in modern communities borrowing for services of this kind is, within certain limits, regarded as normal practice. If the finances of local authorities are prudently administered, and a proper relation is kept between the growth of capital expenditure and the buoyancy of rate income, it is unlikely that the growth of their indebtedness would involve an intolerable burden on local rates. If, however, the additional capital expenditure which local authorities are asked to undertake for reasons of employment policy would involve such a burden,

the Government would contemplate giving further financial assistance to them.

76. Nevertheless, the general growth of public indebtedness needs to be watched from a central standpoint. As a result of two wars within one generation the national debt is now extremely large—both absolutely and in relation to the national income. Whatever problems may arise from the growth of productive or semi-productive debt, they will be mitigated if we can move as soon as possible into a state of affairs in which an effective reduction can be made from year to year in that part of the public debt which is a dead-weight war debt. We start with a handicap. In the transition period, when demand will be buoyant, the Government would normally expect to budget for a surplus in order to prepare for the lean years. But during this period that aim is not likely to be achieved. On the one hand Government expenditure will still be very high on defence and on reconstruction projects which cannot be delayed; and on the other hand there will be a pressing need to reduce the present very high level of taxation in order to encourage industrial re-equipment. It is inevitable therefore that we should emerge from the transition period with some increase in our public indebtedness.

77. The policy of steadily decreasing the dead-weight debt, while other forms of debt are increasing, does not mean a rigid policy of balancing the Budget each year regardless of the state of trade. Such a policy is not required by statute nor is it part of our tradition. There is nothing to prevent the Chancellor of the Exchequer in future, as in the past, from taking into account the requirements of trade and employment in framing his annual Budget. At the same time, to the extent that the policies proposed in this Paper affect the balancing of the Budget in a particular year, they certainly do not contemplate any departure from the principle that the Budget must be balanced over a longer period.

78. Not only the national dead-weight debt in the narrow sense, but other public indebtedness which involves directly or indirectly a charge on the Exchequer or on the rates, reacts on the financial system. Interest and other charges thus falling on the Exchequer are often regarded as in the nature of a transfer income in the hands of the recipients and as imposing no real burden on the community as a whole. But the matter does not present itself in that light to the taxpayer, on whose individual effort and enterprise high taxation acts as a drag. At the same time, proper limits on public borrowing also depend on the magnitude of the debt charge in relation to the rate of growth of the national income. In a country in which money income is increasing, the total debt can be allowed to increase by quite appreciable amounts without increasing the proportionate burden of the interest on that debt. Owing to the prolonged decline in the birth rate and the present age distribution of the population we can no longer rely, as in the past, on an increase in the national income resulting solely from an increase in the number of income-earning persons. It is also possible, though not certain, that we may find that we receive a smaller volume of goods from abroad in exchange for a given quantity of our exports. On the other hand, these difficulties would be more than offset by continued progress in technical efficiency, which is the dominating factor in the growth of real national income. If British industry carries into the peace the inventive power, technical skill and adaptability which it has shown during the war, we shall be able in due time to carry our burdens without a sense of excessive strain.

79. Both at home and abroad the handling of our monetary problems is regarded as a test of the general firmness of the policy of the Government.

An undue growth of national indebtedness will have a quick result on confidence. But no less serious would be a budgetary deficit arising from a fall of revenue due to depressed industrial and commercial conditions. Therefore, in controlling the situation, especially in the difficult years after the war, the Government will have equally in mind the need to maintain the national income, and the need for a policy of budgetary equilibrium such as will maintain the confidence in the future which is necessary for a healthy and enterprising industry.⁷

CHAPTER VI

THE POLICY IN PRACTICE

80. In submitting proposals for an extension of State control over the volume of employment, the Government recognise that they are entering a field where theory can be applied to practical issues with confidence and certainty only as experience accumulates and experiment extends over untried ground. Not long ago, the ideas embodied in the present proposals were unfamiliar to the general public and the subject of controversy among economists. To-day, the conception of an expansionist economy and the broad principles governing its growth are widely accepted by men of affairs as well as by technical experts in all the great industrial countries. But the whole of the measures here proposed have never yet been systematically applied as part of the official economic policy of any Government. In these matters we shall be pioneers. We must determine, therefore, to learn from experience; to invent and improve the instruments of our new policy as we move forward to its goal. And it would be no less foolish to ignore, than to be dismayed by, the certainty that unsuspected obstacles will emerge in practice.

81. The Government intend to establish on a permanent basis a small central staff qualified to measure and analyse economic trends and submit appreciations of them to the Ministers concerned. Particularly during the crucial early years of the scheme the responsibilities of this central staff will be very heavy; for many of the decisions required to carry out the Government's employment policy will depend on quick and accurate diagnosis. A slump may develop with fearful rapidity: in 1920-21 unemployment rose from 5 to 15 per cent. in four months. Again, it is essential that we should not mistake the disease and so apply the wrong remedy. If, for example, we were to try to cure by means of stimulating total expenditure an outbreak of unemployment which was really due to a temporary maldistribution of the labour force, we might create a dangerous inflation. Similarly, isolated or incidental trade recessions will have to be distinguished from those which herald the onset of general unemployment. Questions of timing will be equally delicate: it is no easy matter to judge when a period of growing prosperity has reached its climax, is in process of turning into an inflation and requires corrective action.

82. The success of the Government's policy will thus depend on the skill which is shown in putting general ideas into day-to-day practice. It is therefore vital for them to obtain, more fully and much more quickly than they have in the past, exact quantitative information about current economic movements. Without this, informed control would be impossible and the central staff which it is proposed to set up would be left to grope and flounder in uncertainty. The Government appeal with confidence to industry to join with them in a task which is essentially co-operative; for only industry can provide

the statistical information required and only a central authority can classify and analyse information drawn from the country as a whole. Just as the central organisation of a successful business must be in a position to know what is happening to each of its various branches, so the State cannot make its plans without knowledge of what is happening throughout the whole range of industry and commerce. Information provided for this purpose will of course be treated as confidential; and figures will not be published in a form which would prejudice the position of any individual firm.

83. The following are the principal classes of statistics (in addition to those available before the war) which must be obtained for the efficient operation of an employment policy:—

(a) Statistics of employment and unemployment, including quarterly or monthly statements of present and prospective employment in the main industries and areas in the country, based on returns from employers.

(b) Regular information relating to savings, projected capital expenditure by public authorities, and, as far as possible, by private industry.

(c) An annual census of production showing the structure of the main groups of industries in the preceding year, including, *inter alia*, details of the quantity and value of output, stocks, and work in progress.

(d) Monthly figures of production, consumption and stocks, and, if possible, figures of orders on hand, based on sample returns obtained periodically throughout the year from large firms, trade associations, and public institutions.

(e) Annual and quarterly estimates of foreign capital movements and balance of foreign payments.

84. It is also proposed to develop the annual White Paper on National Income and Expenditure by providing a much more complete analysis than has hitherto been possible of the constituent parts of the country's total expenditure. In particular, direct estimates will be made of the various types of capital expenditure and the various sources of savings. This will be, in effect, the Capital Budget of the nation's wealth.

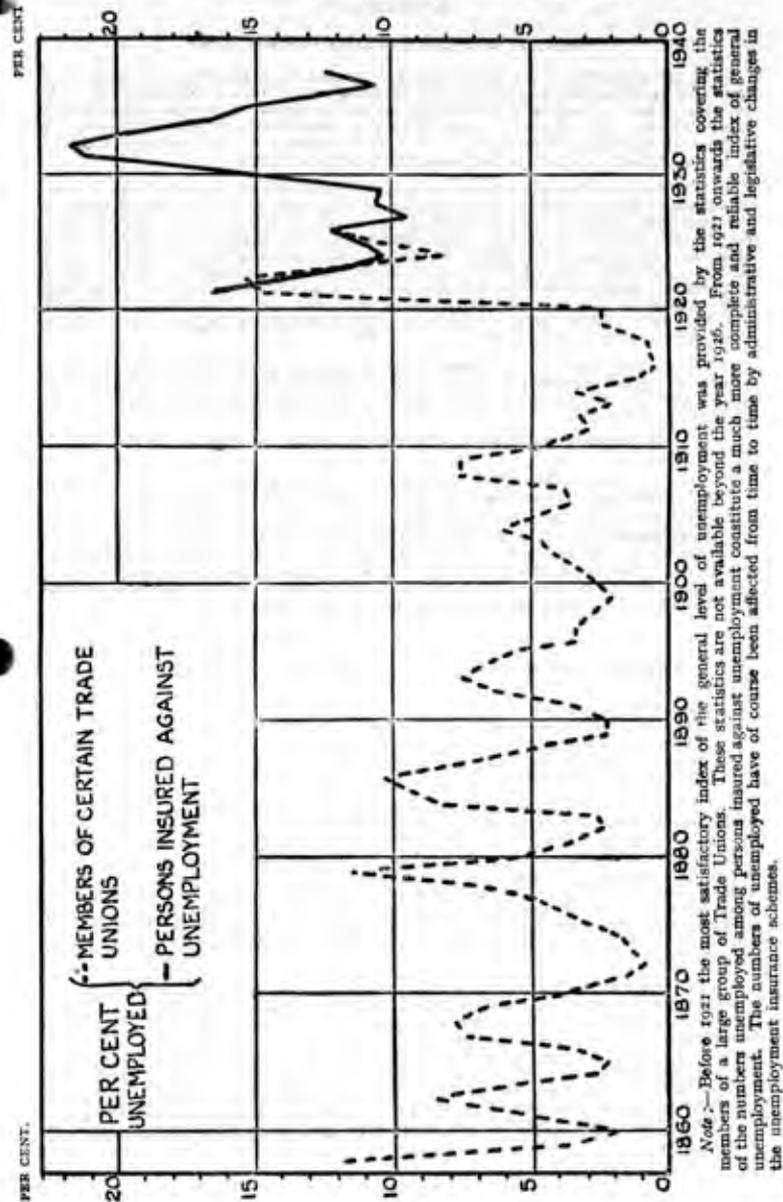
85. This central analysis of our financial position, which will be subject to continuous review and adjustment throughout the year, will serve as a basis for determining what measures are required to maintain employment and secure a rising standard of living. It will be essential, therefore, that at every stage there should also be parallel studies of the manpower position. These will be undertaken by the Ministry of Labour and National Service who, in the light of the knowledge and experience which they have acquired during the war, will be specially well-equipped to keep the employment situation throughout the country under constant review and to direct attention to the employment aspects of national policy. The surveys prepared by the Ministry of Labour will indicate the probable supply of labour over the coming period, the prospective changes in employment in the different industries, and the effects upon employment of Government projects designed to modify the volume of investment or expenditure. The correlation of these complementary budgets—for total expenditure and for manpower—will thus play a vital part in the formulation of Government policy for the maintenance of employment.

86. The Debates on the Budget will in future provide an annual opportunity for Parliament to review the financial and economic health of the country as a whole, and to consider the prospects for the coming year. Parliament will thus be asked to join with the Government in framing and approving

the general strategy for maintaining employment. If, however, the policy set forth in this Paper is to be successful, the Government of the day must be able to take the tactical decisions for which it calls—and to take them quickly. Measures to increase total expenditure at the onset of a depression may well be welcome; but the restraining measures appropriate to a boom may meet with opposition unless they are seen and understood as part of a continuing policy for maintaining employment, and accepted as the price that must be paid for the success of that policy over the long period. If action is to be taken quickly enough to have its full effect, the Government of the day must be able to rely on the support and co-operation of the public in applying the principles of an agreed national policy.

87. The Government believe that, once the war has been won, we can make a fresh approach, with better chances of success than ever before, to the task of maintaining a high and stable level of employment without sacrificing the essential liberties of a free society. They have set out in this Paper the lines on which they believe that task can most hopefully be attacked. In framing these proposals the Government have had in mind the more general aim of securing for the nation the most effective use both of its man-power and of its material resources. That aim can be achieved only if the whole productive power of the nation is employed efficiently: it is not enough that it should be employed. The Government therefore seek to achieve both work for all and a progressive increase in the economic efficiency of the nation, as joint elements in a growing national power to produce, to earn, and to enjoy the fruits of increased well-being.

APPENDIX I.
UNEMPLOYMENT IN GREAT BRITAIN: 1858—1938.



APPENDIX II.

VARIATION OF SOCIAL INSURANCE CONTRIBUTIONS.

1. In paragraph 68 of the Paper reference is made to a scheme for varying social insurance contributions as a means of influencing expenditure on consumption. The primary object of such a scheme is to prevent an initial decline in demand from producing secondary effects on consumption and thus intensifying the depression. In a time of expanding demand the scheme would operate in the contrary direction. It is thus intended to have a stabilizing effect on employment.

2. It is desirable that the scheme, when once it has been introduced, should operate as automatically as possible. It would not be expedient to put it into operation in the unsettled economic conditions which are likely to prevail in the period immediately after the end of the war, when inflationary tendencies will be at work. Even after the end of that period there may be circumstances in which this remedy would be less appropriate and effective, e.g. if there were serious unemployment confined to particular industries but not accompanied by a significant general fall in employment throughout the country. Nevertheless, after the end of the transition period, a sliding scale scheme, though subject to possible suspension on occasion, could be essentially automatic in character.

3. There are several ways of constructing a scheme of this kind. The following outline of a possible scheme is given merely by way of arithmetical illustration; the figures used are not based on any estimate of the actual conditions which may be experienced in practice.

(i) The scheme would apply to the social insurance contributions of all employed persons.

(ii) The stamp to be affixed by the employer to each employee's social insurance card would vary automatically according to the state of unemployment.

(iii) The scale laid down would be based on a forecast of the average level of unemployment from time to time taken as the basis of the finance of the insurance scheme. If, for example, an average level of 8 per cent. unemployment was assumed, one possible scale for adult male workers (using for purpose of illustration the rates proposed by Sir William Beveridge in his Report on Social Insurance and Allied Services (Cmd. 6404, 1942) might be:—

Unemployment percentage	Weekly Social Insurance Stamp		
	Worker	Employer	Joint
	s. d.	s. d.	s. d.
Less than 5 per cent. ...	5 6	4 6	10 0
Between 5 and 7 per cent. ...	5 0	4 0	9 0
Between 7 and 9 per cent. ...	4 3	3 3	7 6
Between 9 and 11 per cent. ...	3 6	2 6	6 0
More than 11 per cent. ...	3 0	2 0	5 0

4. The scheme would bring about a substantial increase in purchasing power. The effect may be illustrated from the foregoing figures. Should it occur that in a period of difficulty average unemployment changed by four points from 8 per cent. to 12 per cent., nearly 10 million adult male workers would have their incomes increased by 1s. 3d. per week and employers would have their prime costs reduced by 1s. 3d. per week for each adult male in their employ. Assuming comparable changes in the contributions of adult female workers and non-adults, this rise of four points in the unemployment percentage would result in an immediate increase of nearly £1 million a week in the incomes of the workers, and a corresponding reduction in the costs of their employers.

5. This injection into the general system of money at the rate of some £100 millions in a year may be estimated, after analysis of many considerations affecting it (including its secondary effects and a necessary allowance for the part which is withheld from expenditure, the part which is paid in taxation and the part which is spent on imports), to produce a very material increase in the expenditure on home produce for personal consumption, rising after an interval to a figure in the region of at least £70-80 millions. This does not take into account any favourable reactions on capital expenditure. At the level of unemployment of 12 per cent. used in the above illustration, the scheme might reduce the fall in aggregate demand by about one quarter, and

in consumption expenditure by a substantially larger fraction, compared with what it would otherwise have been.

6. There are, however, difficulties attaching even in the long term to the automatic use of the scheme. For during periods of high unemployment the Fund would be receiving less than it was paying out, and the reverse would be true in times of low unemployment. If, therefore, the average around which the variations took place proved to have been a correct forecast, deficits in some years would be balanced by surpluses in other years. If, however, the average were wrongly forecast, it would be necessary, at some stage, to adjust the scale in order to make the Fund balance over a reasonable period of good and bad years.

This raises a difficulty which is to some extent inherent in any social insurance scheme which includes unemployment insurance. If the estimate of the average percentage of unemployment assumed for the purpose of balancing the Fund proved in experience to have been too low, it would be necessary, apart from the sliding scale, to raise the standard rate of contribution in order to prevent the Fund from running into a continuing deficit. It might prove that the solvency of the Fund required the change to be made at a time when conditions were depressed. In these circumstances the sliding scale would be an added disadvantage; for not only would the standard rate of contribution be raised, but the basic figure of unemployment would also be raised, beyond which increases of unemployment would justify some lesser contribution than the standard rate. Thus there would be two factors operating simultaneously, each of which would call for an increase in the rate of contributions.

7. A variable contribution also increases the possibility of error in forecasting the future finances of the Social Insurance Fund. Under the fixed contribution method, if 8 per cent. (to take the same illustration as before) was the forecasted percentage of unemployment on which the Fund was balanced, and in actual practice unemployment averaged 9 per cent., the effect would be an average deficit of £17 millions a year over the period. The introduction of the sliding scale would probably result, on reasonable assumptions as to the dispersion of unemployment about the realised average, in an additional deficit of £15 millions a year.

8. The illustrative figures given in this Appendix do not take into account the effect of this scheme and the other measures described in the Paper in lowering the average percentage of unemployment. Although under this scheme the contribution income of the general Social Insurance Fund would be reduced in times of heavy unemployment, the increase of expenditure on unemployment benefit which is experienced at such times would be diminished to the extent that the policy as a whole (including this scheme) succeeded in checking the spread of unemployment.

UNCLASSIFIED
Report No. 294

American Embassy,
London, England.
June 17, 1944

THE BRITISH GOVERNMENT'S WHITE PAPER
ON
EMPLOYMENT POLICY

The White Paper represents a revolution in official thinking about the trade cycle. The important proposals in this document have long been advanced by progressive economists and it is not the originality of the approach that is significant but the fact that for the first time the Government have broken with the "orthodox" conception of the methods of dealing with the trade cycle. The very conservative DAILY TELEGRAPH (May 27) begins a discussion of the White Paper with the remark:

Within the framework of democracy no Government has ever put forward so comprehensive a set of proposals for promoting full employment as were enunciated in the White Paper.

The economist, J.R.Hicks, in the MANCHESTER GUARDIAN (May 30) comments:

It is indeed the dawning of a new day when an all party Government is committed to shaping its policy in accordance with new ideas.

These two remarks are typical of the general reaction of the press and weekly journals. Most of them have some criticisms of detail but only the left-wing and

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irresponsible TRIBUNE and the professionally dissatisfied NEW STATESMAN AND NATION carry their criticisms so far as to receive the Paper with hostility or with grudging doubt.

The White Paper is put out by a Coalition Government and consequently its proposals do not go much beyond the minimum measures required to implement effectively an active employment policy. They probably represent the maximum area of agreement which could be achieved in the Coalition. Even so, a clear cut and consistent statement has been obtained.

Probably the most "revolutionary" statement in the Paper is its opening sentence:

The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war.

After a long period of gestation a new official conception of Government responsibility in social and economic affairs has been born. It is significant that no one has yet challenged this principle. THE ECONOMIST points out that the acceptance of necessary authority automatically follows from the acceptance of responsibility and consequently the British Government are committed to take what measures may be necessary to secure their aim.

THE TIMES (May 30) remarks:

The White Paper itself and the way it has been received are significant of the remarkable change in economic and financial thinking which has occurred since the end of the last war, particularly during the last ten or twelve years. The heterodoxy of 1931 has become the orthodoxy of 1944. It is taken almost as a matter of course that the Government should accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war; that they should propose during the transition period to exercise a firm control over the location of industry and the flow of private industrial investment in order to make sure that the national interest is not subordinated to individual and sectional interest; and that as a long-term policy they should propose to offset fluctuations in the volume of private investment by control over the investment expenditure of local authorities and other public bodies, as well as by more direct means affecting both investment and consumption expenditure. Taken together these generally accepted ideas constitute a revolutionary change in the approach to social and economic problems.

/The

The second important general note struck by the White Paper is the call on the cooperation of "the community as a whole" and especially employers and workers in industry to ensure the success of the policies outlined. Voluntary cooperation and restraint are particularly important because the Government policy outlined depends to a very small extent on central powers of direction but rather is limited to bringing about conditions favorable to the maintenance of a high level of employment. Clearly, the Government will be able to limit its control if people will voluntarily do what they are asked to do.

The reliance on voluntary cooperation, particularly from private industry, has disturbed some of the socialists and advocates of a "planned" economy. They complain that:

The White Paper, in effect, proceeds from start to finish on the assumption of a complete return to pre-war capitalism, without even the smallest infusion of socialism at any point. It assumes that, if the State takes steps to ensure an expansionist financial policy, accompanied by an enlarged public works program of the traditional kind, and reinforced in case of need by revisions of contributions and taxes and other secondary measures for checking the pull of spendable incomes in bad times, private enterprise, under the stimulus of the profit motive, will do the rest. (NEW STATESMAN AND NATION, June 3).

On the other hand, the liberals accept the basic principles of the White Paper, although they are skeptical whether the measures proposed will be adequate to maintain employment (see below pp. 15-16); their criticisms are different from those of the Socialists in that they do not assert that the only way of effectively preventing unemployment is to establish a Socialist economy.

International and Industrial Background

This first chapter of the White Paper warns that the level of employment and the standard of living in Britain do not depend on internal policy alone but also on its ability to sell goods abroad:

It is therefore an essential part of the Government's employment policy to cooperate actively with other nations, in the first place for the re-establishment of general economic stability after the shocks of the war, and next for the progressive expansion of trade.

The White Paper then outlines the steps which the Government has taken to achieve international cooperation in this field: The Atlantic Charter, the Mutual Aid Agreement, the recommendations of the Hot Springs Conference and consultations with the Governments of other United

Nations on the methods of carrying out these and other general agreements.

One of the keynotes of the White Paper, however, is that industry must take the responsibility for improving its efficiency and must exercise initiative in taking advantage of the favorable conditions created by the Government. The export industries are promised high priority in obtaining raw materials, labor and factory space after the war, but the responsibility rests on them to make the most of their opportunities. Special measures may be taken from time to time for particular industries but the White Paper primarily deals with the general measures necessary to secure a high level of employment throughout industries as a whole.

Some criticism has been expressed in the press of the White Paper's attitude toward the export trade problem. THE TIMES (May 27) takes exception to the "cautious" note struck by the White Paper in emphasizing that the possibilities of maintaining internal employment were conditional on the expansion of external trade. THE TIMES has frequently urged that Britain use her large internal market as a bargaining weapon to secure export markets. It agrees that Britain undoubtedly depends on a flourishing foreign trade for its prosperity but states:

....even in adverse conditions it should be possible to find customers for the exports needed to pay for essential imports. The bargaining power of the British market is an instrument in reserve if other means fail to secure effective international cooperation in promoting the exchange of goods and services. Pessimism in this context would certainly be premature.

THE ECONOMIST (June 3) agrees that the "necessity of a proper ordering of the country's overseas trading relationships cannot possibly be gainsaid," but doubts that in the present international discussions upon which the White Paper puts so much reliance sufficient account is taken of the problem facing a country trying to carry out a full employment policy:

The present White Paper does nothing either to increase or to remove these doubts....It is now acknowledged, as a deliberate act of policy, that depressions in home trade cannot be avoided or cured by removing all purposive direction from economic affairs. The same truth applies with equal strength to depressions in foreign trade. It may be that the Government have plans for the organized maintenance of the volume of overseas trade; if so, nothing has yet been said about them.

THE NEW STATESMAN AND NATION, on the other hand, along with other Socialist organs, has always assumed

/that

that Britain could maintain full employment and prosperity independently of the rest of the world. The White Paper's "if," therefore, has upset it:

But we had understood that one of the main claims of the advantages of full employment policy was that it could be used to maintain prosperity here even in face of depression ahead; and it is a little damping to be met at the outset with the.... conditional sentence.... what we want to know.... is whether it can be prevented if the condition is not satisfied: on that point the Government has chosen to hedge.

The White Paper goes all out for international cooperation and does not suggest the use of "instruments in reserve" but there is no doubt that in taking the responsibility for maintaining employment the Government recognizes that it also must take responsibility for doing everything possible to ensure that external trade is maintained. It wishes to do this through international collaboration and by encouraging initiative, efficiency and flexibility in the export industries. Other methods are not mentioned but the White Paper clearly recognizes that domestic employment policy will not be entirely successful if external trade is depressed.

The Transition from War to Peace

The White Paper recognizes that the period of transition will require special measures not only to facilitate the transition but also to prevent an inflation and a disruption of the economy which would lessen the chances of preventing serious deflation and post-war unemployment. Three dangers must be guarded against in this period:

1. The development of "patches of unemployment."
2. Inflation.
3. The failure of production to meet the most essential National needs first.

To avoid these dangers the Government will use the following methods to

.... secure, so far as possible, that labor and capacity no longer needed for munitions production shall be used for producing civilian goods of high priority; and that releases of premises, labor and material are coordinated in advance so as to reduce local or temporary unemployment to the minimum.

- (a) by assisting firms to prepare to switch over their capacity to peace time production as quickly as possible;

/ (b) by

-5-

- (b) by finding out in advance where the skilled labor which will gradually become available for civilian work will be most urgently required;
- (c) by arranging, so far as war conditions permit, that labor and raw materials will be forthcoming for urgent civilian work and ensuring that the machinery of allocation devised in war-time will be adaptable to the special conditions likely to obtain after the end of the war in Europe;
- (d) by arranging, so far as possible, that curtailments of munitions production shall take place in areas where the capacity and labor can be used for civilian products of high priority;
- (e) by arranging that the disposal of surplus Government stocks shall not prejudice the re-establishment and development of the normal trade channels for producing and distributing similar goods;
- (f) by regulating the disposal of Government factories in such a way as to help towards the early restoration of employment.

Price control, rationing, subsidies to maintain a "stable general level of costs," encouragement of savings, control of access to the capital market so that the flow and direction of investment can be regulated, control of labor and industrial staffs, licensing and raw material allocation to enforce priorities for the export trade, essential civilian consumption and the re-equipment of industry will be continued during the transition period. The White Paper believes that this period need not be long:

.... the recuperative powers of modern productive technique are very strong. Under favorable external conditions, it may not be very long before production becomes adequate to meet the various calls upon it. When that happens, the first aim of employment policy - the maintenance of an adequate level of expenditure on goods and services - will no longer be realized automatically, as a by-product of the war effort or of reconstruction, but will call for the application of a policy deliberately directed to that end.

The frank announcement of the continuance of tight control over demand, prices, costs, raw materials, capital and labor was calmly received by the press. It is recognized that these controls will be necessary in the general interest and although it is not possible to predict how long the public will put up with them, there is reason for thinking that there will not be great difficulty in maintaining them at least so long as the need is glaringly apparent.

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THE ECONOMIST approves: "Beyond question, this policy is on the right lines, and it is reassuring to see the need for maintaining control throughout the period of shortage so uncompromisingly stated." Even THE NEW STATESMAN AND NATION, with unusual grace, states "nearly all this section of the White Paper is unexceptionable...."

The Balanced Distribution of Industry and Labor

Part of the problem in the transition period will be to check "the development of localised unemployment" but the measures adopted will be continued in the longer period to handle localised unemployment." The White Paper, therefore, "turns aside from the main argument" to discuss the distribution of labor and industry.

The pre-war "depressed areas" were primarily areas that were largely dependent upon a single industry or group of related industries. The "first line of attack" on unemployment in these areas, the White Paper proposes, is to promote the efficiency of the basic industries. The general maintenance of purchasing power will also benefit these areas. In addition to the general measures, however, the Government proposes to attack the problems of localised unemployment by the diversification of industry, by "removing obstacles to the transfer of workers," and by "providing training facilities to fit workers from declining industries for jobs in expanding industries." The White Paper states flatly: "It will be an object of Government policy to secure a balanced industrial development in areas which have in the past been unduly dependent on industries specially vulnerable to unemployment." It then outlines a series of measures to be used in "encouraging" the establishment of new enterprises in these "development" areas. In addition, the Government will undertake to develop basic services such as dock harbors, transport, power, etc., in the development areas and will "organize research with a view to discovering what types of industry would fit most naturally into the long-term economy of each of these areas."

The list of "development areas" is expected to change as economic conditions change and the policy will be to revive economic activity in the areas. Only in special cases will an attempt be made to transfer population out of an area.

The responsibility for administering the policies relating to the distribution of industry will rest on several different Ministries, but the Board of Trade will be used as the channel through which the Government will deal with the public.

The Government will encourage the development of training and re-training facilities for workers, and employers providing approved courses will receive Government grants. Trainees will be granted allowances

/entirely

entirely separate from the unemployment benefit; a worker "will not be expected to wait until he has been unemployed for a long time before becoming eligible for re-training." Resettlement allowances will be given to workers transferred under approved schemes.

THE ECONOMIST calls this chapter of the White Paper

The most satisfactory chapter.... in many ways... Several important principles have been accepted. The first is that the Government has any responsibility in the matter at all. This in itself is quite a victory. The second reversal of policy is hardly less important. It is now accepted, as a general principle, that it is better, wherever possible, to take the work to the labor rather than the labor to the work. So far as whole regions are concerned, it is the Government's policy to take diversified industries into the Special Areas rather than to drain them of their population.

Although the White Paper proposes that the Government will assume certain veto powers over the location of industry, positive action is limited to various kinds of encouragement. There has been considerable criticism of the failure of the Government to assume greater power of direction of industry. THE ECONOMIST suggests that compulsion or direct financial assistance will be required. Sir William Beveridge, writing in THE OBSERVER (May 28), calls the White Paper statement that the measures proposed "will enable the Government to exercise a substantial influence over the location of new industrial development, as contemplated by the Barlow Report," a "welcome breach in the silence which has shrouded the attitude of the Government on the most thorny of domestic reconstruction problems." But "what is wanted," he says, "is not influence over the location of industry but control.

Nonetheless, the Government do possess important instruments of control, one of the most effective of which is the building permit issued by the Ministry of Works on the advice of the Board of Trade. Mr. Dalton, President of the Board of Trade, has called this "the most powerful lever for influencing the location of industry."

The White Paper is concerned with the location of industry only insofar as it is connected with employment policy. It is not concerned with a general policy of industrial diversification. The "balanced industrial development" discussed in the White Paper applies only to specially vulnerable areas. General problems of the location of industry and "land planning" as such are the subject of separate debates and discussions and the White Paper deliberately avoided these controversies except insofar as employment policy was specifically concerned.

/General

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General Conditions of a High and Stable
Level of Employment

This chapter, which is concerned with an analysis of the problem of maintaining employment in Britain, and the next one dealing with methods of maintaining total expenditure, are the heart of the White Paper and have aroused the most comment. The questions discussed in these two chapters have been the subject of much public controversy and comment in the past two years. The Embassy reported the British discussions on the maintenance of full employment after the war in Report No. 663 transmitted with Despatch No. 11897 of October 27, 1943. In that report the maximum area of agreement on the problem was outlined and it is clear that the White Paper adheres fairly closely to this maximum. Its proposals, of course, fall far short of those of most of the more progressive opinion in the country, including the opinion of people like Sir William Beveridge and of journals like THE ECONOMIST. The MANCHESTER GUARDIAN (May 27) has undoubtedly put its finger on the reason for this:

In the analysis of the causes of unemployment and of the ways in which the Government can help to prevent it, the White Paper shows a desire not to alarm those in industry, labor and finance who will have to revise their notions and customs if the scheme is to be effective.

The three conditions of a high and stable level of employment outlined by the White Paper are:

- (1) Maintenance of total expenditure on goods and services above the level at which general unemployment appears;
- (2) Reasonable stability of the level of wages and prices;
- (3) Mobility of workers between occupations and localities.

(1) Maintaining Total Expenditure

To maintain total expenditure the

Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump. This involves a new approach and a new responsibility for the State.

The analysis of the White Paper is briefly as follows:

The key to the maintenance of employment is the prevention of a minor decline in expenditure, for if a fall in demand and consequent unemployment occur in one industry a cumulative process may be set in motion which will develop into a major depression. Consequently,

if the Government step in quickly to offset the decline in one sector of the economy by appropriate Government investment, the depression can be avoided. Thus quick action and a moderate amount of Government expenditure will suffice to maintain employment.

Total expenditure is made of five components: private consumption expenditure, public expenditure on current services, private investment expenditure, public investment expenditure and the foreign balance (the difference between exports (visible and invisible) and imports (visible and invisible)). Of these, private investment expenditure "is the most usual and most patent cause of instability in total expenditure, and consequently in employment." Instability of foreign trade is another serious cause of fluctuations in employment. These two items not only have the most influence on fluctuations in employment but are the most difficult to control. The guiding principles, therefore, of the Government's policy in maintaining total expenditure are set forth as follows:

- (a) To avoid an unfavorable foreign balance, we must export much more than we did before the war.
- (b) Everything possible must be done to limit dangerous swings in expenditure on private investment - though success in this field may be particularly difficult to achieve.
- (c) Public investment, both in timing and in volume, must be carefully planned to offset unavoidable fluctuations in private investment.
- (d) We must be ready to check and reverse the decline in expenditure on consumers' goods which normally follows as a secondary reaction to a falling off in private investment.

The analysis of this section has been widely welcomed as a clarification of the ideas regarding kind of weapons needed to combat the trade cycle and an indication of the extent to which the British Government has accepted modern economic thought. The DAILY TELEGRAPH (May 31) expresses the general opinion as follows:

.... the sudden overwhelming onset of depression in 1929 not only found us with no weapon in our armoury to defeat it but with the most confused ideas as to what weapons were needed. The results of recent analysis are crystallized by the White Paper when it specifies fluctuations in private capital expenditure and in foreign trade as the prime sources of the trade cycle.

The clear recognition of the nature of the problem expressed in this section is one of the chief reasons for the enthusiastic response of the press to the pub-

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lication of the White Paper. The methods to be used in translating principles into action are discussed in the subsequent chapter.

(2) The Stability of Prices and Wages

If wages and prices are not kept reasonably stable:

Government action to maintain expenditure will be fruitless....This does not mean that every wage rate must remain fixed.... (it) does mean, however, that increases in the general level of wage rates must be related to increased productivity due to increased efficiency and effort.

To achieve this end the White Paper calls for the cooperation of employers and workers: workers "must examine their trade practices and customs to ensure that they do not constitute a serious impediment to an expansionist economy and so defeat the object of a full employment program." Employers must not raise prices to increase profit margins and thus absorb Government expenditure and "frustrate" Government action to maintain employment.

In this section comes the Government statement promised in January on cartels and monopoly. It is meagre and disappointed those who hoped that the Government position would be made known in this White Paper as Lord Woolton had implied it would. The statement reads as follows:

There has in recent years been a growing tendency towards combines and towards agreements, both national and international, by which manufacturers have sought to control prices and output, to divide markets and to fix conditions of sale. Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will therefore seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole.

Although the last sentence announces a definite Government policy, many commentators, including Mr. Fry, the Financial Editor of the MANCHESTER GUARDIAN (June 1) asks: "How much does all this amount to?" Mr. Fry points out that a report published in 1931 by the Board of Trade on "restraint of trade" discussed the undesirability of certain monopolistic practices and also stated that the question might be examined at a later date.

The question raised by the present White Paper is whether the time has now arrived for such an inquiry or whether the Government merely wants to "seek power" to look into the matter at some future date.

Similarly THE ECONOMIST speculates on the meaning of these sentences:

Few sentences in the whole White Paper are more enticing or more ambiguous than the one that promises a Government inquiry into the extent and effect of restrictive practices and the taking of "appropriate measures" to check them. It may mean a great deal or it may mean almost nothing at all. In default of further information, and in the absence of any sign of willingness on the Government's part to take the initiative in its general industrial policy, it seems the more probable interpretation that the sentence means very little.

Embassy Despatch No. 16301 of June 15, 1944, gives a more complete discussion of cartel and monopoly questions in relation to the White Paper.

(3) Mobility of Labor

The third condition for maintaining employment is a reasonable mobility of labor. Government policy in this field was outlined in the section dealing with the transition period. But if short-term unemployment is to be reduced to a minimum:

.... every individual must exercise to the full his own initiative in adapting himself to changing circumstances.... It would be a disaster if the intention of the Government to maintain total expenditure was interpreted as exonerating the citizen from the duty of finding for himself and resulting in a weakening of personal enterprise.

Methods for Maintaining Total Expenditure

The following is a summary of the methods the Government plan to use to maintain total expenditure:

1. Capital Expenditure

- (a) Manipulation of the rate of interest.
- (b) Encouragement of privately owned enterprises "to plan their own capital expenditure in conformity with a general stabilization policy," including methods of "influencing" private investment such as deferred credits.
- (c) Planning of public expenditure.

/2. Consumption

2. Consumption Expenditure

- (d) Variation in social insurance contributions.
- (e) The Government are also considering a system of deferred tax credits; the possibilities of timing the purchase of its own needs of consumer goods; the possibility of Government purchase and sale of consumer goods; and the regulation of hire-purchase (installment sale) transactions.

3. Central Finance

- (f) Short-term unbenevolence of the Budget.

The Rate of Interest

The White Paper announces that a cheap money policy will be maintained "for some time after the end of the war." After that:

the possibility of influencing capital expenditure by the variation of interest rates will be kept in view. The experience gained since 1931 of cooperation in this field between the Treasury and the Bank of England and the Joint Stock Banks will make it possible to operate a concerted and effective monetary policy designed to promote stable employment.

These sentences have caused considerable perturbation in the financial press but most writers have earnestly explained that they do not necessarily mean very much. The FINANCIAL NEWS (May 27) comments itself:

Presumably, the Government has not yet thought out the question in detail; otherwise it would hardly have disposed of a matter of such grave importance in a single paragraph. That interest rates should have some elasticity in the varying phases of the economic cycle is reasonable enough in the abstract. The difficulty, however, is that, as a result of the success of cheap money policy before and during this war, we shall be starting, in all probability, from a point at which it will be decidedly easier to raise interest rates to check any inopiant future boom, than to lower them still further as a stimulant in depression. Successive Chancellors of the Exchequer have emphatically reaffirmed the Government's intention of maintaining cheap money. If "elasticity" is to be reintroduced, it is highly important to know within what limits it will be exercised, and where the mean point will lie. The text of the White Paper needs supplementing, if only because of its suggestion that its authors have

not a particularly high opinion of the efficacy of low interest rates in encouraging investment during depression.

In a later editorial the FINANCIAL NEWS (June 5) was feeling more cheerful and there expresses the general position taken by the financial journalists:

Undoubtedly a second, or a tenth, reading tends to soften the apparent asperity of the first impression....On close examination, therefore, the monetary policy announced in the White Paper seems to come to this: that when the transition period is over, the authorities will still regard "cheap money" as a normal state of affairs, though they will reserve liberty to bring about a temporary rise, in cooperation with the market, whenever the economic system seems in danger of being over-stimulated. This, after all, is not really intimidating for Gilt-edged holders - it is probably as much as they could ask for, anyhow.

The Financial Editor of the MANCHESTER GUARDIAN (May 27), points out that there will be no question of using a higher interest rate to assist in the general anti-cycle policy until:

the pressure for capital subsidies....Even then it will only be "kept in view." All this means, of course, that direct control of new issues will last much longer than most City people expect. The next question is whether an export of private capital to other countries with higher rates of interest could be prevented for long by the sort of light-handed exchange control proposed in the new currency plan. The answer is probably that no one knows.

Influence on Private Investment

The Government proposals regarding the control of private investment, "one of the elements (of total expenditure) likely to fluctuate most" are limited to "encouragement" in the hope that the larger private enterprises may be willing to follow, in their own interests, the example set by the Government in the timing of public investment and to adjust their activities accordingly." It is pointed out that business itself has an interest in evening out fluctuations in capital investment but if this together with Government encouragement is not enough:

.... a further inducement would be provided if it were found practicable to adopt a device similar to that of the deferred tax credits mentioned in paragraph 72 below and calculated to stimulate capital expenditure at the onset of a depression. This and other possible methods of influencing the volume of private investment will continue to be studied as knowledge and experience of the new techniques for maintaining total expenditure are accumulated.

THE ECONOMIST considers that the policy outlined by the White Paper, "if it is to be regarded as a final statement, cannot be called anything but weak." It calls for:

a really thoroughgoing policy of influencing private capital expenditure which is prepared to use every weapon, including those of taxation and control, to whatever extent is necessary to achieve the result.

Many of the critics of the White Paper center their criticism on the mild nature of the Government's proposal for the control of private investment. Even the FINANCIAL NEWS (May 27), although pleased that there is to be less "central direction and 'interference' than was generally expected," states that perhaps there is not enough of it "to realise the plan's objectives." The DAILY HERALD (May 29) considers that the "diluting influences of the Coalition are plainly apparent in this respect of the plan...."

'Encourage' and 'may' are not impressive words. A surer course is indicated in the Labour Executive's proposals:

'Increase the range of public enterprises, to include in particular fuel and power in all its forms, iron and steel, and transport. Every extension of Socialism makes it easier to plan employment as a whole.'

But the present Government is not a Socialist Government. It remains for us to press upon public opinion these further measures which we consider necessary to the full effective operation of the Employment Policy.

Despite this shortcoming - and others which we shall have to point out as discussion of the plan proceeds - we are entitled to welcome the plan, as a whole, as a great gain for a principle which our Movement has long and tirelessly urged.

There has been considerable support in the press (see Embassy's Report No.663 of October 27, 1943) for the creation of a National Investment Board, and some disappointment is expressed that this has not been done. Sir William Beveridge in his forthcoming report on employment policy will recommend such a Board to control private investment.

Planning of Public Expenditure

The Government propose to use their influence on the expenditure of local authorities and public utility undertakings. The limits of this policy are recognized but "within those limits the Government believe that

/they

they can influence public capital expenditure to an extent which will be of material value for the purpose of maintaining employment."

The local authorities will be asked to submit annually a five-year program of capital expenditure to the appropriate Department, and these plans will be coordinated and adjusted "in the light of the latest information on the prospective employment situation." The Government will use their powers of granting or withholding loan sanctions to influence the timing of the investment programs.

The White Paper asserts that the timing of public investment is crucial for...

if a decline in demand can be caught quickly enough and corrected, a comparatively modest amount of compensating expenditure will be sufficient to restore the balance.....The Government believe that in the past the power of public expenditure, skilfully applied, to check the onset of a depression has been underestimated.

These proposals of the White Paper have also been criticised for not going far enough and some economists are doubtful that the "pump priming" technique will restore the balance with a "comparatively modest" amount of expenditure. This last point, however, is a question to be decided by experience and the White Paper stresses the extent to which the methods and policies in practice adopted will depend on the experience obtained when the task of maintaining employment is actually attempted.

Consumption Expenditure

The White Paper recognizes that swings in capital expenditure may occur in spite of the Government's efforts to prevent them. In order to prevent these swings from leading to "progressive degeneration of the state of trade" the Government proposes to take measures to maintain consumption expenditure.

Here again, speed will be essential. The ideal to be aimed at is some corrective influence which would come into play automatically - on the analogy of a thermostatic control - in accordance with rules determined in advance and well understood by the public."

The method proposed in the White Paper is a variation of the weekly contributions paid by employers and employed under the proposed new system of social insurance.

The standard rate of contribution would be assessed on the basis of a forecast of the average level of unemployment, in such a

/way

ment shall fall on the central budget. It implies that local authorities can bear most of the burden; much of the public capital expenditure by local authorities is remunerative in the commercial sense; if, in addition, the finance of non-remunerative kinds of expenditure is "prudently administered" and if "a proper relation is kept between the growth of capital expenditure and the buoyancy of rate income," the growth of the indebtedness of local authorities should not involve an "intolerable burden on local rates."

The Government would, however, "contemplate" helping finance the capital expenditure of local authorities undertaken for reasons of employment policy if such expenditure would involve an "intolerable burden on local rates."

The Government appear to take the position that local finance should carry most of the burden because of the disadvantages of a continuous growth in the debt of the central Government. This debt is already very large and will become larger and much of it is a "dead weight" debt.

Whatever problems may arise from the growth of productive or semi-productive debt, they will be mitigated if we can move as soon as possible into a state of affairs in which an effective reduction can be made from year to year in that part of the public debt which is a dead-weight war debt.

On the one hand:

The policy of steadily decreasing the dead-weight debt, while other forms of debt are increasing, does not mean a rigid policy of balancing the Budget each year regardless of the state of trade. Such a policy is not required by statute nor is it part of our tradition. There is nothing to prevent the Chancellor of the Exchequer in future, as in the past, from taking into account the requirements of trade and employment in framing his annual Budget.

On the other hand, "no departure from the principle that the budget must be balanced over a longer period" is contemplated.

The White Paper points out that:

Not only the national dead-weight debt in the narrow sense, but other public indebtedness which involves directly or indirectly a charge on the Exchequer or on the rates, reacts on the financial system. Interest and other charges thus falling on the Exchequer are often regarded as in the nature of a transfer income in the hands of the recipients and as imposing no real burden on the community as a whole. But the matter does not present itself in that light to the taxpayer, on whose

individual effort and enterprise high taxation acts as a drag.

Nonetheless, it proposes at the same time variations in the social insurance contribution. Hicks comments:

[The authors of the White Paper] do not favor the reduction of taxes in time of depression, but they are prepared to counterbalance a reduction in social insurance contributions, because the debt would fall on the social insurance fund. (Yet what is the social insurance fund but another of the Central Government's banking accounts?). The deficit on the social insurance fund might be very useful, but it could only be used to even out good and bad years, so that its potency would be distinctly limited.

It seems clear, however, that the Government recognizes the necessity of being free to adapt budgetary policies to the requirements of an employment program but at the same time it wishes to plente as much as possible the protagonists of "sound" budgetary policy:

An undue growth of national indebtedness will have a quick result on confidence. But no less serious would be a budgetary deficit arising from a fall of revenues due to depressed industrial and commercial conditions. Therefore, in controlling the situation, especially in the difficult years after the war, the Government will have equally in mind the need to maintain the national income, and the need for a policy of budgetary equilibrium such as will maintain the confidence in the future which is necessary for a healthy and enterprising industry.

Like J.R.Hicks, THE ECONOMIST accuses this section of the White Paper of "gubbling."

The section of the White Paper devoted to the financial implications bears all the marks of a compromise. It starts with the statement that "none of the main proposals contained in this Paper involves deliberate planning for a deficit in the National Budget in years of sub-normal trade activity." But this, unless the word "deliberate" looks a verbal gubble, is equivalent to saying that "none of the main proposals in this Paper is conceived on a large enough scale." It is impossible to imagine a successful employment policy that did not involve a deficit in some years - as indeed a later paragraph seems to imply. Nor is it even quite certain that a successful policy is compatible with the balancing of the Budget over a longer period. In economic policy, as in war, it would be also to combine victory

/with

with a balanced budget, but a deficit is better than defeat. In the very longest run, the test is whether the net interest burden of the National Debt is a rising proportion of the national income - as is also pointed out by the White Paper, which, in this section, is nothing if not catholic. But there are surely more ways of bringing Mahomet and the mountain together than by imposing any financial rigidities.

and even the FINANCIAL NEWS (June 2) writes:

...economic opinion would by no means unanimously accept the proposition that full employment can be achieved without some rise in debt in the long run. If the intention of the Government were to rule out "deficit spending" of any kind over a period, then considerable doubts would be felt about the prospective success of their policies.

On the other hand, the City Editor of the NEWS CHRONICLE (May 30) is "thankful" that "there is to be no 'deliberate planning for a deficit in the national Budget in years of sub-normal trade.'"

The Policy in Practice

This final chapter of the White Paper gives a general statement of the Government's attitude toward the problem of putting their policies into practice and proposes a central statistical and economic control unit.

....the Government recognize that they are entering a field where theory can be applied to practical issues with confidence and certainty only as experience accumulates and experiment extends over untried ground..... the whole of the measures here proposed have never yet been systematically applied as part of the official economic policy of any Government. In these matters we shall be pioneers. We must determine, therefore, to learn from experience; to invent and improve the instruments of our new policy as we move forward to its goal. And it would be no less foolish to ignore, than to be dismayed by, the certainty that unsuspected obstacles will emerge in practice."

The other important point is the proposal to establish "on a permanent basis a small central staff qualified to measure and analyze economic trends and submit appreciations of them to the Ministers concerned."

During the war this function has been fulfilled by a group of economists in the War Cabinet secretariat. The very conception of a central review of the national economic position as a basis for national economic policy is a war-time development, but it was soon realized that the instrument developed for the purposes of controlling a war economy could be used

equally effectively in peacetime. The White Paper outlines the kinds of statistics needed to enable the central staff to operate effectively. It proposes to:

Develop the annual White Paper on National Income and Expenditure by providing a much more complete analysis than has hitherto been possible of the constituent parts of the country's total expenditure. In particular, direct estimates will be made of the various types of capital expenditure and the various sources of savings. This will be, in effect, the Capital Budget of the nation's wealth.

Parallel studies undertaken by the Ministry of Labour and National Service of the manpower position will also be necessary.

The correlation of these complementary budgets - for total expenditure and for manpower - will thus play a vital part in the formulation of Government policy for the maintenance of employment.

The policy of using the presentation of the Budget to Parliament as an opportunity for reviewing and debating the "financial and economic health of the country as a whole and to consider the prospects for the coming year" will also be retained after the war.

Conclusion

The White Paper summarized above is a far-reaching and balanced document. It does not make the mistake that many of the popular discussions on full employment have made of placing so much emphasis on employment itself that the purpose of employment is overlooked. "A rising standard of living" is consistently linked with employment policy and the White Paper stresses the importance of improving the productivity and efficiency of industry.

Some of the critics of the White Paper have regretted that it did not cover wider, though collateral, issues; others have recognized that the proposals of this Paper form only a part of the Government's reconstruction program. "Food, work and homes" is the Churchillian summary of what Britain hopes to achieve in the post-war world. The Employment Paper deals only with work. Social security, medical services, housing, education and the location of industry are being dealt with separately.

THE SPECTATOR (June 2) points out that:

The new White Paper, therefore, must be regarded as embodying the latest, though not of necessity the last, of a series of far-reaching and closely related measures whose sole purpose is to advance the physical, material and mental welfare of the

mass of individual citizens who make up the population of this country....The White Paper....must not be considered in isolation... a Government which within twelve months can approve in principle a far-reaching social security program, carry through the House of Commons a measure reshaping the whole educational system of the country, frame a plan for a comprehensive National Health Service, and now produce an employment policy designed to ensure more or less congenial work for everyone prepared to work industriously and honestly, may deserve some of the hard things said about it, but certainly does not deserve them all.

The White Paper is remarkably undoctrinaire; the term "personal enterprise and initiative" is used but not "private enterprise;" political ideology is not part of its function. It is a technical document, the proposals of which are designed to achieve high and stable employment within the existing system. It takes a long view - many of the measures would not be put into operation for several years after the war - but considers as well the immediate problem arising at the end of the war.

Thus the conservative DAILY TELEGRAPH (May 31) can approve, for:

It embodies a revolutionary change in the outlook of the State towards its role in the economic system without a revolution in the system itself.

Similarly, THE TIMES (May 30) approves the conservative nature of the White Paper:

....if the country is engaged, as it is, in making revolutionary changes, it is important that they should be effected in the traditional British way, step by step as necessity dictates, with all shades of opinion taken into account and every endeavour made to secure the widest possible support at every stage, even at the cost of some apparent weakness or inconsistency. It may be that, eventually, more direct measures will be necessary for stabilizing the flow of private investment and directing it into the right channels than are contemplated in the Government's long-term policy. That time and the experience of the transition period can be left to decide. In the meantime regulation not in every respect effective but secured with the cooperation and support of industrialists themselves may prove of greater benefit than a more complete system imposed upon them against their will.

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This quotation undoubtedly sums up the general attitude that the authors of the White Paper hoped to create in the country. Critics there are and will be, but the criticism is for the most part constructive and progressive - Britain has officially inaugurated, with this Paper, a new conception of the function of Government. Even Sir William Beveridge, who has himself a more far-reaching proposal on employment policy to make, writes:

The White Paper is the beginning of a voyage to a better world. It remains for the people of Britain to make certain that the voyage is completed.

It is too soon to say how the White Paper will be viewed by the country. The Home Intelligence Service, which surveys public opinion, reported almost no reaction to the White Paper. This is understandable, however, since the White Paper had to compete for public attention with the Italian victories and the European invasion. On the other hand, the sectional interests, such as the banking fraternity, the manufacturers, the exporters, the trade unions, the farmers, the local Government authorities, have not had time to digest the proposals and express their opinions. The only comments so far have come from the press and a few professional economists.

The views of the political parties will be expressed in a three-day debate which is scheduled to begin on June 21st. Sir John Anderson (Chancellor of the Exchequer), Mr. Oliver Lyttelton (Minister of Production), and Mr. Ernest Beven (Minister of Labour) will defend the White Paper, and while they may illuminate some of the more obscure parts of the Paper, it is unlikely that they will add or detract anything of real significance.

The debate will consist of a preliminary center over the whole field, and it is already known that the major parties will officially give the proposals a fulsome welcome. In contrast, the handful of extreme right-wing Conservative back-benchers will almost certainly attack the proposals as little short of totalitarianism or Socialism, and the extreme left-wing of the Labour Party, supported by Commonwealth and the Independent Labour Party, will attack on the quite opposite grounds that the proposals merely perpetuate capitalism and therefore cannot possibly solve the problem of employment. The bulk of the Conservative, Liberal and Labour M.P.s will, however, find much common ground in the White Paper's proposals.

It will be some time before any full evaluation can be made of the political future of the White Paper. This will depend in part on whether the present Coalition Government is replaced by a new Coalition or a party Government. It is safe to say that whatever form the new Government takes - Coalition, Conservator or Labour - the basic conceptions as well as most of the proposals in the White Paper will be adopted as

Government policy. It has become almost universally accepted in Britain that the State has a primary and permanent responsibility for so ordering and steering the economic affairs of the country that a high and fairly stable level of employment can be maintained. It is also almost axiomatic that no Government can survive unless it is prepared to accept this responsibility.

Report prepared by
Edith Denhardt in
collaboration with
S. D. Berger

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Special Assistant to the
Ambassador

Ambassy file 850.4
Hectograph to the Department of State

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BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 145 and 146 --
Aircraft Despatched -- for the weeks ended July
7th and July 14th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

July 26, 1944.

STATEMENT NO. 145

BRITISH/U. S. SECRET

Aircraft Despatched from the United States
Week Ended July 7th, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		6	
<u>CONSOLIDATED</u>					
Liberator B VI	India	India		1	
Liberator B VI	Canada	Canada			1
Liberator C VII	U.K.	U.K.		1	
L-5 Sentinel	India	Karachi	20		
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		1	
<u>DOUGLAS</u>					
Boston IV	U.K.	U.K.		19	
Boston IV	M.E.	M.E.		1	
Dakota III	U.K.	U.K.		3	
Dakota III	M.E.	M.E.		1	
Dakota III	India	India		5	
<u>BEECH</u>					
Expediter II	Canada	Canada			5
<u>BOEING</u>					
Catalina IV B *	U.K.	U.K.		2	
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	36		
<u>VULTEE</u>					
Vengeance	U.K.	U.K.		19	
<u>NORTH AMERICAN</u>					
Harvard	M.E.	Alexandria	6		
Harvard	U.K.	U.K.	4		
<u>VOUGHT-SIKORSKY</u>					
Corsair	U.K.	U.K.	9		
Corsair	India	Cochin	11		
<u>STINSON</u>					
Reliant	India	Cochin	3		
<u>FAIRCHILD</u>					
Argus	M.E.	Alexandria	2		
Argus	U.K.	U.K.	6		
Argus	India	Karachi	6		

* One Catalina IV B will be at Vancouver, B.C., plant as prototype for some time before final delivery to U.K.

Movements Division, British Air Commission
 July 12, 1944

msh
 File V-17

STATEMENT NO. 146

Aircraft Despatched from the United States
 Week Ended July 14th, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>DOUGLAS</u> Boston IV Boston IV	U.K. M.E.	U.K. M.E.		1 1	
<u>BECH</u> Expediter I *	Canada	Canada			2
<u>CONSOLIDATED</u> Liberator C VII	U.K.	U.K.		3	
<u>BOEING</u> Catalina IV B	U.K.	U.K.		4	
<u>JLTEE</u> Vengeance	U.K.	U.K.		19	
<u>WACO</u> Glider	India	Calcutta		30	
<u>FAIRCHILD</u> Argus	U.K.	U.K.		14	
<u>NOORDUYN</u> Harvard	U.K.	U.K.		47	
<u>BECH</u> Beechcraft UC 45 Beechcraft UC 45	M.E. India	Alexandria Cochin		5 7	
<u>GRUMMAN</u> Wildcat Avenger Hellcat	U.K. U.K. U.K.	U.K. U.K. U.K.		2 3 1	
<u>NORTH AMERICAN</u> Mustang Harvard	N.W. Africa U.K.	Casablanca U.K.		15 3	
<u>CURTISS</u> Kittyhawk	Australia	Sydney		9	
<u>STINSON</u> Reliant	U.K.	U.K.		2	
<u>BOUGHT-SIKORSKY</u> Corsair	U.K.	U.K.		1	
		TOTAL:	158	9	2

*In Statement No. 145 Bech Expediter II should read Expediter I.

Movements Division, British Air Commission
 July 19, 1944.

KD-920
Distribution of true
reading only by special
arrangement. (SECRET-W)

Algiers

Dated July 26, 1944

Rec'd 6:36 p.m.

Secretary of State

Washington

2507, July 26, 9 a.m.

FOR WRB FROM SAXON.

It is suggested that you retain balance 50,000 pesetas (REURTEL No. 33, July 15) in Spain in view expenses which may arise evacuations discussed your telegram No. 3/4, July 18.

PARAPHRASE OF TELEGRAM RECEIVED

237

FROM: American Embassy, Quito
TO: Secretary of State, Washington
DATED: July 26, 1944
NUMBER: 780

CONFIDENTIAL

Reference is made herein to the Department's airgram A-339, July 14, which arrived yesterday.

In order to afford them safety from Nazi persecution, some time ago the Foreign Office sent instructions to Lisbon requesting that protection be afforded holders of irregularly issued misarrried, the Foreign Office is today sending a cablegram to Lisbon.

A reply to the airmail inquiry sent to the Ecuadoran Consul at Geneva (see my telegram 706, July 13) regarding the status of cable instruction of May 8 has not as yet been received by the Foreign Office, but a telegram is being sent to Geneva by the Foreign Office today.

SCOTTEN

DCE:MAS:JB 7/31/44

CABLE TO AMBASSADOR WINANT, LONDON, FROM WAR REFUGEE BOARD

Please deliver the following message to Sir Herbert Emerson of the Inter-Governmental Committee from Boerwald, American Jewish Joint Distribution Committee:

"Deeply grateful for generous action and for holding out prospects for future STOP We cabled necessary instructions to Saly Mayer according your authorization. Also notified our Lisbon office and asked that separate accounts and documentation be kept for those transactions STOP Naturally you can rest assured that to the extent of our ability in future we will allot funds for these operations STOP Grateful your recognition our commitments other quarters this time STOP We will keep you informed of progress made."

9:00 a.m.
July 26, 1944

FHodel:ms 7/25/44

near the Polish Government,
LONDON, July 26, 1944.

CONFIDENTIAL

No. 638.

Subject: Admission of Jewish refugees
into the United States.

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

Sir:

I have the honor to report that the Polish Ministry of Foreign Affairs in a letter dated July 20, 1944, enquired whether the United States would be willing to receive certain Jewish refugees who had been documented with passports issued by neutral countries. The letter, a copy of which is enclosed, states that neutral countries would not be requested to issue such passports unless the American and British Authorities express their willingness to receive the refugees.

Respectfully yours,

Rudolf E. Schoenfeld,
Charge d'Affaires ad interim

Original and hectograph.

Enclosure:
1/ as stated.

Copy to American Embassy, London.

MHC:DAS

Republic of Poland
Ministry of Foreign Affairs.

70, Queen's Gate,
London, S.W.7.

Z.851 - 9/8/44.

July 20th, 1944.

Dear Mr. Schoenfeld:

On July 3rd, Monsieur Romer addressed to you an official letter regarding deportations of Jews from Hungary to Poland, in which he expressed the Polish Government's conviction that it was a matter of the utmost urgency for the United Nations to reconsider the possibility of finding the means to save the Jewish populations. You were good enough to confirm that you had brought this communication to the attention of the U.S.A. Government.

Today I wish to raise one particular point in this same connection in which I am afraid we shall need your assistance.

The Council for the Rescue of Jews in Poland - a body which has been instituted for the explicit purpose of centralising all activities concerned with the rescue of Polish Jews - has submitted the following suggestion.

The Polish Government are urged to approach certain neutral countries with a view to their instructing their representatives in Hungary, and possibly other enemy-occupied and dominated countries in to issue, for humanitarian reasons, a number of passports to selected and trustworthy persons of the Jewish faith to enable them to evade deportation and to escape from the given occupied country.

Such a step would be taken by the Polish Government only in the event of the American and British Authorities expressing their willingness to accept these people - if not in the U.S.A. or the United Kingdom, then in some place specially reserved for foreign refugees. (It would appear from President Roosevelt's recent declaration that some of these people could be placed in so-called "ports of refuge").

I should be grateful if you would kindly let me know whether such an action would, in principle, meet with favourable consideration and support on the part of the American Government, and if so, whether it could be discussed in detail. I should like to mention that we have also approached the British Government in this matter.

I regret having to trouble you with this somewhat difficult question, but I hope that you will be able to give me the general views of your Government on the matter in the not too distant future.

Yours sincerely,

J. Librach.

Mr. Rudolf Schoenfeld,
Minister Plenipotentiary,
Charge d'Affaires of the U.S.A.
to Poland,
LONDON.

BJR - 74

PLAIN

Lisbon

Dated July 26, 1944

Rec'd 3:27 a.m. 27th.

Secretary of State,

Washington.

2309, July 26, 5 p.m.

FOR LEAVITT FROM PILPEL

WRB 118 JDC 34. Kessler Algiers cabled July 18 that Perlman
without funds which badly needed for all committees.

NORWEB

HTM

BJR - 825
 Distribution of true reading
 only by special arrangement
 (SECRET W)

Stockholm

Dated July 26, 1944

Rec'd: 3:04 p.m.

Secretary of State,

Washington.

2784, July 26, 2 p.m.

Following telegram has been sent to Lisbon.

13, July 26, 2 p.m.

Substance of following message is for JDC representative in Lisbon from Mossiska for Sam Lingen in Stockholm.

(WRB please inform JDC New York that substance of this message is being sent to Lisbon for JDC in Lisbon pursuant to WRB telegram 57 which was received as Department's 1442 July 9, 9 p.m. This is repeated to Department as our 2784, July 26, 2 p.m. and No. 60 for WRB).

Following information supplies you in accordance with request of Iver Olsen of AMLEG. Of first group of 115 expatriated Jews which arrived from Finland approximately \$20,000 are required for their support, of which \$5,000 have been received. Our expenses to date for this for this group have been about \$15,000.

Second group of about 60 expatriated Jews from Finland were given Swedish visas on assurances and guarantees that they would not be burden on Swedish state. About \$8500 is required to support this group for next three months, part of which we have advanced and await reimbursement.

Swedish Government is prepared to grant visas for third group of about 500 expatriated and Finnish Jews if financial guarantees can be given that they will be no burden to Swedish state. Estimated expenses for this group for three months can be set at not less than \$75,000. We are anxious to arrange this evacuation without delay so please send money as soon as possible, since evacuation entirely dependent upon necessary funds to support refugees while in Sweden. For Sam Lingen cannot undertake additional expenses for refugee work but is prepared to handle all administrative functions.

We wish to reserve right to request additional funds if we encounter unavoidable expenses for maintaining orphanages or old peoples home.

We are sending similar message through WRB for JDC in New York.

JOHNSON

EB:ER

CABLE TO MINISTER HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Please deliver the following message to Dr. Gurvic, Executive Secretary of the OSE in Switzerland from Dr. L. Wulman:

"Referring your July 13, 1944, medical packages to Soviet Russia for Polish refugees discontinued since break diplomatic relations between Russian and Polish governments. Joint Distribution Committee and Jewish Agency regularly send individual food and clothing packages from Egypt, Iran and Palestine. Russian relief organizations unable to determine the plight of Transnistrian Jews or others in liberated areas. Representatives Russian government have been approached here on this matter but clarification will take considerable time. Rescue Hungarian Jews not carried on by mentioned organizations. Urge you again contact Interredcross and seek other connections to organize immediate medical aid for children and adults in Hungary and Rumania along well-tried ways of sending aid to occupied countries."

THIS IS WRB CABLE NO. 100 to Bern

3:10 p.m.
July 26, 1944

FHodel:ms 5/26/44

CABLE TO MINISTER HARRISON, BERN, FOR MCCLELLAND FROM WAR
REFUGEE BOARD.

Please deliver following message to Saly Mayer from Leavitt, JDC:

QUOTE Sternbuch cabled Rabbinical group here that 1,200 Hungarian Rabbis other leaders are now entrained Vienna for deportation. STOP He claims you refused help to save this group and that immediate action may still rescue them by repatriation. STOP. He also claims that no understanding has been reached with you for coordination rescue activities despite such report to WRB. STOP Orthodox groups here deeply disturbed by this situation and exerting great pressure on us. STOP We are convinced that you and McClelland are doing everything to rescue as many people as possible, but we are not in position to answer such charges made by Sternbuch. STOP Although we realize that Sternbuch is concerned primarily with Rabbinical groups we are just as interested in rescuing these elements and we hope that every effort is being made to save them and that every possible measure is utilized by you to effect their rescue. STOP Please cable soonest. UNQUOTE.

Following for McClelland from Pehle: Refer WRB No. 86 (Department's 2449) of July 18. We urgently request that every practicable step be taken to effect rescue of this group.

THIS IS WRB CABLE TO BERN NO. 99.

July 26, 1944
2:35 p.m.

Miss Chauncey (for the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files.

A.Abrahamson:css 7/26/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: July 26, 1944
NUMBER: 4775

SECRET

Reference is made herewith to London's July 1 telegram No. 198, and the Department's July 8 telegram No. 2531.

Given below is the substance of reply sent by Ekneld on July 21 for the International Committee of the Red Cross in connection with the proposal that approach be made to the Government of Germany by ICRC regarding willingness of Swedish Government to receive certain refugee children from any part of German controlled Europe:

In our opinion such action as suggested should be undertaken now since the Hungarian Government, as a result of steps taken by ICRC, has just assured that certain categories of Jewish people could leave Hungary, and among these would be all children under ten years of age. With the importance of the entire problem in mind, we are approaching the Governments of Germany, Sweden, and those of certain other neutral countries.

It is understood from information received through American Legation that the U.S. Government envisions that children should be selected by ICRC. Because of various technical difficulties and great responsibility involved of which the Governments of America and Britain are aware, very special consideration is required in this matter. However, the result of ICRC examination of this particular problem as well as the answers received from the various governments approached will be reported by ICRC.

HARRISON

CABLE TO HIRSCHMANN, ANKARA, FROM WAR REFUGEE BOARD

The following names have been suggested by sources believed to be reliable for contact in connection with rescue activities in behalf of persecuted people: ILIE MOSCOVICI VATHA LUMINOASA BUCHAREST DIMITRIE POP BUCHAREST AND LOTHAR RADECEANU BUCHAREST BERL FRIEDMAN STR AUSTRULUI BUCHAREST LEON GELLER STRADA COMANESCU 10 JASSY HUMANIA INCZE LASZLO AND FAMILY NAGYVARAD ARANY JANOS UCCA 2 HUNGARY EUGEN TORZS BUDAPEST GUYON RICHARD AND MARGARET ST 4, BUDAPEST II AND LASZLO GERO SAME ADDRESS NICOLAS STIASSNY BUDAPEST V POZSONYI UT 14 EMIL STIASSNY BUDAPEST III ZSIGMOND KIRALY UT 96 MRS. ERZSI SZILAGIL BUDAPEST III KRISZTINAKORUT 26

Please communicate all of these names to Leon P. Demenberg, Representative of the International Rescue and Relief Committee, Istanbul, and discuss with him the possibility of using the names.

THIS IS WEB CABLE NO. 84.

9:00 a.m.
July 26, 1944

CABLE TO KELLY, ANKARA, FOR HIRSCHMANN FROM WAR REFUGEE BOARD

The War Refugee Board concurs in conclusions indicated in your 1322 of July 20 (WRB No. 100). Your efforts to coordinate the activities of private organizations are greatly appreciated.

This is War Refugee Board cable No. 85

9:00 a.m.
July 26, 1944

JBFriedman/MJMarks/sg 7/25/44

LC - 92
Distribution of
true reading by
special arrangement.
(SECRET W)

Ankara

Dated July 26, 1944

Rec'd 6:17 a.m., 27th

Secretary of State,
Washington.

1370, July 26, 4 p.m.

FOR PEELE WRB FROM HIRSCHMANN.

The Bulgarian Minister to Turkey in an interview today arranged by Mimond of the Intercross informed me (Ankara's 107) that his Government had accepted the proposals which I had made and authorized me to transmit the following decisions of his Government.

One. The Jews are gradually having restored to them the status which they held before the war.

The "restrictions, oppressions, persecutions and abuses" are being eliminated.

Two. Facilities have been officially authorized which will permit them to leave Bulgaria with all possible assistance and a minimum of formalities.

Three. Instructions will be issued to expedite the departure from Bulgaria of vessels containing
refugees.

- 2 - # 1370, July 26, 4 p.m., from Ankara

refugees.

Four. The departure by rail will be authorized by approximately 400 to 500 refugees ~~weakly~~ provided the Turk authorities grant transit visas en route to Palestine.

Balabanoff stated that the above measures were being communicated to the leaders of the Bulgarian Jewish Community. He emphasized that the change of policy was definitive but the steps would be gradual in order not to "fly in the face of the Germans". I urged upon Balabanoff the immediate withdrawal of the two notorious oppressive anti-Jewish Bulgarian laws. Balabanoff replied that these would definitely be cancelled within a brief time.

With respect to the technical difficulties involved in ~~securing~~ the necessary certificates to permit departure from Bulgaria, Balabanoff said that these difficulties would be relieved within ~~technical possibilities~~. I thereupon urged that children be given first priority since they required few certificates, to which he agreed with the proviso that we define children as under 15 years of age. I told the Bulgarian Minister that the new policy of his Government in regard

- 3 - #1370, July 26, 4 p.m., from Ankara

in regard to refugees would be presented as a gesture of good will to Washington, and I suggested that the release without delay of large numbers of refugees would receive favorable publicity in America which the present Bulgarian Government is seeking.

Balabanoff stated that his Government's new regime was essentially liberal in policy and was attempting to find the best and quickest ways to "get out from under the Nazi yoke" being at the same time very sympathetic to the Soviets whom they held in high regard but not without some fear.

Balabanoff said that his Government agreed to the proposal concerning the sailing of the SS TARI to a Bulgarian port and return to Istanbul without a German safe conduct, provided the Bulgarians granted the necessary authorization, to which a Turk official had agreed with Ambassador Steinhardt and Simond. I will report further on this project which has been revived.

At the conclusion of the interview, I requested Balabanoff to confirm in writing the agreement of his Government to the foregoing. The Embassy's next numbered telegram will contain a translation of Balabanoff's letter.

KELLEY

WAB JJM

HMK - 9
 Distribution of
 true reading only by
 special arrangement
 (Secret W)

Ankara

Dated July 26, 1944

Rec'd 10:11 p.m.

Secretary of State,

Washington.

1371, July 26, 5 p.m. (SECTION ONE OF TWO)

FOR FEHLE WRB FROM HIRSCHMAN ANKARA 1088

The following is a translation of a letter addressed to Simond of the Intercross by Balabanoff, Bulgarian Minister to Turkey, referred to in my 1370, July 26.

"In regard to the question you raised, relative to a Turkish vessel which could go to any Bulgarian port to embark Jewish children from Rumania and possibly also Jewish children from Bulgaria, I am able to communicate to you the following: in principle, the Bulgarian (*) would have no objection to this. But for a settlement of this question I would suggest that you address the Bulgarian Red Cross which on its part, will submit the question to the Government in order to obtain the latter's decision.

I take advantage of this opportunity to share with you the impressions which I bring back from my last short visit in Bulgaria.

There is no doubt that the new Bulgarian Government regrets exceedingly all the measures which have been taken regarding I

KELLEY

(*) apparent omission

EEC JJM

Rec'd 6:08 a.m., 27th
Ankara
Dated July 26, 1944

253

Secretary of State,
Washington.

1372, July 26, 6 p.m.

FOR WAR REFUGEE BOARD

FROM DENVERING FOR SHEBA STRUNSKY INTERNATIONAL
RESCUE AND RELIEF COMMITTEE TWO WEST 43rd STREET, NEW
YORK CITY:

Re your agreement with Pat inform him and Held
that there is strong possibility that 8000 Jewish
families will be permitted to leave Hungary. Have
seen cable from Zionist organization to Jewish Agency
in Istanbul where Pat requests certificates for names
on his lists. Have taken up matter with Barlas and
he agrees to give certificates to such people. Send
names at once either to me care American Consulate
or directly to Barlas. Am submitting also my own
names. All rescue action so far mainly Jewish. Ira
Hirschmann interested in rescue of non-Jewish anti-
Nasis labor people and so on. Am submitting such
Hungarian and Rumanian lists to him. Hirschmann will
also intervene on behalf of Laiser Landau groups and
other non-Zionist labor refugees in Rumania about
whom I cabled through other channels. In addition to
people I am supporting have also sent as experiment
25 food packages to non-Jews in Warsaw who according
to latest information are still alive. Have done all
this on borrowed money since 5000 has not yet arrived.
Transfer at once care of Ottoman Bank Ankara. Will
cable about additional money. Deposit also in my
name \$2500 in New York bank and cable name of bank.

KELLY

WSB RR

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 243

Information received up to 10 a.m., 26th July, 1944.

1. MILITARY

NORMANDY. Preceded by very heavy air and artillery bombardment an attack was launched by troops of 1st U.S. Army at 11 a.m. yesterday. Main attacks by 3 Divisions on approximate frontage TAUTE to VIRE Rivers. No news yet of progress made. At 3.30 a.m. yesterday 2 Canadian Infantry Divisions attacked astride FALAISE Road - 2nd on right, 3rd on left. Very heavy resistance met but by noon 2nd Division had captured VERRIERS and 3rd were fighting in area TILLY LA CAMPAGNE.

ITALY. No change Adriatic flank. Further 2 mile advance towards FLORENCE in centre. Positions along ARNO maintained.

RUSSIA. Russians have cut DVINSK-RIGA railway and made further progress on central sector. They have reached outskirts of LVOV and report surrounding a German force in town area.

2. AIR OPERATIONS

WESTERN FRONT. 24th/25th. Tonnages - STUTTGART 1746; DONGES 011 Depot 600; 2 flying bomb launching sites 228.

25th. 1495 U.S. heavy bombers and 971 aircraft of A.E.A.F. dropped 3806 tons on troop concentrations and installations in ST. LO area. Results by heavy bombers where seen fair to good. Medium bombers attacked troop and gun concentrations S.E. of CAEN - 85 tons, and fuel dumps 80. 688 fighter bombers dropped 96 tons and fired 1504 rockets behind assault area. Bomber Command aircraft attacked ST. CYR Signals Equipment Depot - 463 tons; 2 launching sites DIEPPE area - 355, and 1 large site PAS DE CALAIS - 80. Days casualties - German 26, 2, 8. Ours 6 heavy, 4 light bombers and 19 fighters missing.

25th/26th. 909 Bomber Command aircraft despatched: STUTTGART 549 (13 missing); Synthetic Oil plant near BOCHUM - 135; Flying bomb launching sites - 114; BERLIN and MANNHEIM - 36 Mosquitoes; bomber support, sea mining, etc. - 75 (1 missing). At STUTTGART there was a clear patch over the town and fair visibility but markers were somewhat scattered. Very few fighters over objective, but slight activity S.E. of PARIS. At BOCHUM markers were well grouped and bombing well concentrated.

AUSTRIA. 25th. U.S. heavy bombers from Mediterranean dropped 1038 tons on the Herman Goering Tank Works at LINZ. Enemy casualties 65, 11, 17. Ours - 23 bombers and 2 fighters missing.

3. GERMAN ACTIVITY

During 24 hours ending 6 a.m., 26th, 46 flying bombs plotted, all since 11:30 p.m.