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MEMORANDUM FOR THE SECRETARY.

Mail Report

August 11, 1944.

Low ebb in quotable letters has not meant low ebb in the total of all received. Usually at this time of year there is a definite lagging in correspondence, but during the past weeks, there has been little let up. The mail continues, however, to be dominated by routine bond matters, and is therefore colorless, noncontroversial, and without many interesting quotations.

This week there were but 2 or 3 further comments on the plan to permit the cashing of bonds "over the counter", and there was little interest in either the 5th or 6th Drives. Responses to the redemption slip were somewhat more varied than they have been. Among the reasons given for cashing bonds were: keeping a son in college, enabling a sailor to come home on furlough, bringing a young American into the world, and getting an unwanted divorce. One very old lady indignantly demanded that we apologize for questioning her motives, and see to it that no such notice was ever sent out again.

During the first part of the week few bonds were submitted for redemption, but a sharp jump Thursday and Friday raised the total to 69. Complaints about delays in re-issuing or redeeming bonds increased slightly, while reports of overdue interest dropped off.

There was little of interest in the tax mail. Of the 13 requests for refunds, almost all were urgent, and some showed acute distress. The Bretton Woods Conference received largely favorable comment, with a number of requests for copies of proceedings. There were 7 donations, ranging from $25 to a check for $244.87 from our old friend, Mr. Melchor León.
Melchor Leon, the faithful contributor from Mexico, D. F. (Objetos De Arte Chino Para Regalo), wrote again on August 3, as follows: "With reference to your letter #7092, I take the pleasure to enclose herewith New York draft in the amount of $244.87, equivalent of $1,187.61 Mexican Pesos (at the rate of exchange of $4.85 pesos for $1.00), to which amounted the 25% of all purchases made by American citizens in this store during the month of July 1944, that is donated to the U. S. Government for National Defense."
Unfavorable Comments on Bonds

C. T. Thomasen, Sr., Owner, Best Home Laundry, Houston, Texas. On September 14. 48, I bought a $18.75 bond for my son, Christian T. Thomasen, Jr. to be mailed to 7007 Canal St, Houston 11, Tex. Well the Government has not to this date delivered the said Bond. The Government claim that the Bond is lost. I claim that is not my fault. I don't know what the government have done with the bond. I therefor do hereby respectfully request that action be taken by the proper officials to send that bond or shall I have to go to the President through my Senator. Now I do not know what became of that bond. BUT I do know that our mail man on this route have left our valuable mail. by that I mean Government mail in other mail boxes. and the people have been good enough to bring the mail to me. It seem to me that there is attituded the publick be damn. Here it is almost a year since the bond was paid for and not yet received. Thats what may be considered governmental efficincy.

Robert Lynch, Metro-Goldwyn-Mayer Pictures, Philadelphia, Pennsylvania. If many folks receive a similar slip as the attached, and under the same circumstances, then I believe you will have a lot of peevish people! During the last year I probably purchased $25,000 worth of bonds in small denominations such as $25, $50, and $100. Two or three weeks ago I decided to get them changed into two $10,000 bonds, and one $5,000 bond. I made inquiry at the Federal Reserve, the Pennsylvania Company, and several other banks as to how to go about it, but was told I would have to definitely sell all my smaller bonds, then take the money and repurchase whatever I desired. I can see where people who turn their bonds in that way, for the purpose of buying larger ones, can't go around telling everybody, including Uncle Sam, just why they do it. ** This letter

* * *
is written, therefore, for the sole purpose of making the suggestion that the Federal Reserve, or some other bank, be permitted to change bonds of smaller denominations to larger ones, without going to the trouble of selling them. Knowing the public's psychology in such matters, I believe you would be surprised just how many people who probably have $925.00 worth of small bonds would buy $75.00 more to turn them in for a $1,000.00 bond. ***
Unfavorable Comments on Taxation

Harvey T. Warner, Lafayette, Indiana. I do not like to have to cash any of my bonds but it looks like I will have to. From what the papers say, income tax refunds are being made at the rate of only 250,000 a week, and at that rate, it will be a year from now before I get mine, after having been without it 8 months or more already consequently I do not feel the choice is mine.

Col. C. R. Gildart, Camp Barkeley, Texas. On 10 April 1944 I sent a letter to the Collector of Internal Revenue, Baltimore, Maryland, dealing with my income tax. A balance of $189.03 due me on overpayment on my preceding year's tax was the subject of the letter. The letter was sent registered and a return receipt was signed by N. L. Bond, 13 April 1944. No reply was received. On 31 May 1944 I sent another letter to the Collector of Internal Revenue, Baltimore, requesting a reply to my letter of 10 April. Again no reply was received. On 22 June 1944 I sent a third letter, requesting reply to my previous two letters. For the third time, no reply was received. As it appears that I am unable to get satisfaction out of the Collector of Internal Revenue, Baltimore, Maryland, directly, I request that he be directed to reply to my correspondence. As I am in the military service, it is imperative that I keep my personal affairs thoroughly in order at all times.
August 21, 1944

Dear Mr. Sulzberger:

Secretary Morgenthau spoke to me about his conversations with you regarding the Monetary Conference.

I am planning to be in New York on August 21 and I would be most pleased to have luncheon with you on that date.

Sincerely,

(Signed) Ancel F. Luxford
Assistant General Counsel.

Mr. Arthur Hays Sulzberger,
Publisher, The New York Times,
Times Square,
New York, N. Y.

AFL mgrd - 6/21/44
My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for August.

The inventory of material in storage as of August 1, 1944, was 208,114 tons or 82,407 tons less than the July 1st inventory. Production scheduled for August shows an increase of 23,901 tons as compared with July.

Faithfully yours,

(Signed) D. W. Bell

The President
The White House

WFBrennan:hsc
(8-8-44)
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**Note:** Table shows quantities in tons.
Treasury Department
Division of Monetary Research

Date 8/13/44

To: Mrs. McHugh

This letter was sent to Mr. Glasser by covering letter from Mr. Valensi dated Aug. 11. The original was sent to Mr. D. W. Bell on Aug. 15 with a note from Mr. Glasser that we are preparing reply.

jm

MR. WHITE
Branch 2058 - Room 214½
August 11, 1944.

Dear Mr. Secretary:

The French Commissioner for Communications has instructed me to request the assistance of your Department regarding the printing of a new order of postage stamps intended for the use of the Civilian Administration of French Liberated Territories.

The model used for these stamps will be the same as the one which has already been used for the printing of the first order.

The new order, which will be carried out and paid for under the conditions stated in the letters of May 27, will involve the following denominations and quantities:

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<td>3,000,000</td>
</tr>
<tr>
<td>3 francs</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

Total........ 99,000,000

I would much appreciate your kindly giving me confirmation of your agreement on this matter.

Faithfully yours,

(S) Christian Valensi
Financial Attache

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

3048, Eleventh.

Swedish politics: Foreign Office last night released text of telegrams exchanged between King Gustaf and Regent Horthy concerning treatment Jews. King's appeal June thirtieth, see our 2449, read as follows: "After having been informed of the exceptionally severe methods to which your government has resorted against the Jewish population in Hungary, I take the liberty of addressing myself personally to Your Highness to appeal to you in the name of humanity to take measures to save those who may yet be saved among the miserable people. This appeal has been prompted by my old feelings of friendship for your country and by my sincere concern for Hungary's good name and reputation among the society of nations". Horthy's reply which undated read "I have received the telegraphic appeal which your Majesty addressed to me. With feelings of the greatest understanding I beg Your Majesty to rest assured that I will do everything which lies within my power in the present circumstances in order that the principles of humanity and justice be respected. I highly appreciate the feelings of friendship toward my country which animate Your Majesty, and I beg Your Majesty to retain these toward the Hungarian people in these days of heavy trials". Foreign Office also released following account supplied by Hungarians regarding measures recently taken to alleviate treatment of Jews: despatch of Jews for work abroad suspended. In conformity with representations by Swedish Red Cross, Palestine immigration commission through medium of Swiss Legation and by War Refugee Board, Hungarian Government permitted Jews emigrate Sweden, Switzerland, Palestine and other countries. Within framework of Swedish Red Cross activities Jews able establish their Swedish citizenship may emigrate to Sweden. Jews having parents Sweden or long time trade relations may go there or Palestine. Two groups include 400 to 500 persons. Emigration to Palestine with assistance of Palestine Immigration Commission through medium Swiss Legation Budapest granted several thousand Jews. These persons may go to Palestine of possessing immigration certificates issued by British.
issued by British. On basis War Refugee Board representations International Red Cross is permitted transfer Jewish children under ten to Palestine. Some organization will obtain permission to assist Jews interned in Hungary. Following additional facilities also decided upon. No Christian Jews will be sent for work abroad (compare with statement above). Special administration for Christian Jews entrusted to Council of Christian Jews formed July sixth. Jews baptized prior August first 1941 will remain Hungary but will be distinguished from non-Jews. They'll retain means for practicing religion. Revision anticipated concerning Christian Jews sent to labor service Germany. It will soonest possible be determined who's regarded as converted Jew. Non-converted Jews serving with labor battalions in Hungary will be replaced by Christian Jews. Converted Jews will be permitted leave homes on Sundays, holidays at one o'clock in order attend religious services. Exempt from obligation to wear David star are families of protestant priests, holders of Papal decorations and members of order of Holy Sepulchre. In number of cases regent has reserved right to decide on exemption from regulations applying Jews. Exempt are Jews married to persons of Christian origin, Jews holding certain war decorations, Jews of special merit and Christian Priests. Departure of Jews for work abroad will occur under humane conditions and Hungarian Red Cross will be enabled exercise control. Food shipments through Red Cross may be sent persons interned in concentrations, camps. Swedish Foreign Office states thus possible obtain German transit visas and transportation for only two persons both whom long time Swedish citizens. Head Swedish Rabbi Ehrenpreis stated he is reliably informed it was King Gustaf's telegram which caused Regent Horthy personally tackle Jewish problem with result Jewish deportations immediately ceased. Ehrenpreis received numerous letters proving King's action has made Sweden name loved and respected in wide circles abroad. Dagens writes King's telegram obviously released all humane resources still available in Hungary. Importantest achievement is deportations terminated. It is estimated 330,000 or nearly one-half of Hungary's Jews already deported. It isn't Swedish hospitality's fault only some 500 people have sufficient family or trade relations with Sweden to induce Hungarian Government grant them exit visas. Unfortunately only transportation route passes through third country. Detailed account of

"facilities"
"facilities" granted certain specially qualified categories provides clear picture of misery and humiliation which Hungarian Quislings intended for their countrymen. Unready the worst Hungarian Quisling has left government. It isn't easy judge whether his resignation might have enabled Hungarian Government publish its account of facilities granted. SVENSKA text of King's telegram should cause feelings satisfaction pride admiration among Swedish people. Owing hundreds thousands Jews already deported placed in concentration camps or murdered, Hungarian account of facilities granted certain Jews isn't particularly impressive. Naturally Swedish citizen ought be allowed go to Sweden but this view isn't shared by Germans. Neither Hungarian Regent nor Hungarian people should be blamed. Swedish people know they are both under duress.

Foreign Office announced last night German reply received to Swedish Government's protest against German aircraft having flown over Swedish territory June twenty-first attacking American bomber, see our 2251. Really stated German planes had attacked American bomber outside Swedish territory and in heat of battle had mistakenly pursued opponent which disrespected Swedish neutrality. When German planes noticed its location it immediately departed. German Foreign Office expressed regret for violation of Swedish neutrality.

Letter from Swedish seaman Shanghai stating he and sixty survivors from Swedish steamer NINGPO which sunk Hongkong December 1941 are suffering physical hardships and Swedish authorities ignoring their fate evoked Foreign Office statement that men receiving best possible treatment through Swedish Consulate General Shanghai and Foreign Office made repeated efforts arrange their repatriation and negotiations still progressing. Foreign Office emphatically repudiated allegation Swedish seamen are in distress.

Eskilstuna Kuriren reports Minister without portfolio Rosander intends resigning cabinet post this autumn to resume post as Eskilstuna's mayor. Rosander member of government since October 1940. (Irrespective of outcome September 17 elections two other Cabinet Ministers will probably leave Cabinet after elections, namely, communications Minister Anderson of Raajsoen who's designated Governor of Kopparberg Province and Commerce Minister Eriksson who will head alcohol Monopoly).
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington.
DATED: August 11, 1944
NO.: 6472.

SECRET

A point reference Resolution 6 of the last act of the Conference at Bretton Woods which deals with lected property and enemy assets was brought up by Renald in an informal conversation. Any measures that could not be enforced efficiently without a greatly extended continuation of blockade, navicerts, and postal censorship after the war, the Foreign Office is still most reluctant to recommend or undertake, Renald said, and he asked what measures, if any, as a result of this resolution, the State Department intends to take.

(This message is being serviced as it is impossible to decipher the remainder of it.)

WINANT.

DEC: LOW 8/14/44

ef: copy 8-15-44
CORRECTION OF
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington.
DATED: August 11, 1944
NO.: 6472.

SECRET

To paraphrased copy of message Number 6472, after the words, "State Department intends to take." add the following:

"He also stated that the Foreign Office will do its utmost to cooperate with the State Department in any course of action which that Department may take, although he feels that the objections he voiced at the Bretton Woods Conference are as forceful as ever."

(End of Message)

WINANT.

DCR:LCW 3/14/44

ef: copy
8-16-44

Regraded Unclassified
Distribution of true reading only by special arrangement. (SECRET-W)

Secretary of State
Washington

106, August 11, 2 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN No. 105.

Just returned from Bari where survey made Hungarian Yugoslav situations. Discussions with British American Partisans indicate responsibilities from Hungary not (repeat not) favorable presently because Yugo-Hungarian border too well guarded. I am informed Partisans now control isolated region their side Drava River where Hungarians are safe if they reach there by own efforts. A handful have reached safety in last few months. Allied and Partisan forces in this area not even sufficient for intelligence purposes but situation expected to improve.

Yugoslav situation improving. In July over 2,500 refugees evacuated, 900 being orphan children, by air from interior balance old men, women, children by boat from coast. However, there is great immediate need for supplies to be brought into liberated areas to prevent several million people from starving or freezing to death. Approximately four million are homeless. Tents would aid tremendously but require plane transport. Many without proper clothing. Some small boats available from time to time to bring clothing to Vis for distribution from there by young men who evade Bosnian guards regularly. Latter statement by Partisans confirmed by Allied authorities. Food and medicine also urgent, particularly dry or condensed milk for nursing mothers and children. Much difficulty envisaged to get transport these supplies but believe there will be space occasionally for small amounts. Again urge that stockpile be created so that if transport available or Germans pull out this aid could be carried immediately. Will discuss with Murphy, Army and UNRRA representative next few days but urge you do all possible your end. Proper agency for procurement supplies appears AML now Cairo but this may change rapidly. Will advise. Report also comes by pouch.

MURPHY

ED-174
Caserta
Dated August 11, 1944
Rec’d 8:15 p.m., 12th

Regarded Unclassified
Referring to an article on the Italian food situation by Anne O. Hare McCormick published in the NEW YORK TIMES, the Rome newspaper IL TEMPO of August 11 reports her as saying that in a difficult matter of this kind criticisms are useless; that actually, the difficulty is one of transport to bring in foodstuffs from the districts where they are grown and transport is impossible without fuel; that to speak of fuel for civilian services is a delicate matter in a country which is still a battlefield, it being obvious that war needs must be given absolute priority over fuel.

IL TEMPO comments as follows: "We cannot agree entirely with Mrs. McCormick. The problem of feeding Rome is not primarily a fuel problem but— as we have had occasion to say over and over again—a problem of freedom of transportation. As long as transportation is subjected to licensing, Rome will continue to starve. The primary maladjustment lies in the scarcity of transport and its high cost.

On the other hand, we are completely in agreement with Mrs. McCormick when she acknowledges our capacity to get out of our troubles with the few means we have, on the condition of course that we are allowed to do so; in other words, provided we are given that minimum of freedom of action without which it is impossible to begin to rebuild our life from the very foundations."

Repeated to AMPOLAD as 54.
PARAGRAPH OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
To: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 2484

CONFIDENTIAL

Field sends the following for Dexter.

We have received the message given below from Bern as no. 149 of August 10.

Kindly forward substance to Raymond Braghi, 25, Beacon Street, Boston.

I am informed that my "plea for financial support for medical services and for assistance in occupied countries" is opposed by the committee. The reasons given are that my plea was not within the scope of the committee and that there was danger from payment in foreign currency for these purposes from easily traceable notes obtained in Switzerland. I hope that this is not the last word. Colleagues here are spending much larger amounts for similar purpose in sound recognition of the fact that resistance movements are the only reliable element that can save refugees and that former cannot be expected to help unless given assistance in return. Actually many refugees are in maquis and resistance groups. Proposed help would not be for military or political purposes but exclusively for social services. Owing to method of financing, argument regarding traceability of notes is invalid. Above views are concurred in by the War Refugee Board representative.

To date licenses were limited to France. We urgently request extension to other occupied countries, particularly the Balkans, Hungary and Italy where the refugee situation is bad.

A letter of designation has been sent to our representative in Paris for use after liberation subject to later confirmation. She has been asked to build up a staff of qualified Allied workers to be available immediately on the spot if and when legal activities are resumed by the committee.
Distribution of true reading only by special arrangement. (SECRET W)

Lisbon
Dated August 11, 1944
Rec'd 11 p.m.

Secretary of State
Washington

2492, August 11, 7 p.m.

THIS IS WRB 153 UNITARIAN 313 FOR RAYMOND BRAIGG
BOSTON FROM ELIZABETH DEXTER

I second Field's plea with all possible solemnity. WRB representative equally concurs. Referring to Field's cable Lisbon No. 2494, August 10 just forwarded you via Department. These doors once slammed can never be re-opened. More important valuable lives will be lost which you can now save. We know truth of Field's statement regarding other organizations. Certain you can get needed permission through WRB.

Answer soonest through WRB Lisbon and always communicate field through Lisbon.

From vantage point here obvious Field's proposals most important opportunity and obligation before committee.

NORMEB

BR BB
LL-732
Distribution of true reading only by special arrangement. (SECRET W) Lisbon
DATED August 11, 1944 Rec'd 4:35 p.m.

Secretary of State, Washington.

2483, August 11, 4 p.m.

Believe your criticism Blackenstaff case selection in your letter 131, July 24 due misunderstanding situation. WRB 152 unitarian. 312 for Raymond Bragg Boston from Elisabeth Dexter. Under present conditions impossible for him help Spaniards. All other cases chosen in consultation Lisbon and along lines our general policy. Urge you allow details to be arranged between Madrid and Lisbon. Explanatory letter follows. Madrid accounts now coming regularly but statistics still lacking.

NORWEB

BB RR
CABLE TO EMBASSY, MADRID, SPAIN

Reference your 2623 of July 28 and 2643 of July 31. Department and War Refugee Board are most appreciative of your successful participation in obtaining Spanish authorization for 1500 visas for Hungarian Jews and of 500 additional visas for children.

3:15 p.m.
August 11, 1944

Baksinair 8/7/44
CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM SWEDEN

1. In addition to Hungarian offers reported in Department's 1501 of July 28, 1486 of July 27, 1526 of July 31, and 1572 of August 7, to you, Department and Board received information from various sources regarding changed attitude of Hungarian Government with versions widely differing. Principal uncertainties concern following points:

Have deportations been definitely stopped for all categories or only suspended, and if so, for how long and for what categories?

To what extent will Jews in Hungary be permitted and in fact enabled to procure food and other necessities through ordinary, commercial channels and aside from Intercross action?

To what extent is it possible to expect that stoppage of deportations and other forms of actual danger to life would continue even in the absence of actual sizeable emigration of Jews from Hungary during hostilities?

To what extent is emigration to countries other than Palestine permitted to Jews over ten years of age?

Is there a way to conduct emigration in such a way as to prevent breaking up of families, with children under ten separated from parents?

To what extent, in view of internal situation in Hungary, is it possible to count on Hungarian promises being made effective and continuing up to the termination of hostilities?

It would be deeply appreciated if Wallenberg could clarify all above points for guidance of Department and Board.

2. Leaving it to Wallenberg's discretion to continue activities outlined in Department's 1553 of July 7, it appears here that main emphasis should be placed now on inducing appropriate Hungarian circles to maintain and strengthen the newly reported relaxation of Jewish regime in Hungary and to apply such relaxation to all Jews in Hungary without exception.

3. Please advise Department and Board as soon as possible of answers to any of above questions.

THIS IS WBB CABLE TO STOCKHOLM NO. 72

9:10 a.m.
August 11, 1944

BAksinstmh 8/10/44
CABLE TO JOHNSON, STOCKHOLM, FOR OLSEN FROM WAR REFUGEE BOARD

On recommendation of Board Treasury has issued license to International Rescue and Relief Committee, permitting monthly remittance of 2,000 dollars for period of 6 months to Madame Elise Ottesen-Jensen, Stockholm, provided such funds will be utilized only as authorized by Olsen.

THIS IS WRB CABLE TO STOCKHOLM NO. 73

11:15 a.m.
August 11, 1944

FRSJTH 8/11/44
RE-687
Distribution of true
reading only by special
arrangement. (SECRET)

Stockholm
Dated August 11, 1944
Rec'd 2:55 p.m.

Secretary of State
Washington
3056, August 11, 2 p.m.
This is 69 for WRB
Please advise Mrs. Marion Fischel, 325 North
Alpine Drive, Beverly Hills, California, that her
son (stateless Jew evacuated from Finland with
Americans and others) is safe in Stockholm and
in great need of funds for living expenses. Urgent
that funds be cabled immediately to Karl Avagen
52, Stockholm.

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

Stockholm

Dated August 11, 1944
Rec’d 1:40 p.m.

Secretary of State,

Washington.

3046, August 11, 2 p.m.

FOR WRB FROM OLSEN

No. 70

Regret and am shocked in most personal way to in-
form you, according to newly-arrived Lithuanian evacuees,
Vokietaitis was caught and executed by Germans. In hope
report inaccurate, everything possible being done to
rescue him.

JOHNSON

WTD

LMS
PLAIN

Stockholm via London

Dated August 11, 1944

Rec'd 10:26 a.m., 12th

Secretary of State,

Washington

3049, eleventh

Baltic news: ALLEHANDA tenth: Helsinki STB: Germans issued strict orders prohibiting everyone resident Estonia to leave country. This applies not only Estonians but also Reich Germans. SUOMIS: Tallinn correspondent repeats report that Estonian self-government will retire thereafter country will be entirely under military administration. Refugees who managed cross frontier from Latvia to Estonia report extreme ruthlessness on part of Russians in recaptured areas.


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

The following message is sent to you by Frank Kingdon, International Rescue and Relief Committee:

"In reply to your message received July 15th regarding distribution of IRRC funds for Spaniards in France we suggest your consulting with Bertholet to arrange between you distribution via all groups that have contact with Spanish refugees. Accordingly, license has been revised for payments up to five thousand dollars monthly to be made to Bertholet for him to apportion money subject to your approval to each agency having necessary contacts and to distribute some part himself. Also Unitarians suggest contacting Field for possible contribution to Spaniards. Would appreciate your giving Bertholet copy of this message."

THIS IS WRB CABLE TO BERN NO. 120

4:15 p.m.
August 11, 1944

FH:jth 8/11/44
FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 11, 1944
NUMBER: 2769

SECRET

FROM THE DEPARTMENT AND WAR REFUGEE BOARD TO MINISTER HARRISON AND MCCLELAND.

Blockade authorities have agreed to Intercross proposal (your 4578, July 18 and Department's 2663, August 3) for sending three-kilo parcels to persons in concentration camps. Agreement also has been given to use of portion of reclaimed Christina cargo in same manner to be packaged in Switzerland. Intercross should be so advised at once.

Authorization as regards parcels to be shipped from here covers 300,000 parcels. Plans for their preparation are now being made, and you will be kept informed of developments. Transportation, as you may know, is very difficult at present, but we are hopeful that this obstacle will be surmounted through the establishment of a new prisoner-of-war supply shipping route via Gothenburg. Blockade authorities wish to consider and pass on procedure to be used by Intercross in safeguarding packages sent from here between shipment from Gothenburg and affixing of labels on parcels at Gothenburg and the forwarding of same by mail from that point. It is suggested that you discuss this matter with Intercross.

With reference to reclaimed Christina cargo, Department's 296 of July 20 to Geneva (Intercross SW 917 for James) is amended to provide for use by Intercross of such portion of usable items as in its discretion may be used profitably in three-kilo parcels for distribution to unassimilated groups in concentration camps.

A strict accounting procedure should be set up concerning all items used by Intercross for this purpose in order that possible reimbursement on a pro rata basis to the French and Belgians may be computed here. Please request Intercross to furnish you, to be forwarded to us, such information concerning receipt or non-receipt of parcels as may become available to Intercross and information with respect to camps in which distribution is made, the nationalities and number of persons thereof benefiting by this distribution. Please inform James.

(Repeat to London for their information.) #6355

THIS IS WRB CABLE TO BERN NO. 117

STETTINIUS
(Acting)
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: August 11, 1944
NUMBER: 5195

CONFIDENTIAL

McClelland sends the following for the War Refugees Board.

In view of the fact that the coming months will be critical ones and first installment WRB funds is practically exhausted remittance of remaining $125,000 funds in the near future would be appreciated.

The foregoing refers to the Department's June 10 cable No. 1994.

HARRISON

DGR:ERH 8/14/45
PARAPHRASE OF TELEGRAM RECEIVED

FROM:  American Legation, Bern
TO:  Secretary of State, Washington
DATED:  August 11, 1944  Rec'd August 16
NUMBER:  5197

SECRET

We have already obtained Hungarian exit and Roumanian transit permission for the first convoy of 2000 people and it is reported that boats are available at Constanza. German exit permits from Hungary have not been granted and according to statements the Gestapo chief made to Kastner they will not be granted unless certain ransom terms are fulfilled.

When Joel Brandt's mission to Istanbul (please see Legation's cable of July 5, No. 4258) failed to produce concrete results and he did not return to Hungary but instead went on to Jerusalem, in the face of obvious German displeasure, desperate efforts were made by Jewish circles in Budapest to keep negotiations with the Gestapo going by raising goods and valuables from local sources to a value of 3 million Swiss francs and by stating that a credit of 2 million francs would be opened in Switzerland to cover purchase goods (tractors) there and in Slovakia (sheepskins). The affair of 40 tractors which Sternbuch brought to our attention (see Legation's message of July 26, No. 4802) was part of this deal which Link and Freundiger of the orthodox group at Budapest negotiated and relayed to Sternbuch. On the basis of these offers, the Gestapo in Budapest refrained from sending to Auschwitz during the initial period of deportations the following groups totaling 17290 souls.

1. 1690 people of whom the 1200 prominent Orthodox Jews and Rabbis mentioned previously seem to have been a part. This group was sent via Bratislava to Strasshof in Austria and later to the camp of Gergen-Belsen in Germany where they are now.

2. Approximately 15,000 persons were sent to unknown destinations in Austria to be kept "on ice" as was stated by the Gestapo; and 600 persons are still confined in Budapest.

These various offers were made as a stop gap in the desperate hope that in the meantime Brandt's negotiations would be successful and thus render superfluous these make-shift deals. As Kastner writes, we were forced to enter upon such negotiations to win time or do nothing. Apparently the war further encouraged by a message dated June 30 from Barlas of the Jewish Agency in Istanbul saying that funds would be available for the prevention of deportation and for emigration.
The desire was expressed by Gestapo representatives in Budapest to meet Joseph Schwartz of JDC in Lisbon to discuss the terms of payment and release of 17290 Jews who were to be permitted to go to Spain according to the original agreement. After the attempt on Hitler's life, the meeting place was changed to Irun on the Franco Spanish border or orders from Berlin and following the unwillingness of Schwartz to meet them at all, the Germans agreed to meet Saly Mayer instead as a neutral citizen at Austro-Swiss border on or about the 13th of August. As proof of their "good faith" and on the insistence of Kassner, the Germans also unconditionally agreed to release the convoy of 500 people from Bergen-Belsen which would be permitted to come to Switzerland. Finally assurances were given by the Germans that until the question had been discussed with JDC representatives no deportations of the 17290 Jews would take place.

A Gestapo agent on July 21 visited Jewish groups in Bratislava who assured him 300 tractors were available in Switzerland. A very favorable impression was created by this news with the Gestapo chief in Budapest, since as is reported by Kassner, tractors are what are most desired and used here. Before Joel Brandt's departure, the Gestapo in Budapest had declared that they were willing to trade 1000 Jews for every 10 tractors and even went so far as to give assurance that if the delivery of the tractors was begun seriously "they would destroy the 'plants' at Auschwitz".

It is my personal opinion, in light of this information, that Saly Mayer should be permitted to meet Gestapo agents (provided that his own Government, with which the matter has been discussed, approves and grants the necessary border permits for German agents) in an effort to draw out the negotiations and gain as much time as possible without, if possible, making any commitments. I recommended to Saly and he concurred that preliminary message be sent to Budapest by courier, the letter to state in turn that no meeting can take place before the arrival in Switzerland of the convoy of 500. In view of the rapidly changing military situation, any time gained is in favor of the endangered Jews. On the other hand, before Saly goes to such a meeting, we must have some very definite expression of your opinion, in case it is impossible to stall, whether any commitments whatsoever on the basis of either tractors, money or both can be entered upon. You should also bear in mind the fact that the Gestapo chief in Budapest has already declared that not one of the 40,000 Jews whose emigration to Palestine is now being planned will be allowed to depart from Hungary unless tractors are secured for them. Concerning the first sentence of Department's cable of August 2, No. 2656, I am not personally able to assume the responsibility for final decision in a serious matter of this sort. However, my own opinion is that apart from the maneuver to gain time, at this juncture it is impossible to embark upon a program of buying Jews out of Nazi hands, especially in exchange for goods which might enable the enemy to prolong the war. Further, there is no assurance that the Swiss Government would be willing to allow the entry of Jewish refugees from Hungary into Switzerland whose release had been secured by ransom payments.

Harrison

DCR: VAG: EFR 8/15/44
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 5197

SECRET

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Department's cable of August 2, no. 2656, and Legation's messages of August 3, nos. 4972 and 4974, and of August 5, no. 5043.

There has just reached Switzerland several reports dated the end of July from reliable Jewish sources in Budapest (Kasztner, Lomely and Peres) which shed additional light on the present situation of Jews in Hungary with regard especially to ransom and emigration aspects of the problem. In spite of the preliminary reassuring news of the agreement between the ICRC and the Hungarian Government to allow Jewish emigration to Palestine and elsewhere and relief to Jews remaining in Hungary it now seems that ranking Gestapo agents of so-called "Sondereinsatz Kommand" specially sent to Budapest to direct the deportation of Jews have no intention of permitting them to emigrate freely, especially to Palestine, if they can prevent it. After the attack on Hitlers and following the rapid worsening of the German military situation, the Gestapo in Budapest shifted their interest from the ideological aspect of Jewish extermination to the purely material benefits in goods, labor and money to be derived therefrom. The essence of their present attitude is contained in declaration of Gestapo Head to Kasztner to the effect that he wished to pump out the necessary labor from Hungary Jewry, and sell the balance of valueless human material against valuable goods.

On the other hand, the Hungarian Government led by Horthy apparently has been frightened not only into stopping deportation (July 9) but also into trying to make up for the unsavory role it has already played in the persecution and deportation of Jews by favoring their emigration and relief to them under the supervision of ICRC. Kraus of the Jewish Agency for Palestine accordingly has been permitted to set up an office in the Swiss Legation where they are actively preparing the emigration to Palestine of 8700 families previously mentioned.

HARRISON

Regraded Unclassified
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: August 11, 1944
RQ: 200

CONFIDENTIAL

Reference is made herewith to the Department's August 2
telegram No. 2007 and August 7 cable No. 2715.

The International Red Cross Committee was presented
with communication dated August 11, on same date, which
contained text of Department's reply.

HARRISON
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 5228

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Department's cable of August 3, no. 2665, and Legation's cable of July 29, no. 4897.

ICRC.

James, Amcross representative at Geneva, with approval, intends to allocate from 80 to 75 tons salvaged Cristina foodstuffs to ICRC's package program for concentration camps in Germany for immediate parceling and shipment. We would like to know if you could in principle arrange to reimburse Amcross for these goods or if you would prefer that I reimburse ICRC here in Switzerland out of WRB funds (Amcross-Ww 917, July 20).

If it proves possible to ship projected 300,000 parcels, on basis of recent information from Germany ICRC cautions that foodstuffs contained in them, while nutritive (with stress on fats) be of the simplest kind to forestall German criticism that "luxury goods" not available to the German population are being received by prisoners in concentration camps.

HARRISON
CABLE TO HIRSCHMANN, ANKARA, FROM WAR REFUGEES BOARD

On recommendation of Board, Treasury has licensed International Rescue and Relief Committee to remit 5,000 dollars per month for a period of 6 months to Leon P. Dennenberg, Ankara, provided such funds will be utilized only as authorized by the American Ambassador and/or Hirschmann.

THIS IS WRB CABLE TO ANKARA NO. 99

11:15 a.m.
August 11, 1944

Fil: Jth 8/11/44
BAS-637
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Ankara
Dated August 11, 1944
Rece'd 9:15 p.m.

Secretary of State,
Washington.

1472, August 11, 1 p.m.

FOR PHELPE WRB FROM HIRSCHMANN ANKARA NO. 130.

It has been reported to us through reliable sources out of Hungary that the warning transmitted by radio to the Hungarians emanating from the Board has had a salutary effect. It is suggested that this and other warnings of a similar nature be repeated. It is reported that the Hungarians are beginning to show some signs of resistance to the Germans. These warnings should be continued and the Hungarians should be encouraged to resist.

KELLY

BB
CORRECTION

LL-572
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SECRET O)

In telegram from Chungking number 1357 dated August 8, 10 p.m. (SECTION ONE) page 1 line 3 delete "(?)" insert "Revised" so as to read "One. Revised general price index etc" also page 2 line 17 delete "(?)" insert "(A)" now reads "are in CN dollars. (A) the high and low etc."

DIVISION OF COMMUNICATIONS AND RECORDS

Correction from the Embassy
MEV

1944 AUG 12 AM 9 52
DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS AND RECORDS (liaison)
SECRETARY TREASURY FROM FRIEDMAN

The United Clearing Board on August two raised spot rate to 120 and to 130 on August 3 plus two points per month for war because of large demand considering going up gradually to 150 by end of month.

Two. From July 3 through August 10 spot sales including Chengtu and Kuning totalled about United States dollars $2,732,000 of which about three-fourths during last two weeks and in addition, have made forward sales (August through September) totalling about US dollars 2,445,000 (tentative figure). Afraid oversold. Therefore, have stopped all sales time being. If oversold say can adjust all buyers carrying August purchases to September and October with no penalty in rate. Immediate cause of spurt was purchase July 28 of US 700,000 by Chung Yuan Paper Company in name of D.W.T. Jian (repeat T. Jian).

Firm known
Firm known to be close to Central Trust (through Henry Lin) and actions convinced others government not providing US dollars at more desirable rate. Also reflected general spirit of optimism business circles on duration of war and relative attractiveness of foreign exchange because current price situation. Too early say what effect fall of Hengyang and possible repercussions will have on outlook business circles.

Three. In large majority of purchases of UCB checks by Army and United States civilian Government personnel payee was individual in US us ally member of family. Understand such transactions not provided for under existing Treasury license. Checks sold by UCB total about US 264,000. Treasury license issued not received here.

Four. UCB now considering limiting sales to amounts above 10,000; would eliminate practically all of military personnel purchases. At present doing bulk of business with about 25 large buyers such as Qung Sing Corp on mills, Ming Sung, and various subsidiaries of Shanghai Commercial Bank.

Five. Following prices provided by Army as indicating rising costs of construction in Kunming area. Figures are in CN and are for January and July 1,44, respectively:

housing square
-3-#1389, August 11, 1 p.m., from Chungking via Navy.

housing square feet 400-900; 15 inch mud brick wall
(square foot) 40-50; lime concrete cubic feet 120-200;
cement concrete cubic feet 400 to 700.

Six. Army now allocating 40 tons per month of air
transportation into China for Chinese homes. Last ship-
ment was made in June--26 ton.

Seven. Leaving for Kunming August 12.

GAUSS

NPL
Treasury Department
Division of Monetary Research

Date...Aug...19...19 44

To: Mr. White

From: Mr. Glasser

1. The Joint Chiefs of Staff have set up a Joint Postwar Committee to be responsible for the military aspect of postwar planning.

2. General Strong (ex-0-2 Head) is the Army representative.

3. General Strong in his new position is interested in controlling Axis funds held outside of Germany. They are interested from the point of view of American military security in the postwar period. He is suggesting a program of preventing Germans from transferring property held anywhere in the world.
MEMORANDUM FOR THE FILES

August 12, 1944

Subject: Discussion with Lt. Col. Towson and Major Baldwin.

Col. Towson and Major Baldwin came to see me this afternoon. Col. Towson informed me that he was no longer with Military Intelligence and that both he and Major Baldwin are working for the Joint Chiefs of Staff. The Joint Chiefs of Staff have set up a Joint Postwar Committee to be responsible for the military aspects of postwar planning. General Strong is the Army representative on the Joint Postwar Committee and Rear Admiral Train is the representative for the Navy. Col. Towson also mentioned that General Strong is representing the Army at the Four-Power Conference being held at Dumbarton Oaks.

The particular problem which Col. Towson came to see me about is that of controlling Axis funds held outside of Germany. He pointed out that the Joint Chiefs of Staff are interested in this problem from the standpoint of American military security in the postwar period. They feel that an effective program will be necessary to prevent the war leaders and their associates from retaining the funds with which to take steps which might lead to future wars. General Strong has apparently suggested, as a step in handling this problem, that a plan be devised for preventing the transfer of property anywhere in the world in which Germans have an interest and that such plan be placed before the European Advisory Commission.

I told Col. Towson that this was a problem in which we had long been interested and on which work had been done. I called his attention to Resolution VI of the Bretton Woods conference and to the mission about to leave for Europe for the purpose of laying the groundwork for collecting data that would be helpful on this problem. Col. Towson asked whether it would be advisable, as a matter of protocol, for him to get a letter sent from General Strong to the Secretary of the Treasury with respect to this matter. I advised him that I would check around the Treasury and consider the best possible method of moving forward and would get in touch with him.

(Initialed O.A.S.

Orvis A. Schmidt

C.C. Messrs. Luxford, Pehle, Glasser, Bennett, O'Flaherty, Richards, Mrs. Schwartz.

OAS:ops 8/14/44

Regraded Unclassified
CONFIDENTIAL

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

I am enclosing our compilation for the week ended August 2, 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,

(Signed) Robert G. Rouse

Robert G. Rouse,
Vice President.

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

Enc.
### Analysis of British and Foreign Accounts

**Period:**
- **Regraded Unclassified**
- **Week Ended: August 2, 1944**

#### Bank of England (British Government)
- **Debits**
  - **Total Debits**
  - **Gov’t Expenditures**
  - **Transfers to Allied Governments**
  - **Other Debites**
  - **Total Credits**
- **Credits**
  - **Total Credits**
  - **Provisions of Gold**
  - **Loans**
  - **Other Credits**
  - **Net Incr. or Deocr. in $ Funds**

#### Bank of France
- **Debits**
  - **Total Debits**
  - **Net Incr. or Deocr. in $ Funds**

<table>
<thead>
<tr>
<th>Period</th>
<th>Debits</th>
<th>Credits</th>
<th>Net Incr. or Deocr. in $ Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week year of war (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year period through</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December, 1943</td>
<td>2,193.2</td>
<td>1,828.2</td>
<td>+ 350</td>
</tr>
<tr>
<td>Total year of war (b)</td>
<td>2,193.2</td>
<td>1,828.2</td>
<td>+ 350</td>
</tr>
<tr>
<td>Billed year of war (c)</td>
<td>1,828.2</td>
<td>1,828.2</td>
<td>+ 350</td>
</tr>
<tr>
<td>Ruined year of war (d)</td>
<td>1,828.2</td>
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<td>+ 350</td>
</tr>
<tr>
<td><strong>1943</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill 1st quarter</td>
<td>756.4</td>
<td>713.2</td>
<td>+ 350</td>
</tr>
<tr>
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<td>756.4</td>
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<td>+ 350</td>
</tr>
<tr>
<td><strong>1944</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>46.6</td>
<td>42.4</td>
<td>+ 350</td>
</tr>
<tr>
<td>February</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
</tr>
<tr>
<td>March</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
</tr>
<tr>
<td>April</td>
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<td>+ 350</td>
</tr>
<tr>
<td>May</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
</tr>
<tr>
<td>June</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
</tr>
<tr>
<td>July</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
</tr>
<tr>
<td>August</td>
<td>125.6</td>
<td>126.5</td>
<td>+ 350</td>
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<tr>
<td><strong>Week Ended</strong></td>
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<tr>
<td>July 12, 1944</td>
<td>6.7</td>
<td>4.6</td>
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<tr>
<td>July 19, 1944</td>
<td>12.5</td>
<td>10.6</td>
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<tr>
<td>August 26, 1944</td>
<td>12.5</td>
<td>10.6</td>
<td>+ 350</td>
</tr>
</tbody>
</table>

#### Average Weekly Expenditures Since Outbreak of War
- **France:** Through June 19, 1940: $10.7 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: $21.6 million

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See attached sheet for footnotes.
c. Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Fisher Control, and Ministry of Shipping.

d. 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 $234 million.

e. Includes about $85 million received during October, 1940 from the accounts of British authorized banks with New York banks, probably reflecting the requisitioning of private dollar balances. Other large transfer from such accounts since October, 1940 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (b) below.

(f) Includes net change in all dollar holdings payable on demand or maturing in one year.

g. For breakdown by types of debits and credits see tabulations prior to March 10, 1943.

(h) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(i) For monthly breakdown see tabulations prior to April 23, 1941.

(j) For monthly breakdown see tabulations prior to October 8, 1941.

(k) For monthly breakdown see tabulations prior to October 14, 1942.

(l) For monthly breakdown see tabulations prior to September 29, 1943.

(m) Includes $4,0 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, $134.7 million representing dollar receipts by the British Ministry of War Transport, and $134.6 million in connection with the expenses of our armed forces abroad.
### Analysis of Canadian and Australian Accounts (In Millions of Dollars)

<table>
<thead>
<tr>
<th>Period</th>
<th>Debits to Official British A/C</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Transfers from Official British A/C</th>
<th>For Own A/C</th>
<th>For French A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decr. (-) in $ (b)</th>
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</thead>
<tbody>
<tr>
<td><strong>1944</strong></td>
<td></td>
<td></td>
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<tr>
<td>September</td>
<td>47.2</td>
<td>-</td>
<td>70.1</td>
<td>10.6</td>
<td>9.5</td>
<td>+ 22.9</td>
<td>16.8</td>
<td>20.0</td>
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<td>1.9</td>
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<td>22.0</td>
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<td>22.8</td>
<td>-</td>
<td>36.4</td>
<td>7.1</td>
<td>5.7</td>
<td>+ 37.9</td>
<td>28.3</td>
<td>28.0</td>
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<tr>
<td>December</td>
<td>32.3</td>
<td>-</td>
<td>70.5</td>
<td>6.4</td>
<td>0.9</td>
<td>+ 76.8</td>
<td>32.6</td>
<td>32.0</td>
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<tr>
<td><strong>1945</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>32.3</td>
<td>-</td>
<td>72.6</td>
<td>10.6</td>
<td>9.5</td>
<td>+ 22.9</td>
<td>16.8</td>
<td>20.0</td>
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<td>February</td>
<td>25.4</td>
<td>-</td>
<td>74.5</td>
<td>2.1</td>
<td>0.2</td>
<td>+ 73.1</td>
<td>24.8</td>
<td>25.0</td>
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<tr>
<td>March</td>
<td>15.8</td>
<td>-</td>
<td>37.5</td>
<td>15.5</td>
<td>10.1</td>
<td>+ 27.2</td>
<td>28.4</td>
<td>29.9</td>
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<tr>
<td>April</td>
<td>15.8</td>
<td>-</td>
<td>37.5</td>
<td>8.1</td>
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<td>May</td>
<td>15.8</td>
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<td>37.5</td>
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<td>July 31, 1944</td>
<td>8.7</td>
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<td>13.5</td>
<td>4.4</td>
<td>1.2</td>
<td>+ 15.5</td>
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<td>August 7, 1944</td>
<td>8.7</td>
<td>-</td>
<td>13.5</td>
<td>4.4</td>
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<td>+ 15.5</td>
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<td>August 21, 1944</td>
<td>8.7</td>
<td>-</td>
<td>13.5</td>
<td>4.4</td>
<td>1.2</td>
<td>+ 15.5</td>
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<td><strong>Average Weekly Expenditure</strong></td>
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<td>First year of war</td>
<td>5.2 million</td>
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<td>Second year of war</td>
<td>5.0 million</td>
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<td>Third year of war</td>
<td>10.1 million</td>
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<td>Fourth year of war</td>
<td>13.9 million</td>
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<tr>
<td>Fifth year of war (through August 2, 1944)</td>
<td>16.9 million</td>
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(a) For monthly breakdown see tabulations prior to April 23, 1943.
(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 $16.3 million deposited by Her Supplies, Ltd., and $10.0 million received from New York accounts of Canadian Chartered Banks.
This telegram must be paraphrased before being communicated to anyone other than a Government Agency.

AMLEGATION,

CANBERRA (AUSTRALIA)

Circular
Reference previous communications regarding refugee children.

In view of the situation in Hungary and the recent statement by Admiral Horthy that his Government would grant exit permits to, and suspend deportations of, all Jewish children for whom havens may be provided outside Hungary, would you request the government to which you are accredited to extend its acceptance in principle to children from Hungary as well as from France.

You may assure appropriate officials of that government that no detailed plans have as yet been developed for the actual immigration of refugee children into its country. Should such plans become necessary at a later date, they will not (repeat not) be developed without previous consultation with the government to which you are accredited.

STETTINIUS
ACTING
(GLW)

CODE ROOM: Repeat to Ottawa, Ciudad Trujillo, Dublin, San Salvador, Guatemala, Tegucigalpa, Managua, Asuncion and Lima.

MRB: MUV: KG
8/10/44  BC  S/CR  CCA  NWC  RPA  SE
TO: American Embassy, London
FROM: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 6408

SECRET

TO AMBASSADOR WINANT, LONDON, FOR JOSIAH DUBOIS, GENERAL COUNSEL,
WAR REFUGEE BOARD

Please deliver the following message to Mr. Josiah DuBois who is
with Secretary Morgenthau:

You will recall that the Hungarian Government has communicated to
the Governments of the United States and the United Kingdom an offer with
respect to the emigration and treatment of Jews. The American Minister in
Bern was instructed to deliver to the International Red Cross on August 11
the following reply to the offer in question:

"It has now been indicated by the Hungarian Government that
certain categories of Jews will be permitted to emigrate from Hungary.
This Government, despite the substantial difficulties and responsibilities
involved, has consistently made clear its determination to take all practi-
cable steps to rescue victims of enemy oppression in imminent danger of
death. In view of the desperate plight of the Jews in Hungary and the
overwhelming humanitarian considerations involved, this Government now
wishes to repeat specifically its assurance that it will arrange for the
care of all Jews permitted to leave Hungary who reach neutral or United
Nations territory, and will find for such people havens of refuge where
they may live in safety. These assurances have been communicated to the
governments of neutral countries who have been requested to permit the
entry of Jews who reach their borders from Hungary. This Government now
awaits some concrete evidence of the willingness of the Hungarian Govern-
ment to carry out its proposal."

On July 29 the British Government was advised of the reply which this
Government proposed to deliver to the International Red Cross on August 7 and
the British Government was requested to take parallel action. On August 5
the British Foreign Office requested this Government to delay the delivery of
its reply to the International Red Cross for several days until the matter
could be discussed by the British War Cabinet. On the same day, this Govern-
ment advised the British that we would postpone the delivery of our reply
until August 11. The American Minister in Bern was instructed accordingly.
On August 10 the British Embassy here transmitted to this Government a message from the British Government which stated in part:

"His Majesty's Government agree that Hungary's offer should be accepted and are ready to make joint declaration with United States Government to that effect. Terms of declaration will, of course, have to be agreed between us.

"It cannot however be sufficiently emphasized that British capacity to accommodate refugees, as United States Government knows, has now become limited and thus while we accept an indefinite commitment in order to meet the wishes of United States Government we count on them not to face us with the impossible in practice, but to take their fair share of the burden."

In addition, the British Government raised certain practical problems of accommodation which will have to be considered in implementing the acceptance of the Hungarian offer.

On August 10 following the receipt of the British Government's communication, the British Embassy here was advised that the American Minister in Bern would proceed to deliver this Government's reply on August 11, but that publication of such action would be postponed until the two Governments had an opportunity to agree on a joint statement to be given to the press. It was suggested to the British Embassy here that the British Government should instruct its Minister in Bern to deliver an identical reply to the International Red Cross. It was also suggested for the consideration of the British Government that the text of the American reply delivered to the International Red Cross on August 11 be made the basis of the joint public declaration, making such slight changes as might be necessary. It is understood that the British Embassy here immediately cabled the foregoing suggestions to London.

On August 11 the following communication was transmitted by the British Embassy to this Government:

"Please communicate to the United States Government the following suggested text of Joint Anglo-American declaration approved by the War Cabinet as being the most suitable in all the circumstances:

"United States Government has considered offer made by Hungarian Government of which they have learned through the International Red Cross and they undertake to care for all Jews who are permitted to leave Hungary and to reach neutral or United Nations territory (not withstanding that they do not all come within the classes of persons to whom the Hungarian Government's offer relates).

"His Majesty's Government in the United Kingdom have also been made aware of the offer of the Hungarian Government and with a view to relieving suffering of the Jews in Hungary will, to the extent of their resources, cooperate with the United States Government in caring for Jews who are permitted to leave Hungary and to reach neutral and United Nations territory."
"Should United States Government be unable to agree to joint declaration in this form and proceed to publicize acceptance of offer independently His Majesty's Government proposes for their part to publish the second portion of the foregoing declaration and to make an appropriate communication to the ICRC through His Majesty's Minister in Bern."

The joint public statement suggested by the British Government is regarded as unacceptable and through the British Embassy here the British Government has been requested to consider prompt concurrence in the issuance of a joint declaration as follows:

"The International Red Cross has communicated to the Governments of the United States and the United Kingdom an offer made by the Hungarian Government with respect to the emigration and treatment of Jews. In view of the desperate plight of the Jews in Hungary and the overwhelming humanitarian considerations involved the two governments are advising the Hungarian Government through the International Red Cross that despite the substantial difficulties and responsibilities involved the two governments will arrange for the care of all Jews leaving Hungary who reach neutral or United Nations territory and will find for such people temporary havens of refuge where they may live in safety. These assurances are also being communicated to the governments of neutral countries who are being requested to permit the entry of Jews who reach their borders from Hungary. The Governments of the United States and the United Kingdom emphasize that in accepting the offer which has been made they do not in any way condone the action of the Hungarian Government in forcing the emigration of Jews as an alternative to persecution and death."

We feel that the joint declaration suggested by the British is not (repeat not) a commitment by that government to the Hungarians, but merely a promise of qualified cooperation with the Government of the United States in carrying out the commitment made by the latter government. You will also note that the joint declaration suggested by the British omits any assurance by either government to find havens of refuge for Jews who reach neutral or United Nations territory.

We consider it very important that:

(1) If such action has not already been taken, the British Government immediately instruct its Minister in Bern to deliver to International Red Cross a note identical with that delivered by the American Minister on August 11.

(2) The British Government notify the neutral governments of the action taken by it, and request such countries to permit the entry of Jews who reach their borders from Hungary.

(3) The British Government agree to the simultaneous issuance of a joint statement in the form suggested by us.
In our discussions with the British on this matter, we have tried to make clear the following point of view. We do not approve or agree with the action of the Hungarians in forcing the emigration of Jews as an alternative to persecution and death, and we obviously hope that circumstances will still induce Hungarian authorities to permit Jews now in Hungary to remain there in safety and that the Hungarian government will not (repeat not) insist on a large scale war-time migration. At the same time, this Government is not (repeat not) prepared to give Germany and Hungary any excuses to continue extermination or deportation of the Jews. This is the reason for this government's insistence on an early notification to the Hungarians of our joint acceptance without awaiting a final determination of all considerations of accommodation and transport. We have also tried to make clear to the British that subsequent to the notification of acceptance of the Hungarians' offer by both governments and to the publication of such acceptance, we shall be glad to discuss with the British Government the various considerations of transportation, accommodation, etc., including the question of cooperation of Latin American Governments, the Inter-Governmental Committee, etc.

The foregoing is sent to you for your information and for any appropriate action which you may be able to take. Please consult Ambassador Winant and Secretary Morgenthau.

STETTINIUS
ACTING
MS-991
This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED)

Tangiers
Dated August 12, 1944
Rec'd 10:36 a.m.

Secretary of State,
Washington.

251, August 12, 2 p.m.

FOR WAR REFUGEE BOARD

Reference my 280, July 11, 11 a.m.

Mrs. Reichman states that she has just interviewed General Orgaz on the question of substantially increasing the number of Hungarian Jewish refugee children for whom a temporary haven in Tangier and Spanish Morocco had been originally planned and that the High Commissioner stated he agreed in principle to the admission of any number of such children provided adequate accommodations could be found. Mrs. Reichman intends to discuss with the French Consul here the feasibility of transporting lumber from unused barracks in Casablanca to construct a temporary shelter for these children. The Department will be informed of further development. Copy to Madrid.

CHILDs

WTD
August 12, 1944
1 p.m.
SECRET

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

AMBASSADY,
LISBON
2237

The cable below is WRB 74.

Please deliver paraphrase of following message to
Dr. Joseph Schwartz from Leavitt of the American Jewish Joint
Distribution Committee:

QUOTE Suggest Saly Mayer do everything possible
for 1200 Rabbis and other Hungarian Jewish religious
leaders and keep us advised. UNQUOTE

STETTINIUS
ACTING
(GLW)

S/CR

WRB: MMV: KG
8/11/44
August 12, 1944
3 p.m.

SECRET

AMERICAN Embassy,
LISBON
2239

With reference to message for Schwartz from Resnik Istanbul your 2410 August 4, the following cable has been sent to Hirschmann Ankara:

QUOTE It is assumed that you are aware of the fact that any discussions with Bulgarian or Rumanian authorities must be strictly confined to questions of relief of refugees closely associated with their rescue and must not enter into the field of the domestic affairs of these countries. In view of the present situation and in view of information available here as to Balabanoff's aims the Board reemphasizes that the utmost caution must be exercised to avoid any inferences which might be drawn from your discussions that any promises or commitments have been made with respect to peace terms or postwar settlements, or assistance in economic rehabilitation or of any other kind.

It will be appreciated in connection with the foregoing if you will clarify paragraph six of the cable under reference. (Your 141 August 2, In its present drafting the Department believes that Balabanoff may easily construe this paragraph as including an offer of postwar economic rehabilitation for his country. Obviously such an offer cannot be made by this Government acting alone, by the War Refugee Board or by its representatives. Paragraph six is only in order provided it refers to an immediate program for the relief of Jews in Bulgaria associated with the Board's general rescue program. UNQUOTE

With reference to section two your 2410 you are authorized to deliver Resnik's cable to Schwartz explaining to him at the same time that Resnik's message must be understood and accepted in the light of the foregoing cable to Hirschmann at Ankara.

SERTINIUS
ACTING
(GLW)

5/11/44
HIS
Distribution of true
reading only by special
arrangement. (SECRET W)

SECRET "W"
August 12, 1944
4 p.m.

AMBASSAD, 

LISBON
2240

The cable below is WRB 75.

Please deliver paraphrase of following message to
Dr. Joseph Schwartz from Leavitt of the American Jewish
Joint Distribution Committee:

QUOTE No reply from Saly Mayer to our June fifteenth
cable regarding Vaad and Mizrachi requests. Mizrachi
organization received another cable from Doctor Isaac Rom.

INNERQUOTE Urgently need great means salvation Jews
without Switzerland Mizrachists and others. Possibilities
furthermore salvation children in non-Jewish families and
cloisters who get estranged and lost as Jews. Wish create
homes. Saly Mayer of Joint so far passive gives only Red
Cross for children. END INNERQUOTE Please contact him
and advise. INQUOTE

STETTINIUS
ACTING
(GLW)

WRB: MAJ: KG
8/12/44
S/CR
WE

Regraded Unclassified
CABLE TO AMERICAN EMBASSY, MADRID

Refer Department's 2126 of July 28, paragraph marked 3.

The authorization given to consular officers in Spain and Portugal by the Department's 1008 of April 12 is hereby amended to include authorization to issue such visas to refugee children arriving in Switzerland from Hungary. For issuance through October, the additional non-preference quota immigration numbers given below were allotted to Madrid: Hungarian ______ to ________.

Please advise appropriate Spanish and Portuguese officials and make all appropriate efforts to arrange for release to Spain and Portugal from Hungary of children who may be eligible for the issuance of such visas.

4:05 p.m.  
August 12, 1944

LSLesser:tmh  8-2-44
Reference your 2623 of July 28 and 2643 of July 31. Department and War Refugee Board are most appreciative of your successful participation in obtaining Spanish authorization for 1500 visas for Hungarian Jews and of 500 additional visas for children.
HIS
Distribution only by special arrangement. (SECRET W)

AMBASSADOR,
STOCKHOLM.
1606

August 12, 1944
4 p.m.
SECRET "W"

The following for Johnson and Olsen is WRB 72.

1. In addition to Hungarian offers reported in Department's 1501 of July 28, 1486 of July 27, 1526 of July 31, and 1572 of August 7, to you, Department and Board received information from various sources regarding changed attitude of Hungarian Government with versions widely differing. Principal uncertainties concern following points:

Have deportations been definitely stopped for all categories or only suspended, and if so, for how long, and for what categories?

To what extent will Jews in Hungary be permitted and in fact enabled to procure food and other necessities through ordinary, commercial channels and aside from Intercross action?

To what extent is it possible to expect that stoppage of deportations and other forms of actual danger to life would continue even in the absence of actual sizeable emigration of Jews from Hungary during hostilities?

To what extent is emigration to countries other than Palestine permitted to Jews over ten years of age?

Is there a way to conduct emigration in such a way as to prevent breaking up of families, with children under ten separated from parents?

To what extent, in view of internal situation in Hungary, is it possible to count on Hungarian promises being made effective and continuing up to the termination of hostilities?

It would be deeply appreciated if Wallenberg could clarify all above points for guidance of Department and Board.

2. Leaving it to Wallenberg's discretion to continue activities outlined in Department's 1353 of July 7, it appears here that main emphasis should be placed now on inducing appropriate Hungarian circles to maintain and strengthen the newly reported relaxation of Jewish regime in Hungary and to apply such relaxation to all Jews in Hungary without exception.

3. Please advise Department and Board as soon as possible of answers to any of above questions.

STETTINIUS
ACTING
(GLW)

WRB: NOE: KG
8/11/44 S/CR
Regraded Unclassified

NOE SE
HIS
Distribution of true
reading only by special
arrangements. (SECRET W)

August 12, 1944
5 p.m.
SECRET "W"

CONFIDENTIAL

AMLEGATION,
STOCKHOLM.
1607
The following for Olsen is WRB 71.

The War Refugee Board requests that a paraphrase of the following
message be delivered to Wilhelm Wolbe, 11 Olefsgotten Strasse, Stockholm,
Sweden:

QUOTE Endeavor contact Lithuania and Latvia, seek means rescue
rabbis and scholars, also send relief food clothing medicaments. If
possible, go yourself or send delegate. Try arrange Swedish visas for
Hungarian Jews especially children, will send needed funds. Urge
Lehman interest himself in Rahel Reinitz daughter of Rabbi Lichtig
husband and children names as follows: Rahel Reinitz nee Lichtig
born Hamburg 1930, daughter Gabriele born 1935, all Czechoslovakian
nationality, last known address c/o Rabbi Tigerman Ersekujvar Hungary.
Vaad Hahatzala Emergency Committee, Rabbis Aron Kotler, Abraham
Kalmanowitz. UNQUOTE

STETTINIUS
(ACTING)
(CIW)

ACTING

WRB: MNN: KG
8/11/44
S/CR
NOE
EE
SE
War Refugee Board

AMLEGATION,

STOCKHOLM.

1609

The following for Olsen is WRB 73.

On recommendation of Board, Treasury has issued license to International Rescue and Relief Committee, permitting monthly remittance of 2,000 dollars for a period of 6 months to Madame Elise Ottesen-Jensen, Stockholm, provided such funds will be utilized only as authorized by Olsen.

STETTINIUS

(ACTING)

(GLW)

WRB: MMVGKG a/er NOE WT SWP
8/11/44
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, Stockholm
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 3068

SECRET

With reference to Department's cable 1301, dated June 30, 1944, an invoice has been presented by Steamship Company for Swedish kronor 40,000 for evacuation ship and kronor 359 for nurses and doctors fees, meals for evacuees and incidental necessities totaling kronor 40,959 which is equal to $9,799 in American dollars.

It is requested that you send instructions concerning whether the Legation is authorized to make complete payment from evacuation funds now on hand with the Department, charging to and collecting from several categories of persons concerned. Should further details or documents support the voucher covering payment, or is the data contained in Legation's cable 2457, dated July 5, 1944 enough for purposes of accounting?

JOHNSON

DCR: 1550
8/16/44
EUC-195
Distribution of
ture reading only by
special arrangement,
(SECRET W)

Stockholm
Dated August 12, 1944
Rec'd 8:28 p.m.

Secretary of State,
Washington.
3074, August 12, 9 p.m.
WRB No. 71.

Following is substance of note dated August 11,
received from Foreign Office (re Department's 1501,
July 28, 10 p.m. WRB 58).

Swedish Legation Budapest authorized issue
Swedish visas Jews holding American immigration visas
issued on or after July one, 1941. Swedish Legations
Budapest, Berlin instructed inform respective govern-
ments that effect.

JOHNSON

JMS
EMB
ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 12, 1944
NUMBER: 2774

CONFIDENTIAL

FOR MCCLELLAND:

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

QUOTE Reference to message of July 21 guaranteeing one million francs, it is necessary that Freudiger rescue plan secure McClelland's approval. Upon your sending us notification of such approval and McClelland notifying War Refugee Board likewise we are hopeful after conference that Joint will grant needed sum.

Concerning Neutra Rabbi's request behalf 1800 persons Joint cabling Saly Mayer regarding matter.

Advise developments rescue project for 1200 persons. Please confirm receipt of francs 428, 816 forwarded July 28.

VAAD HAHATZALA EMERGENCY COMMITTEE
ABRAHAM KALMANOWITZ UNQUOTE

The following from WRB to McClelland:

In view of your 4802 of July 26 and Department's 2656 of August 2, Board assumes that you will have acquainted Sternbuch with your decision regarding Freudiger proposal and that Sternbuch will notify Vaad Hahatzala accordingly.

THIS IS WRB BERN CABLE NO. 116.

STETTINNIUS
(Acting)
ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington

TO: American Legation, Bern

DATED: August 12, 1944

NUMBER: 2775

CONFIDENTIAL

Please advise Mr. Rene Bertholet, 14 Wasserstrasse, Zurich, Switzerland, representative in Switzerland of the International Rescue and Relief Committee, Inc., New York City, that the Treasury Department has amended Section 2 of license No. W-2138, described in the Department's telegram No. 839 of March 14, 1944, to read as follows: "The total amount of funds paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed the amount of dollars (or the foreign currency equivalent thereof) authorized by specific Treasury license to be used under this license."

This amendment is in connection with a specific Treasury license issued to the International Rescue and Relief Committee to remit to Mr. Bertholet the Swiss franc equivalent of $60,000 to be used under license No. W-2138, in addition to remittances previously licensed. It has the approval of the Department, the War Refugee Board and Treasury.

THIS IS WRB CABLE TO BERN NO. 118.

STETTINIUS
Acting
CONFIDENTIAL

Please inform Rene Bertholet, 14 Wasserstrasse, Zurich, Switzerland, that Treasury Department has issued license to International Rescue and Relief Committee, Inc., New York City, permitting it to remit to him the Swiss franc equivalent of $5,000 per month for a period of six months to continue relief of Spanish refugees in camps in southern France. This license stipulates funds remitted thereunder shall be utilized by Mr. Bertholet only as authorized by the War Refugee Board representative at Bern. These operations are a continuation of those contemplated in the Department's telegram No. 740 of March 6, 1944 and are approved by the Department, the War Refugee Board, and Treasury.

THIS IS WRB CABLE TO BERN NO. 119.

STETTINIUS
(Acting)
CABLE TO HARRISON AND MCCLELLAND, BERN.

Please promptly inform Mrs. Marjorie McClelland, 7 Rues des Chaudronniers, Geneva, that Treasury Department has licensed American Friends Service Committee, Philadelphia, to authorize her, as its representative in Switzerland, to utilize from funds being remitted under such license, the Swiss franc equivalent of $10,000 for the purchase of French francs for the relief of displaced persons in France provided such French francs are purchased in the manner which shall be prescribed by the War Refugee Board representative, he may authorize the purchase of such French francs by any of the three methods provided in the basic licenses being issued to relief organizations with respect to operations in enemy territory.

The foregoing license has the approval of the Department, Treasury and the War Refugee Board.

THIS IS WRB CABLE TO BERN NO. 121

225 p.m.
August 12, 1944

RBParkesfHodel;jth 8/12/44
CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

Refer paragraph marked 4, Department's 2605 of July 28.

WRB's 94.

The authorization given to consular officers in Switzerland by The Department's 891 of March 18 and Department's 2236 of July 3 is hereby amended to include authorization to issue such visas to refugee children arriving in Switzerland from Hungary. For issuance through October, the additional non-preference quota immigration numbers given below were allotted to Zurich: Hungarian, to .

Please advise appropriate Swiss officials and make all appropriate efforts to arrange for the release to Switzerland from Hungary of children who may be eligible for the issuance of such visas.

THIS IS WRB BERN CABLE NO. 122

4:05 p.m.
August 12, 1944

LSLesser:tmh 8-2-44
CORRECTION OF PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, Bern
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 5233

SECRET

This message is from McClelland for WKB and refers to Department's 2407, July 13, sixth paragraph.

We are contacting certain qualified relief organizations for the purpose of securing lists of individuals in enemy controlled territory in whose names Latin American papers have been issued but who do not possess these papers.

However, it is not recommended that too extensive an inquiry of this kind be made as it is apt to result in the compilation of unlimited lists of individuals for whom it will be claimed that such papers, especially those of El Salvador, were issued in the past but could not be transmitted to these persons. See Legation's 3867, June 17. In the past the Salvador Consulate General at Geneva has issued so called "nationality" papers by the hundreds. These papers usually were predated and if encouraged it appears that it will continue to do so on an even more extensive scale.

It is our opinion (see Legation's 3867, June 17) that the forwarding of false Salvador papers into Hungary should not be continued. As deportation has ceased, such documents apparently have no value for entry into El Salvador and they deceive neither the Germans nor the Hungarians and no preferential recognition is accorded their bearers. Some weeks ago several cases were reported to us from Hungary where the possession of Salvador papers had a precisely opposite effect from that desired causing the arrest at once by Hungarian officials of persons carrying false nationality documents.

See Department's 2484, July 21. It would appear inadvisable, in view of the position which the Salvadoran Government has taken toward these false papers, to sanction them officially by submitting them to the Swiss Federal Political Department, especially when there is the feeling that any extensive increase in the amount of false Latin American papers if directed to the attention of the Government of Germany may immediately endanger the already precarious status of thousands of holders of all such papers presently in the hands of Germany and who hitherto may have been saved from being deported primarily because the German Government chose to accord recognition to their papers and put them in regular civilian internment camps for American nationals feeling perhaps that against German nationals who are held in the Western Hemisphere they constituted a reservoir.
-2- #6233 from Bern, dated August 12, 1944

tuated a reservoir for exchange.

It is probable, as Legation’s 4659, July 21, second paragraph two emphasized that the Germans will continue to honor any false Latin American papers so long as they feel that there exists the possibility of a practical exchange.

HARRISON

DCRE EMS 9/15/44
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 5248

SECRET

Reference is made herewith to my message of August 5, no. 5042.

I was told yesterday by Mr. Pilet that he was advising the Swiss Minister in Budapest that Switzerland would be prepared to give temporary refuge to 8,000 individuals holders of Palestinian certificates in the event that they could not proceed eastward.

He had considerable doubt, however, whether these individuals would be able to secure permission to proceed westward as his most recent information from Budapest indicated that it did not lie with Hungarians or with the Wehrmacht but with the Gestapo as to whether the necessary permission would be granted. His willingness to receive holders of the Palestinian certificates was in addition to the proposed asylum for expectant mothers and children.

HARRISON
With particular reference to your L414 of August 2 your efforts to improve conditions of Jews in Bulgaria are appreciated by Board.

It is assumed that you are aware of the fact that any discussions with Bulgarian or Rumanian authorities must be strictly confined to questions of relief of refugees closely associated with their rescue and must not enter into the field of the domestic affairs of these countries. In view of the present situation and in view of information available here as to Balabanoff's aims the Board reemphasizes that the utmost caution must be exercised to avoid any inferences which might be drawn from your discussions that any promises or commitments have been made with respect to peace terms or postwar settlements or assistance in economic rehabilitation or of any other kind.

It will be appreciated in connection with the foregoing if you will clarify paragraph six of the cable under reference. In its present drafting the Department believes that Balabanoff may easily construe this paragraph as including an offer of postwar economic rehabilitation for his country. Obviously such an offer cannot be made by this Government acting alone, by the War Refugee Board or by its representatives. Paragraph six is only in order provided it refers to an immediate program for the relief of Jews in Bulgaria associated with the Board's general rescue program.

STETTINIUS
ACTING
(GLH)
The cable below for Hirschmann is WRB 99.

On recommendation of Board, Treasury has licensed International Rescue and Relief Committee to remit 5,000 dollars per month for a period of 6 months to Leon P. Dennenberg, Ankara, provided such funds will be utilized only as authorized by the American Ambassador and/or Hirschmann.
LFG-261
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara
Dated August 12, 1944
Rec'd 1 a.m., 13th.

Secretary of State,

Washington.

1476, August 12, 2 p.m.

FOR PEHLE WRB FROM HIRSCHMANN.

Ankara's 151

For your information following was received
by me in Istanbul from an authentic source.

The Catholic Church in Hungary has taken an active
part in rescuing many Hungarian Jewish citizens by means
of technical device on conversion of Jews to Christianity.
Nazis have attempted in numerous ways to oppose these
measures to which the church and especially the Dominicans,
who have been most sympathetic, responded they have
authority to baptize immediately any person who is in
imminent danger of death. During air raids hundreds
of Jews are baptized in air raid shelters. When religious
classes for Jews were held in churches, groups of
Hungarian Nazis entered and broke up the classes which
resulted in most of the baptism now taking place in the
shelters. It is reported that in the past month more
Jews have been converted to Christianity than during
the last 15 years.

KELLEY

WMR
RA-262
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara
Dated August 12, 1944
Red'd 1 a.m., 13th

Secretary of State

Washington

1479, August 12, 5 p.m.

For your information (FOR PEBBLE FROM HIRSCHMANN
ANKARA'S NO. 132) the Governments of Rumania Bulgaria
and Turkey have agreed in principle to grant transit
visas to Jewish refugees from Hungary who have ob-
tained Palestine entry certificates. The two thousand
Hungarian Jews constituting the first group which had
been ready to leave Hungary had been expected to
arrive in Rumania some days ago. It is not under-
stood in Istanbul why this emigration does not pro-
ceed since the Hungarian authorities in their announce-
ment stated that exit facilities would be granted to
Jews in Hungary for whom Palestine visas had been
authorised and Turkish transit visas approved in
principle.

Information received in Istanbul from reliable
private sources indicates that although the Hungarian
Government has agreed to provide the necessary exit
facilities final authorization must be granted by the
German military and political organizations in Budapest
for the departure of each individual transport, and we
are informed that such authorization has not until now
been granted.

It is urgent that we know at the earliest possible
moment what actually is causing the delay in the departure
of this first group of 2000 Hungarian Jews in order that
we may take such steps as may be possible from Istanbul
to facilitate their emigration. We are exploring the
situation from here but suggest that concurrently you
request the Swiss Government and the International
Red Cross to investigate the situation in Budapest.
Please keep us advised of the results of your inquiry.

HTM

KELLEY
Information received up to 10 A.M. 12th August 1944

1. NAVAL

On 10th, carrier borne aircraft from three British carriers attacked objectives near KRISTIANSUND. Two armed ships, an oil sifter and two hangars set on fire; 6 K.B. 189's destroyed. Three R.D.F. and two wireless stations also attacked and mines laid off NORWEGIAN Coast. Our losses: two aircraft.

Yesterday a British Repair ship damaged by underwater explosion off NORMANDY. Five killed, 50 missing. This morning, ships of second escort group and a Sunderland sank a U-boat off LORCHELLE and took the crew prisoner.

2. MILITARY

France Little change BRITANNY where mopping up proceeding. Hard fighting continues VIRE MORTAIN area while S. and S.E. of VIARE some gains made. U.S. drive northwards from LEMANS has made good progress and reconnaissance elements have reached LA FERTE BERNARD, MORTAGNE and ALEINCON. Very heavy fighting on whole British Army front and advances made notably in capture of THURY HARCOURT and the extension of ORNE bridgehead towards further progress Canadian Army front.

Italy Poles have cleared the Germans from south bank of CESANO and have established a bridgehead across the river about two miles inland from ADRIATIC. New Zealanders have advanced about 1½ miles in area about 15 miles West FLORENCE.

Russia Russians report resumption of their offensive W. and S.W. of PSKOV and advance of up to 13 miles on 38 mile front. They have also advanced West of KRUSTPILS, BIALYSTOK and SIEDLICE and have repulsed German counter attacks whilst increasing their bridgehead over the VISTULA.

3. AIR OPERATIONS

Western Front 10th/11th. 776 tons on the two oil depots and 402 on DJON Railway centre. 11th. 554 Bomber Command aircraft and 856 U.S. heavy bombers in good weather attacked objectives in FRANCE including 7 railway centres and a railway bridge - 2,925 tons; three fuel depots in E. and NE FRANCE 335. Defences BREST, 776; U-boat pens BORDEAUX and LAPALLIKE 250; three airfields near PARIS 309, and four flying bomb launching sites 292. A.E.A.F. bombers dropped 424 tons on railway bridges north of PARIS and on dumps and gun positions battle area while fighters flew reconnaissances and patrols. 6 German aircraft destroyed for 5 heavy and 2 medium bombers and 4 fighters missing. 11th/12th. Aircraft despatched: GIVORS Railway centre 187; BERLIN 33 (1 missing); Other tasks 52.

Italy 10th. Unfavourable weather restricted operations but 162 Thunderbolts attacked communications etc. in N.W. ITALY.

Rumania On 9th/10th and 10th total 482 MEDITERRANEAN bombers attacked 7 oil refineries FLORESTI area dropping 1,032 tons with good results. Enemy casualties 610; ours 24 bombers, two fighters missing.

German Activity During 24 hours ending 6 A.M. 12th, 99 flying bombs plotted.
SECRET

OPTEL No. 263

Information received up to 10 a.m., 13th August, 1944.

1. NAVAL

A human torpedo was sunk off NORMANDY in British area early
11th. One of H.M. Battleships bombarded the 12" gun battery on
ALDERNEY yesterday. Off LA ROCHELLE yesterday afternoon one of
H.M. Cruisers and Destroyer with a Polish Destroyer sank an 8,000
ton armed merchant vessel and early this morning a Sunderland sank
a U-boat; 30 prisoners were taken by surface craft.

2. MILITARY

FRANCE. U.S. drive northwards from LE MANS still making
rapid progress and has passed ALENCON with advanced armoured
reported area ARGENTAN. MORTAIN has been recaptured. BRENT and
LORETTE are still holding out. No further progress towards
FALAISE and heavy fighting continues. German salient between
LAIZE and ORNE east of BRETTVILLE has been eliminated.

ITALY. In area 5 miles S.E. CAGLI Allied forces advanced
about 5 miles and occupied FRONTONE. British forces are now firmly
across ARNO in Eastern outskirts FLORENCE, while an Indian Division
entered LAGNA 7 miles west of FLORENCE without opposition. During
9th/10th a Commando Force, 50 strong, from ANCONA destroyed a bridge
thus cutting all road communications between islands of LUSSINO and
CHERSO off ISTRIA. 4 enemy captured. Our losses nil.

RUSSIA. Russians report continuation of their offensive on
Western DVINA and progress in the JELGAVA, BIALYSTOK and SIEGELCE
sectors with recapture of numerous inhabited localities in all of
these areas.

BURMA. On IMPHAL-TIDDI14 Road our troops are now 5 miles
north of BURMA frontier. On 11th in MOGAUN area TAUNGH village
about 20 miles N.E. of HOPIN was captured. More than 100 Japanese
killed and much equipment captured.

3. AIR

WESTERN FRONT. 11th/12th. 683 tons on GIVORS railway centre
with good results. 12th. Escorted Bomber Command aircraft in good
weather dropped 278 tons on U-boat pens BRENT, LA PALICE and
BORDEAUX, and 365 an ammunition depot FORET DE MONTRICHARD near
TOURS. 650 escorted U.S. heavy bombers (5 missing) dropped 185
tons on METZ railway centre and 1093 tons on 9 airfields, mostly
in Northern France and at TOULOUSE. 637 fighters (16 missing)
successfully attacked objectives N.E. FRANCE dropping 265 tons
and destroying 5 German aircraft in the air and 14 on the ground.
Bombers of A.E.A.F. (6 missing) dropped 345 tons on road junctions,
railway bridge near ROUEN and ammunition dump near BEAUVAS. Re-
results far to excellent. 459 fighters (1 missing) on reconnaissance
and Army support dropped 74 tons and destroyed 59 M.T. and 2 tanks.
Coastal Command Beaufighters attacked shipping off LAWHELLE and
set on fire a 5,000 ton merchant vessel.
12th/13th. 1,151 aircraft despatched (49 missing): BRUNS-
WICK 379, HUSSELSHEIM near FRANKFURT 297, FALAISE 144. Diversionary
sweep 147, sea mining 14, leaflets 21, other tasks 149.

ITALY AND SOUTHERN FRANCE. 12th. Heavy bombers from MEDITER-
RANEAN (6 missing) dropped 778 and 220 tons respectively on gun
positions near GENOA and SETE. Other heavy bombers dropped 224
tons on similar objectives MARSEILLE area (9 missing) while 102
Mustangs (3 missing) attacked 14 RDF installations near MARSEILLE.

4. HOME SECURITY

During 24 hours ending 6 a.m. 13th 61 flying bombs plotted.
Short active spells and long lulls.

Regraded Unclassified
DEPARTMENT OF STATE
WASHINGTON

August 14, 1944

Dear Henry:

Thank you very much indeed for your thoughtful and kind letter of August 5. I deeply appreciate what you say about my part in the United Nations Monetary and Financial Conference.

As I am sure you know, it was a very great pleasure to me to have had the privilege of being a member of the delegation under your Chairmanship and to have shared with you and with the other delegates in the formulation of the proposed Fund and Bank. It is also a deep satisfaction to know that you feel that the results produced at Bretton Woods justified the confidence and hopes placed in the delegates and that they will be of significance in international arrangements for an enduring peace. I am sure that this is so and that the complete success of the Conference in arriving at these results was due to the skillful direction which you gave to the Conference and to the excellent preparatory work of Dr. White and his staff.

There is, as you say, still a great deal to be done on the part of this Government and by those of us who are deeply concerned to see that the proposed organizations are brought into being and accepted by this country. I shall be ready at any time to be of all assistance to you that I can.

Sincerely yours,

[Signature]

Assistant Secretary.

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

Let me express my appreciation for your cordial and thoughtful letter of August 5.

I desire in return to say that I felt greatly honored by my inclusion in the staff of the American delegation; and, more particularly, I want to say that the agreements reached at Bretton Woods are a great tribute to you and your colleagues in the Treasury Department. The agreements seem to me to be good agreements, and I want to assure you that I shall do my best to create in this region a point of view favorable to them.

Sincerely yours,

[Signature]

Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D. C.
August 14, 1944.

Dear Mr. Neal:

Your letter of August 11, which forwarded a copy of the memorandum from the Executive Committee of the Federal Open Market Committee to the Secretary, has been received during Mr. Morgenthau's absence. Your letter and its enclosure will be brought to Mr. Morgenthau's attention when he is again at his desk.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. H. S. Neal,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

GRF/dbs
Honorabel Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

I am enclosing a memorandum that discusses
the results of the Fifth War Loan Drive and suggests
for consideration various measures for improving the
situation during the Sixth and succeeding drives. This
memorandum has been prepared following a full discussion
by the Executive Committee at its meeting held on July
28 and further telephone discussion since that time.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure
MEMORANDUM FROM THE EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE TO THE SECRETARY OF THE TREASURY

The Executive Committee of the Federal Open Market Committee, at
its meeting held on July 20, 1944, discussed the results of the Fifth War
Loan Drive, giving particular attention to suggestions that might be made
for further improvement in performance during the Sixth and succeeding drives.
While recognizing the substantial accomplishments in increasing sales of
Government securities to nonbank investors since the First War Loan Drive in
December 1942, the Committee is concerned about the large expansion in bank
credit, the growth in speculative purchases, and the methods of indirect pur-
chases of securities by banks that accompanied the recent drive. It is feared
that these developments, which no doubt were profitable to those who evaded
the rules, will lead to further evasion in the future, unless some simple and
definite yardstick is provided for limiting subscriptions that can be applied
when subscriptions are initiated. Under conditions that existed during the
past drive, the Reserve Banks had no basis, except in the case of dealers and
brokers, by which to impose effective and uniform policing of subscriptions
and had to rely primarily on the commercial banks, inasmuch as the only sub-
scriptions subject to policing were those that involved bank loans. It is
the opinion of the Committee, therefore, that additional steps should be taken
to curb undesirable practices and to increase the pressure for sales to nonbank
investors, to the end that the proportion of the debt going to the banking
system, particularly indirectly, may be further reduced.

At weekly reporting member banks, total loans on and investments in
Government securities between June 7, the reporting date preceding the drive,
and July 12, the reporting date following the drive, increased by 6.7 billion
dollars. This total comprised 4.9 billion dollars of purchases of Government
securities, $6 million of loans on Government securities to brokers and dealers,
and 1.3 billion of loans on Government securities to others. A substantial
part of the increase in bank investments and of the loans on Government secu-
rities to brokers and dealers represented securities that were sold in the market
by nonbank investors desiring to increase their subscriptions in the drive.
A considerable part of the loans on Government securities to others represented
subscriptions that were made for the purpose of quick resale or to carry at a
profit. In addition, there is evidence that a number of banks arranged with
their customers, officers, directors, or affiliated corporations to place sub-
scriptions during the drive, with the understanding that after the drive the
banks would purchase the securities thus obtained. The loans that made possible
these latter transactions are in direct contravention of the Treasury's request
with respect to bank loans for the purchase of securities during the drive.

While no data are available as to the exact extent of these specula-
tive and indirect purchases, it is evident from the figures of reporting member
banks and from reports of sales in certain categories that such purchases were
not only widespread but reached exaggerated proportions in certain localities.
In eight States, sales of Series E bonds ranged between 83 and 121 per cent of
quotas, but sales of other securities to individuals, partnerships, and personal
trust accounts were disproportionately large, reaching more than three times the
quota in Georgia and between two and three times the quotas in Alabama, Florida,
Kentucky, Maryland, Mississippi, Oregon, and Tennessee. Such comparisons, together with knowledge of practices carried on in certain cities, created much dissatisfaction on the part of bankers and other members of the War Finance Committee organization and so impaired the usefulness of quotas.

Bankers who respected the Treasury's request and made no speculative loans and no special subscription arrangements with their customers or with others feel that they were placed at an unfair disadvantage in relation to their competitors who engaged in such practices. They resent purchasing securities at a premium from speculators when their competitors by virtue of prior arrangements have obtained the interest on loans, obtained the use of war loan deposits, and purchased the securities at or near par. Unless the Treasury takes strong steps to eradicate such practices, it is likely that other banks will follow them in the next drive, and sales organizations in communities that reached their quotas the hard but the sound way may be tempted to adopt the easier method. Few bankers would object to restrictive measures if they were satisfied that those measures were being applied uniformly.

With this background in mind, the Executive Committee suggests consideration of the following measures to improve the situation:

1. That the Treasury appeal more strongly than heretofore for the whole-hearted cooperation of commercial banks in complying with Treasury wishes regarding loans on securities offered in the next drive and that the Treasury at the same time condemn the undesirable practices that developed during the Fifth War Loan Drive and indicate that in the future any subscriptions not entered in accordance with the Treasury's request will be subject to rejection.

2. That subscribers for market issues, other than brokers and dealers, be required to make a down payment of 25 per cent of their subscriptions from existing funds when entering subscriptions that involve bank loans. Policing of subscriptions from investors, other than brokers and dealers, by the Federal Reserve Banks is probably physically impossible because of their volume and timing when the drive technique is used. The only practical way to police or limit them, therefore, is at the commercial banks before they are entered and paid for. This method in any case would cause the least resentment. Since it is only those subscriptions involving bank loans that are subject to policing, it is the feeling of the Committee that the requirement of 25 per cent down payment will serve naturally to reduce speculative subscriptions and to bring about uniform action by the banks in all parts of the country. In this connection, banks should be required to certify on the subscription form that at least 25 per cent of the amount of each subscription has been paid in cash without borrowing from the certifying bank for the purpose and that they have no beneficial interest in such subscriptions.

3. That the Treasury again request the Reserve Banks to police subscriptions from brokers and dealers and that the Treasury provide a more specific yardstick, one that can be readily understood and uniformly applied.
4. That a partial-payment plan be inaugurated and the lowest
denomination of marketable bonds be reduced from $500 to $100 in an attempt
to increase subscriptions from permanent investors. These measures would
also reduce the demand for securities between the drives and meet the reported
demand from an increasing number of investors who would prefer to purchase
marketable bonds rather than add further to their holdings or regular current
purchases of Series E bonds.

5. That the number of issues offered in drives that are available
for bank purchase after the drive closes be reduced. A substantial part of
the speculation during the Fifth Drive arose from the fact that the basket
included three issues available for bank purchase after the drive closed.

6. That the use of war loan deposits above a minimum uniform per-
centage be denied to all qualified depositaries who ignore the Treasury's
request concerning speculative loans.

7. That consideration be given to a return to the practice of
offering securities directly for commercial bank subscription. It is just as
inflationary for banks to acquire securities indirectly as directly. If the
indirect method serves to reduce bank purchases, it should be continued. If,
however, it does not so serve, it would be preferable again to offer securi-
ties directly for commercial bank subscription. Banks might be permitted,
as after the Third Drive, to purchase a limited amount of securities shortly
after the close of the drive, when their excess reserves are large. Such
purchases should serve to reduce the amount of speculative subscriptions
from nonbank customers, since the secondary demand would be reduced. The
corporate but not the individual quota should be reduced by the amount of the
offering for direct bank subscription.

8. That trading in the marketable issues included in the drive
be postponed until 15 days after the close of the drive.

9. That the Treasury make no increase in outstanding bills during
the drive. Increases in outstanding bills are taken by the Federal Reserve,
thereby adding to excess reserves, and consequently stimulate bank purchases.

August 11, 1944
In reply refer to FMA

DEPARTMENT OF STATE
WASHINGTON

August 14, 1944

My dear Mr. Secretary:

My attention has been called to despatch No. 2700, June 17, 1944, from the American Embassy at Chungking, transmitting a review of Generalissimo Chiang Kai-shek's book, Chinese Economic Theory, prepared by Mr. Solomon Adler, United States Treasury representative at Chungking. A copy of the despatch is attached.

Officers of the Embassy and of the Department have found Mr. Adler's review to be very useful, and have asked me to express to you their high opinion of Mr. Adler's work, and their appreciation for the assistance he has rendered to the Embassy as Treasury representative. I am pleased to learn that, under arrangements recently completed, Mr. Adler will remain in Chungking as Financial Attaché to the Embassy.

Sincerely yours,

For the Secretary of State:

Enclosure:

Copy of despatch 2700.

Assistant Secretary

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
Treasury Department
Division of Monetary Research

Date: Sept. 4, 1949

To: Secretary Morgenthau

You might be interested in glancing at the marked passages of Adler's comments on the Generalissimo's book. They indicate the direction in which the Generalissimo would like to go.

H.D.W.

MR. WHITE
Branch 2068 - Room 214½

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Changking, China
June 17, 1944

STRICTLY CONFIDENTIAL

No. 2700

Subject: Generalissimo Chiang Kai-shek’s Book
Chinese Economic Theory.

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

Sir:

Referring to the Embassy's despatch No. 2605 of May 26, 1944, in regard to Generalissimo Chiang Kai-shek's book Chinese Economic Theory, I have the honor to enclose (a) critique of the book prepared by Mr. Solomon Adler, United States Treasury Department representative at Changking, and (b) summary of the book also prepared by Mr. Adler.

Summary of Mr. Adler's Critique.

Authorship. The real author of Chinese Economic Theory is Tao Hai-sheng, a Japanese-returned student and a former Wang Chien-wei adherent. Tao is considered anti-western and is not highly regarded by Chinese intellectuals. He is very close to the Generalissimo and in his preparation of the book is said to have had the assistance of another member of the Generalissimo's "brain trust", C.C. Tao-yang, who is also a Japanese-returned student.

Ideological Content. The book is definitely fascist in ideology. Its dominant spirit being one of feudalism tinged with paternalism, the social foe fascism would be expected to take in the specific Chinese agrarian context. Its chauvinism, characteristic of all forms of fascism, is obvious throughout the book, being reflected in the blind assumption of the superiority of Chinese culture, both in general and in particular, over all other cultures. It is permeated with the glorification of the state such as and with contempt for individuals and individual rights.

Economic Theory. The book’s approach to economics is pre-scientific and there is no sign of any systematic or reasoned analysis nor of any appreciation of economics as an integrated and coherent discipline. The discussion of economics in general is based on the Chinese character “ching chi” ( ), which meaning "management or supply" and taken literally throughout the book leads to serious misunderstanding of the method and content of economic science. The book presents "Chinese" economics as based
to "Western" economics, an idea alien to the tradition that science knows no national frontiers. Discussion of "Chinese" economics is based largely on scattered comments on economic policy in the Chinese classics and history which do not justify the contention that a Chinese school of economics existed or that, if it did, it is superior to the modern school of economics. The discussion of "Western" economics is hardly more than a sketchy outline containing inaccuracies both with respect to general principles and to evaluations of specific western economists.

Economic Policy. Although it is difficult to extract from the book any specific positive measure regarding economic policy, the general trend is in the direction of a paternalistic economic nationalism with a return to the traditional pattern in which the village is the economic and military unit. The book also supports the subordination of private enterprise to state political and military policy, but in terms of bureaucratic regimentation which in an industrially undeveloped China would be detrimental to economic progress. No limit is fixed for the scope of state enterprise nor is there any discussion of the role of foreign investment and the place of foreign business in China's industrialization. The observations on the land problem, the crux of China's long-term economic problems, are particularly obscure and evasive; they point to feudal collective based on the farmer-soldier system and the pao chia system. There is no attempt to deal with the immediate problems of inflation, price control, industrial production or agrarian reform.

Cultural Trends. Chinese Economic Theory, like China's Destiny, is part of a systematic and deliberate attempt to assert the superiority of Chinese over western culture which is being actively promoted by the Kuomintang.

The Generalissimo's Evolution as a Sage. This book marks the second step in the Generalissimo's evolution as a sage, a venture for which he has neither the background, knowledge nor flair for intellectual or abstract thinking. The result has been his lessened prestige among Chinese intellectuals, who regard his incursions into their field with sardonic aloofness. His intellectual pretensions are regarded as a further manifestation of his megalomaniac complex and of his desire to emulate Dr. Sun Yat-sen.

The Current Status of Chinese Economic Theory. Although the book has not been released for general circulation, it is being used as a textbook of economics in the Central Training Corps classes for the purpose of indoctrinating the Kuomintang "elite" in the field of economics. It thus has a significance out of all proportion to its actual intellectual value. End of Summary.

Mr. Adler has requested that a copy of this dispatch, together with its enclosure, be made available to the Treasury Department. The Embassy suggests that the Department may wish to communicate to the Treasury Department a commendation of Mr. Adler for his excellent study of this book and for his valuable assistance in the preparation of the translation of Chinese...
Chinese Economic Theory, which was forwarded to the Department as an enclosure to the Embassy's despatch under reference.

Respectfully yours,

C. L. Gauss

Enclosure:
/ Critique of Chinese Economic Theory and Mr. Adler's Summary.

Original and hectograph to the Department.
800
PDS: rls
THE GENERALISSIMO'S BOOK ON CHINESE ECONOMIC THEORY

Authorship

While the book which was released for limited circulation early in 1943 was published under the Generalissimo's name, he is certainly not its actual author. It is most unlikely that the Generalissimo had ever heard the names of economists such as Marshall, John Bates Clark, Veblen, etc. before he read the manuscript of "Chinese Economic Theory". Its real author is Tao Hai-sheng, who also wrote "China's Destiny". Tao is a graduate of the Imperial University of Tokyo and was formerly professor of economic history in Peking National University. Perhaps because he is a Japanese-return student, he is anti-pathetic both to Westerners and to Western-returned students. He enjoys the academic reputation of being a somewhat crack-brained dilettante and plagiarist. His major opus on Chinese economic history is most uneven and is not highly esteemed in Chinese scholastic circles. In the early thirties he was Wang Ching-wei's right-hand man and he followed his master into the Japanese camp. He returned to the Kuomintang fold in 1940, a move which according to popular report was actuated by his receiving a larger sum from the Central Government than he had from the puppets. His revelation of conditions in puppet banking enjoyed a brief succès de scandale.

Tao is reported to be extremely close to the Generalissimo, living as he does with the Generalissimo's most intimate personal secretary, Chen Pu-lei. It is understood that during the period in which the book was being written Tao had a number of long conferences with the Generalissimo to review its contents and report progress. It is also understood that Tao had the assistance of another member of the Generalissimo's brain trust, Chen Pao-yung, especially in compiling the section on Western economics. This report is the more plausible as Tao knows even less than Chen Pao-yung about economic theory, his own field being Chinese economic history. Chen is also a Japanese-return student and like Tao flirted with Marxian when it was fashionable to do so in the Chinese academic world. Chinese economists regard him as a mediocrity.

Ideological Content

The book is definitely fascist in ideological tendency. Its dominant spirit is of feudalism tinged with paternalism, which is precisely the social form Fascism would take in the specific Chinese agrarian context. Its chauvinism, characteristic common to all forms of Fascism, is obvious throughout, being reflected in the bland assumption of the superiority of Chinese culture both in general and in particular over all other cultures; Chinese economics is way ahead of Western economics, the Grand Canal is the most famous engineering feat in history, and so on. It is throughout permeated with the glorification of the state as such and with contempt for individuals and individual rights--witness the invariable...
The author's practice of quoting frequently from the classics is worthy of special comment. It is a commonplace of professional historians that persons, events, and writings must in the first place, at least, be taken in their historical context or framework of reference. Thus a maxim on agricultural policy enunciated by a statesman in the 6th century B.C. will make very good sense if placed in the then existing background of feudalism, but it may make no sense at all or only fortuitous good sense if translated to entirely different conditions. Therefore the whole rigmarole of finding quotations from Confucius, Mencius, et al. on the Principle of the People's Livelihood, which Lin Tien-yen means nothing more or less than the improvement of the lot of the common man, is a game of verbal hair-splitting. This is particularly clear in the attempt to find a solution for, or more accurately perhaps to gloss over, the pressing contemporary agrarian problem, which fundamentally revolves round the landlord-tenant relationship in a society with low levels of agricultural technique, by appeals to the "farmer-soldier" policy of Kuang Chia, the later Han dynasty, and Wang An-shih, and by quotations from the classics. These quotations may contain the most sublime sentiments but they have little relevance as motives of present-day policy.

Another instructive example of romantic historicism is afforded by the last section of the book on the Te Tung or Great Harmony, where the astonishing statement is made that the ancient sages understood all the principles of economic development and were thereby enabled to formulate the highest ultimate goals not only for China but for the world. The ancient sages undoubtedly had shrewd insights into the political mechanism of the world in which they lived and were keenly aware of the ethical problems confronting governments and governed. But through no fault of their own it was impossible for them to visualize the evolution of an industrialized society, let alone the principles behind the evolution of such a society. As for their ultimate ideal, the Te Tung was formulated in a fitasaporous feudal state before the unification of China had been achieved under Chin Shih Huang Ti. Consequently it was the expression on the part of the literati of the urge toward national unity and of the need for the breakdown of the particularism characterizing the feudal state or states. They did not and could not look beyond the goal of the emergence of a single Chinese society. In fact, the existence of other states and societies on an equal footing with theirs ...
theirs was not even known of (the reference to strangers and
foreigners in the classics is to Chinese from other feudal
Chinese states). Outside Chinese society there existed only
hordes of uncivilized barbarians.

Finally, it is significant that Tao singles out for
praise and finds a kindred spirit in Othmar Spann, the Austrian
erclerical Fascist, who sought a historical justification for a
Fascist standstill in the romantic mediavalism of Adam Muller,
the early 19th century extreme German nationalist. Spann is
deservedly despised by all competent Western economists.

**Economic Theory**

The discussion of the content of economics is on an
extremely low intellectual level. The whole approach is pre-
scientific, and there is no sign of any systematic or reasoned
analysis nor of any appreciation of economics as an integrated
and coherent discipline. While it would be futile to claim
that social science as we know it in the West has attained the
degree of exactitude or of objectivity of the natural or bi-
ological sciences, modern social science is self-consciously
critical and aware of the problems with which it is confronted,
and has at least made a beginning in their solution. It does
not start from an a priori concept of the rational nature of
man in general ("rational" in this book does not mean the same
thing as it means in modem social science) and from this
rational nature deduce the whole content of social science,
which is precisely what the most advanced thinkers of the
Middle Ages tried to do. Instead it endeavors to describe and
in describing to explain in terms of causal connections the
social phenomena of existing and previous societies. It is
empirical in approach and rational in temper, while the Gen-
eralissimo's book is a priori in approach and romantic if not
mystical in temper.

The most important points worthy of comment in the book's
discussion of economic theory are:

a. The discussion of economics in general is based on the
Chinese characters ching-chi, which mean literally manage-
ment and supply. These characters were first used by the
Japanese somewhat inadequately to translate economics
into Japanese. (It is not without interest that it is
most difficult to translate the name of one of the leading
social sciences into an ideographic language without giv-
ing a misleading impression of its nature and scope; this
fact in itself would appear to render the book's main
thesis untenable.) If taken literally, as they are
throughout the book, they lead to serious misunderstandings
with respect to the method and content of economic science.

b. The whole idea of a "Chinese" as opposed to a "western"
economics is alien to our tradition that science knows no
national frontiers, being much closer to the Nazi Blut
und Boden philosophy of the social sciences. A compre-
nsive science of economy should be able to provide a
conceptual framework with which to explain the economic
phenomenon of China no less than that of the United States, or
...England or Russia. While we may talk loosely of American economics or of English economics, we do not mean differing national economic sciences thereby but either the various schools of American and British economists or the specific economic conditions and problems of the designated countries. However, a façon de parler permissible in talk or journalistic writing is decidedly not a model for the precise and rigorous thinking we demand of science. Certainly no American would say of Keynes, as no Englishman would say of Viner, what the Generalissimo said of western economists as a whole—that they did not understand Chinese economics or Chinese psychology. Clearly China's economic situation differs from that of any American. But that does not mean that the same methods which economists apply to the United States, taking into account its specific historical and political background (what economists call the institutional framework) which is a part of their empirical content cannot be fruitfully applied to say China's inflation, again taking the specific background in which it is occurring, into account. As a matter of fact, they can and are, and if their fruitfulness is limited it is not because of the accuracy of the diagnosis yielded by an analysis based on them.

c.

Discussion of "Chinese" economics is based largely on scattered comments on economic policy in the classics and histories. These are neither systematic in their content nor precise in their terminology or thinking; witness the identification of culture with people's livelihood and people's livelihood with national defense: 

..."ethics equals national defense. They in no way justify the thesis either that a Chinese school of economics existed or that if it did it is superior to the prevalent modern school of economics. One could as legitimately infer the existence of a Hebrew school of economics from the sporadic comments on economic policy and from the laws with an economic content in the Old Testament, and still more legitimately infer the existence of a Greek school of economics from the analysis of the nature of value and of problems of economic policy in the writings of Plato and Aristotle. That there was thinking about economic problems on the part of the Chinese, Greeks, and Jews cannot be denied. But it does not follow that such thinking partook of the systematic and analytical character which is the precondition of science. The listing of a few justly celebrated Prime Ministers as exemplars of "Chinese" economics again betrays a lack of understanding of the nature of science.

As for the vaunted superiority of "Chinese" over "western" economics, the case for it rests on an ethical condemnation of "western" economics as materialistic and profit-seeking (see a. below) and on the claim that the ethical content of the teachings and practice of the so-called great Chinese economists was on a much higher level. The whole universe of discourse of this argument is pre-scientific. The claim that the ethical content of the Chinese economists is loftier than that of modern economists is not substantiated. But even if it were, the author's conclusion would not follow. For while the relations between ethical values, whether implicit or explicit, the social sciences raise some of the most
controversial questions in modern social science, the ethical content of social science cannot alone be made the ultimate criterion of its scientific validity. Otherwise, there would be no need for any of the social sciences, as the answers to their problems could all be found in the bible. It is to be feared that the author's claim is made on the same level and rests on the same foundations as his assertion that the Grand Canal is the most famous engineering feat of history, i.e. it is but another example of "ciscencentrium".

d. The discussion of "western" or modern economics is euhemeristic and jejune. It is hardly more than a sketchy catalogue and makes no attempt—apart from the ad hoc comments on Marxism to be found in Sections III and IV—to analyse the various schools of thought which emerged in the development of economics. It is inaccurate both as to general principles and as to the evaluations of specific Western economists. Thus it is not true that until recently "Western" economics confined itself solely to the theory of value or that it emphasized materialism and profit-seeking. Naturally, because the society in which they lived was predominantly individualistic, Western economists first tried to ascertain the economic laws of an individualist society. But they did not do so to the exclusion of investigations of non-individualistic societies (i.e. the famous book in the "wealth of the Nations" on the various systems of political economy), or of considerations of the desirability as well as the effects of state intervention in the various spheres of economic life. Moreover, they have consistently tied up the theory of value with the theory of distribution and have generally considered the broadest aspects of economic welfare from the time of Smith onward. Thus the means for increasing economic welfare have not been the pre-occupation of a few heterodox economists or of the welfare school, but, as Tao appears to believe, but have been a general object of investigation and discussion in the broad stream of modern economics.

With respect to the evaluation of individual economists, Adam Smith was not a blind proponent of laissez-faire; in defending the Navigation Acts of the 17th century he said that "defense is of much more importance than systeme". Alfred Marshall was not a mathematical economist. The approach of Veblen and Hobson is worlds apart from that of Spann, and it is a gross insult to both to couple them with him. Neither has anything in common with the turgid feudalism of a Spann or a Tao, and it is meaningless to identify their approach with that of "Chinese" economics. "Chinese" economics as outlined in this book is an amorphous collection of various pieces from a pre-industrial society, while their analysis, whatever its limitations, is an incisive critique of a highly industrial society which of necessity accepts that society as its starting point. One cannot help arriving at the conclusion that Tao (or was it when Tao-ying?) fingered an elementary history of economic theory for his discussion of "Western" economics without bothering to read the actual writings of the major economists. In passing, the lack of any reference to....
to monetary theory, a branch of economics which sheds light on the hyperinflation from which China is suffering, is a lacuna to be put down to ignorance rather than to deliberate suppression.

Economic Policy

As far as the actual content of the economic policies advocated in the book are concerned, because of the vagueness and fuzziness of the writing it is hard to extract any specific positive measures from it. The general trend is in the direction of a paternalistic economic nationalism. Therefore, high tariffs, industrialization, and a return to the traditional pattern in which the village is the economic and military unit are advocated. Whether the height of the tariff barriers contemplated could be compatible with the kind of international trade policy based on the spirit of the reciprocal trade agreement program intelligent opinion in the United States is looking forward to is another question. Nor is it easy to see how a program for the industrialization of China can be reconciled with the nostalgia for the past exemplified in the desire to establish the village as the military and economic unit. In fact, there is room for doubt whether modern industry can be created by a government shot through and through with the modes of thought of an agrarian society. For this reason as well as for the reason that industry was much more highly developed in pre-socialist Russia than in present-day China (including occupied China), the AEC is on weak ground in its appeal to Russia as a precedent for government creation of large-scale heavy industry.

The book also supports the subordination of private enterprise to state political and military policy, but in terms of democratic regimentation which in a China woefully weak in its industrial development would be detrimental to economic progress. Independently of the long-run merits and demerits of private enterprise, you cannot regulate private enterprise before you have a private enterprise to regulate. And if you try to regulate a private enterprise which is still in its swaddling clothes, you will regulate it out of existence, which is precisely what is happening in wartime China. The ambiguity on the role and scope of private enterprise in Sun Yat-sen's writings persists in "Chinese Economic Theory", only more so. But whereas Sun Yat-sen tried, however vaguely and inconsistently, to delimit state enterprise to heavy industry and particularly defense industries and communications--no such boundary is fixed here. Nor is there any discussion of the role of foreign investment and the place of foreign business in China's industrialization. American economic interests will be hard put to find a clue to the potentialities and status of American trade with and investment in China from this source. The comments on planning are meager and platitudinous.

The observations on the land problem, which is the crux of China's long-term economic problems, are particularly obscure and evasive. The reader is liable to be shocked when he reads, in one place that the solution of the land problem is to be sought in the creation of collective farms. A careful study of this passage against the background of the book as a whole reveals that what the author most probably has....
has in mind is not the Soviet collective farm, which is very far from answering China’s immediate agricultural needs, as even the Chinese Communists would admit. It is the feudal collectivity complete with its misbegotten child, the farmer-soldier system, and with the pao-chihsien system. All in all, the reliance on the classical pattern and the assertion that the Chinese people can be divided into only two groups, the poor and the poorer, do not bode well for the future of the KMT’s agrarian policy. They are scarcely counterbalanced by the talk of the undesirability of the concentration of landownership, especially as the increasing concentration brought about by the war and the inflation are not even mentioned. The reader will also be surprised by the absence of any reference to the urgent economic problems confronting China at the present time. No there is any mention made of the inflation, price control, current industrial production, or of agrarian reform now. The two latter are discussed with respect to the glorious past or the still more glorious future but never with respect to the grim present. For this reason the book gives the impression of being an essay in escapism.

"Chinese Economic Theory" as Reflection of Current Cultural Trends

"Chinese Economic Theory" like "China’s Destiny" is part of a systematic deliberate attempt to assert the superiority of Chinese over Western culture which is being actively promoted by the Kuomintang. Tso is its chief theorist, but its most dangerous and lively protagonist is Chen Li-fu. In his capacity as Minister of Education, the latter has devoted considerable attention to its propagation; incidentally he has tried, and with a great degree of success, to purge the social science departments of the various universities of any trace of Western liberalism. This campaign of denigration of Westerners and glorification of Chinese culture concentrates on the specifically feudal virtues of ancient China and provides another example of the current phase of morbid and morbid nationalism, which is the main–an unkind critic might add and sole–positive plank in the Kuomintang program. This form of nationalism, if persisted in, will hardly be conducive to whole-hearted international cooperation on China’s part in the post-war period. It has already taken a number of bizarre forms in the cultural field.

The participants in this campaign of cultural chauvinism stick to assertion and reiteration and do not bother to essay proofs of their historically untenable theses. They are adept at one-calling, dismissing Western culture as materialistic and gloating over all but the purely technical features of Western civilization. It was not by accident but by design that Chen Li-fu has sent Chinese students to the United States almost entirely for the study of technical subjects to the exclusion of the humanities and that he has likewise invited foreign technical experts only to visit China under the cultural relations program. The greatest Chinese scholars, who are much more deeply imbued with the best of the rich Chinese culture than the Chens and Tsos, have nothing but contempt for the distortions of Chinese culture and civilization perpetrated by its so-called proponents and for their belittling of the West. Thus in Shih, with his admittedly unrivalled knowledge of both the Chinese classics and Chinese philosophy, would never lend his name to the cheap and brazen superciliousness toward the West and the tawdry nationalism which Liu Yutang
passes off as Chinese culture. Yu Shih, while legitimately proud of his own heritage, would be the first to confess his intellectual debt to the West.

The Generalissimo’s evolution as Sage

The publication of “Chinese Economic Theory” in the Generalissimo’s name marks the second step in his conscious--or better self-conscious--evolution as a sage. The Generalissimo now takes himself seriously as a thinker and teacher, not only for China, as is reflected in “China’s Destiny”, but also for the world, as is reflected in the last section of “Chinese Economic Theory”. The Generalissimo as a man of action is decidedly a force to be reckoned with, no matter what one’s evaluation of his policies may happen to be. But the Generalissimo as an intellectual is a bird of a different feather. He has neither the background, nor knowledge, nor flair for intellectual work or abstract thinking, and the essays he has ventured in this field have not added to his prestige in China, particularly as he has shown such poor taste in choosing ghost-writers. Chinese intellectuals regard his incursions into their territory with at best silent resignation and at worst sardonic aloofness. He has encountered additional difficulties in view of the special position and traditions of scholarship in China.

Some well-informed Chinese and foreigners regard the Generalissimo’s intellectual balloons as a further manifestation of his messianic complex. In addition the example of Sun Yat-sen undoubtedly served as a stimulus to him in his assumption of the role of author. But while Sun Yat-sen was a genuine intellectual, who throughout his life continued to read widely and to maintain his interest in ideas, the Generalissimo has no such background. Sun Yat-sen, as his writings testify, has drunk deeply from the springs of Western liberalism, particularly its political theory. While he was not a great original thinker and even tended to be superficial, he handled ideas with both facility and familiarity and never gave the impression that he was moving out of his element in discussing them.

The question of the relation of the ideological content of the writings to which the Generalissimo has lent his name to the ideological content of Dr. Sun’s books and lectures is highly controversial, tied up as it is with current burning political issues. Dr. Sun wrote over a long period of years and never attempted a systematic and articulated exposition of his ideas. It is not surprising, therefore, that his writings contain inconsistencies and that opposing schools and parties have no difficulty in finding textual corroboration of widely divergent positions in the master. So that as it may, the premises of Dr. Sun’s thinking are drawn primarily from the great Western liberal tradition for which the Generalissimo and his intellectual assistants have no use; it is not open to question that Dr. Sun was much more deeply influenced by this tradition than by the Chinese classics. Thus Dr. Sun in himself an outstanding--if not the outstanding--example of the beneficent influence of Western culture and its values on China. As such, he is the most eloquent refutation of the current Kuomintang thesis of the autonomy of Chinese culture from and its superiority over Western culture.
Current Status of "Chinese Economic Theory"

The book is being used as a textbook of economics in the Central Training Institute classes but has not been released for general circulation. Its purpose thus appears to be the indoctrination of the elite and not the general dissemination of its ideas. Its withholding from unrestricted publication would seem to betray a fear of criticism on the part of internal and external public opinion, a fear that the event might prove to be only too well-founded. For its publication would scarcely add to the reputation of either its actual or ostensible author. Nevertheless, the fact that the book is published in the Generalissimo's name and that it is used as a textbook in the highest Party training school is sufficient indication that it is considered the official exposition of the Kuomintang's economic views. As such it has a significance out of all proportion to its intellectual merits.

Summary of "Chinese Economic Theory"

(This summary does the book more than justice by covering up its panegyric of thought and lack of coherence in reasoning, by skimming the platitudes and frequent repetition of copybook quotations from the classics, and by generally tightening up its presentation.)

I. The Scope of Chinese Economics

The neglect of Chinese economics by Chinese economists in the past is the result of the predominant influence of Western economics, which in turn was one of the products of the unequal treaties. The abolition of these treaties should occasion a much to-be-desired return to the study of Chinese economics in China on the principles of which China developed and grew strong. This development should be hastened by World War II which is causing profound changes in world economy. The moment is thus doubly opportune for a re-examination of Western and Chinese economics.

The basic principles of Chinese economics are the management of human activities and the adjustment of things (i.e., commodities) and the study of national planning and the people's livelihood. Chinese economics starts not from individual wants but from the national nature of man. It is not atomistic but regards the totality of society as a single integral entity. Thus it is much broader than Western economics both in definition and scope. While according to Western economics there are three factors of production, namely land, labor and capital, Chinese economics, starting as it does from the national nature of man, recognizes only manpower and land as factors of production. Labor as a factor of production includes both physical and mental labor; money is not a factor of production. Western economics merely studies private enterprises and the transactions of the market price. But Chinese economics, recognizing that the highest and greatest human grouping is the nation-society, has a much wider perspective, and identifies culture with people's livelihood and people's livelihood with national defense.

According to Chinese economics, in order to exploit manpower and utilize things, it is first of all necessary to know their ...
their nature. Therefore we must study first the principles of man (what it is the fashion in certain indigenous Chinese intellectual circles to call humanism) and only then study the principles of things (what it is the fashion in the same circles to call Western materialism). To understand and utilize man’s nature it is essential first to maintain the inherited national ethics and restore its former wisdom and second to catch up with and overtake Western technical developments. In order to attain the objective of Chinese economics, which is the people’s livelihood or the support and protection of the people, China must utilize the minimum time and effort to develop its labor and resources so as to maximize its livelihood and defense.

II. Distinction between Chinese and Western Economics

The economic theories of ancient China were varied and flexible. From the various classics it is clear that the Chou dynasty based itself on the well-land system, under which the unification of education, the army and conscription system, and landownership entailed the welding of culture, national defense, and the people’s livelihood into a single all-embracing institution.

There are two schools of Chinese economics, the Confucian and legalist. Both agree on the fundamental importance of agriculture but differ on economic policy, the former favoring laissez-faire and the latter interventionism and control. After the later Han dynasty the Confucianists became dominant, but two different trends now emerge within Confucianism itself. The first concentrated on the original nature of man and tended to be introspective in method, while the second was predominantly utilitarian in its approach. But all the greater Chinese economists combine both tendencies, which imply supporting the people on the one hand and protecting them on the other. Their sources and objectives are the same. As early as 600 B.C., China produced a great economist in Hsun Chü (the premier of Chih), whose economic policies were to achieve price stabilization by stabilizing the prices of gold and grain, to institute government monopolies of salt, iron, and other commodities, to control foreign trade, and to organize the farmers and give them military training—i.e., to identify national defense with people’s livelihood. Another great Chinese economist was Ma An-shih (premier during the Sung dynasty), who based his economic doctrines on Confucius and Mencius. His policy was to increase production by preventing further concentration of landownership, by government provision of farm capital, by anti-monopoly measures with respect to domestic trade, and by promotion of foreign trade. He supported the conscription of farmers and instituted the pro-chia system.

(1) So-called because of the division of land into nine portions on a plan similar to the Chinese character for well (井).

(2) The registration and organization of the population in small units: 10 families are 1 chia, 10 chia are 1 lüen pao, or hanan (家). It is used as the basis for conscripting soldiers and labor, for maintaining peace and order, and for taxation. The Japanese have also adopted it in China.
He is a shining example of the flexibility of Chinese economics, as he departed from the letter of the orthodox Confucian tradition, adapting it to the changed conditions of the times.

It should be noted that none of the great Chinese economists started from the wants of different individuals but from the nature of man in general, and their objective is always the national welfare and livelihood. All analyze economic institutions and systems of control for promoting these ends, and all focus their attention on the land question, discussing the relations between landlord and tenant and between agriculture and commerce. In this analysis they tackle the problems of the concentration of landownership, the broader evils of which it is the objective of KuoMintang policy to eradicate, and of the monopolistic tendencies of merchants.

With the Industrial Revolution of the 18th and 19th centuries, the individualist laissez-faire was led in Germany by Friedrich List who advocated nationalism and protection. In the 20th century the Austrian Spann went still further in proposing autarchy, while the roots of American economics are the same as British, the former tends in the direction of protection as opposed to the latter's free trade. Since World War I a trend toward planned economy has emerged especially in America, Smithian laissez-faire having survived only in England. Ricardo's theory of rent exercised greater influence in the 19th century than Smith's "Wealth of the Nations". Among the Marxists a division arose between Lenin and Kautsky.

Western economic theories though differing in detail all start from human wants and all concentrate on the theory of value, the most modern version of which is the marginal utility theory as opposed to the classical and Marxian labor theory of value. Since the beginning of the 20th century, Western industrial and commercial organization has moved from free competition to monopoly and concentration, bringing about corresponding changes in economic theory. Thus Veblen, Hobson, Spann, and Lester Ward emphasized social welfare instead of value theory. With this abandonment of selfish individualism and materialism Western economics began to come closer to the traditional Chinese economics, a tendency which may be expected to become more powerful after World War II.

III. Scope of Economics of Ancient China

The principles of Chinese economics constituted the basis of activity of the great men of the past, and to understand these principles we must study the constructive activities of these great men. Their first principle was that it is the basic duty of the state to support the people's wants. Personal "wants" must be controlled if social conflict is to be avoided; mind should control the appetite. Therefore government should be organized to support the people's wants on the one hand and to restrict them on the other. From the standpoint of meeting the people's wants, with respect to landholding the economic view current in ancient China was that everybody should have land to cultivate. With respect to water conservancy, irrigation is a state function; there has been a historical conflict between the use of water for irrigation and for transportation and between fishermen and farmers. The concept of an ever-normal granary is opposed to the ....
the principle of free trade and originated and developed in China. Communications are also a state function; the Grand Canal is still the most famous engineering work in the world. The study of climate and soil was also stressed. In all these respects Chinese economics anticipated Western. From the standpoint of restricting the people’s wants, Chinese economics advocated the equalization of property, though it should be noted that, as history shows, attempts to enforce compulsory equalization are bound to fail, the equalization of taxes, and the equalization of market supplies by transport. It also recognized the need for instituting monopolies of such essential commodities as iron, salt, and tea, and for government provision of farm loans and regulation of interest rates.

The second principle of the great Chinese economists was that it is the duty of the Government to protect the people. The ancient land system was ipso facto a conscription system. The protective unit was the military unit, and the integration of the military and agricultural systems—i.e., of national defense and people’s livelihood—was a necessity which was clearly realized. Then this integration was achieved China was strong, when not she was weak. During the Han dynasty it was in fact that soldiers were of necessity farmers enabled the government to be very successful in military conquests. The separation of national defense from the people’s livelihood in the succeeding centuries resulted in the division of the empire. With the disappearance of the farmer-soldier system and the adoption of the hired soldier system from the time of the Tang dynasty, the nation was inevitably weakened and was subject to constant aggression from without. Even so some military success was attained, e.g., by Wang An-shih and Shen Fu-fan, who a farmer-soldier system was adopted. As modern wars are fought by the entire people, it is an imperative necessity for China to reestablish the system of combining soldiers and farmers.

IV. The economic principles of the Principle of the People’s Livelihood.

There are three fundamental principles of the principle of the people’s livelihood. The first is that economics is for supporting the people; the aim of Chinese economics is not material production and profits but the people’s livelihood. The second is that the economy must be planned not on a communistic or capitalistic basis with their inevitable class conflicts but for the nationalization of capital though not for the enjoyment thereof. The third is the unity of people’s livelihood and national defense.

Both laissez-faire and Marxsit economics suffer from serious defects. Laissez-faire economics advocates the industrialization of China according to the laissez-faire policy and free trade doctrine of Western Europe. Owing to the second Industrial Revolution, i.e., the growth of monopolies and trusts, there is now no need for laissez-faire economics. As China is backward industrially, she must adopt protection in her foreign trade and planning in her industrial production. China’s private capital will be too weak and insufficient to compete with foreign trusts and government-owned enterprises....
enterprises. Marxists advocate the class struggle and the communist organization of society, but class struggle is a disease and Marx was only a social pathologist. The Marxist labor theory of value is incorrect. The largest scale wars are those not between classes but between nations. National defeat entails the worsening of the lot of both the laborer and the capitalist. China consists of the poor and the poorer, between whom there is no real class struggle. With the development of national industries and the control of private capital, there will be no real motive for class struggle. The unequal distribution of land in China is due not to feudalism but to industrial and commercial economics. The solution of the land problem, i.e., by equalization of land rights, is to be sought not by force, as the Marxists advocate, but in the sphere of agricultural-industrial and agricultural-commercial relations.

Dr. Sun Yat-sen's master "Industrial plan" forms the basis of the national defense economic plans of China, in which defense and livelihood are combined. Its fundamental idea is to formulate measures for China's economic development with her land area as a base and with prosperous sea harbors as outlets for her exports. Communications, agriculture, and mining are considered the basic enterprises. The need for equal distribution of population is stressed. Industry must be diffused and not concentrated in the coastal areas. The equal economic development of all areas is desirable.

V. Future Economic Ideals.

So far only the highest current ideals of Chinese economics have been discussed. The ancient sages of China understood all the principles of economic development and formulated the highest ultimate ideals in the conception of a world of "Great Harmony", in which the principle of the people's livelihood will be fulfilled, and in which there will be no economic aggression and no war. The present war will bring us nearer to the attainment of this ideal.
CABLE TO HABANA

Refer to your A-1551 July 17 and previous communications regarding refugee children.

The American Joint Distribution Committee would make all required funds for maintenance of 1,000 children available to Habana Joint Relief Committee with the approval and authorization of the Treasury Department. The transfer would be effected through established commercial banking facilities.

In view of the Hungarian situation and the recent statement by Admiral Horthy that his government would grant exit permits to, and suspend deportations of, all Jewish children for whom havens may be provided outside Hungary, would you in your conversations with appropriate Cuban officials endeavor to obtain the acceptance in principle by the Cuban Government of 1000 refugee children from either France or Hungary.

You may assure those officials that no detailed plans have as yet been developed for actual immigration of refugee children into Cuba. Should such plans become necessary at a later date, they will not (repeat not) be developed without previous consultation with the Cuban Government.

2:30 p.m.
August 14, 1944

MSanding: tsh 8-11-44
AMERICAN EMBASSY,
HABANA.

SECRET

FOR THE SECRET AND CONFIDENTIAL INFORMATION OF THE AMBASSADOR.

Refer to your A-1551 July 17 and previous communications regarding refugee children.

The American Joint Distribution Committee would make all required funds for maintenance of 1,000 children available to Habana Joint Relief Committee with the approval and authorization of the Treasury Department. The transfer would be effected through established commercial banking facilities.

In view of the Hungarian situation and the recent statement by Admiral Horthy that his government would grant exit permits to, and suspend deportations of, all Jewish children for whom havens may be provided outside Hungary, would you in your conversations with appropriate Cuban officials endeavor to obtain the acceptance in principle by the Cuban Government of 1,000 refugee children from either France or Hungary.

You may assure those officials that no detailed plans have as yet been developed for actual immigration of refugee children into Cuba. Should such plans become necessary at a later date, they will not (repeat not) be developed without previous consultation with the Cuban Government.

HULL

glm

August 14, 1944
5:05 p.m.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 6521

SECRET

See Department's telegram 5791 of July 24, midnight; Embassy's telegram 6292 of August 5, 10 p.m.; Department's telegram 6097 of August 2, midnight; Embassy's telegram 6005 of July 28, 5 p.m.

From Heathcote Smith, a copy of telegram number 9, dated the fourth of August concerning Papal intervention on behalf of non-Italian refugees in Northern Italy has been furnished the Embassy by IGC. The following is the gist of this communication: Taylor had an audience with the Pope and supplied him with the data in all the wires which were exchanged with Washington on this question. On the second of August Heathcote Smith saw the Pope who will ask the German Ambassador to try to stop additional deportations and to supply the Vatican with figures on the numbers of Jews and others still awaiting deportation in Northern Italy. It will also be suggested by the Pope that the Axis should allow these people to reach some asylum. The above petitions will be made as though the Pope himself originated them. To Heathcote Smith the Pope made the statement that neither his conscience nor history would forgive him if he failed to make this attempt.

A report from the Papal Nuncio in Switzerland reached Heathcote Smith to the effect that near Modena in a concentration camp fifty Jews were murdered the thirty first of July by Axis officials.

This wire was communicated to the Foreign Office by IGC AND The eleventh of August IGC received the following telegram the substance of which is as follows: (In paraphrase) "From Heathcote Smith's telegram number 9 dated August four it is noted that the Pope will take up with the German officials the question of interneness in the north of Italy.

Meanwhile His Majesty's High Commissioner in Rome has been requested by us to advise us as to what accommodation, if any, may be found for these refugees in freed Italy, but we are aware that there our resources are greatly strained and our military officials insist that there is a definite limit to the number of refugees which can be brought in.

Obviously Heathcote
- 2 -

Obviously Heathcote Smith is at the present time not too well informed concerning the problems which we are facing. The likelihood of a substantial influx of refugees from the Balkans confronts us; in addition, we are encountering considerable difficulties in connection with arrangements for supplies and medical personnel. Until a solution can be found for these problems, the military officials are not apt to agree to the maintenance of many thousands of refugees in Italy.

You will be advised of the reply of Sir Neol Charles which I hope will be favorable, but as I have pointed out, there are many obstacles to be overcome. In its telegram of today the IGC summed up the whole situation to Heathcote Smith, of which the following is a paraphrase.

"The eighth of August your telegram number nine dated August four concerning the rescue of internees who are threatened with deportation was received. We have received your report of July eighteen and your telegram dated July fifteen, the twenty fifth and the nineteenth of July respectively, but until the thirty first of July your July fourteen telegram was not received. On the twenty sixth of July we proposed to the British and American Governments that they should ask for the intervention of the Vatican for the relief of foreign civilian refugees who are detained in northern Italy giving assurance that they would make arrangements for transportation to southern Italy or elsewhere and that either through IGC or in some other way they would make arrangements for maintenance. On the twenty ninth of July the American Government supplied us with a message which they repeated to Taylor and they further advised us on the fifth of August that our proposal was found to be acceptable by them. We had, in accordance with their suggestion, a three-cornered discussion with representatives of the American Embassy and the Foreign Office and to both Governments copies of your latest telegram have been furnished. From the Foreign Office we today received a letter stating that Charles has been requested to make a report as to what accommodations if any may be available in Italy south of the battle line. The possibility of a large influx from the Balkans simultaneously with difficulties concerning supplies and medical personnel are emphasized by the Foreign Office. By the way of the American Embassy, British opinion is being transmitted to Washington. On your successful negotiations with the Pope we extend our congratulations to Taylor and you. Of additional developments we will advise you.

WINANT

DCR: EMS: img

Regarded Unclassified
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 6537

SECRET

It is assumed by the Embassy that additional instructions will be sent Ankara by the Department. See message 46 to Ankara from the Embassy, repeated to the Department as number 6040 of the twenty ninth of July.

From Ankara the message below (in paraphrase) has been received:

August 8, noon, number 54.

With my British colleague, I have discussed the matter of the evacuation of Jewish children under the age of ten years from Hungary which was the subject of your twenty ninth of July message number 46. In light of the fact that the Swedish Minister has advised us that the Government of Sweden has announced that it is ready to receive Jewish children from Hungary in Sweden, weounsel that no action should be taken awaiting additional instructions. This decision has already been reported to London by the British Ambassador in reply to instructions in the matter which he had received from there.

The following is for your information. The Government of Turkey has agreed to issue instructions to their representatives in Hungary giving them authorization to issue transit visas to all refugees possessing American immigration visas or Palestine certificates issued in 1941, on or after the first of July.

WINANT

DCR:MLG
8-17-44

Miss Chaunsey (For the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel Laughlin, Lesser, Mann, Mannon, McCormack, Cable Control Files.
AIRGRAM

FROM
Tegucigalpa, Honduras
A-268
August 14, 1944
Rec’d August 18, 3 p.m.

SECRET

SECSTATE
WASHINGTON

A-268, August 14, 3 p.m.

Department's secret circular airgram of August 3, 1944, 11:00 a.m.
entitled "Safeguarding of Lives of American Republics Document Holders".

Following is a free translation of Note No. 253 dated August 10,
1944 from the Honduran Minister for Foreign Affairs:

"Very attentively and through the worthy medium of Your
Excellency, I request the Government of the Swiss Confederation,
if it so pleases, to take charge of Honduran interests in
Hungary, in the same form in which it has taken charge in
Germany and in the countries occupied by Germany.

"I avail myself of this opportunity to again thank the
Government of Switzerland for the way in which it is carrying
out the representation of Honduran interests in the countries
referred to above.

"I renew to Your Excellency the assurances of my highest
and most distinguished consideration."

It is believed that the terms of the above communication are suf-
ficiently broad to cover the protective matters in which the Department
is interested.

ERWIN

704/711.5 SC
JEF:mb

Transmitted via courier pouch closing August 14, 1944, 5 p.m.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Jerusalem

TO: Secretary of State, Washington

DATED: August 14, 1944

NUMBER: 113

CONFIDENTIAL

FOLLOWING FOR WAR REFUGEE BOARD FOR LEON KEBOWITZKI, WORLD JEWISH CONGRESS, NEW YORK, FROM JACOB VAN BLITZ.

We refer herewith to your telegram of August 2, 1944. As regards

As regards Bergen Belsen near Collsein Hannover, you are informed that there were between 3500 and 4000 Jews in this camp at the end of June; approximately 3000 Dutch, about 500 stateless mostly formerly German Jews living in Holland, about 200 Tripoli Tener Jews, and about 100 Greek Jews.

Approximately 1000 have Palestinian certificates, but I do not know how many held passports for Latin American countries. There were a further 200 people belonging to diamond trade including their families.

A list of those remaining at this camp has been prepared by Irgunolei Holland Pobhaarei Jerusalem based on information obtained from people who came with us, but a list of those deceased and deported cannot be given by me.

The situation as regards food is not good and sufficient quantities of food are not received. The sanitary situation is very primitive. This camp was not visited by delegates of Intercross or German Red Cross. There were no deportations to Poland until our departure at the end of June.

Individual food packages and collective shipments of food did not reach the camp and in only a few cases did people in this camp receive food parcels from private sources. It is extremely important that help be given quickly. A list of names of persons in this camp was supplied by Irgunolei Holland to Witeles who is proceeding to United States very soon, to representatives of Joint Distribution Committee, and to Schwartz who took it to Lisbon.

PINKERTON

DNR:IDB:FB 8/17/44
MJB-443
Distribution of true
reading only by special
arrangement. (SECRET W).

Lisbon
Dated August 14, 1944
Rec'd 3:09 p.m.

Secretary of State,
Washington.
2509, August 14, 1 p.m.

FROM DEXTER FOR PEHLE.

This is WRB 154.

In view imminent liberation sections France with considerable refugee population, it is assumed that WRB has given consideration to possible incursion large numbers, hopeful emigration United States, into Iberian Peninsula. Seems advisable that WRB make policy decision soon regarding refugees in France whether stateless, Spanish (of whom there are large numbers) or Allied nationals. Question wisdom of allowing refugees leaving liberated areas unless there are compelling military or supply reasons. Tentatively suggest that WRB send representative into France for study problem cooperatively with military officials and French authorities earliest possible moment following liberation. Later problem may be UNRRA's or Intergovernmental Committee's but for immediate future think WRB best equipped to handle. For guidance here would appreciate comments and instructions.

NORWEB

RNK RR
LFG-415
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon
Dated August 14, 1944
Rec’d 1:02 p.m.

Secretary of State,
Washington.

2510, August 14, 1 p.m.

Working with British Embassy toward joint request for Portuguese action regarding reception Hungarian Jews (RESURREL 2211, August 7). This WRR 155. British have sent telegram Foreign Office and expect definite instructions this week.

NORWEB

WMB JJM
EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2902

Madrid, Spain, August 14, 1944.

Subjects: Transmitting copy of Note Verbale from the Ministry of Foreign Affairs concerning the granting of visa facilities to fifteen hundred Jewish persons in Hungary.

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

Sir:

With reference to the Embassy's despatch No. 2791 of July 25, 1944, transmitting to the Department, inter alia, a copy of the Embassy's Note Verbale No. 2814 of that date to the Ministry of Foreign Affairs supporting the request of the British Embassy that Spanish visas be granted to a group of fifteen hundred Jewish persons in Hungary when it is desired to cross Spanish territory in transit to an assured destination overseas, I have the honor to enclose a copy and translation of the Ministry's Note Verbale No. 1 (San Sebastian) of August 2, 1944, in which it is stated that, as reported in the Embassy's telegram No. 2623 of July 28, 1944, 7 p.m., to the Department, the Spanish Ministry in Budapest has been authorized to issue the requested visas and also to intercourse with the appropriate Hungarian and German authorities in an attempt to obtain permission for the departure of these persons from Hungary, together with 2/ a copy of the Embassy's Note Verbale No. 2916 of this date in acknowledgment thereof.

3/ There is also transmitted herewith a copy of the British Embassy's Note Verbale No. 985 of August 4, 1944 to which reference is made in the latter enclosure.

Respectfully yours,

W. Walter Butterworth
Charge d'Affaires ad interim

Enclosures:
1/ Note Verbale No. 1, August 2, 1944
2/ Note Verbale No. 2916, August 14, 1944
3/ Note Verbale No. 985, August 4, 1944

File No. 800
NWB/3r
Single copy to Department (for Osmid machine)
Copy to Lisbon.
TRANSLATION

No. 1

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and in reply to the latter's Note Verbale No. 2614 of July 25 last, in which the intervention of the Spanish Government was requested on behalf of a group of 1,500 Jews at present in Hungary, with the object of obtaining their evacuation through Spain, has the honor to advise the Embassy that appropriate instructions have already been sent to the Spanish Minister in Budapest in order that he may do everything possible to facilitate the requested evacuation, granting the necessary visas for entry into Spain and attempting to overcome any resistance on the part of the Hungarian authorities and the German Authorities of Occupation to the departure of these Jews from the aforementioned Hungarian territory.

Dated at San Sebastian,
August 2, 1944.

:MB/ana/jk
Hamlet, August 14, 1944.

Emergency to Department in Germany

Emergency to Department in Spain.

The Secretary of State appointed me to have been present at the meeting of the Spanish Minister at the request of the President of the United States at the request of the Secretary of the Department of the Interior, the Secretary of the Interior, and the Secretary of the Interior.

No. 296, August 14, 1944.

No. 296, August 14, 1944.
The Ministry of Foreign Affairs present their compliments to the Ministry of Foreign Affairs, and have the honor to acknowledge receipt of their note No. 655 (220, 200, 170, 160) of July 22nd, and to inform the Spanish Government that in reply thereto, the Spanish Government, acting on the authority of the note from the Ministry of Foreign Affairs of July 26th, has decided to perform the steps the situation demands, in order to facilitate the departure of the 1,500 Jews mentioned in the said note to Budapest, the Hungarian Government having expressed the wish to travel by land, thus avoiding the transit of the 1,500 Jews through Palestine. The Spanish Minister was informed of the Spanish Government's wish and agreed to do its best to facilitate their departure from Budapest by land, as requested. The Spanish Minister has also informed the Hungarian Government of the departure of the 1,500 Jews, and has asked for their understanding and assistance in facilitating their journey to Budapest.
EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2905

Madrid, Spain, August 14, 1944.

Subject: Transmitting copies of Embassy's Notes
Verbales to the Ministry of Foreign Affairs
requesting facilities for transit through
Spain of Jewish refugees proceeding from
Hungary.

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

Sir:

1/ I have the honor to enclose copies of the Embassy's Notes Verbales
2/ No. 2907 and No. 2908 of August 11, 1944, which have been addressed to
the Ministry of Foreign Affairs in accordance with instructions con-
tained in the Department's telegrams no. 2126 of July 26, 1944, 10 p.m.
and no. 2194 of August 7, 6 p.m. requesting respectively that the
Spanish Government permit the entry into Spain of persons released
from Hungary in pursuance of the recent decision of the Hungarian au-
thorities to allow the departure from that country of Jewish persons in
possession of entry permits entitling them to admission to any other
country, and that, in particular, it permit the entry, in transit to
further destinations outside of Spain, of such persons to whom American
immigration visas were issued on or after July 1, 1941 but who, by
reason of transportation difficulties and the advent of war, have not
been able to make effective use of such visas.

The British Embassy in Madrid has not as yet received parallel
instructions and has consequently been unable to concert with this
Embassy in joint representations on this subject.

Respectfully yours,

/s/ W. H. Butterworth
U. Walter Butterworth
Charge d'Affaires ad interin

cc: Mrs. Chamberlay [For the Sec'y], Abrahamson, Klein, Conn, Darcy,
Dobbs, Friedman, Carter, Hodel, Appleman, Leach, Humbo, Stam, Leinar,
Leochrome, Peile, Searcy, Sturdivant, Weidlein.
Enclosures:
1/ Note Verbale No. 2907, August 11, 1944.
2/ Note Verbale No. 2908, August 11, 1944.

File No.: 800

NMB/jk

Single copy to Department
(for Ozalid machine)
Copy to Embassy, Lisbon.
Copy to Embassy, London.
The United States Government has taken General's request of the provisional government of the United States of America presents the compact.

NOTE VENALE

Cox

2909

2909, Appendix to 1944 Law

Undersigned No. 1 to deposit No.
CONFIDENTIAL

AIRGRAM

FROM
Stockholm
Dated: August 14, 1944
Rec'd. August 28, 1 p.m.

Secretary of State,
Washington.

A-721, August 14, 1 p.m. Latvia (Present conditions in Latvia as reported by refugees).

Reference is made to the Legation's various telegrams and airgrams (i.e. telegrams no. 2980 and 3049) reporting the arrival in Sweden of considerable numbers of Baltic refugees.

The following is a report received on August 10, 1944 from Baltic refugees in Stockholm:

"In Kalsnava (a rural parish in eastern Latvia) the Soviets murdered all men, women and children on July 12, 1944, who had failed to flee. This is stated by a farmer, Jāzeps K., from Kalsnava, who managed to escape, but whose wife and three children were murdered. One person who managed to escape became insane as a result of what he had seen. It is reported that the Soviets poured kerosene on the bodies of the persons they have murdered and burned them in order to leave no traces of their crimes.

"A large-scale evacuation of German citizens is taking place in Latvia. In all ports, fishing crafts and ships are seized for the evacuation of the German civil administration and German civilians.

"The Germans apply the same methods of torture to arrested Latvian patriots as those used by the Soviets in 1940/1941. This is stated by a person who was liberated. A rubber ring with electric leads was put around his neck. The electric current was turned on causing heavy bleeding through the nose and mouth. The person concerned could not tell the things the Gestapo wanted to know and after a while lost consciousness. When he regained consciousness his fingers were held over the flame of a candle, however, even this time without result. Before he was released he had to sign a statement to the effect that he was not going to tell other people what he had seen and what had been done to him. This incident took place in Riga, in the central office of the Gestapo in Reimers Street, in the same building where the NKVD torture cellars were located in 1940. When the Soviets left, all torture devices and the entire equipment of the building remained intact and were taken over by the 'Operative Section' of the Gestapo."

An additional refugee report received on August 11, 1944:
"Local Communists, actively supported by Russian prisoners of war and so-called Russian refugees, organized uprisings in certain Latvian cities, such as Tukums and Talsi; these revolts were promptly suppressed by local Latvian police forces, however.

"Russian parachutists which a few weeks ago were landed in Aluksne (Marienburg) and Jaungulbene (Neu-Schwanenburg) have been liquidated jointly by Latvians and Estonians.

"Latvian patriotic forces now center about General Bangerskis and the military leadership of the Latvian Legion.

"The so-called Latvian self-government body formed by the Germans has fled to Libau."

JOHNSON

HEC:GD:rc
2 copies to American Embassy, London.
MJB-480
Distribution of true
reading only by special
arrangement (SECRET W)

Stockholm
Dated August 14, 1944
Rec'd 5:34 p.m.

Secretary of State,

Washington.

3091, August 14, 6 p.m.

THIS IS OUR NO. 72 FOR WRB FOR DEXTER FROM OLESEN.

Replying to your No. 4 of August 8, noon, and is
being repeated to Washington. (My 3091 August 14, 6 p.m.,
repeats this to Washington) after checking with various
shipping groups Swedish Foreign Office regrets there
are no vessels available suitable for proposed trans-
portation of Jews to Haifa. When current prisconers ex-
change program is completed vessels might be available
in about two months.

JOHNSON

RNK
CABLE TO HARRISON, BERN, FROM WAR REFUGEE BOARD

Please deliver the following personal message from Mr. Pehle to McClelland:

QUOTE In the course of a recent review of our activities I have been impressed with the efficient and wise manner in which you have handled the large number of complicated War Refugee Board problems that have come your way. I sincerely appreciate all you are doing and I congratulate you on your performance in what is undoubtedly one of the most difficult assignments in the field UNQUOTE

THIS IS WRB BERN CABLE NO. 123

5:10 p.m. August 14, 1944
FH:lab 8/14/44
FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 14, 1944
NUMBER: 2785

SECRET

FOR MCCLELLAND.

Please promptly inform Mrs. Marjorie McClelland, 7 Rues des Chaudronniers, Geneva, that Treasury Department has licensed American Friends Service Committee, Philadelphia, to authorize her, as its representative in Switzerland, to utilize from funds being remitted under such license, the Swiss franc equivalent of $10,000 for the purchase of French francs for the relief of displaced persons in France provided such French francs are purchased in the manner which shall be prescribed by the War Refugee Board representative at Bern. For the guidance of the War Refugee Board representative, he may authorize the purchase of such French francs by any of the three methods provided in the basic licenses being issued to relief organizations with respect to operations in enemy territory.

The foregoing license has the approval of the Department, Treasury and the War Refugee Board.

THIS IS WRB CABLE TO BERN NO. 121.

HULL
FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 14, 1944
NUMBER: 2805

SECRET

Please deliver the following personal message from Mr. Pehle to McClelland:

QUOTE In the course of a recent review of our activities I have been impressed with the efficient and wise manner in which you have handled the large number of complicated War Refugee Board problems that have come your way. I sincerely appreciate all you are doing and I congratulate you on your performance in what is undoubtedly one of the most difficult assignments in the field. UNQUOTE

THIS IS WRB BERN CABLE NO. 123

HULL
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 5281.

SECRET

Reference is made to your message dated July 21, Number 2490 and your message of August 9, Number 2737.

It was stated by the Foreign Office in a note dated the tenth of August that the Legation of Switzerland in Berlin reports internees moved from Clermont by German authorities as follows: Julian Gelernter, a Cuban, born on February 21, 1905, in Warsaw; Jose Frappaport, born on July 28, 1910, in Sanok, Poland; Julian Wainz of Furneituan, born on November 12, 1902, in Kesnov, Rumania.

Though there has been as yet no confirmation of this supposition, it is believed by the Swiss Consulate in Paris, with reason, that the German authorities, who consider these persons to be stateless, sent them first to Drancy, though their exact destination is not known.

The case of Jose Frappaport has been referred to the Spanish Legation, (which is charged with the duty of protecting Paraguayan interests) by the Swiss Legation, Berlin; and it is making representations in the above matter, also, to the German Government.

HARRISON.

DCR: LOW 8/17/44
SECRET

OPTEL No. 264

Information received up to 10 A.M. 14th August 1944

1. NAVAL

A British Boom Defence Vessel was damaged by explosion off NORMANDY beaches and a landing barge (oiler) was mined and sunk off CHERBOURG.

2. MILITARY

France Second British and First Canadian Armies have made limited advances. U.S. Forces are firmly established in ARGENTAN while leading elements of a strong force advancing N.E. from MAYENNE has reached CARROUGES.

Italy North of ARNO partisans have cleared Fascists from FLORENCE old city which has been entered by British troops. Fighting patrols active on whole front.

Russia Russians have captured VORU 50 miles W. of PSKOV and MADONA on railway 30 miles N.E. KRUSPILS. In centre they have advanced N.W. and W. of BIALYSTOK and N. and N.W. of SIEBLOCE.

3. AIR

Western Front 12th/13th. 210 medium and light bombers operated throughout the night against enemy movement in N.W. FRANCE. BRUNSWICK 1,275 tons. Blind bombing no accurate assessment possible. 8 German aircraft claimed destroyed, RUSSELSHEIM 962 tons. Little cloud but much haze. Scattered bombing at first but fair concentration finally achieved. 1 enemy aircraft claimed destroyed. FALAISE 657 tons. Attack directed against retiring Germans. Much cloud but careful and accurate marking enabled good concentration.

13th. 41 Lancasters dropped 224 tons on U-Boat pens BREST and BORDEAUX. 1,153 U.S. heavy bombers dropped 1,953 tons on roads and railway bridge in SEINE area and 369 tons on coastal batteries ST. MALO area. 1,400 fighters attacked enemy traffic and destroyed 52 locomotives, 34 tanks, 378 MT and 569 railway wagons and successfully attacked many other targets. 760 medium bombers sent to attack enemy transport and roads LISIEUX and PARIS areas and bridges N. and N.E. of PARIS. 14 heavy bombers and 18 fighters missing from these operations. Coastal command aircraft hit two 8,000 ton ships off ROYAN and a 1,200 ton ship off Dutch Coast. They also set on fire two 1,700 merchant vessels, 2 minesweepers and 3 Auxiliaries off HELIGOLAND.

13th/14th. 80 aircraft despatched including 30 Mosquitoes HANOVER. All returned safely.

Italy and Southern France 12th. 814 aircraft of Tactical Air Force attacked gun positions and RDF stations south of FRANCE and communications etc. Italy.

13th. 426 U.S. heavy bombers dropped 977 tons on gun positions near GENOA, TOULON and SETE while 136 heavy bombers attacked railway bridges in AVIGNON and CREST area. 63 fighter bombers attacked MONTELEMA airfield.

German Activity During 24 hours ending 6 A.M. 14th - 64 flying bombs plotted.
August 15, 1944

Dear Senator:

The American Forum of the Air broadcast over the Mutual Network is scheduled for 9:30 P. M. Tuesday, August 22nd. The program is broadcast from the Shoreham Hotel here in Washington and lasts 45 minutes.

The broadcast will be in the form of a round table discussion with either Secretary Morgenthau or Mr. Granik presiding. They will ask questions of the delegates. Annexed is a tentative list of the questions which will be discussed. While the answers will be extemporaneous and non-technical, we have included after each question some of the ideas which have occurred to a few of us with the thought that some of the delegates may find them helpful.

It is expected that in many cases more than one man may want to express his views on a question and as I understand it from Mr. Granik, this procedure is desirable as tending to lend spontaneity to the program. Under these arrangements no
participant will be allotted a particular amount of time. Rather they will respond as they see fit.

With respect to your quotation from Upton Close's recent talk, I would say that he is confused and does not understand the Bretton Woods proposals. He is obviously discussing the provisions of the Bank and not the Fund (although it is not clear that he realizes this).

Under the Bank proposal the United States subscribes 3,175 million dollars out of a total of 9,100 million dollars or about 35% of the total capital of the Bank. Each country accepting membership in the Bank must pay 2% of its subscription in gold and 18% in local currency. This is true of every country, whether it be the United States or Ethiopia. It is true, of course, that the local currency contribution of the United States may be more usable in the early post war period than that of some of the other currencies. However, it is very easy for one to overlook that the local currency payment of each member is limited to 18% of its capital stock subscription and that the other 82% of its obligation must be paid in gold or in the currency in which the Bank must discharge its obligations (in most cases this would be dollars). Therefore, instead of
the 2-1/2% gold obligation referred to by Close, all countries are assuming an 82% gold or dollar obligation.

Close is quite right in assuming that most of the loans made or guaranteed by the Bank (particularly in the early years) would be in dollars. The countries of the world will sorely need American machinery and goods for reconstruction and development. We are the only country that will be in a position to supply these goods and it will be good business for us since it provides us with peace time markets at a time when we must convert our tremendous war time production back to peace time pursuits and at a time when our returning soldiers will be wanting civilian jobs.

Now the Bank will either borrow the dollars directly in our market with which to make the loans or it will guarantee the repayment of such loans as countries may float directly in our market. Thus, in the first instance it will be dollars which will be largely put up by American investors.

However,--and this is where Close misses the point--all of the countries accepting membership in the Bank assume their full pro rata obligation to make good on the default of any country on its loan and each country obligates itself to meet this call in gold or dollars.
Therefore, although the U.S. investors may initially provide most of the money actually loaned and the U.S. will get the benefits in the form of increased foreign trade and employment, all the countries jointly guarantee the U.S. investors against loss. Thus, instead of the U.S. Government having to bear 100% of the risk of any loss, we have to bear only 35% of the loss and the other countries bear the remaining 65%. I need not emphasize the great advantage this offers to us.

Neither is it true that the other countries cannot make good on their guarantees. The period of time given to them to make their payments is spread over the same period as the original loan and is amortized on the same basis as the original loan. Thus no country will be called upon to make an impossible gold or dollar payment in any one year. Rather they will be called upon to make very small payments over a long term of years. This they can do and will want to do since no country is so impoverished that it cannot meet small payments spread over an extended period of time.

Parenthetically, I might add that Mr. Close's opinion that all the nations of the world except us are proclaimed bankrupts is a gross exaggeration. Some of them, and the
number is not nearly as large as Mr. Close suggests, are in temporary difficulty. I for one am not ready to sell the whole world short. Given a period of peace and a little intelligent aid of the kind the Fund and Bank are intended to offer and most of these countries will be able to get back on their financial feet. Close’s attitude represents a brand of defeatism that we can not afford if we want to avoid World War III.

I have not discussed the Fund since I do not think Mr. Close had it in mind. However, we will be glad to go over that too, if you wish, when you return.

If we can be of any further assistance, please do not hesitate to call upon us.

Sincerely,

(Signed) Ansel F. Luxford

Honorable Charles W. Tobey,
United States Senator,
Wilton, New Hampshire.

Cleared with: Mikesell, Ness, Brenner and Minskoff.
AFL:nrd - 8/15/44
ANSEL F LUXFORD
TREAS DEPT

KINDLY WRITE ME AT WILTON NEW HAMPSHIRE GIVING DETAILS OF FORUM
BROADCAST 22ND AND TIME ALLOTED INDIVIDUAL SPEAKERS ETC. WOULD

ALSO APPRECIATE SUGGESTIONS FROM YOU OF ANY POINTS I SHOULD
COVER FOLLOWING IS EXCERPT FROM UPTON CLOSE TALK RECENTLY
QUOTE IN THE INTERNATIONAL ECONOMIC WORLD WE FACE THE REALITY
THAT AMERICA WILL CHIP IN 40 PER CENT OF THE CREDIT, WHICH IS
GOOD BECAUSE WE HAVE GOLD, WHILE ALL THE REST OF THE WORLD WILL
PUT IN 60 PERCENT IN PAPER CURRENCY WHICH IS BACKED UP ONLY TO
THE EXTENT OF 21/2 PER CENT IN GOLD- IF THEY HAVE IT. ACTUALLY
THIS MEANS THAT THE U.S.A. IS TO UNDERWRITE ALL OF THE NEW WORLD
CREDIT SAVE 2 PER CENT OF 60 PERCENT. THAT FIGURES OUT THAT THE
UNITED STATES, ON WHOSE CREDIT ALONE THE SCHEME CAN WORK SINCE
ALL OTHER NATIONS INCLUDING BRITAIN ARE PROCLAIMED BANKRUPTS,
PUT UP 98.8 PER CENT OF THE WORLD'S CAPITAL WORTH AND THE REST
OF THE MEMBER NATIONS PUT UP 1.2 PER CENT OR AM I WRONG? UNQUOTE
WOULD LIKE YOUR REFUTATION OF THIS AND THANK YOU.

SENATOR CHARLES W TOBEY
CONFIDENTIAL

August 15, 1944

MEMORANDUM FOR THE FILES

I spoke to Congressman Wolcott this afternoon and invited him to participate in the American Forum of the Air broadcast on August 22.

He was very cooperative but stated that in his opinion he felt that it would be unwise for him to participate in such a broadcast even though it were non-controversial in character. He said that he has studiously avoided making any public comment on what happened at Bretton Woods in order that he could maintain the full strength of his position in his personal dealings with his Republican colleagues. He stated that while he had not made any overtures to Governor Dewey and did not plan to make any, it was his hope that at some point Governor Dewey would want to discuss the Bretton Woods proposals with him, particularly if Wolcott by his conduct had not embarrassed Dewey by attempting to force the issue by his public conduct. For that reason, he did not want to take any public position on either proposal and wanted to deliver his blows under cover within the Republican organization. He also wants to see if he can not soften Senator Taft up because he feels that a good deal of Governor Dewey's reluctance in taking a position stems from Taft's opposition to the programs. He said that at the time Taft sent him his proposed statement at Bretton Woods, he had been sorely tempted to wire Taft to hold up but had refrained on the theory that Taft was over 21 and might regard his conduct as impertinent. I also gathered that he was working on Congressman Dewey.
I told Congressman Wolcott that I could easily understand his position and that there seemed to be a great deal of merit in it, and I said that if at any point he felt that any of us could be of any assistance to him either by discussing the problems with any particular members of Congress he might want to suggest or by furnishing him with written material that we would be very happy to do so. He expressed his appreciation and I am confident that we can expect his cooperation.
August 15, 1944

MEMORANDUM FOR THE FILES

Yesterday, when I had lunch with Ted Granik to discuss some of the problems in connection with the broadcast on August 22, he mentioned to me that he was a little bit concerned over the broadcast for fear that opponents of the Fund and Bank plans would charge that he was giving a one sided version. In particular, he said he was worried about charges which might be leveled at him by Senator Taft and Congressman Dewey. He inquired at that time whether he might not speak to Senator Taft and Congressman Dewey and inform them in advance of the round table character of the August 22 broadcast and propose to them a controversial broadcast at a later date on which both of them would be invited to appear. I told him that I could see no objection to this proposal, particularly if he made it clear that this was only his idea and that obviously it would have to be taken up with whoever represented the affirmative side.

Today he called me and stated that he had spoken to both Taft and Dewey. Taft had been noncommittal regarding the broadcast on the 22nd but had indicated his willingness to appear on either September 12 or 19 and participate in a controversial discussion. Taft qualified his willingness to appear, however, by stating that it was subject to whether the issue had become a "national campaign issue" by that time. Granik stated that he gathered from this and from the manner in which Taft discussed the problem that he was really waiting until he learned of Governor Dewey's attitude toward the Bretton Woods proposals. Congressman Dewey took exactly the same line and again while he did not refer to Governor Dewey by name, he made it very clear that his willingness to attack the plan depended on whether or not it had become a national issue in the campaign.
MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of $50,000 as of August 14, 1944.

E. L. Olrich
Assistant to the Secretary

Enclosures
### PROPERTY FOR DISPOSAL

#### SPECIAL ITEMS VALUED IN EXCESS OF $50,000

**AS OF AUGUST 14, 1944**

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Textiles and Wearing Apparel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoe Pacs</td>
<td>10,000</td>
<td>$ 5.50</td>
<td>$ 99,044</td>
</tr>
<tr>
<td>Felt Innersoles</td>
<td>55,000</td>
<td>$.75</td>
<td></td>
</tr>
</tbody>
</table>

Shoe-pacs are rubber shoe with leather top. Army intends to withdraw the shoe-pacs and 10,000 of the innersoles.

| Magazine Belts                      | 45,626   |           | 102,818       |

New declaration. Samples are awaited.

| Gloves, rubber, anti-gas           | 1,041,126| 1.00      | 1,041,126     |

Gauntlet type. Samples are out in the trade and interest is being shown.
Rectangular tents of mosquito netting. About 300,000 reported as new turned out to be used and patched. Moderate orders for new "bars" at $1.50 are being received regularly.

Manufacturers will probably repurchase at cost price.

Appears to be a salvage item. Contacts have been made with uniform houses.

54" to 72" rolls. Samples have been sent to large users of felt; trying to negotiate sale.

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mosquito Bars, with rods</td>
<td>769,000</td>
<td>$ 5.90</td>
<td>$1,076,600</td>
</tr>
<tr>
<td>Slide Fasteners</td>
<td>8,500,000</td>
<td>.19</td>
<td>1,615,000</td>
</tr>
<tr>
<td>W.A.C. Caps</td>
<td>76,712</td>
<td>2.20</td>
<td>168,766</td>
</tr>
<tr>
<td>Filter Felt (New)</td>
<td>163,086 Yds</td>
<td>2.00</td>
<td>326,172</td>
</tr>
</tbody>
</table>
Hats, Army Service

The old style, broad brimmed campaign hat. 28,000 were sold to Boy Scouts at $0.90. Samples have been sent to chain stores, distributors and exporters.

Cotton Duck, #4

42" fire, water and weather resistant. Will probably be sold to Lend-Lease.

Leggings

World War I stock, good only for salvage.

2. Automotive Products

Spare parts, automobile, new and used

Majority are used parts, taken from used motors and put in stock. The bulk of the new parts are obsolete, or are parts for discontinued military vehicles. Inspection, boxing, and listing by manufacturers is going forward prior to offering them to manufacturers.
Disc Wheels for gun carriage

The tire trade is being circularized in regard to the special tires, which are the only valuable part of these assemblies.

Tires and Tubes, truck and bus

New and used. The industry inspection committee has reported favorably. The main committee has committed itself to take over the entire lot. Pro-rota offers to tire manufacturers are being prepared.

Automotive Parts, new

Recent declarations of parts in varying quantities in many locations. As distinct from previous declarations these parts are new, small parts; not obsolete and used bodies, tanks, etc, such as we have had before.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,800</td>
<td>$12.00 (est)</td>
<td>$105,600</td>
</tr>
<tr>
<td>99,000</td>
<td></td>
<td>1,309,336</td>
</tr>
<tr>
<td>3,100,197</td>
<td></td>
<td>3,383,527</td>
</tr>
</tbody>
</table>
3. Furniture

Pillows, new and used

Some cotton, some feather, some mixed. 109,710 new, 598,268 used.
Under new sales program 25,000 new mattresses were sold this week.

Bed Parts

Springs, heads, feet, and side rails; unassembled. Negotiating with bed manufacturers regarding repurchase

Mattresses, new and used

172,879 new; 854,805 used. Used mattresses will be sold for material salvage. 10,000 new mattresses were sold this week under new sales program.

4. Hardware

Fencing, woven wire, new

Rolls, 6 ft. wide, 450 ft. long, 4" diamond mesh. 916 rolls. Was purchased for camouflage use. Galvanized.
Filter Elements, automotive

New declaration. Information being assembled.

Incinerators, new

Designed for human excretion but can be used for other purposes. A hospital and a park system each have a slight interest. Apartment house use may develop.

Lanterns, oil burning deck, new

New declaration - data being assembled.

Markers, mine field

Web fabric carrying case containing 30 metal pins (18") with 4" x 4" metal flag marked danger. A small pocket contains two rolls of narrow, yellow tape. New declaration, being analyzed.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filter Elements, automotive</td>
<td>254,803</td>
<td>$ 0.50</td>
</tr>
<tr>
<td>Incinerators, new</td>
<td>34</td>
<td>9618.00</td>
</tr>
<tr>
<td>Lanterns, oil burning deck, new</td>
<td>34,460</td>
<td>3.00 (approx)</td>
</tr>
<tr>
<td>Markers, mine field</td>
<td>11,378 sets</td>
<td>6.85</td>
</tr>
<tr>
<td>Item</td>
<td>Quantity</td>
<td>Unit Cost</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Plates, vitrified china</td>
<td>1,367,809</td>
<td>$0.17 (av.)</td>
</tr>
<tr>
<td>New declaration. Data being assembled. Consists of dessert, bread and butter, and compartment plates.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rafts, pneumatic life</td>
<td>2,185</td>
<td>200.00</td>
</tr>
<tr>
<td>five man rafts, completely equipped. Price has been set - $99.50 to retailers, $84.50 to wholesalers. There is a big demand for sport purposes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scabbards, bolo</td>
<td>114,290</td>
<td>1.60</td>
</tr>
<tr>
<td>Obsolete item. No bolos available to fit them. Bolos (curved machetes) are largely used in the Phillipines.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shotguns, double barrel, new and used</td>
<td>11,924</td>
<td>40.00 (av.)</td>
</tr>
<tr>
<td>A great variety of cheap guns (all popular makes). Inspection in process.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Skiis, new and used
7' and 7½' hickory, ridge-top skiis with steel edges. Painted white.
10,000 pairs have been set aside for the Norwegian Purchasing Commission. Inspection under way

Smoke generator parts (vehicular)
Small metal parts (valves, fittings). Many are special and new uses will have to be found.

Snowshoes, emergency
Paratroopers' special type, of no value for sport purposes

Snowshoes, used
Serviceable, trail and bear paw type snowshoes. New declaration - no action as yet.

Wood screws, brass, new

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000 pr</td>
<td>$ 14.50</td>
<td>$ 174,000</td>
</tr>
<tr>
<td>22,837 pr</td>
<td>4.25</td>
<td>96,915</td>
</tr>
<tr>
<td>11,745</td>
<td>9.00</td>
<td>105,654</td>
</tr>
<tr>
<td>500 tons</td>
<td></td>
<td>357,000</td>
</tr>
<tr>
<td>1,634 items</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Only 8 bids received - none for complete lot. All were returned. Proposed now to solicit F. E. A. for export disposal. New invitations being prepared.
### 5. Medical and Hospital Supplies

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bandages, muslin</td>
<td>134,584 doz.</td>
<td>$</td>
<td>$ 128 034</td>
</tr>
<tr>
<td>Samples awaited.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boxes, tablet</td>
<td>250,000 cts.</td>
<td>$.40</td>
<td>100 000</td>
</tr>
<tr>
<td>500 boxes in a carton. Believed to be World War I stock. Samples awaited.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dressings, first aid packages</td>
<td>37,100,000</td>
<td></td>
<td>4 138 000</td>
</tr>
<tr>
<td>New declarations. Samples awaited.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>About 1,600,000 are definitely a commercial product. If remainder are of Red Cross manufacture, they will be returned to Red Cross for use elsewhere.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flask, with cup</td>
<td>200,000</td>
<td>$.33</td>
<td>66 000</td>
</tr>
<tr>
<td>Laboratory equipment. Samples awaited.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floss, silk</td>
<td>510,000 spools</td>
<td></td>
<td>173 400</td>
</tr>
<tr>
<td>Samples awaited.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Medicines and Antiseptics

This listing covers many declarations recently declared by Army. It is made up of 12 types of preparations of highly technical nature, in great quantities. All are on new declarations. Samples are being obtained and will be tested to determine utility.

<table>
<thead>
<tr>
<th>Petri dishes, with cover</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>230,000</td>
<td>$0.27</td>
<td>$62 100</td>
</tr>
</tbody>
</table>

Laboratory dish for making germ cultures. Samples awaited.

Sterilizers, new and used

Considered unsafe for medical department use by Army. Negotiations with manufacturer in process

<table>
<thead>
<tr>
<th>Surgical and Dental Instruments, Médicines and Supplies.</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,381</td>
<td>300.00</td>
<td>495 037</td>
</tr>
</tbody>
</table>

Mostly non-standard, obsolete, or deteriorated. Includes $52,228 in N. Y. Depot, $250,000 in Louisville Depot, and $100,000 dental supplies at Perry Point, Md. Bid invitations are being prepared for Louisville stock. Disposal policy for non-standard items is being formulated.
Suture, Catgut

Strand of catgut used in surgery for sewing after operations, largely internal. Must be cataloged and will be offered to other government agencies.

Suture, Silk, Dormal

Strands of threadlike silk used for sewing after minor surgery, largely external. Must be cataloged and will be offered to other government agencies.

Talc (decontaminating agent)

Packaged. Region has been instructed to dispose of this remainder by end of this month. Any part unsold will probably be destroyed.

Test tubes, glass.

Samples awaited.

G. None

<table>
<thead>
<tr>
<th>Product</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suture, Catgut</td>
<td>5,994,937 tubes</td>
<td>$1 190 818</td>
<td></td>
</tr>
<tr>
<td>Suture, Silk, Dormal</td>
<td>1,865,142 pkgs</td>
<td>140 066</td>
<td></td>
</tr>
<tr>
<td>Talc (decontaminating agent)</td>
<td>2,900 tons</td>
<td>100 000</td>
<td></td>
</tr>
<tr>
<td>Test tubes, glass.</td>
<td>4,670,000</td>
<td>$.03</td>
<td>140 100</td>
</tr>
</tbody>
</table>
7. Machinery

Ice Grousers, new

Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each weighs 6 lbs. A tractor needs 296 pieces. There is no known application on standard machines; no market, except for scrap.

Construction Machinery, heavy

All in inventory; all used. Cost estimate is probably high. The general condition of the equipment is poor.

Shoes for Tractor Treads

New "grousers" (shoes to be bolted to the flat tracks of crawler type tractors to give traction). These are standard replacement parts - enough for 700 tractors. Will be offered to manufacturer of tractor for which they are designed.

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>76,726 pcs</td>
<td>$2.70</td>
<td>$207,160</td>
</tr>
<tr>
<td>2,555</td>
<td>$1,000.00 (av.)</td>
<td>$2,555,000</td>
</tr>
<tr>
<td>43,853</td>
<td>$3.00</td>
<td>$131,559</td>
</tr>
</tbody>
</table>
### 8. Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameras, Aircraft</td>
<td>96</td>
<td></td>
<td>$307386</td>
</tr>
<tr>
<td>Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diesel Engines, Complete</td>
<td>131</td>
<td></td>
<td>2300000</td>
</tr>
<tr>
<td>Air cooled, nine cylinder, radial type. Army is returning money to manufacturer, who thought he had repurchased the engines for $22,000. New disposal arrangement in process.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platform trucks, steel, new</td>
<td>13,287</td>
<td>$75.00</td>
<td>996525</td>
</tr>
<tr>
<td>Steel trucks on casters, designed to moved airplane engines undergoing repairs. Are being placed on public sale by regional offices.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 9. Electrical Products

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batteries, dry cell and packs</td>
<td>50,000 (over)</td>
</tr>
<tr>
<td>50 types, varying quantities, ranging in cost from $.05 to $5.80 each. Over-age for Army use. Large percentage now on invitations to bid. Survey sent to regions.</td>
<td></td>
</tr>
</tbody>
</table>
Batteries, dry cell and packs (Continued)

Returns awaited.

10. Miscellaneous Products

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Cost to Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belt pocket for cartridge clips</td>
<td>1,000,000</td>
<td>$ 0.10</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received $0.06.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drums, 55 gallon, used</td>
<td>212,000</td>
<td>$2.50</td>
<td>$530,000</td>
</tr>
<tr>
<td>130,000 declared by Army cannot be located physically.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline cans, 5 and 7½ gal.</td>
<td>1,650,000</td>
<td>$2.00</td>
<td>$3,300,000</td>
</tr>
<tr>
<td>One million are &quot;Jerricans&quot; made after German model with spout that farmers like better than our regular Blitz can. The 7½ gal. square cans are suitable for shipping paint.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Quantity</td>
<td>Unit Cost</td>
<td>Cost to Govt.</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Imprinting machines, new</td>
<td>52,636</td>
<td>$21.95</td>
<td>$1,052,720</td>
</tr>
<tr>
<td>An addressograph plate press,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>portable, designed for Army</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>soldier identification purposes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference with manufacturer is</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>awaited, regarding re-purchase.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spurs, new and used</td>
<td>261,000</td>
<td>1.40 (av.)</td>
<td>365,400</td>
</tr>
<tr>
<td>Waiting radio advertisers decision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to take balance for novelty &quot;give away&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Word of final sale still awaited from Chicago office.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>47,875,821</td>
</tr>
</tbody>
</table>
SURPLUS US CARS REPORT
For 7 Days and Period Ended August 12, 1944
(Period Began Jan. 1, 1944)

7 Days to August 12, 1944  Period to Date

Total Used Cars Declared   106    3683
Less Declarations withdrawn  0      71
Less Loans to Other Federal Agencies  0      19
Less Transfers to Other Federal Agencies 4      551
Net Used Cars Declared for Sale  102   3042
Less Used Cars Sold  116    2138
Balance of Used Cars on hand  904    904

ANALYSIS OF INVENTORY

Inspected and ready for sale  603
Not inspected  301
Total  904

ANALYSIS OF DISPOSAL ACTIVITY

<table>
<thead>
<tr>
<th>Period</th>
<th>Declarations</th>
<th>Disposals</th>
<th>Inventory End of Period</th>
<th>Inventory Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1st</td>
<td>2864</td>
<td>2013</td>
<td>851</td>
<td>-14</td>
</tr>
<tr>
<td>4 Weeks Ending</td>
<td>624</td>
<td>610</td>
<td>865</td>
<td>-33</td>
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<tr>
<td>July 29th</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Days Ending</td>
<td>89</td>
<td>36</td>
<td>918</td>
<td>-14</td>
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<tr>
<td>August 5th</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>7 Days Ending</td>
<td>106</td>
<td>120</td>
<td>904</td>
<td>-14</td>
</tr>
<tr>
<td>August 12th</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
**SURPLUS TRUCK REPORT**

For 7 Days and Period Ended August 12, 1944  
(PERIOD BEGAN Jan. 1, 1944)

<table>
<thead>
<tr>
<th>Total Trucks Declared</th>
<th>7 Days to August 12, 1944</th>
<th>Period to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Le ss Declarations withdrawn</td>
<td>19</td>
<td>944</td>
</tr>
<tr>
<td>Less Loans to Other Federal Agencies</td>
<td>11</td>
<td>145</td>
</tr>
<tr>
<td>Less Transfer to Other Federal Agencies</td>
<td>69</td>
<td>2704</td>
</tr>
</tbody>
</table>

| Net Trucks Declared for Sale | 457 | 19166 |
| Less Trucks Sold | 1188 | 14575 |

**ANALYSIS OF INVENTORY**

- Inspected and ready for sale: 3220
- Not Inspected: 1371

**ANALYSIS OF DISPOSAL ACTIVITY**

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Declarations</th>
<th>Disposals</th>
<th>Inventory End of Period</th>
<th>Inventory Change</th>
</tr>
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<tbody>
<tr>
<td>July 1st</td>
<td>20311</td>
<td>10300</td>
<td>10011</td>
<td>-3570</td>
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<tr>
<td>4 Weeks Ending July 29th</td>
<td>1738</td>
<td>5308</td>
<td>6441</td>
<td>-1119</td>
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<tr>
<td>7 Days Ending August 5th</td>
<td>354</td>
<td>1473</td>
<td>5322</td>
<td>-731</td>
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<tr>
<td>7 Days Ending August 12th</td>
<td>556</td>
<td>1287</td>
<td>4591</td>
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</tbody>
</table>

Regraded Unclassified
SURPLUS MOTORCYCLE REPORT
For 7 Days and Period Ended, August 12, 1944
(Period Began Jan. 1, 1944)

<table>
<thead>
<tr>
<th></th>
<th>7 Days to August 12, 1944</th>
<th>Period to Date</th>
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</thead>
<tbody>
<tr>
<td>Total Motorcycles Declared</td>
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<td>6051</td>
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<td>Less Declarations withdrawn</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Less Loans to Other Federal Agencies</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less Transfers to Other Federal Agencies</td>
<td>1</td>
<td>210</td>
</tr>
<tr>
<td>Net Motorcycles Declared for Sale</td>
<td>112</td>
<td>211</td>
</tr>
<tr>
<td>Less Motorcycles sold</td>
<td>356</td>
<td>50440</td>
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<tr>
<td>Balance of Motorcycles on hand</td>
<td></td>
<td>4933</td>
</tr>
<tr>
<td></td>
<td></td>
<td>907</td>
</tr>
</tbody>
</table>

ANALYSIS OF INVENTORY

Inspected and ready for sale
Not Inspected

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>457</td>
</tr>
<tr>
<td></td>
<td>907</td>
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</tbody>
</table>

ANALYSIS OF DISPOSAL ACTIVITY

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Period Ending</th>
<th>Period Ending</th>
<th>Period Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DECLARATIONS</td>
<td>DISPOSALS</td>
<td>INVENTORY END OF PERIOD</td>
</tr>
<tr>
<td>July 1st</td>
<td>4518</td>
<td>4102</td>
<td>416</td>
</tr>
<tr>
<td>July 29th</td>
<td>1126</td>
<td>636</td>
<td>906</td>
</tr>
<tr>
<td>August 5th</td>
<td>295</td>
<td>49</td>
<td>1152</td>
</tr>
<tr>
<td>August 12th</td>
<td>112</td>
<td>357</td>
<td>907</td>
</tr>
</tbody>
</table>
IN THE SENATE OF THE UNITED STATES

AUGUST 24 (legislative day, August 15), 1944

Mr. Thomas of Utah (for himself, Mr. Murray, Mr. Ferguson, and Mr. Taft) submitted the following resolution; which was referred to the Committee on Foreign Relations

RESOLUTION

Whereas the Government of Hungary has specifically expressed its readiness to release those Jews who could enter Palestine, which is easily accessible from Balkan countries by land route and calls for little or no shipping space, and whose six hundred thousand Hebrews are clamoring for an opportunity to shelter and feed their tormented kin; and

Whereas the Governments of the United Kingdom and the United States have accepted the proposal of the Hungarian Government made on July 17, 1944, to the International Committee of the Red Cross for the release of Jews, and have officially and publicly stated that they “will find temporary havens of rescue where such people may live in safety”: Now, therefore, be it

1 Resolved, That the Senate of the United States recom-
2 mends and urges the President and the Secretary of State to
use their good offices to put into effect immediately this
solemn obligation by the immediate establishment of mass
emergency rescue shelters in the mandated territory of
Palestine, similar to the emergency shelter at Oswego, New
York, so that the Hebrews of Europe may find there haven
from the ordeals of persecution.

TO : The Hon. Henry Morgenthau
Secretary of the Treasury,
United States.

Dear Mr. Secretary:

There are transmitted herewith five copies of the above-mentioned report of an investigation made by 1st Lt. Hiram S. Gana in the combat areas in Normandy with special emphasis upon currency, inflation, price and ration control systems and the effect on such matters of soldiers' and Forces' expenditures in the area.

The report was intended to be factual rather than theoretical. Therefore, the statistics and evidence included have been marshalled in sufficient detail to enable one to draw the conclusions expressed below. All evidence points in the direction that fears which may have been expressed by French authorities of inflation being augmented by the presence of large numbers of Allied troops whose purchasing power could not be sufficiently controlled, is not supported by the facts found in the region itself. These questions have not been asked by those French officials who are in France as they have been able to observe the lack of any basis for such anxiety.

Insofar as fiscal matters are concerned, the impact of the Allied invasion on the French economy has been well controlled. None of the conditions ordinarily concomitants of large scale military operations and forces are present in liberated France. The plans prepared have been well implemented and the regulations or orders issued have been observed in such a manner as to reflect credit upon Allied Forces in the area.

The facts found lead to these inescapable conclusions:

a. Expenditures of Allied Forces and individual troops have been relatively small and have not contributed to inflation.

b. Plans to encourage savings have been successful. Over 90% of all funds payable to members of the Allied Armed Services in Normandy have been re-deposited with or not drawn from U.S. Finance Offices or British Paymasters.
The tendency of prices, both legal maximum and actual prices, has been notably downward since liberation.

Black markets have ceased to exist in all commodities, except a very few which have continued on a largely reduced scale from pre-invasion times. Such black markets as continue to exist (e.g., tobacco, coffee, gasoline, and sugar) are not patronized by and are not due to the presence of Allied Forces.

The supply of Metropolitan currency uncovered in the area appears to be adequate for all French needs, governmental or private. It has not been necessary to supply Supplemental currency to the French authorities. Supplemental currency expended by Allied Forces and troops, is everywhere accepted without question, even in payment of taxes. Under instructions of M. Coulet, the banks and the Banque de France in Normandy have adopted a policy of accepting Supplemental currency but not re-issuing it.

The Foreign Exchange controls imposed on Allied Forces are being effectively adhered to and enforced. There apparently is no irregular traffic in dollars or sterling and it is believed that such traffic is practically non-existent. At any rate it is not participated in by Allied troops.

The condition of the population insofar as the availability of rationed edibles is concerned has greatly improved.

The supply of civilian labor needed by Allied Forces for unloading and other heavy work is inadequate.

Official wage rates are higher than those before liberation but the actual wage income of workers is somewhat lower. Allied Forces are adhering to the local wage scales in contrast with the practice of the enemy, who is reputed to have violated the legal wage scale whenever his interests required.

Industry and production in Normandy suffered severely from military operations, but such disruption is less serious in the agricultural areas investigated than it would have been in a highly industrialized locality. Existing credit and banking facilities are sufficient to meet industrial needs in Normandy.

In conclusion, it may be said that the actual situation gives all the support necessary for a feeling of confidence in the position of the French economy insofar as it has been or is likely to be affected by Allied military operations.

A copy of this report is being given to the appropriate French
authorities for their information.

From the point of view of other countries yet to be liberated, the report may serve as an encouraging picture to them of the attempts to avoid interference with their economies during military phases. It may be that the Governments of such United Nations would be re-assured by knowing the plans that have been made and the success with which they have been put in operation.

I trust that you will have an opportunity to let me have your comments on this letter and the enclosure as soon as convenient.

JULIUS C. HOLMES,
Brigadier General
Deputy Assistant Chief of Staff
C-5 Division

Encl. 5

Restricted

TO : Chief, Financial Branch, G-5

1. The Mission.

Invasion operations on the scale planned for the liberation of France meant unavoidable disruption of the life and economy of the region immediately involved. It was the function of the Civil Affairs planning staff to minimize such interference and facilitate the return to normal status as rapidly as possible. On the financial and economic fronts this involved, among other things, control of Forces' spending, currency problems, counter-inflationary measures, assistance in preservation andamelioration of prices and ration control systems and plans to reduce and eventually eliminate black markets.

This investigation in the combat areas in Normandy was undertaken in order to observe the operation in the field of the plans made for these purposes and to assemble factual information.

2. Area of Investigation.

The investigation was conducted between 28 July 1944 and 7 August 1944, in approximately 30 places located in those parts of the departments of La Manche and Calvados, lying north and northwest of the line drawn between Avranches and Caen.


The method of investigation was principally by personal interview of US, UK and French Civil Affairs Officers, Army Ordnance Officers and French civilians and officials. Information on rationing and legal prices was obtained from official French documents and publications. Data on true and black market prices were obtained in retail shops and by inquiry of local inhabitants.

4. Conclusions Reached.

a. Soldiers' expenditures and Allied Forces expenditures in the liberated area have been relatively small and have not contributed to inflation.

b. Less currency has been expended by Allied Forces and troops than anyone had a right to expect. Over 90% of the funds paid out to members of the Armed Services has been returned to paymasters.

c. The tendency of prices since D-Day has been down, both officially and actually.

d. The black markets have ceased to exist in all categories, except a few which continue from pre-invasion times and which are not due to nor encouraged by the presence of Allied Forces, e.g., tobacco, coffee, gasoline (petrol).
e. The supply of Metropolitan currency uncovered in the area appears to be adequate for all French needs, governmental or private. It has not been necessary to supply Supplemental currency to the French authorities. Supplemental currency expended by Allied Forces and troops, is everywhere accepted without question, even in payment of taxes. Under instructions of M. Goulet, the banks and the Banque de France in Normandy have adopted a policy of accepting Supplemental currency but not re-issuing it.

f. The Foreign Exchange controls imposed on Allied Forces are being effectively adhered to and enforced. There apparently is no irregular traffic in dollars or sterling and it is believed that such traffic is practically non-existent. At any rate it is not participated in by Allied troops.

g. The condition of the population insofar as the availability of rationed edibles is concerned has greatly improved.

h. The supply of civilian labor needed by Allied Forces for unloading and other heavy work is inadequate.

i. Official wage rates are higher than those before liberation but the actual wage income of workers is somewhat lower. Allied Forces are adhering to the local wage scales in contrast with the practice of the enemy, who is reported to have violated the legal wage scale whenever his interests required.

j. Industry and production in Normandy suffered severely from military operations, but such disruption is less serious in the agricultural areas investigated than it would have been in a highly industrialized locality. Existing credit and banking facilities are sufficient to meet industrial needs in Normandy.
5. Soldiers' Spending.

The program to limit the personal expenditures of Allied troops in liberated France is effective. It may be stated without reservation that soldiers' expenditures are negligible and have had no undesirable effect on the French economy. The plans made before D-Day have been well implemented and activated down to the lowest echelons. The results are gratifying.

Captain Ricquebourg, designated by M. Coulet, the Regional Commissioner, to make a study of financial and economic matters in the two liberated departments, wrote in his report dated 31 July 1944, that the monetary situation since D-Day is better than it was before, notwithstanding the expenditures of individual soldiers and Allied Forces in the limited territory liberated. (for an extract of his report see Exhibit 1)

a. Implementation of soldiers' spending program by the several colonies

SHAEF: The plans made for limiting soldiers' spending in France are set forth in SHAEF's Program to Limit the Inflationary Effects of Military Operations, dated 5 June 1944 (Exhibit 2). The mission included finding out how this program was implemented; how it was communicated to the troops in the field.

SHAEF Administrative Memorandum Number 6, dated 20 May 1944 (Exhibit 3), contains certain provisions prohibiting procurement and individual purchases. Paragraphs 2 and 3 of Section II thereof read:

"2. BY INDIVIDUAL MEMBERS OF BRITISH/US FORCES. In order to prevent inflation and the depletion of available stocks, members of British/US Forces are prohibited from making any local purchases for individual use (including the purchase of food in restaurants).

"3. This order will be strictly enforced, but, if after study of local conditions, Commander-in-Chief, 21 Army Group, sees fit, he may relax provisions of this instruction, informing this headquarters of the action taken."

Troops embarking for France were provided with a booklet, entitled "France" which contained some description of the country and people and some rules and hints on behavior. At page 8 of this brochure, the following appears:

"One way troops in England can become unpopular through mere thoughtlessness, is by purchasing in the local shops things which are scarce, so that civilians go short. In the first months you will almost certainly..."
find in France much shortages that it will be up to you not to try to buy anything, such less arrange. An important aspect for a British soldier will be an absolute necessity to see Frenchmen. And buying food at a farm may quite likely mean preventing some child in the nearest town from getting a meal.

"Above all have nothing to do with any black market. Whatever the temptation, buying on this simply means that the poor who need food will not get it, and the return to normal distribution will be complicated and delayed",

21 ARMY GROUP: The directives of SHAEF followed military channels and were passed on by 21 Army Group which published the following General Routine Order, No. 369, dated 23 June 1944:

"Individual Purchases in Liberated Territory.

1. An acute shortage of commodities and particularly of food and fuel exists throughout every occupied territories. The existence of isolated stocks of food or other commodities in any district in the present theatres of operations in France rarely indicates that the normal channels of distribution have broken down.

2. It is of vital importance that all available stocks should be conserved and redistributed when possible to districts where they are urgently needed. It is equally important that any inflation resulting from uncontrolled expenditure by the troops should be avoided.

3. Until further orders, therefore, all ranks are forbidden to make any individual purchases whatsoever from civilian sources in liberated territory.

4. This order will remain in force pending further investigation of the situation, and will be relaxed only if it is established that the individual purchase of certain non-essential articles or commodities will neither lead to inflation nor retard the restoration of normal economic conditions in liberated territory.

21 Army Group/369/69/Q(int)."

LEVER EVICTIONS: On 26 May 1944, Procurement Memorandum No. 3 (SP/1314) was published by U.S. Headquarters Advance Section, Communication Zone, prohibiting purchases as therein specified.

In the American Zone every town, as soon as it is liberated, is put off limits to all military personnel except those who are there on official business. Sigma proclaim this status on all roads entering these places. In addition the Provost Marshal has posted the following notices on restaurants, cafes and stores in Cherbourg:

"No food will be purchased by U.S. Military Personnel at any time."
Beverages may be purchased between 1800 and 2130 only. 

This notice is based on a communication from Headquarters, ETUSA, to the Commanding Generals of First and Third US Army, dated 20 May 1944, which contains the following:

"b. When necessary the retail outlets, including restaurants, may be placed off limits and those stores which sell to military personnel will be under close supervision. Prices and quality of merchandise in those establishments should be closely controlled."

The memorandum dated 8 July 1944, published by Headquarters, Advance Section Communications Zone, followed up the previous notice. Paragraph 8 thereof reads:

"8. Food. Food will not be procured locally by purchases or barter except by authorized agencies. Military personnel are prohibited from purchasing food or meals at hotels, restaurants and luncheonettes."

Again on 26 July 1944, in circular No. 16 the same Headquarters, in discussing vegetables, directed:

"It is emphasized that only vegetables issued by Quartermaster Depots will be used. There will be no purchase locally by units or individuals."

As a final example, on 27 July 1944, Headquarters, Cherbourg Command, published regulations, reference EF 210.175 reading in part:

"6. Off Limits will be strictly observed. Restricted areas will be avoided, all houses of prostitution are off limits to military personnel. Cherbourg is off limits to all troops outside of the area defined in GO No. 22, Here. ASCO, dated 21 July 1944."

"7. No purchases will be made of rationed articles."

In the British and Canadian Zones similar action has been taken. For example, General Routine Order 363, dated 23 June 1944, published by 21 Army Group was followed at lower echelons by other regulations, e.g., 3.2/39/Q, dated 4 July 1944 and 3.2/39/Q dated 27 July 1944, published by Adjutant, Administration and Quartermaster General, Headquarters, Second Army, Troops, restricting purchases by troops. In the British Zone these regulations were added to the British Order in Council. 

-----------------------------------------------------------------------------------

This notice is undecipherable on a photocopy about half-letter size. It is unreadable, bears no letterhead and shows no official designation of source. For maximum effectiveness, it should have been printed in large size paper and in heavy type. The notices published in the British Zone are more effective.
area of Saint-Omer, the only fair-sized town taken by August 7, 1914 except that largely destroyed and still within enemy artillery range) was declared off limits. Notices (Exhibits 5 and 6) restricting purchases by individuals were posted conspicuously. In addition there were painted wooden signs on main thoroughfares reading:

"Cafes, restaurants and shops are forbidden to sell MILK, butter and cheese to troops."

By Order of Military Commander"

Places where liquor is for sale are posted with notices saying:

"Alcoholic beverages may be sold only between 1200 and 1400 and 1800 and 2100 hours."

In Saint-Omer notices proclaimed that all troops must be out of town by 2200 hours.

For a time, the prohibition against the purchase of civilian supplies was relaxed in the British Zone at the request of the French authorities who were concerned with the surplus of perishable foodstuffs. The list of items which troops were permitted to buy included eggs, butter, milk, candy, cheese and fruit (Exhibit 5). More recently in discussions with the French authorities regarding the reinstatement of procedure for rationing, price control, and the accumulation of stock piles (in anticipation of the needs for food in the interior of France) it appeared that the rationing system would have little chance of success if troops were permitted to purchase rationed articles without ration coupons. Accordingly, after discussions with SHAEF, Assistant Chief of Staff (JCS), G-5, 21 Army Group decided to revert to a complete prohibition of purchases by troops in civilian establishments as of 1 August 1914. (Exhibit 6).

It was readily apparent, therefore, that the military had done a good job in attempting to prevent the troops from spending large sums in the area and from purchasing rational commodities.

b. Post Exchange Facilities.

Since all the liberated area was still in the combat zone at the time this survey was made no US Post Exchange had been set up. PX ration of cigarettes, candy, gum, soap, and shaving items were being distributed free to American troops. Hence there were no receipts from Post Exchanges in France. But there was also no need for the troops spending money to purchase such commodities. No motion picture theatres were open to the Forces maîtres and soon a third and the largest will be ready. French cinema houses (three in number) were also open for business. All these theatres were crowded at every performance and long queues of patrons waited for each succeeding show.

Since this investigation was completed, Headquarters, ETOUS, announced (on 9 August 1914) the opening of the first Post Exchange on the Continent. More than a hundred items of merchandise are for sale to the troops. The release said "... just as soon as ample supplies can be shipped over we will begin establishing PX's at other installations throughout France to service the other soldiers."

At Leigny in the American sector there was a small Officers Sales Store where clothing and some items of equipment could be purchased but it is believed that the volume of sales was
not large since, due to military activity in the area, new
useful only field equipment and all personnel was furnished
with clothing before embarking for France.

In the British and Canadian sectors there were Officers' Sales
Stores at Bayeux and Tilly. These were heavily patronized,
especially the store in Bayeux which had long queues of
officers waiting for admission and which ran out of stock
several times during the period of the investigation.

In the British and Canadian sectors both static and mobile
K.A.T.I.'s were in operation, where articles were sold instead
of being distributed grt as was the case in the American
sector.

Savings Program.

The program to encourage military personnel to save a sub-
stantial part of their pay is proving very successful.

In the American Zone, the six Army Finance Officers in Cherbourg
estimated that soldiers were retaining or drawing only 5% to
15% of their pay. Allotments, war bonds purchases, purchases
in camp establishments, Savings' and P.M. remittances were
resulting in the recoupment of between 95% and 99% of all pay
to the Armed Services. 1

The savings plans percolated down to the smallest units. Even
the Civil Affairs Detachment in Cherbourg, consisting of fewer
than 50 officers and men, had a notice on the men's bulletin
board calling attention to the plans to extend savings and
inviting those interested to sign up for additional regular
deductions from pay for savings. Some men had ignored
the notice, requesting that additional deductions be made from their pay
for this purpose.

As a result of the campaign to increase savings, soldiers have
little money in their pockets. On 29 July 1944 the writer
asked 37 enlisted men chosen at random in the queue of about
200 waiting for coffee and doughnuts at the American Red Cross
in Cherbourg how much money they had with them. One had over
300 francs, most had between 100 and 300 francs, a few had less
than 20 francs to spend.

The troops apparently carried only a small amount of cash with
them to France. A representative unit of approximately 42,000
officers and men, which was provided with exchange facilities
in one of the smaller areas, took on the average only 135
francs per man to France. The balance of their cash was sent
to the US, mostly by P.M.

In the British Zones it appeared that Field Cashes and Pay-
masters were receiving back about 95% of all pay through Postal
Money Orders, receipts of K.A.T.I. sales (British Post Exchange)
and officers equipment sales stores. This was the experience
of Lt. Col. Blaxland, Staff Paymaster, Second Army and of Lt. Col.
Milling, assistant Cornual Paymaster, No. 9 Cornwall Pay Office

The experience of Major Chapman, No. 3 Forward Base Pay Office
was unusual. On 24 June 1944 he opened his account with a

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1/ The consolidation of the reports from all US Army Finance Officers
was being made up in London an was not ready at the time this report
was written.
deposited of 50,000,000 francs. Since that date his disbursements have been averaging approximately 5,000,000 francs daily, yet his receipts from N.A.F.I. sales and for Postal Money Orders from troops savings and family allotments have been so large that on August 1 his bank balance had increased to about 75,000,000 francs. In other words, against disbursements of about 114,000,000 francs to August 1, he had received about 127,000,000 francs. It should be noted that his office is in the largest town in the British area, and therefore his receipts were drawn from a rather larger area than that of his disbursements, but this in no way affects the picture as other paymasters in those areas were recovering 90% of their disbursements to troops.

Opinion of Allied Officers.

Allied Officers were unanimous in their opinions that soldiers' expenditures were creating no problem.

Each of the following Officers, interviewed by the writer, expressed these views:

Lt. Col. Oldsborne, Chief of the Currency Section for France;
Lt. Col. Hensley, O.C. Civil Affairs Detachment MAB (Cherbourg);
Lt. Col. Pinto (BR) O.C. CA detachment (Bayeux area);
Lt. Col. Sawtelle (BE) CA, Deputy Controller Finance 2nd Army;
Lt. Col. Provenzatto (BR) Deputy Chief, Currency Section for France (Bayeux Area);

Major Askarjan (BR) Economic Labor Officer CA Detachment, Cherbourg; Major Halsey (US) GPA, Cherbourg; Major Jula (BR) Labor Officer with 210 Detachment; Major Dearwog (BR) CA Finance Officer 5th G area Bayeux; Major Shepherd (BR) CA Finance Officer Cherbourg Detachment, and Captain Thorsnesko (US) assisting him.

Captains Kelly (US) CA DD Det. Lea Plagne area; Captain Lawrence (US) of Ostervilla area; Captain Lindsey (BR) of Pontagne area; Captain Vondig (US) Briguepoue area; and Lt. (j.g.) U.S. Navy Paymaster's Office, Cherbourg, and Lt. La Croix of GPA Office Cherbourg Command.

None of the officers interviewed showed any concern over soldiers' expenditures. All were unanimous that no problem existed.

Opinion of the French.

The French authorities in Normandy agree with the conclusion that soldiers' expenditures constitute no problem.

On 28 July 1944, the writer talked with Mr. Duni, Director of the Cherbourg branch of the Banque de France and Mr. de Roine, Inspector of the Banque de France for the Departments of Lo Manche and Calvados. Both said that soldiers' expenditures were extremely limited. Mr. de Roine stated that he had asked the American enlisted man who drove the vehicle that brought him to Cherbourg and found that this soldier had spent only 150 francs in the month he had been in Cherbourg.

Triboulet, sub-Prefect of the Department of Calvados expressed no concern over Allied expenditures in his area, Bayeux arrondissement. Captain Horang, A French Liaison Civil Affairs Officer in Cherbourg, expressed the opinion that soldiers' expenditures were so small in the Cherbourg area as to be of no
consequence.

Major Duncey (BR) Finance Officer with 210 Civil Affairs Detachment, Bayeux said that M. Coulot in his presence stated that the tendency of prices in liberated areas was down in spite of soldiers spending.

As previously mentioned, M. Coulot appointed Lt. Col. Riquebourg formerly of the French Ministry of Finance, to make a survey of financial and economic matters in the liberated area. Col. Riquebourg's entire report was not made available but a portion thereof was obtained and is annexed, in English translation (Exhibit 1). This excerpt says in part:

"Finally, although again in this respect it is a question of impressions rather than of facts and a more thorough study must be made, the monetary situation has not worsened since liberation and I should be even tempted to write that it has improved. Actually, the technical position of currency is better." (Underlining by Riquebourg)
Currency

The predominant characteristics of the currency situation in the area investigated are:

first, an abundance of Metropolitan francs in all denominations, (now that any slight redistribution of the smaller denominations of coins and notes has been made);

second, public acceptance of Supplemental French currency introduced by the Allies without question and on an equal basis with local French currency;

third, the lack of any need for Supplemental currency by the French;

fourth, the failure of the impending threat of a potentially large supply of currency in the hands of a vast military force confined to a small area to bring about an increase in prices during a period of great stress.

a. Adequacy of Currency Supply.

The volume of Metropolitan currency found in the area liberated appears to be abnormally large in relation to the normal volume of trade, the level of income and the level of prices, although bank deposits were increasing prior to D-Day, currency holdings in the hands of the public are believed to have increased even more.

French authorities estimate, for example, that in the two departments of Calvados and La Manche the currency circulation is between 14 and 15 thousand million francs, . . . very large proportion of this total represents idle cash in the pockets of farmors. The population of Normandy being principally rural, traditionally makes little use of banking facilities. It holds its cash reserves in currency hidden on the farm.

Bank deposits have increased substantially since liberation. In part this is due to the desire of local residents to have a safe place for the deposit of cash in view of the destruction of buildings unavoidable in bitterly contested combat areas.

There is no evidence that the enemy has tried to strip the area of currency. An interesting fact appears to be the hoarding of large sums of Metropolitan francs by the enemy. Instead of using the francs he collects the costs of occupation for the payment of supplies and services, the enemy appears to be hoarding currency and creating debits against which payments are seldom made. The enemy's balance in the Banque de France has been permitted to get very low as compared with previous practice when the German authorities required that occupation costs be credited to their account in that bank and in the process accumulated a large balance. Occupation costs were originally 400 million francs per day, then were reduced to 300 million and at the time of the invasion of Africa by the Allies and the occupation of all of France by the enemy, were increased to 500 million francs per day. It has been estimated by Lt.Col. Barrett (US), Chief Civil Affairs Financial Officer with the First US Army, that the total note circulation in France is approximately 580 thousand million francs of which the Germans hold some 25% to 30% less reducing the amount actually in circulation to some 375 thousand million francs.
Commercial banks have more than adequate cash on hand in spite of damage to banking premises. Interest rates are the same as before D-Day although the number of loans is largely reduced because most businesses have not as yet reopened. The discount rate on three-month paper (that is paper signed by a maker, acceptor and endorser) is 1.75% for 90 to 120 days. Overdrafts guaranteed by government bonds or treasury bills of short or medium maturity are charged interest at the rate of 3%.

The large volume of metropolitan currency in circulation and held by the enemy in the interior presents a potential inflationary threat which could cause serious difficulty should there be a loss of public confidence in the currency. It must be expected that the enemy will attempt to use or dump the large stock of francs he holds when he no longer has access to the Banque de France.

As of 5 August 44 approximately 17,500 million Supplemental Franks had been distributed by the Currency Section, Financial Branch, G-5, to all armed services and our Allies. It was estimated that these funds would provide sufficient currency for all Allied paymasters' needs up through October 6, 1944. However, so large has been the re-deposit of funds paid out to troops in both the American and British Forces that it appears to be likely that these funds will be more than adequate for the period ending D+100.

In the majority of cases Governmental units have sufficient funds on hand to meet their immediate requirements. The Regional Commissioner has arranged to assist those Governmental units which are short of funds. In June some Commanders were obliged to delay payment of salaries and other obligations but the situation has been remedied.

Virtually no Civil Affairs advances have been made to French authorities and therefore little Supplemental currency has been put into circulation through that channel. Only two applications for advances have been received and those involved negligible sums required for burial of dead in villages completely destroyed during operations.

Lt. Col. Barrett stated that he did not envisage the necessity of making a single advance of Supplemental currency to any French authority or enterprise. Lt. Col. Clabaugh, Chief of the Currency Section for France was of the same opinion, although he felt that some currency might be needed later by Civil Affairs Officers to meet displaced persons problems as well as to meet army payrolls and other military expenditures.

Nearly all banks are continuing to receive but not to pay out Supplemental currency thereby sterilising a part of such currency put into circulation by the Allied Forces.

b. Acceptability of Supplemental Currency.

Both British and American units have used some supplementary currency for the pay of troops and procurement. The Allies had supplies of metropolitan francs and used new supplemental currency only for some of their requirements. No 1000 and 5000 franc notes had been issued and use of the 500 franc note has also been limited.
Large denomination currency has generally not been accepted with quite the same readiness as small denominations. The 500 franc note, for example, is not popular with the public apparently because this denomination is traditionally little used in France and because the note bears close similarity to the 500 franc note.

During the early days of the liberation a few instances of difficulty were reported with the small denominations. In early June a few persons in the British zone acquired 2 franc and 5 franc denominations, apparently because the 2 franc note had not been current heretofore and the 5 franc note is smaller sized than the corresponding metropolitan note. At the same time there were occasional indications of some sentimental preference for metropolitan currency. This was apparently due to familiarity with the metropolitan note. It appears to have been clearly without significance and unrelated to any political situation. Little significance is likewise attached to occasional sentimental preference for supplemental currency, attributed to the tri-color which appears on the reverse of the supplementary notes.

It should be kept in mind that the amount of supplementary currency in general circulation is relatively small. Military units now use of their requirements from their stocks of metropolitan currency. The volume of military procurement was very small. Only a small portion of the currency used for the pay of troops found its way into general circulation because a very large part of the cash paid to the troops was returned by them for transfer to their homes, for investment in bonds and other forms of savings, and through expenditure in Army canteens. This left a relatively small amount of French currency in the pockets of the troops for possible expenditures in French civilian establishments.

In three weeks ending about July 15, the Banque de France, Cherbourg, had received a total of only 685,000 Supplemental Francs from all sources, other banks included, as of 31 July 44, however, it had a total of approximately 2½ million of such francs which included 1 million brought by the Credit Industrial du Nord and Deposits from the Bourse Branch and deposited as part of a deposit of 5 million Francs with the Banque de France, Cherbourg.

Nearly all banks are continuing to receive but not to pay out Supplemental currency, thereby sterilizing a part of such currency put into circulation by the Allied Forces. Funding specific instructions from the French authorities some commercial banks are apparently maintaining separate records of deposits made in Supplemental currency and paying withdrawals against such deposits only in Supplementary currency. Banque de France, Cherbourg, is not distinguishing in its accounts between currencies but is believed to be paying out only metropolitan currency. These special arrangements on the part of the banks are not known to the general public.

The Regional Commissioner has not only withheld previous proposed instructions to tax collectors to refuse supplemental francs in payment of taxes but has also instructed the Banque de France through the Sous Prefect at Cherbourg to accept supplemental francs freely,
Confidence in the Currency & Treasury Bonds.

There is no evidence that bankers, businessmen or the general public are particularly concerned about the ultimate value of either French or Supplemental currency or French Government bonds although the expected tendency of the French farmer to invest in land and live stock continues. This tendency was strong during the entire period of occupation. Good pasture land sold for as much as 100 to 125 thousand francs per hectare (about 2.5 acres). This is 8 to 10 times its proven price. Good milk cows have brought 15 to 20 thousand francs. With the legal maximum price of milk fixed at 3.5 francs per litre, such purchase prices are economical only as a hedge against inflation. Pre-war prices were seldom more than 3 to 4 thousand francs for a good cow. Work horses have brought 60 to 80 thousand francs in spite of the German requisition price which averaged 45 thousand francs.

That there is little lack of confidence in the currency is also indicated by the recent success in the sale of French Treasury bonds which continued in the period since D-Day. During July one bank in Bayeux, the Credit Industrial de Normandie, brought approximately 4,500,000 francs of one year Treasury bonds for its customers. Societe Generale, Cherbourg, has sold 2,850,000 francs in Treasury bonds during the same period, also mostly one year maturity. Summary data for bond sales in the area is now available.

Interest rates on French Treasury bonds since 1942, when they were reduced, are as follows:— 6 months bonds, 1.95%; 1 year bonds, 2.25%; and 2 year bonds, 2.75%. Interest is in each case paid in advance; that is, the bonds are bought at a discount. For example, 950 francs are paid for a 1000 franc bond maturing in 2 years. The actual interest rate is thus 2.63%. The bonds may be either bearer or payable to the order of the subscriber. In either case the interest is free of all taxes.

The bonds which are now being sold are identical with those sold before liberation. Even the same prenotional material continues to be used. The physical appearance of the bonds is described as follows:

The reverse of the bond is blank, the face has a blank space where the date of issue is filled in when it is delivered to the purchaser. The following wording appears:

BON DU TRÉSOR FFS
A un ou des Émetteurs, 
au porteur ou a l'ordre de

(signed) l'Agent comptable 
la Directeur
des Emissions 
da la Dette Publique

The background printed in pale blue on white paper consists in the centre a large monogrammed R.F., the two letters in scroll, partly interlocked. The rest of the background is made up of the words: "Etat Français Trésor Public" in very small print, the phrase being repeated horizontally along the entire width of the space between the scroll borders and perpendicularly, line on line, very closely spaced. The text of the background is quite inconspicuous, and even the monogram does not stand out particularly.

Bankers report that none of their clients subscribing to these bonds has ever raised questions as to what particular French government was responsible for reparation. No question has been raised over the use of the phrase "Etat Français" in place of "République Francaise." The French Treasury is expected
to pay and has been doing so up to the present. All banks pay interest and matured principal, without question to the seller or described beneficiary whether a client of the bank or not. The bonds are redeemed on presentation at the office of the "Recettes des Finances" in Cherbourg. As a matter of fact interest is currently being paid on other bonds of public authorities such as those of the City of Paris which are not obligations of the Republic.
FOREIGN EXCHANGE

EXCHANGE RATES

Some Allied officers stated that from the point of view of purchasing power, the value given to the franc vis-à-vis the dollar and the pound is quite high. The purchasing power of the American soldier, for example, is less in France than it would be in the United States. In terms of respective currencies, such goods as one may purchase in Normally are more expensive to allied troops than they were to the enemy. In some cases, this rate has reacted unfavorably upon the French where prices have been so high as to dissuade the Effi from purchasing local production surpluses.

CIRCULATION AND CONTROLS

The plans devised for foreign exchange controls appear to be working in practice.

The import, export, holding, transfer or dealing in US or British currencies by US personnel in liberated France is prohibited by special orders issued by HQ 21st US Army on 24 June 1944 and by Combined 23 23 June 1944. These orders apply not only to military and Naval personnel but also to officers and men of US controlled merchant vessels and civilians accompanying and serving with the US Army and US Navy. Orders previously issued apply to British personnel.

These orders have been called to the attention of the personnel of Allied Forces by posting and publication in administrative orders. The majority of military personnel knew that the importation of sterling or dollar currencies into France is prohibited and only subject the offender to trial by Courts Martial. Troops were provided with facilities for exchanging their sterling currency into French currency while they were in marshalling areas prior to embarkation. These facilities apparently worked very well as only in rare instances did units leave for the operation before the exchange of their currency was completed.

Early in June a few soldiers tried to dispose of a trifling number of sterling notes. These men apparently belonged to those few formations which could not be provided with exchange facilities before departure for France. The necessary facilities were made available to them on the other side and since then there has been no evidence of troops trafficking with the public in these currencies.

There appears to be no appreciable quantity of sterling in circulation among civilians. No instances are reported of officers or troops exchanging sterling in banks or selling it to civilians since the first few days after D-Day.

In the British sector, Major Chapman, 3 Forward Base Pay Office, stated that he had changed about £50,000 into francs. He considers this a very large sum since officers and other ranks were supposed to exchange all English funds for Metropolitan or Supplemental francs in Enland. Other ranks (enlisted men) were permitted to bring in only 200 francs each. Major Chapman believes that some English pounds are sent to officers and men in France in the mail. It should be noted, however, that so long as Allied personnel exchange their sterling in Army Finance Offices, exchange control continues to be effective.
It must not be presumed, however, that there are no dollars or pounds in the possession of civilians or banks. It is not believed that they are present in large quantities, however, since such currencies were called for deposit with the French Government and a substantial period of time has elapsed during which they might have been discovered and deposited with official agencies.

There is no evidence whatsoever of Allied troops purchasing dollars, sterling or other foreign currencies from the public. Finance officers who receive requests to exchange French francs in large amounts exceeding normal pay, require the person desiring the exchange to submit a written statement to the effect that the francs were acquired legally. If they have any reasonable doubt concerning the acquisition of money presented for exchange, Finance Officers report the facts to their commanding officers for proper action.
Prices and Rationing.

The investigation indicated that the tendency of prices, legal maximum as well as actual, is down, notwithstanding the sudden injection into a relatively small area of vast greens entitled to receive large sums of money and usually free food.

The success of the program to limit soldiers' spending and increase soldiers' savings indicated above has undoubtedly played a part in keeping prices in line. Confidence in the currency has also been important.

The most important factors, however, have been a willingness on the part of the French to adhere to their own legal prices now that they are liberated, and the availability of a large supply of basic and essential edible commodities which were formerly requisitioned or purchased by the Germans, or exported to other portions of France, to be cut off by lines of combat. It is said that the Germans requisitioned or purchased at black market prices, for export to Germany, 90% of the dairy products and 90% of the most products of Normandy. The Germans are accused of having deliberately encouraged black markets in order to raise prices above those the French could afford to pay. This enabled them to purchase commodities which normally Frenchmen would have purchased. By using this technique, it is said, the Germans expected to avoid the onus of removing food from the inhabitants of producing areas and largely curtailing the amount available for distribution throughout France, by insinuating that the market was open to all equally, and it was the French who operated the black markets.

Exhibit 7 shows the maximum legal prices in the Department of La Manche for the months of January through July, 1944. Exhibit 8 shows the maximum legal prices for the months of January through August, 1944, for the Department of Calvados. Exhibits 9 and 10 show the ration cycles of edible products in the months of January through August in La Manche and Calvados.

It will be noted from these exhibits that, except where certain products are different or have been altered, either as a result of improved ingredients or seasonably, (e.g. "new" potatoes), the tendency of prices has been uniformly down. Actual prices are very often below the legal maximum prices, a situation unknown during the German occupation. On a tour through the areas of Boumont, Les Ploux, Octeville, Querqueville, Bernoville, Equeurdreville, Auderville, Bonneville and Fontenay, many instances of sales of rationed commodities at retail prices substantially below the legal maximum were observed. In the Fontenay area butter could be purchased for 50 francs per kilogram, and in Les Ploux at 60 francs, although in Cherbourg it was 63 francs, the legal maximum. Capt. Kelley (US), Commanding Officer of the 6th Detachment in the Les Ploux area, stated that all foods were present in abundance and were obtainable at prices substantially below the legal maximum. He stated that when he arrived in that area in mid-June, wine was sold at 20 francs per glass, but in the period of 6 weeks which had elapsed since then, the price had declined to 12 francs per glass. Milk could be purchased at 2.5 francs per liter compared with the legal maximum of 3.5 francs in July. Capt. Lawrence (US) GA Officer in the Octeville area reported the same general conditions throughout his command.

It was noted that one was always able to obtain the full amount of the ration, with the possible exception of bread. The supply of bread was generally short, but the ration was made up by the distribution of biscuits provided from CA supplies. Before D day it was frequently impossible to obtain rations.

The same conditions existed in the areas of Lisieux, Caronton, La Haye des Puits, St. Sauveur le Vicomte, St. Lise, St. Pierre, Brie-Comte, Valognes and Montebourg. For example, in the Brie-Comte area, around which the 3rd US Army was encamped, fresh butter was obtainable at 50 francs per kilogram contrasted with the legal maximum of 63. Butter, milk, cheese and eggs were all below the legal maximum. Capt. Von die, GA Officer in Brie-Comte, reported that chocolate bars exchanged for eggs at the rate of 4 fresh eggs for one chocolate bar, but that lately the exchange has somewhat increased, and one could obtain only 3 fresh eggs. He stated that cider and wine had likewise fallen in price, despite the influx of troops.

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In Bayoux, a town with a normal population of 8,000, which at the time of the survey had increased to 18,000 to 20,000 persons, because it was completely embargoed by operations, the same story of prices and supplies was told. Tremendous quantities of perishable products were on display and for sale below the maximum legal prices. Except in the bakeries, there were no queues of customers. Milk was 3 francs per liter, butter 63 francs per pound, Camembert cheese 11 francs per box.

In St. Lo, Montebourg and Caen the extent of destruction was such that the towns are practically obliterated, except that Caen has portions worse or less damaged. In the areas in which the towns of Courselles, Creully, Thaon, Goulash, Creully, Le Havre, Arras and others are located, the same picture of prices and rations emerged.

In Bayoux, some stores selling dairy products had signs reading "Butter, any quantity, for sale." It was possible to procure in such stores cheese and butter at 10% and 15% below the maximum legal retail price, if a quantity was bought.

In addition to the rationed items shown on Exhibits 7, 8, 9, and 10, large supplies of fresh radishes, artichokes, lettuce, cauliflower, onions, wallons, cabbage and some fresh fruits (notably apples and rhubarb) were on display and sale without ration. Although meat, butter, cheese, milk and potatoes appear on the ration list, it was possible to buy openly practically any quantity without difficulty and without ration tickets at prices below the maximum legal prices.

Col. Cumes (US), Lt. Col. Bartlett (US) (both of First US Army, C-5) and Maj. Darmsey (Ar), Finance Officer attached to 210 CA Detachment, Bayoux, estimated that the total value of all supplies delivered to the French in the Departments of Calvados and Manche up to August 5, 1944, did not exceed 15 million francs and that large portions of the supplies delivered had not yet been consumed.

Large supplies of native foods were available, notwithstanding some purchases of perishables by the Armed Forces in accordance with requests made officially by the French, usually by a Mayor or a commune. For example, the procedure in effect in the U.S. Sectors, was for the Mayor of a commune to state that in his commune the supply of perishables was more than adequate for all its needs and purchasers, and that in order to avoid spoilage, he desired the Armed Forces to purchase such quantities of such commodities as he would donate for immediate consumption. Thereupon the Army units in that area would make the necessary purchases through him or as he arranged.

Interviews with Maj. Moulton, General Purchasing Agent in Cherbouge Command, Advance Section, Communication Zone, and Lt. Le Croix of his office, revealed that they knew of no purchases illegally except one instance where one of the divisions of the First US Army slaughtered a bunch of cattle in a combat area and then requested permission to purchase and pay for them. Such permission was given. Capt. Logan, Cherbouge Quartermaster Depot Class I reported that Capt. Coats of the General Purchasing Agent’s Office, Advance Section, Communication Zone had bought about 10 tons of vegetables, not all of which had been delivered, for the total price of approximately 100,000 francs. This purchase was made after a study by Captains Coats and King had disclosed large surpluses of vegetables which would have spoiled had there been no buyer for immediate consumption. Capt. Logan stated that farmers complained that there is no use spending funds harvesting perishable commodities if there is no immediate buyer. They would prefer to save the money if would cost to bring in their crops. The army, therefore, decided to allow purchases by units in the manner indicated.
In the British sector, at the request of the French authorities, and with their agreement, units were permitted to make certain purchases as indicated in Exhibit 5. It is believed that the total volume of all purchases of commodities was not very large, considering the number of troops in the area. At any rate, despite such purchases, the supplies of food available were conspicuously abundant.

Substantially all essential commodities were rationed in France during the German occupation. Immediately after liberation, partly because of the availability of scarce supplies, but primarily because of the lack of qualified personnel, the entire control apparatus for the collection, storage, and distribution and rationing of foodstuffs and prices was permitted to fall into temporary disuse. More recently, however, in anticipation of the shortage in supplies in the interior of France, steps have been taken by French authorities, with the assistance of Allied Military Civil Affairs specialists, to put the machinery into full operation again. The rationing of all commodities on the ration list has gone into effect on 1 August 44.

Now ration cards printed in advance of liberation by SHAEF have been furnished to the French authorities and are being distributed. At the same time, the prohibition against purchases by the troops has been resumed in order that the sale of products against ration coupons may be enforced upon the merchant. Moreover, the program for storing perishable products for use in the interior has also been intensified.

In this connection, it may be noted that Lt. Col. Scarlett (Br), Deputy Chief Financial Officer, Civil Affairs, Second Army, and Major Doucet (Br), Financial Officer, Lines of Communication, attached to 210th Detachment, Bayoux, both expressed the opinion that restrictions on purchases of such commodities may encourage the return of black markets. These officers feel that people accustomed to more than the ration will patronize French processors and wholesalers, who will buy crops from farmers who soon will have to sell their crops or see them wasted. Lt. Col. Scarlett and Maj. Doucet further said that the French authorities do not yet have adequate storage, refrigeration or distribution facilities and hence they doubted the success of the plan to stockpile the available perishable commodities for later use in other areas.
Black Markets.

As appears from the foregoing discussion of prices and rationing, the black markets have become extinct, except in a very few commodities such as white bread, coffee, sugar, tea, petrol, tobacco and some other luxuries. It is believed that there is a black market in clothing, but the writer was not able to obtain any reliable and tested information concerning this.

White bread can be obtained on the black market in Bayeux at a cost of approximately 30 francs per loaf weighing a little less than 2 pounds, but the quantity of such bread available and the size of the black market has been very materially reduced since D-Day.

White flour used to cost 15-16 francs per kilogram from the farmers and about 25 francs per kilogram in the stores. Until D-Day nearly any reasonable quantity could have been purchased. Even cakes and tarts could be bought freely and openly, although they were made from white flour and sugar both severely rationed.

In Caen the price of sugar was 100-150 francs per kilogram in lots of 5 kilos, but it was very difficult to obtain.

Before D-Day next, including pork products, was easy to obtain in the Bayeux area despite rationing. Although the weekly ration was 90 grams per person, one could obtain on the black market nearly any amount at a price of 120 - 140 francs per kilo. In the shops where the maximum legal price was 60 francs per kilo, it was a common device for butchers to add extra bones to the weight of the meat so that the price charged was actually 120 - 140 francs per kilo.

Prior to D-Day the ration of butter was divided into two fortnightly issues of 40 grams per person, but usually no butter was obtainable for the second fortnight of the month. Even when butter rose to 200 francs per kilo on the black market, it was largely unobtainable at the currents paid 400 francs per kilo.

Although milk was restricted to children and sick persons, it was obtainable fairly easily in the Normandy Country region, sometimes at the maximum legal price and sometimes at various prices up to double the maximum price.

Similarly, potatoes were rationed, but in the countryside outside Bayeux and Cherbourg and in other sectors of Normandy, they could be obtained in very large quantities at 5 francs per kilo.

Clothing, blankets and similar articles were and still are difficult to obtain. During the period of occupation, special tickets (bons) were necessary, and it was a most common occurrence for the office which distributed such tickets to run out of the quantity scheduled for distribution in any particular period so that persons who were actually entitled to receive them found they could not be obtained. Necessary clothing was next difficult to obtain. Shops had some fancy materials but not those in essential demand.

Since liberation there has been a very noticeable change in the attitude of store keepers. They are now engaged in reaping the good graces of their customers when they treated in a cavalier fashion during the four years of occupation.

The attitude of the Allied forces in respect of black market operations has been exemplary. Some talk has been heard to the effect that Air Force personnel are paying prices in excess of the maximum established prices for food, especially beef. However, it was not possible to verify the truth of these rumours. A certain amount of tobacco products is being distributed by individual troops for foods, but there does not appear to be any important quantities of such products offered for sale by military personnel.
If the existing attitude continues for a period of 4 to 6 months longer, French officials and civilians say the black markets in liberated France will disappear as the French themselves sense to patronize them in areas as they become liberated.

A refugee recently from Paris informed the writer that in that city butter used to cost 600 to 800 francs per kilo on the black market, but at the present time appears to be selling for approximately 1200 francs. Clothes, military and hotel accommodations, meals in restaurants in larger cities are all obtainable in exchange for butter, milk or cheese offered by the farmers. Cheese could be obtained on the black market only. It had no mixture, just the fatty matter which really makes the cheese. In the absence of this ingredient, the cheese tends to be completely chalky. Black market cheese was usually better, but cost nearly double the legal price. None was obtainable at the legal price before D-Day.

The refugees indicated that the food situation in all larger cities in German occupied France is critical.

10. Labor and Wages.

Although normal industrial activities are largely at a stand still, the Allied Forces are faced with a conspicuous shortage of labor. This is due principally to two factors. The army has encountered a substantial number of workers before leaving the area and the number of miles of working age, able or willing to do the kind of labor desired, appears to be very small. The army's requirements call for heavy workers, the number of which is relatively small in Normandy even under normal conditions due to the lack of opportunity for heavy industrial employment in a predominantly agricultural area. Those as king heavy work tend to drift to other parts of France. In Cherbourg some 4,000 people were on relief at the beginning of August. Some of these were physically able but none were said to be capable of heavy work required at the docks.

Lt. Col. Howard (US), Counterintelligence Officer and Major Amonkey (BR) Economics and Labor Officer in the ALI Dotation (Cherbourg) stated there was a shortage of 2,000 laborers desired by the Allied Forces.

In the British sector, Captain Horrall (BS) of the 210 GI Dotation, Bayeux, was engaged in trying to find labor in order for displaced persons and refugees, but the shortages had not been eliminated. The British Forces had set up a permanent labor exchange through which labor was hired and kept track of to enable the registroal laborers to go from one job to another without any time lost between jobs. In the American Sectors no agency permitting such continua of labor had been set up by the military. The French had begun the operation of labor exchanges, too, but their effectiveness was not yet ascertainable.

Official wage rates are now somewhat higher than before liberation but the actual wage income of workers is substantially lower. It is reported that the wages paid whatever wage was necessary to procure the labor required without reference to official wage scales. As a result, the wage income of many workers was very high. Allied Forces are adhering to the uniform wage scale developed in cooperation with the French.

The new wage scale provides for payment of family allowances in accordance with French laws, and became effective as of 1 August 1944. Although this wage scale is lower than the rates frequently paid by the Germans, it was expected to prove satisfactory in meeting the demands for higher pay and perhaps to attract additional workers.

11. Production.

The principal industry in Normandy is agriculture. Although thin
year some of the crops, particularly fruit, is reported to be above average; the output will be substantially below normal, due to circumstances attending military operations. Many civilians have fled the area to seek shelter. Farm buildings, livestock and equipment have been destroyed. During June and July, owing to the concentration of troops in a relatively small area, it was necessary to requisition much agricultural land for landing strips, camp sites, operational depots and supply areas, leaving some fields without adequate grazing grounds and encouraging the slaughter of animals.

Normandy is a great cider producing region and it was stated to the writer that this year, notwithstanding military operations, the biggest harvest of apples in 10 years is expected.

Second in importance in the area is agricultural processing, notably processing of dairy products. The effect of military operations has been particularly severe. Refrigeration, transportation and power facilities, as well as materials used in processing are lacking. A group of agricultural specialists are now at work on this problem and it is expected that some processing will soon be underway. There are several hundred tons of butter and cheese in Normandy alone which are available for processing during summer months. Already some butter has been salted and cheese have been altered to make them suitable for storage. For processing such items as tiding, grease-proof paper and sacks, still in short supply, are being procured.

Fishing was also interrupted but in cooperation with the Naval authorities, plans have been worked out to permit the resumption of fishing activities as rapidly as circumstances permit. Fish is already appearing, but in very small quantities, on some local markets.

Local credit facilities are more than adequate for financing such enterprises as require assistance. No action of this nature is needed from Civil Affairs in Normandy and none will apparently be required in the other parts of France.

S. G. W. 1st Lt, Signal Corps Financial Branch, G-5
General remarks on price levels, cost of living and the monetary problem in the liberated zone.

It must have already appeared from indications given up to now, that the monetary problem in Olavado does not now present any serious difficulties, and in fact the characteristic signs of a flight from currency which, were frequently observed in Cora, particularly in the excessive trade in un erroneable products, prices charged in black market restaurants, the trade in gold, foreign currency etc., have practically not appeared up to the present time. It has already been said, moreover, that the pound sterling note was being traded unofficially at approximately the legal rate; the exchange of gold coin indicated in Annex I should be considered with caution. Finally, even though in this case it has been possible to make only a superficial examination up to now, the number of deposits in savings and commercial banks seems to continue favourably (probably as a substitute for hoarding, which has been made expensive by military operations and by destruction). A similar indication can be seen in the table of subscriptions for Treasury Bonds at the Casino de Recevreur-France, Rouen in Bayeux (Annex V). It is true that the price of real-estate has not been raised up to the present; as for household goods, they should not be regarded too closely, considering the risks of destruction. Finally, although again in this respect it is a question of impressions rather than of facts and a more thorough study must be made, the monetary situation has not worsened since liberation and I should be even to know to write that it has improved.

Actually, the technical position of currency is better. If the last balance of the Bank of France, previously reported points out a rapid increase in circulation in France, if the proportion of circulation per head has risen (see report of the Inspector of the Bank of France Annex VI), if the tendency to inflation has continued, it is nevertheless influenced by many factors which have worked against it:

a) It is probable, without having any exact indication on this point, that the mass of money put into circulation by the Allies, are up to the present relatively limited. This is borne out by the statement frequently made by Allied paymasters, one has noted that practically the entire mass paid to the troops have been returned in the form of deposits (this must be modified by the fact that the soldiers undoubtedly arrived with small amounts of French money).

b) It seems very certain in many cases that the rate of net increase in the circulation of bank notes has not continued. This rate, if one computes for the whole of France, on the basis of a weekly figure of four billion and of a total circulation of 15 billion for the two departments (out of a total of 500 billion) would previously have been equivalent to a theoretical value of 106 million per week. Reducing this figure to three-eighths (approximate proportion, actually slightly lower, of inhabitants in the liberated zone in proportion to the total population in the two departments) one obtains the sum of 45,6 million per week, which is certainly a larger sum than the total amounts put in circulation by the Allies and by the French authorities. For the sake of simplicity, all of the figures above have been roughly calculated and are simple approximate. It is understood that all of the hypotheses shown by this calculation leaves it open to question. I consider it very significant nonetheless.

c) At the same time, the number of products placed on the market has increased (see above).
Exhibit 2.

(Extract from "SHAEF's Program to Limit the Inflationary Effects of Military Operations" SHAEF, Financial Branch, G-5 Division, 3 June 44)

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 DIVISION.

SHAEF/G-5/FIN/106. 3 June 1944

SUBJECT: Spending by Allied armies in France.

TO: Chief of Staff, Supreme Headquarters, A.E.F.

Reference your note concerning subject cable.

SHAEF and subordinate echelons have taken a whole series of measures to reduce the impact on the French economy of purchases by the Allied armies and the personnel thereof.

1. Facilities in the American army for voluntary allotments, rentenances, savings deposits, purchase of war bonds and insurance, and at post exchanges, quartermaster stores, etc., have resulted in the U.S. Army personnel spending only a small fraction of their pay in the foreign theater in which they are. In Sicily and the Italian mainland, U.S. Army personnel spent from 15% to 25% of their pay. In Britain, U.S. Army personnel spend 25% of their pay. Every effort is being made to encourage the increased voluntary use of such facilities by Army personnel in connection with operations in Northwest Europe.

2. Special Service is planning to extend its recreational facilities for Army personnel and to facilitate the establishment of civil concessionaires at Army posts. The Army Exchange Service is planning an extended service, and will include an extensive line of souvenirs, including souvenirs acquired in liberated areas. It is hoped that this will reduce money spent locally and unadvisedly by Army personnel.

3. A public relations and educational campaign is being conducted to make troops understand the harmful effect of their spending on the economy of the countries which we are liberating, and the desirability of their saving money for their post-war activities.

4. Orders have been issued by SHAEF prohibiting troops from making any local purchases for individual use (including food in restaurants). Only after a study of local conditions will this prohibition be lifted to the extent warranted by local supply conditions.

5. Military formations have been authorized to place off-limits retail establishments, including restaurants, and to observe closely prices charged and quality of merchandise in establishments which military personnel are permitted to use.

6. In view of the rate of exchange which has been fixed for the French franc, prices in France are likely to be comparatively high, and this, together with the shortage of goods, will discourage purchases by Army personnel.

7. Neither compulsory limitation of amounts which soldiers may spend abroad nor payment of a greater part of soldiers’ pay in coupons valid only in U.S. Army Exchanges will reduce the amount of soldiers’ expenditures for goods and services in France, since based on experience in Italy and England, the average soldier is not likely to spend more than 25% of his pay in France.

8. Army personnel are prohibited from importing or dealing in U.S. dollars and pound sterling currency, so as to discourage black market transactions which would depreciate the value of the French franc below the officially decreed rate of exchange.

(over)
General remarks on price levels, cost of living and the monetary problem in the liberated zone.

It must have already appeared from indications given up to now, that the monetary problem in Calvados does not now present any serious difficulties, and in fact the characteristic signs of a flight from currency which were frequently observed in Corsica, particularly in the excessive trade in unperishable products, prices charged in black market restaurants, the trade in gold, foreign currency etc., have practically not appeared up to the present time. It has already been said, moreover, that the pound sterling note was being traded unofficially at approximately the legal rate; the exchange of gold coin indicated in Annex I should be considered with caution. Finally, even though in this case it has been possible to make only a superficial examination up to now, the number of deposits in savings and commercial banks seems to continue favourably (probably as a substitute for hoarding, which has been made expensive by military operations and by destruction). A similar indication can be seen in the table of subscriptions for Treasury Bonds at the Casino du Reoueur-Paroisseur in Bayou (Annex V). It is true that the price of real-estate has not been studied up to the present; as for household goods, they should not be regarded too closely, considering the risks of destruction. Finally, although in this respect it is a question of impressions rather than of facts and a more thorough study must be made, the monetary situation has not worsened since liberation and I should be even tempted to write that it has improved.

Actually, the technical position of currency is better. If the last balance of the Bank of France, previously reported points out a rapid increase in circulation in France, if the proportion of circulation per head has risen (see report of the Inspector of the Bank of France, Annex VI), if the tendency to inflation has remained, it is nevertheless influenced by many factors which have worked against it:

a) It is probable, without my having any exact indication on this point, that the sum of money put into circulation by the Allies, are up to the present relatively limited. This is borne out by the statement frequently made by Allied paymasters, who have noted that practically the entire sum paid to the troops have been returned in the form of deposits (this must be modified by the fact that the soldiers undoubtedly arrived with small amounts of French money).

b) It seems very certain in many cases that the rate of net increase in the circulation of bank notes has not continued. This rate, if one computes for the whole of France, on the basis of a weekly figure of four billion and of a total circulation of 15 billion for the two departments (out of a total of 550 billion), would previously have been equivalent to a theoretical value of 108 million per week. Reducing this figure to three-eights (approximate proportion, actually slightly less, of inhabitants in the liberated zone in proportion to the total population in the two departments) one obtains the sum of 45.6 million per week, which is certainly a larger sum than the total amounts put in circulation by the Allies and by the French authorities. For the sake of simplicity, all of the figures above have been roughly calculated and are simply approximate. It is understood that all of the hypotheses shown by this calculation leaves it open to question. I consider it very significant nevertheless.

c) At the same time, the number of products placed on the market has increased (see above).

(over).
4) Finally, another factor assists in the reduction of the total sum in circulation to a large degree; this is the factor of loss and destruction - the refugees are far from able to make use of their normal purchasing power, even taking into account the allowances paid to them by the State.

In conclusion, it must be noted that the action of the Allies in regard to withdrawals of money (immediately recovered by the Importation Service from the wholesalers) against delivery of produce, as questionable as it may be in certain respects, exerts a favourable influence on the circulation of currency; this influence is exactly the opposite to that of the German withdrawals (shortage of merchandise, increase in currency).

On the whole, I repeat the position of currency appears to me to be technically better than before. It is a satisfactory situation although of limited implication, since on one hand the emission of currency must increase in occupied territory, and on the other hand it would be necessary to face needs in liberated territory which far surpass the resources available.
(Extract from "SHAEF's Program to Limit the Inflationary Effects of
Military Operations" SHAEF, Financial Branch,
G-5 Division, 3 June 44).

SHAEF/G-5/FIN/106.

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for army personnel and to facilitate the establishment of civilian con-
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souvenirs acquired in liberated areas. It is hoped that this will reduce
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make troops understand the harmful effect of their spending on the economy of
the countries which we are liberating, and the desirability of their saving
money for their post-war activities.

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local purchases for individual use (including food in restaurants). Only
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retail establishments, including restaurants, and to observe closely prices
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together with the shortage of goods, will discourage purchases by army
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in U.S. Army Exchanges will reduce the amount of soldiers' expenditures for
goods and services in France, since based on experience in Italy and England,
the average soldier is not likely to spend more than 25% of his pay in France.

8. Army personnel are prohibited from importing or dealing in U.S.
dollars and pound sterling currency, so as to discourage black market
transactions that would deprecate the value of the French franc below the
officially declared rate of exchange.
9. It is believed that there are no further measures which we can take at the present time to control the expenditures of Army personnel, except to see that the program which has been laid down is carried out.

Additional anti-inflationary measures.

10. SCLEF has issued orders to lower echelons prescribing that wages paid for French labor and prices paid for French goods should be in accordance with legally established French rates. As a guide, a schedule of wage rates was prepared on the basis of available information about French wages. The prices at which imported goods are being sold to the French authorities were set on the basis of information about existing prices in France obtained from French authorities and US/UK sources, so that the goods could be sold to ultimate consumers at the legally established French retail prices. SCLEF has also ordered that, where practicable, no purchases will be made of local goods that will have to be replaced by imports.

11. Without prejudice to the ultimate financial settlement between the governments concerned, the supplies of Civil Affairs goods that are being imported into France will be sold to the public at prevailing local prices, even though such prices are lower than landed cost. This will help maintain stability of prices.

12. It is our program to do everything within our power to assist the French authorities to stabilize wages and prices and to reduce to the minimum the impact of the aid on the local economy.

13. Attached is a memorandum giving in greater detail SCLEF's program to control expenditures of Army personnel and to control wages and prices. For this program to be successful, the cooperation of the French authorities is essential.

A. E. CLEGG
Lieutenant General
Assistant Chief of Staff, G-5.
POLICY FOR PAYMENT OF SUPPLIES, FACILITIES AND SERVICES IN LIBERATED TERRITORIES AND PROHIBITIONS WITH RESPECT TO SUCH PROCUREMENT.

(Reference is made to paragraph 1, Administrative Memorandum No. 6, this Hq, as)

1. METHOD OF PAYMENT.

1. Whichever possible local procurement in Liberated Territories will be effected by requisition through local civilian authorities and in accordance with local law. Payment will be deferred until reciprocal aid or other agreements have been negotiated with the government concerned except as provided in paragraphs 2a and b.

2. a. Until further order from this headquarters, BRITISH/US Forces will pay for required civilian labor and billots.

   b. BRITISH/US Forces may pay for supplies, facilities and services including the use of real estate, whether procured by requisition or purchase:

      (1) In the case of the less important procurements, or where

      (2) Hardship would result from delay in payment, or where

      (3) Payment is desirable for operational or security reasons.

   c. Prices paid by BRITISH/US Forces will be in accordance with official prices and scales of wages where these have been made available. If unavailable, local official prices will be ascertained and used.

11. PROHIBITION OF PURCHASES.

1. BY AUTHORIZED BRITISH/US PROCUREMENT AGENCIES. a. No purchase or requisition of the following major commodities will be effected by local procurement agencies of BRITISH/US Forces:

   (1) Food in all its forms, except fresh fruit and vegetables.

   (2) Livestock and fodder for livestock.

   (3) Medical and sanitary supplies, including soap.

   (4) Fuel, coal, petrol, oil, lubricants and fuel wood with the exception of such fuel wood as may be obtained by exploitation of forests.

   This list of items is subject from time to time to alteration or addition.

   b. In addition to the foregoing restrictions or similar future restrictions issued by this headquarters, any commodities which are in short supply in any area may be made the subject of a prohibition of purchase order in that area by local commanders. In such cases, a report will be made through channels to this headquarters.
2. **Individually Authorized Officers of BRITISH/US Forces.** In order to prevent inflation and the depletion of available stocks, officers of BRITISH/US Forces are prohibited from taking any local purchases for individual use (including the purchase of food in restaurants).

3. This order will be strictly enforced, but, if after study of local conditions, Commander-in-Chief, 21 Army Group, so sees fit, he may relax the provisions of this instruction, informing this headquarters of the action taken.

By command of General EISENHOWER:

E. C. DOWISEE
Colonel, A.G.D.
Adjutant General

**DISTRIBUTION:**

"DF"
RESTRICTED
HEADQUARTERS
ADVANCED SECTION
COMBINED OPERATIONS ZONE
APO 113

PROCUREMENT REMARKS:

1. No purchase or requisition of the following major commodities will be effected by Purchasing and Contracting Officers, or by any local procurement agents or agencies of the US Forces:

   a. Food in all its forms, except fresh fruit and vegetables.
   b. Livestock and fodder for livestock.
   c. Medical and sanitary supplies, including soep.
   d. Fuel, coal, petrol, oil, lubricants and fuel wood with the exception of such fuel wood as may be obtained by exploitation of forests.

2. The above list of items is subject from time to time to deletion or addition.

   By command of Brigadier General PHJK:

   HIGH CORT
   Colonel, G1, Chief of Staff.

OFFICIL.

JEFFERSON E. KIDD,
Colonel, ASD,
Adjutant General.

DISTRIBUTION C-1.
NOTICE

REGULATIONS CONCERNING THE SALE AND PURCHASE
OF FOOD AND RATIONED COMMODITIES
TO ALLIED TROOPS

The present policy of the Allies is to preserve all existing food stocks
and other rationed commodities for the consumption and use of the civil
population. With this object in view the sale of all rationed goods to
members of the Allied forces has been prohibited, except in the case of
meals taken by soldiers in hotels, restaurants, cafes etc., but food may not
be purchased and carried away. All restaurants, eating houses and places of
assembly will close to Allied soldiers at 21:30 hours daily.

In the villages bordering on the fighting line, where by reason of
military operations distribution to towns of existing food supplies may be
difficult, villagers are permitted to sell surplus supplies (except bread,
meat and potatoes) to Allied Troops. Such sales will be strictly controlled
by the Mayors who will arrange for sales to take place in a central market
in each village.

The following maximum prices will not be exceeded:

<table>
<thead>
<tr>
<th>Item</th>
<th>Maximum Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGGS</td>
<td>24 fr. per don.</td>
</tr>
<tr>
<td>BUTTER</td>
<td>60 fr. per kilo</td>
</tr>
<tr>
<td>MILK</td>
<td>4 fr. per litre</td>
</tr>
<tr>
<td>CHEESE</td>
<td>10 fr. per choose</td>
</tr>
<tr>
<td>VEGETABLES (excluding potatoes)</td>
<td>10 fr. per kilo (approximately)</td>
</tr>
</tbody>
</table>

Signed:

Sous-Profit.

Counter signed:

Civil Affairs Officer.
AVIS

Règlement concernant la vente et l’achat de produits alimentaires et autres produits sous rationnement aux troupes alliées

La politique actuelle des alliés est de conserver tous les produits alimentaires et autres produits rationnés pour la consommation et l’usage de la population civile seulement. Dans ce but, la vente de tous ces produits est prohibée aux troupes de l’armée, exception faite des hôtels, restaurants, cafés, etc., où ces produits pourront être consommés mais non livrés.

Les restaurants, salles à manger et les lieux d’amusement fermeront leur porte aux troupes de l’armée à 21 h. 30 chaque jour.

Dans les villages situés dans la zone combattante, où, pour des raisons d’opérations militaires, il serait difficile de faire la livraison des produits existant aux villes avoisinantes, il est permis aux villageois de vendre le surplus de ces produits (à l’exception de la viande, du pain et des pommes de terre) aux troupes de l’armée.

Ces ventes devront se faire strictement sous le contrôle du Maire qui prendra les dispositions nécessaires pour que ces ventes se fassent dans un marché central dans chaque village.

Les prix maxima suivants ne devront pas être excédés :

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coq</td>
<td>24 fr. la douzaine</td>
</tr>
<tr>
<td>Beurre</td>
<td>60 fr. le kilo</td>
</tr>
<tr>
<td>Lait</td>
<td>4 fr. le litre</td>
</tr>
<tr>
<td>Fromage</td>
<td>10 fr. la pièce</td>
</tr>
<tr>
<td>Légumes (à l’exception des pommes de terre)</td>
<td>10 fr. le kilo (prix moyen)</td>
</tr>
</tbody>
</table>

Signé :
Sous-Préfet.

Contresigné :
Officier des Affaires Civiles.

NOTICE

Regulations concerning the sale and purchase of food and rationed commodities to Allied Troops

The present policy of the Allies is to preserve all existing food stocks and other rationed commodities for the consumption and use of the civil population. With this object in view the sale of all rationed goods to members of the Allied forces has been prohibited, except in the case of meals taken by soldiers in hotels, restaurants, cafes, etc., but food may not be purchased and carried away. All restaurants, eating houses and places of amusement will close to Allied soldiers at 21.30 hrs daily.

In the villages bordering on the fighting line, where by reason of military operations distribution to towns of existing food supplies may be difficult, villagers are permitted to sell surplus supplies (except Bread, Meat and potatoes) to Allied Troops. Such sales will be strictly controlled by the Mayors who will arrange for sales to take place in a central market in each village.

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<thead>
<tr>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs</td>
<td>24 fr. per doz</td>
</tr>
<tr>
<td>Butter</td>
<td>60 fr. per kilo</td>
</tr>
<tr>
<td>Milk</td>
<td>4 fr. per litre</td>
</tr>
<tr>
<td>Cheese</td>
<td>10 fr. per cheese</td>
</tr>
<tr>
<td>Vegetables (excluding potatoes)</td>
<td>10 fr. per kilo (approximately)</td>
</tr>
</tbody>
</table>

Signed :
Sous-Préfet.

Counter signed :
Civil Affairs Officer.
COABE D.

______________________________

TERRITOIRES LIBRES DU DéPARTEMENT DU CALVADOS

IL EST INTERDIT
IT IS PROHIBITED

DE VENDRE OU DE CÄDER
TO SELL OR TO GIVE IN EXCHANGE

A UN MEMBRE DES FORCES ALLIES ALLIES
TO A MEMBER OF THE ALLIED ARMED FORCES

VINS
WINE

c

c

LÉCHES
CHEESES

PAIN
BREAD

LÉCHES
CHEESES

VÉGETABLES ET

FOOT/EAR

CLOTHING AND

POUR HOMMES, FEMMES ou ENFANTS

MEN'S, WOMEN'S, OR CHILDREN'S

SOUS PENS de
PURSUITS

poursuites

Correctionnelles

Correctionnelles

En ordre de
By order of

COLAS, Bayeux — 9575

Commander
Commune d

TERRITOIRES LIBÉRÉS DU DÉPARTEMENT DU CALVADOS

IL EST INTERDIT
IT IS FORBIDDEN

DE VENDRE OU DE CÉDER
TO SELL OR TO GIVE IN EXCHANGE

A UN MEMBRE DES FORCES ARMÉES ALLIÉES
TO A MEMBER OF THE ALLIED ARMED FORCES

VIANDE  MEAT
ŒUFS   EGGS
PAIN   BREAD
FARINE FLOUR
LÉGUMES VEGETABLES
VÊTEMENTS ET CLOTHING AND
CHAUSSURES FOOTWEAR

pour hommes, femmes ou enfants

sous n’importe quelle forme

IL EST INTERDIT AUX FORCES ARMÉES
IT IS FORBIDDEN TO THE ALLIED

ALLIÉES DE LES ACHETER OU
FORCES TO BUY THESE GOODS OR

ACQUÉRIR EN ÉCHANGE
ACQUIRE THEM BY BARTER

Sous peine de poursuites correctionnelles

By order of the Military Commander

Imp. COLAS, Bayeux - 9573
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Jan</th>
<th>Feb</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bread</td>
<td>1 Kilogram</td>
<td>$3.70</td>
<td>$3.70</td>
<td>$3.70</td>
<td>$3.70</td>
<td>$3.70</td>
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<td>$3.70</td>
</tr>
<tr>
<td>Meat</td>
<td>1 Kilogram</td>
<td>$61.</td>
<td>$61.</td>
<td>$61.</td>
<td>$61.</td>
<td>$61.</td>
<td>$61.</td>
<td>$61.</td>
</tr>
<tr>
<td>Beef</td>
<td>&quot;</td>
<td>$59.5</td>
<td>$59.5</td>
<td>$59.5</td>
<td>$59.5</td>
<td>$59.5</td>
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<td>$59.5</td>
</tr>
<tr>
<td>Veal</td>
<td>&quot;</td>
<td>$67.</td>
<td>$67.</td>
<td>$67.</td>
<td>$67.</td>
<td>$67.</td>
<td>$67.</td>
<td>$67.</td>
</tr>
<tr>
<td>Lard</td>
<td>&quot;</td>
<td>$67.5</td>
<td>$67.5</td>
<td>$67.5</td>
<td>$67.5</td>
<td>$77.4</td>
<td>$77.4</td>
<td>$77.4</td>
</tr>
<tr>
<td>Rice</td>
<td>&quot;</td>
<td>$8.1</td>
<td>$8.1</td>
<td>$8.1</td>
<td>$8.1</td>
<td>$8.1</td>
<td>$8.1</td>
<td>$8.1</td>
</tr>
<tr>
<td>Chocolate</td>
<td>each</td>
<td>$40.</td>
<td>$40.</td>
<td>$44.</td>
<td>$44.</td>
<td>$44.</td>
<td>$44.</td>
<td>$44.</td>
</tr>
<tr>
<td>Camembert</td>
<td>Cheese</td>
<td>$7.5</td>
<td>$7.5</td>
<td>$7.5</td>
<td>$7.5</td>
<td>$7.5</td>
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<td>$7.5</td>
</tr>
<tr>
<td>Sugar</td>
<td>1 Kilogram</td>
<td>$15.</td>
<td>$15.</td>
<td>$15.</td>
<td>$15.</td>
<td>$15.</td>
<td>$15.</td>
<td>$15.</td>
</tr>
<tr>
<td>Jan</td>
<td>&quot;</td>
<td>$19.8</td>
<td>$19.8</td>
<td>$19.8</td>
<td>$19.8</td>
<td>$19.8</td>
<td>$19.8</td>
<td>$19.8</td>
</tr>
<tr>
<td>Macaroni</td>
<td>&quot;</td>
<td>$17.5</td>
<td>$17.5</td>
<td>$17.5</td>
<td>$17.5</td>
<td>$17.5</td>
<td>$17.5</td>
<td>$17.5</td>
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<tr>
<td>Milk</td>
<td>1 litre</td>
<td>$4.3</td>
<td>$4.3</td>
<td>$4.3</td>
<td>$4.3</td>
<td>$4.3</td>
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<td>$4.3</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1 Kilogram</td>
<td>$2.7</td>
<td>$2.7</td>
<td>$2.7</td>
<td>$2.7</td>
<td>$2.7</td>
<td>$2.7</td>
<td>$2.7</td>
</tr>
<tr>
<td>Coffee</td>
<td>Rational</td>
<td>$4.7</td>
<td>$4.8</td>
<td>$4.8</td>
<td>$4.9</td>
<td>$4.9</td>
<td>$4.9</td>
<td>$4.9</td>
</tr>
<tr>
<td>Dried</td>
<td>1 Kilogram</td>
<td>$15.9</td>
<td>$15.9</td>
<td>$15.9</td>
<td>$15.9</td>
<td>$15.9</td>
<td>$15.9</td>
<td>$15.9</td>
</tr>
<tr>
<td>Vegetables</td>
<td>box</td>
<td>$11.</td>
<td>$11.</td>
<td>$11.</td>
<td>$11.</td>
<td>$11.</td>
<td>$11.</td>
<td>$11.</td>
</tr>
<tr>
<td>Soda</td>
<td>dozen</td>
<td>$33.6</td>
<td>$33.6</td>
<td>$33.6</td>
<td>$33.6</td>
<td>$33.6</td>
<td>$33.6</td>
<td>$33.6</td>
</tr>
<tr>
<td>Flour</td>
<td>1 Kilogram</td>
<td>$5.20</td>
<td>$5.20</td>
<td>$5.20</td>
<td>$5.20</td>
<td>$5.20</td>
<td>$5.20</td>
<td>$5.20</td>
</tr>
<tr>
<td>Preserves</td>
<td>Variable Prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soup</td>
<td>&quot;</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$27.70</td>
</tr>
<tr>
<td>Salt</td>
<td>&quot;</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
<td>$17</td>
</tr>
</tbody>
</table>

**Remarks**

- All prices are retail, in francs.
- Actual price is legal maximum.
- Actual price between 52 and 60.
- Actual price between 59 and 65.
- Actual price July Cherbourg area.
- No matter grease (fatty matter) allowed before July - 35% since then.
- Obtainable at 16 fcs/kg in Cherbourg.
- Actual price 2.50 - 3 fcs in Cherbourg in July; glut on market.
- New potatoes in July, any quantity.
- Coffee substitute, about 15% coffee, actual price 52 fcs.
- No publication of prices for July 1 found; fresh vegetables abundant.
- Any quantity.
- Not dried eggs.

**NOTE 1**

In July, Cherbourg city, fresh carrots were 2.40 fcs/kg, onions 4 fcs/kg. Artichokes, string beans, lettuce and other fresh vegetables were plentiful in the area.
### Maximum Legal Prices - Department of CALVADOS, FRANCE

#### January - August, 1944

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**Remarks**

- All prices are retail, in Francs.
- Actual price is legal maximum.
- Actual prices were 100-120 fgs before June, made by device of weighing extra bones, with meat. Actual prices June and later are.
- Actual price is legal maximum.
- No potatoes (fatty matter) allowed before June; 20% in June, 35% in July and August.
- None obtainable at legal price in stores tried.
- Actual price 2.50-3 fgs litre; glut on market.
- New potatoes in July and August.
- No real coffee obtainable in places tried.
- Fresh vegetables plentiful at low prices.
- Fresh eggs
- None obtainable at legal prices in stores tried.

Regraded Unclassified
### RATION SCALE FOR JANUARY 1944 — LA MANCHE

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**NOTE:**
- **E** = Children under 3 years of age
- **J1** = " between 3 & 6 years
- **J2** = " 6 & 13 "
- **J3** = " 13 & 21 "
- **A** = Adults
- **T** = Heavy Workers — Laborers
- **C** = Producers — cultivators
- **V** = Aged persons

**Grains per day**

**Grains per month**

**Litres per day**

**Kilograms per month**

**Grams per month**

Regarded Unclassified
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+ NOTE: E = Children under 3 years of age  
J1 = "    "    "between 3 & 6 years  
J2 = "    " 6 & 13 "  
J3 = "    " 13 & 21 "  
A = Adults  
T = Heavy workers-laborers  
O = Farmers - cultivators  
C = Aged persons.
### RATION SCALE FOR MARCH 1944 - LA MANCHE

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+ NOTE- E = Children under 3 years of age
  JL = between 3 & 6 years
  J2 = " 6 & 13 "
  J3 = " 13 & 21 "

A = Adults
T = Heavy Workers - laborers
C = Producers - cultivators
V = Aged persons

Grains per day
Grains per month
Litres per day
Kilograms per month
Grains per month

Regraded Unclassified
## RATION SCALE FOR APRIL 1944, LA NINCHE.

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**Notes:**
- **B** = Children under 3 years of age  
- **J1** = between 3 & 6 years  
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- **A** = Adults  
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- **C** = Producers - cultivators  
- **V** = Aged persons  

Grains per day  
Grains per month  
Litres per day  
Grains per month  

Regraded Unclassified
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**Note:** Official records destroyed; some items incomplete thereafter.

**Legend:**
- **E** = Children under 3 years of age
- **J1** = Between 3 & 6 years
- **J2** = 6 & 13 years
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- **A** = Adults
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- **C** = Producers - cultivators
- **V** = Aged Persons

**Units:**
- **Grains per day**
- **Grains per month**
- **Liters per day**
- **Kilograms per month**
- **Grains per month**
## Ration Scale for June 1944 - La Manche

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+ NOTE:  
- E = Children under 3 years of age  
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A = Adults  
T = Heavy workers - laborers  
C = Products - cultivators  
V = Aged Farmers  

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**NOTES:**

1. Children less than 3 years of age (formerly J1).
2. Children between 3 and 13 years of age, formerly J1 and J2.
3. Adolescents between 13 and 21 years of age, formerly J3.
4. Persons over 21, formerly categories A, T, C.
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*Notes: E1 - children less than 3 years of age
E2 - children between 3 and 13 years of age, formerly J1, J2.
J - adolescents between 13 and 21 years of age, formerly J3
H - Persons over 21, formerly categories A, T, C.
A - Adults
T1 - Heavy workers, first class.
T2 - Heavy workers, second class.

Greens per day
Greens per month
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+ NOTE:  
- E = children under 3 years of age.  
- J1 = children between 3 & 6 years.  
- J2 = children between 6 & 9 years.  
- J3 = children between 13 & 21 yrs.  
- A = adults.  
- C = Producers - cultivators.  
- T = Heavy workers - labourers.  
- V = Aged persons.  
- J2 = Children between 6 & 9 years.
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**NOTE:**
- E = Children under 3 years of age.
- J1 = Children between 3 & 6 years.
- J2 = Children between 6 & 8 years.
- J3 = Children between 8 & 13 years.
- A = Adults.
- T = Heavy workers - labourers.
- C = Producers - Cultivators.
- V = Aged persons.
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## RATION SCALES

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**+ NOTE:**
- E1 = Children less than 3 years of age.
- E2 = Children between 3 & 13 yrs of age - formerly J1, J2
- J = Adolescents between 13 & 21 yrs of age, formerly J3
- M = Persons over 21, formerly categories A, T, C, V.
- T1 = Heavy Workers, first class.
- T2 = Heavy workers, second class.

**NOTES:**
- Litres per day: 1/2
- Kg per month: 2
- Not yet fixed

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Regraded Unclassified
CONFIDENTIAL
SECSTATE
WASHINGTON

A-496, August 15, 2 p.m.

Reference Department's telegram No. 390 of August 10, 5 p.m., concerning refugee children.

The embassy is reluctant to request the Costa Rican Government to "extend its acceptance" to children from Hungary, since no formal acceptance has as yet been received from the Foreign Office.

As reported in my airgram No. A-390 of June 16, 10 a.m., the discussions on this subject were between the Embassy and the head of a semi-official welfare agency. It was indicated at that time that, if the Costa Rican Government could be given assurances as to the permanency of stay of any refugee children to be accepted, it would formally agree to accept them. No such assurances have been received, however, and it is felt that the Foreign Office would not care to commit itself until this point has been clarified.

Further instructions are requested.

DES FORTES

848
LDW/cm
Please refer to your 6289 of August 5 concerning Beckelman’s proposal to close Camp Lyautey.

Inasmuch as Camp Lyautey is still under the joint jurisdictions of the British and American Governments, Beckelman’s proposal must of necessity be passed upon by the two Governments.

It is the United States Government’s view that now would be a highly inopportune time to close Camp Lyautey. Beckelman’s statement that few newcomers are expected at Layautey indicates that he is unaware of the Horthy offer (your 5956 of July 27 and our 6096 of August 2). The closing of Camp Lyautey at a time when the British and American Governments have under consideration the Hungarian proposal to permit thousands of Jews to emigrate from Hungary might well prove tragic in its consequences, for in the eyes of the Hungarian Government it might easily throw open to question the sincerity of the British and American Government’s professed willingness to receive on United Nations’ territory Jews and other victims of enemy oppression. Furthermore, in view of the promise which the United States Government is proposing to make to the Hungarian Government through Intercessor to arrange for the care of and to find havens for all Jews permitted to leave Hungary who reach neutral or United Nations’ territory (our 6096 of August 2), all possible havens must be held available for any eventuality that may occur.

It would be appreciated if you would make known to the British Government and the IGC the United States Government’s view concerning Beckelman’s proposal to close Camp Lyautey at this time. This cable has been cleared with the Department, FEA and WRB.

1:30 p.m.
August 16, 1944

MJMarks:ro
8/10/44
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET)

AMBASSADOR,

LONDON,

6456

FROM CROWLEY AND HANNIGAN, FEA FOR REED

CONFIDENTIAL. Your 6289, August 5, French Division, Liberated Areas, FEA is responsible for the operation of Fedele Refugee Camp. Beckelman and his American staff belong to and are paid by UNRRA but are loaned to FEA to operate the camp until UNRRA takes it over.

HULL
(RLH)
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

TO: Secretary of State, Washington

DATED: August 15, 1944

NUMBER: 6563

SECRET

Following is for the War Refugee Board, FSA, and the Department.

Department’s cable of July 25, no. 5914 is referred to herewith.

Inasmuch as such decisions are the responsibility of the Treasury rather than UNRRA, we have raised with the British Treasury the question of UNRRA buying through British special account on behalf of the American Joint Distribution Committee. In view of the fact that under the financial agreement with Turkey, the British are permitted the 40% premium for exports to the sterling area only, Treasury does not feel able to accede to this request. Although as stated in Ankara’s cable some purchases have been made for Greece and on a smaller scale for Belgium and Yugoslavia, the British fear that the Turks would object if the number of such purchases was increased. It is anticipated by the British that this would mean that they would cease to obtain premium for Greeks and other Allies and are unwilling to prejudice the Allies’ position in this manner.

WINANT

DCR: VAG 8/27/44
EMBASSY

No. 1430

Guatemala, August 15, 1944

SECRET

Subject: Request of Guatemalan Government

for Protection of Interests in

Hungary by Swiss Government.

BY COURIER

The Honorable

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to refer to the Department's Secret Circular Airgram of August 3, 11 a.m., 1944, concerning the desired assumption of the protection of Latin American interests in Hungary by a neutral Government.

In a conversation with the Foreign Minister on August 11, I placed before him the substance of the Department's Airgram in reference, and as a result I have now received the enclosed Note from the Foreign Office (No. 10380, of August 14, 1944), from which the Department will observe that the Swiss Government is requested to assume the protection of Guatemalan interests in Hungary under the conditions outlined in the cited Airgram, albeit the Government of Guatemala is not currently in a technical state of war with Hungary. This may present an obstacle to the accomplishment of the desired ends, but, as the Guatemalan Government itself points out, it withdrew its only representation, a Consul in Budapest, because of Hungary's position as a satellite of Germany. It will be observed that in the enclosed Note the Guatemalan Government reserves the right to investigate cases of persons bearing Guatemalan documents and, in appropriate cases, to refuse admission to Guatemala.

Respectfully yours,

Boaz Land

Enclosure:

1/ Translation of Note No. 10380,
   from Guatemalan Foreign Office.
2/ Copy of Note No. 10380.

843.
WCA:hss

To Department in original only.
The interest and most urgent consideration is the interest of the country to remain to this great nation at the head of the government of the United States, that it may also be made known to the government of this country, and that it may be known to the Department of State in Washington. The government of the United States desires the right to offer and adopt:

the action of the government.

and the action of the United States in this respect.

In the action of the United States in the respect of the country.

And although the United States are most interested in the respect of the country of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interested in the respect of the government of France in the respect of the interest of the United States in the respect of the government of France, and although the United States are most interest...
Regraded Unclassified

Subject: Transmittal Note from the Haitian Foreign Office in regard to action taken on behalf of holders of Haitian Passports in German Occupied Countries.

No. 137

Washington, D.C., August 15, 1944.

Mr. John F. Calhoun

The Secretary of State,

To the Foreign Office, dated August 16, 1944.

I have the honor to acknowledge receipt of the Department's instruction No. 45 of July 24, 1944, directing the posting of a list of Haitian nationals to Germany, which was sent to the Department of State for Foreign Affairs, a copy of which is enclosed.

In the light of the Department's instruction, I have felt it advisable to inform you that on August 4th, a note was handed to the Haitian Minister for Foreign Affairs, a copy of which is enclosed, by the Secretary of State, in the Department of State, to the effect that the Government of Haiti will cooperate with the Government of the United States in making the necessary arrangements for the departure of Haitian nationals who were removed from the internment camp at Vittel, France, and requesting me to take the necessary action in the premises, as well as to such other steps as might be feasible in the light of conditions in Haiti.

The complete text of this telegram will be forwarded in another dispatch.

Respectfully yours,

[Signature]

[Name]

[Department]

[Address]
In accordance with the spirit of Resolution XIV, and to protect the lives of the persons whom that Resolution is intended to save, my Government requests me to suggest to the British authorities the despatch of a list by the Agent-General of the British Government resident at Vittel, France, to whom reference was made in my memorandum of July 20th, containing a list of persons who were received from the internment camp at Vittel, France, to whom reference was made in my memorandum of July 20th.

I have the honor to refer to Your Excellency's communication of 1st July 20th, and to our conversations on the subject of holders of passports issued in German-occupied territory.

This list is intended hereafter and is furnished to the British Government in accordance with the instructions of the Committee for Political Affairs at Montreux, a copy of which has already been received by the British Government.

I have the honor to refer to Your Excellency's communication of 1st July 20th, and to our conversations on the subject of holders of passports issued in German-occupied territory.

In accordance with the spirit of Resolution XIV, and to protect the lives of the persons whom that Resolution is intended to save, my Government requests me to suggest to the British authorities the despatch of a list by the Agent-General of the British Government resident at Vittel, France, to whom reference was made in my memorandum of July 20th.
Enclosure to Despatch No. 157.

In transmitting this request to Your Excellency's Government, I desire to remind you of the assurance given by the Government of the United States to the effect that, as far as the exchange of such persons is concerned, Haiti will not be expected to admit to Haitian territory any persons other than those of unquestioned Haitian nationality, merely because such persons hold documents issued in the name of Haiti.

Accept, Excellency, the renewed assurance of my highest consideration.

ORME WILSON

Enclosure:
1/ List as stated above

File: 711.

On: 1924

* * * * * * * * * * * * * * * * * * * * * * *

Enclosure No. 1

CLAIMANTS TO HAITIAN NATIONALITY
REMOVED FROM VITTEL, FRANCE
TO AN UNKNOWN DESTINATION

<table>
<thead>
<tr>
<th>NAME</th>
<th>PLACE AND DATE OF BIRTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. BERGER, Abraham</td>
<td>Warschau/Polen 23.4.06</td>
</tr>
<tr>
<td>2. BERGER, Eugenia</td>
<td>Warschau/Polen 2.4.25</td>
</tr>
<tr>
<td>3. MUSZYNSKII, Leon</td>
<td>Warschau/Polen 15.3.18</td>
</tr>
<tr>
<td>4. MUSZYNSKII, Lali</td>
<td>Warschau/Polen 11.4.20</td>
</tr>
</tbody>
</table>
In conformity with the spirit of Resolution XIX of the Emergency Advisory Committee for Political Affairs, I hasten to inform Your Excellency that this Secretariat of State, in accordance with the suggestion of the United States Government, sent on August 12, 1944, to the British Legation at Romani, has been informed by the British Government that the British Government, in the name of the British Government as the representative of the United Nations, has been requested by the British Government to inform the United States Government of the names of the persons who hold passports issued in the name of the United States, and I am to this effect to inform Your Excellency of the names of the persons holding passports issued in the name of the United States. I have the honor to acknowledge the receipt of Your Excellency's note No. 76 of August 14th, referring to the memorandum concerning the persons who hold passports issued in the name of the United States, and to inform Your Excellency that I am unable to give a list of the following persons holding passports issued in the name of the United States:

Abraham Berman
Eugenia Berg
Louis Bernstein
Lala Bernstein

Mr. Ambassador,

Fort-Prines, August 14, 1944.
urgent asks for information concerning their address and their health and expects their immediate transfer to a civilian internment camp where they would be easily available for exchange and where, in awaiting this exchange, they will be placed under the supervision of the Protecting Power and the International Red Cross. STOP. The Haitian Government also declares that it will not permit that Germany place in doubt the validity of any documents delivered in its name and that it expects that the German Government will accord the holders of these documents the same treatment which the German Government expects to obtain for its nationals in the Western Hemisphere. STOP. Finally, the Haitian Government reserves the right to take action against any ill treatment which might be inflicted upon the above-mentioned persons and upon all persons who may be in the same position."

I avail myself of this occasion to renew to Your Excellency, Mr. Ambassador, the assurances of my high consideration.

Jacques C. Antoine.

Off: mak

Miss Chauncey (for the Sec'y), Abrahamsen, Alkin, Cohn, Drury, DuBois, Friedman, Gaston, Heidal, Laughlin, Lesser, Mannen, Marks, McCormack, Pehle, Sargey, Standish, Weinstein, Cable—Central—Piles.
FMW-736
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Tegucigalpa
Dated August 15, 1944
Rec'd 5:13 p.m.

Secretary of State,
Washington.

257, August 15, Noon.
Answer to Department's circular telegram of August 12, 8 p.m. is that Honduras consents.

BRWIN

EMB

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

Dublin

Dated August 15, 1944

Rec'd 9:30 a.m.

Secretary of State,

Washington.

131, August 15, 1 a.m.

Reference is made to Department's circular telegram August 12, 8 p.m. concerning refugee children.

Irish Government in principle extends its offer of refuge to children from Hungary as well as from France.

GRAY

EMB
Distribution of true reading only by special arrangement. (SECRET)
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, BERN
TO: Secretary of State, Washington
DATED August 15, 1944
NUMBER: 5279

SECRET

Your 2486, July 21, 1944.

It is stated in a note from the Foreign Office August 12
that the Swiss Legation at Sofia reports on the ninth of August that
the Government of Bulgaria is willing to accord transit visas to Neu-
lander and Schlaifers for which application must be made at the
Bulgarian Legation in Bucharest and that this information has been
transmitted to the Swiss Legation in Bucharest.

HARRISON

DCR: EMS
8-16-44
CORRECTED COPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, Bern
TO: Secretary of State, Washington
DATED: August 15, 1944
NUMBER: 5297

SECRET

Your 2488, July 21, 1944

The serial number of the above message should be changed from 5279 to 5296.

HARRISON
GEK-302
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Secretary of State,
Washington.

1493, August 15, 10 p.m.

FOR FEBLE WEB FROM HIRSCHMANN

Ankara's NO. 133

Three hundred ninety-five passengers from the SS BULBUL and five from the ill-fated MEFKURA arrived in Istanbul by rail from Cherkaskoy. They were quartered in a school in Istanbul. They were brought over the mountains by oxcart from Iğneada to Vize, a distance of about 40 miles. The women and children rode, the men walked. The remainder of the trip was made by trucks to Chekaskoy and thence by train to Istanbul.

The MEFKURA survivors report the following information regarding the sinking of MEFKURA: Shortly after midnight on August 5 the MEFKURA was approached by three surface craft of the length of two railway cars with flat shallow draft bottoms and armed with small cannon and machine guns. They were considered to be German boats since they had silhouettes similar in appearance to those boats which had been seen in Constanza harbor. The three boats opened fire on the MEFKURA with cannon and machine guns. One of the first shots landed in the machinery room of MEFKURA exploding the machinery. The ship was set on fire by incendiary bullets. A large number of passengers were wounded on the boat itself by machine gun fire; others were caught in the flames or injured by bits of flying machinery. Many passengers donned life preservers and jumped overboard. The machine gun fire continued upon the passengers while they were in the water. The sea was stormy, otherwise it is believed that a larger number of passengers might have been saved.

According to BULBUL passengers, the BULBUL was not in sight of the MEFKURA during the attack. Later it was approached by the armed boats and its engines were stopped. It stood by until daylight and picked up the survivors of the MEFKURA who could be found. The survivors by that time had been in the sea for four hours. For an unaccountable reason, the armed boats left
boats left while it was still dark and did not open fire upon the BULBUL. The BULBUL continued its voyage with the MEFKURA survivors aboard toward Istanbul. It came within 300 meters of the Black Sea entrance of the Bosphorus but was unable to enter the Black Sea on account of the stormy seas. It sailed back along the Turkish shore to Iğneada before safe anchorage was found.

The number of passengers from the BULBUL are approximately 395 including 214 men, 137 women and 44 children. Among them were two pregnant women and two children who had developed pneumonia who were taken Balat hospital, Istanbul. The two mothers of the two children were sent to the hospital to be with them. Except for these, all the passengers are scheduled to proceed to Palestine by rail August 15.

The rescue operations were conducted under supervision of the Turkish Red Crescent, and all expenses will be defrayed by the War Refugee Board. When more detailed information is available, a full report will be sent to you by mail.

KELLEY

JMS IMS
CORRECTION
COMMUNICATIONS
AND RECORDS
(LIAISON)  August 15, 1944

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SECRET 0)

In telegram No. 1383, August 10, 2 p.m., (SECTION ONE), from Chungking via Navy, in second sentence of paragraph one, delete "Liangverrf" and insert "(Liang)" so as to read "totaled 125,500 ounces (Liang); 63,500 during" et cetera.

DIVISION OF COMMUNICATIONS AND RECORDS

NOTE: Correction from the Embassy.

MJK
Secretary of State,
Washington.

3102, Fifteenth
Swedish editorial

TIDNINGEN fourteenth carries Bertil Ohlin article concerning Bretton Woods conference. Reports concerning conference still incomplete but obviously question of contribution quotas to bank and fund caused considerable wrangling. Seems certain however new organizations represent advance over conditions prevailing during period between two world wars when entire burden of making adaptations to crisis disturbances devolved upon financially weak debtor states. Now however obligation to normalize payment balances will devolve equally upon creditor states which represent great advance. Risk will be diminished of world economic disturbances exercising restrictive depression creating effects. Under new organization creditor states will contribute to establishing equilibrium by increasing foreign purchases and granting long-term
long-term credits. Currency fund would afford reinforced liquidity reserve for countries needing it whilst at same time conference would automatically be arranged by countries in difficulties together with financial circles of larger states. Considering also advantages which international banking offers for long-term loans for reconstruction or development of backward countries together with advantages mentioned above makes conclusion inevitable that realization of Bretton Woods plans would constitute great step forward for world economy. On other hand all experts realize these institutions are insufficient because supplementary organizations are necessary to prevent commercial political actions of highly protectionist nature or breakdown of international raw materials market. Tactical weakness of proposals is they're so complicated only specialists can evaluate them. This may prove fatal to practical performance of plans. Tisn't at all certain Congress will make its decisions in accordance agreements reached and prospect will be very uncertain if Republicans gain majority in House. Taft has stated currency fund agreement won't be approved by Congress and he criticizes fact that although United States will make largest contribution actual use of money will be determined by council in which countries with
countries with weaker currencies will have majority and therefore money will soon disappear in loans to countries having feeble finances. Despite Taft's views real objection to plan is that credit granting too greatly restricted thereby reducing funds effectiveness. Though most Taft's criticism won't stop closer investigation there's some truth in fact war devastated countries may be tempted utilize credit facilities not for creating liquid reserve but for financing imports for reconstruction purposes and won't be easy for council to prevent this. Traditionally conservative American banking circles view plans skeptically and Republicans whose experts not invited part war monetary systems foundation is laid.

TIDNENGEN fifteenth accuses Allied administration in Italy of permitting certain Italian elements to take too drastic measures in eliminating Fascists. Regrettablest case is Gigli who accused of collaboration and met death under mysterious circumstances after having received threats against his life. Mascagni reportedly hiding from his enemies. Persecution continues while biggest Fascists are safe in Switzerland Portugal. Situation no better in France where Sascha Guitry and Maurice Chevalier marked as collaborationists. If settlement with Fascism and Nazism proceeds along these petty-minded lines it
-4-#3102, Fiftieth, from Stockholm via London lines it must inevitably arouse consternation regarding future prospects.

JOHNSON

WBP
1. NAVAL

Early this morning One of H.M. Cruisers with one of H.M. Canadian Destroyers and a British Destroyer intercepted four ships off LA PALLICE. One was left sinking, one heavily on fire and a tanker driven ashore. Shore defences engaged H.M. Ships. Later three more enemy ships were intercepted in the same area. On 13th/14th two of H.M. Destroyers damaged a convoy of three minesweepers and a cargo ship sailing from JERSEY to GUERNSEY. Heavy fire encountered from shore batteries. Ten casualties in the Destroyers. Same night one of H.M. Destroyers off SUFFOLK damaged and drove away six E-boats which were later intercepted by M.T.B's which damaged two of them.

2. MILITARY

FRANCE. U.S. troops have advanced on wide front to 4-5 miles S.W. and E. of ARGENTAN. They have also advanced about four miles and reduced the salient between BARENTON and CARROUGES. On the Eastern and Northern sectors our pressure has been maintained and some appreciable gains made. Canadians attacked towards FALAISE noon 14th.

ITALY. Our positions in FLORENCE have been improved.

RUSSIA. Russians have advanced further west of PSKOV towards VALKA. They have repulsed German counter attacked N.W. of KOVNO. N.W. of BIALYSTOK they have captured OSOWIEC. More German counter attacks against the Russian bridgehead over VISTULA N.E. of CRACOW have been driven back.

3. AIR

WESTERN FRONT. 14th. Offensive and escort sorties totalled about 4,300. Following an attack by medium bombers, Lancasters and Halifaxes bombed German concentrations POTIGNY area dropping 3,600 tons, with object assist Canadian attack by-pass German positions this area. Marking accurate and bombing concentrated, Communications and transport attacked by aircraft of many types. About 840 tons dropped and 500 rockets fired. 1,100 tons were dropped on airfields mainly in E. and S.E. FRANCE and in GERMANY. Large numbers of tanks, motor vehicles and rolling stock were destroyed, 815 tons released at block ships BREST which were hit.

Fortresses and Liberators dropped total 750 tons on chemical works LUDWIGSHAFEN, electrical works MANNHEIM, airfield KAISERSLAUTEN, and other objectives. Majority results good to excellent.

German casualties in action 12, 3, 3 and on ground 12, 1, 2. Ours - 18 aircraft missing.

14th/15th. 32 Mosquitoes sent to BERLIN. Other tasks 26. All returned safely.

ITALY AND SOUTHERN FRANCE. 14th. U.S. heavy bombers bombed gun positions in SAVONA and GENOA areas - 505 tons and along southern coast of France - 710 tons, including 275 at TOULON. They also bombed railway bridges in S.E. France with good to excellent results. R.D.F. installations and coast watchers were attacked by fighters.

4. HOME SECURITY

During 24 hours ending 6 a.m. 15th, 50 flying bombs plotted. Two short active spells.

OPTEL No. 265 not sent to Washington.