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Draft

9/1/44 - Original sent to Secretary at
Fishkill, N.Y.

September 1, 1944

Suggested Post-Surrender Program for Germany

It is suggested that the position of the United States should be determined on the basis of the following principles:

1. Demilitarization of Germany

It should be the aim of the Allied Forces to accomplish the complete demilitarization of Germany in the shortest possible period of time after surrender. This means completely disarming the German Army and people (including the withdrawal or destruction of all war material) and the total destruction of the whole German armament industry as well as those parts of supporting industries having no other justification.

2. Partitioning of Germany.

(a) Poland should get that part of East Prussia which doesn't go to the U.S.S.R. and the southern portion of Silesia as indicated on the map.

(b) France should get the Saar and the adjacent territories bounded by the Rhine and the Moselle Rivers.

(c) As indicated in part 3 an International Zone should be created containing the Ruhr and the surrounding industrial areas and the Kiel Canal.

(d) Denmark should be given the territories between its present borders and the International Zone, north of the Kiel Canal.

(e) The remaining portion of Germany should be divided into two autonomous, independent states, (1) a South German state comprising Bavaria, Wuerttemberg, Baden and some smaller areas and (2) a North German state comprising a large part of the old state of Prussia, Saxony, Thuringia and several smaller states.

There shall be a custom union between the new South German state and Austria, which will be restored to her pre-1938 political borders.

3. The Ruhr. Here lies the heart of German industrial power. It should be dealt with as follows:

(a) An International Zone should be created containing the Ruhr and the surrounding industrial areas. Included in the Zone should be the Kiel Canal and the Rhineland. The Zone should be governed by the international security organization to be established by the United Nations. The approximate borders of the Zone are shown on the attached map.

(b) The internationalization of this area shall in no way interfere with: (a) total destruction of the German armament industry and supporting industries in the Ruhr in accordance with Part 1 of this memorandum, (b) restitution and reparations, including removal and distribution of industrial plants and equipment, in accordance with Part 4 of this memorandum.

(c) Ownership and control of major industrial properties remaining shall be transferred to the international organization.

(d) The international organization shall be governed by the following general principles:

(i) The natural resources and the industrial capacity of the Ruhr area shall not be used or developed so as to contribute in any way to the military potential of Germany or the Ruhr area.

(ii) The Zone will be a free trade area. However, the importation of capital should be discouraged.

4. Restitution and Reparation.

Reparations, in the form of recurrent payments and deliveries, should not be demanded. Restitution and reparation shall be effected by the transfer of existing German resources and territories, e.g.,

(a) by restitution of property looted by the Germans in territories occupied by them.

(b) by transfer of German territory and German private rights in industrial property situated in such territory to invaded countries and the international organization under the program of partition.

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(c) by the removal and distribution among devastated countries of industrial plants and equipment situated within the International Zone and the North and South German states delimited in the section on partition.

(d) by forced German labor outside Germany.

(e) by confiscation of all German assets of any character whatsoever outside of Germany.

5. Treatment of Special Groups.

(a) A particularly intensive effort must be made to apprehend and punish war criminals.

(b) All members of the following groups should be detained until the extent of the guilt of each individual is determined:

(i) The S.S.

(ii) The Gestapo

(iii) All high officials of the police, S.A. and other security organizations.

(iv) All high Government and Nazi party officials.

(v) All leading public figures closely identified with Nazism.

(c) Apart from the question of established guilt for special crimes, mere membership in the S.S., the Gestapo and similar groups will constitute the basis for inclusion into compulsory labor battalion to serve outside Germany for reconstruction purposes.

(d) The Nazi Party and all affiliated organizations such as the Labor Front, The Hitler Youth, The Strength-through-Joy, etc., should be dissolved and their properties and records confiscated. Every possible effort should be made to prevent any attempts to reconstitute them in underground or disguised form.

(e) All members of the following groups should be dismissed from public office, disenfranchised and disqualified to hold any

public office or to engage in the journalist, teaching, and legal professions, or, in any managerial capacity in banking, manufacturing or trade:

- (i) The Nazi Party.
- (ii) Nazi sympathizers who by their words or deeds materially aided or abetted the Nazi program.
- (iii) The Junkers.
- (iv) Military and Naval officers.

(f) All Junker estates should be broken up and divided among the peasants and the system of primogeniture and entail should be abolished.

6. There should be abrogated and declared null and void all pre-surrender laws, decrees, regulations or aspects of the same which discriminate on the basis of race, color, creed or political opinions.

7. Education and Propaganda.

(a) All schools and universities will be closed until an Allied Commission of Education has formulated an effective reorganization program. It is contemplated that it may require a considerable period of time before any institutions of higher education are reopened. Meanwhile the education of German students in foreign universities will not be prohibited. Elementary schools will be reopened as quickly as appropriate teachers and textbooks are available.

(b) All German newspapers, magazines, weeklies, etc., will cease publication immediately and shall not resume publication until so directed.

(c) All German radio stations will be discontinued immediately and shall not be permitted to resume operations until so directed.

8. Political Decentralization.

The military administration in Germany in the initial period should be carried out with a view toward the eventual partitioning of Germany into three states. To facilitate partitioning

and to assure its permanence the military authorities should be guided by the following principles:

- (i) Dismiss all policy-making officials of the Reich government and deal primarily with local governments.
- (ii) Encourage the reestablishment of state governments in each of the states (Lander) corresponding to 18 states into which Germany is presently divided and in addition make the Prussian provinces separate states.
- (iii) Upon the partition of Germany, the various state governments should be encouraged to organize a federal government for each of the newly partitioned areas. Such new governments should be in the form of a loose confederation of states, with emphasis on states' rights and a large degree of local autonomy. Eventually such confederacies would assume sovereign functions, including separate currency and postal systems, powers of foreign representation and negotiation, etc.

9. German Economy.

The sole purpose of the military in control of the German economy shall be to facilitate military operations and military occupation. The Allied Military Government shall not assume responsibility for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing, or transportation, or take any measures designed to maintain or strengthen the German economy, except those which are essential to military operations and are indicated above. The responsibility for sustaining the German economy and people rests with the German people with such facilities as may be available under the circumstances.

10. United States Responsibility.

(a) The responsibility for the execution of the post-surrender program for Germany set forth in this memorandum is the joint responsibility of the United Nations. The execution of the joint policy agreed upon should therefore eventually be entrusted to the international body which emerges from United Nations discussions.

Consideration of the specific measures to be taken in carrying out the joint program suggests the desirability of separating the task to be performed during the initial period of military occupation from those which will require a much longer period of execution. While the U.S., U.K. and U.S.S.R., will, for practical reasons, play the major role (of course aided by the military forces of other United Nations) in demilitarizing Germany (point 1), the detailed execution of other parts of the program can best be handled by Germany's continental neighbors.

(b) When Germany has been completely demilitarized there would be the following distribution of duties in carrying out the German program:

- (i) The U.S. would have military and civilian representation on whatever international commission or commissions may be established for the execution of the whole German program and such representatives should have adequate U.S. staffs.
- (ii) The primary responsibility for the policing of Germany and for civil administration in Germany would be assumed by the military forces of Germany's continental neighbors. Specifically, these should include Russian, French, Polish, Czech, Greek, Yugoslav, Norwegian, Dutch and Belgian soldiers.

(c) Under this program United States troops could be withdrawn within a relatively short time. Actual withdrawal of United States troops should not precede agreement with the U.S.S.R. and the U.K. on the principles set forth in the above parts of this memorandum.

TOP SECRET

ENCLOSUREDRAFTDIRECTIVE FOR MILITARY GOVERNMENT IN GERMANY
ORIGIN PHASE I

1. This directive is drawn to apply to the period designated as Phase I which shall be the period prior to defeat or surrender of Germany or until such time as it is decided by the Allied Governments to institute new procedures, and to such parts of Germany as are overrun by the forces under your command during such period.

2. Military government will be established and will extend over all parts of Germany progressively as the forces under your command capture or occupy German territory. Your rights in Germany will be those of an occupying power.

3. a. By virtue of your position you are clothed with supreme legislative, executive, and judicial authority and power in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, desirable or appropriate in relation to the exigencies of military operations and the principles and objectives of the Allied Governments in the military occupation of Germany.

b. You are authorized at your discretion, to delegate the authority herein granted to you in whole or in part to members of your command, and further to authorize them at their discretion to make appropriate sub-delegations. You are further authorized to appoint members of your command as Military Governors of such territory or areas as you may determine.

c. You are authorized to establish such military courts for the control of the population of the occupied areas as may seem to you desirable, and to establish appropriate regulations regarding their jurisdiction and powers.

d. The military government shall be a military administration which will show every characteristic of an allied undertaking, acting in the interests of the United Nations. Whether or not U. S. and U. K. civil affairs personnel will be integrated other than at your headquarters will be a matter for your decision.

4. The U. S., British and Soviet flags shall be displayed at headquarters and posts of the military government. The administration shall be identical throughout those parts of Germany occupied by forces under your command, subject to any special requirements due to local circumstances.

5. The military administration shall contain no political agencies or political representatives of the U. S., U.K., or other Allied Governments. However, U. S. and U. K. political officers appointed at your headquarters will continue in office.

6. Representatives of civilian agencies of the U. S. - U. K. Governments shall not participate unless and until you consider such participation desirable. Representatives of the civilian agencies of other Allied Governments or of UNRRA may participate only upon your recommendation and the approval of the Combined Chiefs of Staff.

7. You will receive a separate directive for military government in Austria.

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POLITICAL GUIDE

1. The military administration shall be firm in carrying out all measures necessary to fulfill the objectives of Allied occupation of Germany. It should be made clear to the local population that under military occupation nothing will be permitted which shall interfere in any way with

- (1) military operations
- (2) the complete destruction of Nazism and the Nazi Hierarchy and the German military machine
- (3) or with measures deemed essential by military government.

2. The following persons shall be arrested and imprisoned and held pending further instructions:

- a. Adolf Hitler and all ranking members of the Nazi party down to the secretaries of local party units;
- b. Persons holding important and key positions in
 - (i) government
 - (ii) industry
 - (iii) finance
 - (iv) education
 - (v) the judiciary
- c. All persons suspected of having committed war crimes;
- d. Any national of any of the United Nations who are believed to have committed offenses against his national law;
- e. Any other person whose name or designation appears on lists to be committed to you, or whose name may be notified to you separately.

3. Proclamation shall be issued dissolving the Nazi party and affiliated organizations throughout Germany. In furtherance of this objective you should

- (1) take immediate possession of offices and records of all party and affiliated organizations, take immediate inventory of such records and place them under adequate military protection.
- (2) suspend activities of all party and affiliated organizations
and

- (3) Party property and that of affiliated organizations shall be taken into custody and may be used for such purposes as you may direct.
- (4) All records and plans of the (a) German military organization and of (b) the Nazi party and affiliated organizations and of (c) the security, criminal and ordinary police, and (d) Institutes and special bureaus established by the Nazis, such as those devoting themselves to race, political or other Nazi research.

4. You will take immediate steps to abrogate or declare null and void all laws, decrees, regulations or aspects of laws which discriminate on the basis of race, color, creed or political opinions. All persons who are detained or placed in custody by the Nazis on these grounds will be released except that when dictated by reasons of military security or in the interest of the individual concerned you may retain them in protective custody. In this event you will take steps to insure that such people are provided with adequate quarters, food and clothing.

5. a. Criminal and civil courts will be closed. They may be reopened under your jurisdiction and subject to (1) the elimination of all Nazi elements; (2) the retention of review and veto by A.M.G., and (3) close supervision and regulation by A.M.G. All politically objectionable courts, Peoples Courts, Treuhander der Arbeit courts, etc., will be abolished and provisions made for a review of such judgments still outstanding.

5. b. Uniformed (Schupo) police gendarmerie will continue in existence after being disarmed and Nazi elements eliminated.

c. Responsibility for the enforcement of curfews, blackouts, the prevention of political meetings deemed inimical to military operations, etc., will rest with the Allied Military Police

until such time as you may direct any or all of these activities to be undertaken by authorized German police. Persons arrested for such violations will be tried in Allied Military courts.

6. The replacement of government officials who may be removed will rest with the Supreme Commander who will decide whether the objectives of military government are better served by the appointment of officers of the occupation force, or by the use of the services of Germans who have been cleared by the security branches of the army. No German shall fill important policy positions except under adequate Allied control and supervision. Under no circumstances shall Nazi officials or ardent sympathizers be retained in office even if it is necessary to sacrifice good administration to attain this objective. Failure by such German officials to conform with Allied directives and instructions will be subject to severe punishment.

7. Subject to the provisions of paragraph 10, and to the extent that military interests are not prejudiced, freedom of speech and press, and of religious worship, should be permitted. Consistent with military necessity, all religious institutions shall be respected and all efforts will be made to preserve historical archives, classical monuments, and objects of art.

8. Diplomatic and consular officials of countries at war with any of the United Nations will be taken into protective custody and held for further disposition. Diplomatic and consular officials of neutrals will be dealt with in accordance with instructions to be issued by the Combined Chiefs of Staff.

9. a. Prisoners of war belonging to the military forces of the United Nations and associated nations and their nationals confined, interned or otherwise under restraint by German authorities will be freed from confinement and placed under military control or restriction as may be appropriate pending other disposition.

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b. So far as practicable after identification and examination, allied nationals should be given opportunity to join the armed forces of their country if represented by units in the theater, or to serve in labor battalions organized by the military or in other approved civilian work, provided their loyalties to the allies have been determined and they qualify physically and otherwise. All practical measures should be taken to insure the health and welfare of Allied nationals and repatriation should be undertaken as rapidly as military conditions permit. Pending repatriation, such nationals should not be permitted to disperse until plans are made for their employment or other disposition. Former prisoners of war released by the Axis should be identified and requests addressed to their respective military commands for instructions as to their disposition.

c. Allied civilian internees found in the territory should be placed in restricted residence with provision being made for their care until they show that they can provide for themselves. Work should be provided when practicable. They should be identified as to nationality in order that their presence in the territory may be communicated to their respective governments.

d. Enemy nationals other than nationals of the country under occupation will be identified and registered and nationals of countries with which any of the United Nations are at war and others whose freedom of movement would endanger the security of the armed forces, or be otherwise undesirable, will be interned or their activities curtailed as may be necessary under the circumstances.

10. e. All schools and universities will be closed until an Allied Commission of Education has formulated an effective reorganization program. It is contemplated that it may require a considerable period of time before any institutions of higher education are reopened. Meanwhile the education of German students in foreign universities will not be prohibited. Elementary schools will be reopened as quickly as appropriate ^{teachers and} textbooks and teachers can be supplied.

f. All newspapers, magazines, weeklies, etc., throughout the area under your command will cease publication immediately and shall not resume publication until you are directed to permit this.

g. All German radio stations in the area under your command will be discontinued immediately and shall not be permitted to resume operations until you

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are directed to permit it.

d. No political activity of any kind shall be countenanced unless authorized by you. No political personalities nor organized political groups, shall have any part in determining the policies of the military administration. It is essential to avoid any commitments to, or negotiations with, any political elements. German political leaders in exile shall have no part in the administration.

e. You will institute such censorship and control of press, printing, publications, and the dissemination of news or information by the above means and by mail, movies, radio, telephone, and cable or other means as you consider necessary in the interests of military security and intelligence of all kinds and to carry out the principles laid down in this directive.

11. A plan should be prepared by you to prevent transfers of title of real and personal property intended to defeat, evade, or avoid the orders, proclamations, or decrees of the military government or the decision of the military courts established by it.

12. a. All property belonging to the German Government or to any Government of any country with which any of the United Nations are at war will be controlled directly or indirectly by you and will be subject to such use thereof as you may direct.

b. Your responsibility for the property of the United Nations other than U. K. and U. S. and their nationals in areas to be liberated or occupied by Allied Forces shall be the same as for the property of U. S. and U. K. and their nationals except where a distinction is expressly provided by treaty or agreement. Within such limits as are imposed by the military situation you should take whatever steps necessary to preserve and protect such property.

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13. You will undertake immediate and complete disarmament and demilitarization of that part of Germany under your control. Germany will not be permitted to maintain armed forces of any kind for internal security, policing or any other purpose.

a. All military organizations including auxiliary associations such as veterans' associations, military labor battalions, military social clubs, etc., will be abolished. The creation of substitute organizations will be forbidden.

b. All military personnel will be held under your control until a decision to disband them has been issued to you by the Combined Chiefs of Staff. No demobilization of regular German army units shall be undertaken until Allied authorities have had an opportunity to allocate responsibility for war crimes and other offenses as among members of the German armed forces. Subsequent demobilization should be effected only gradually and for selected groups and under strict control.

c. The S.S., S.A., and other para-military organizations will be separated out from regular German army units and imprisoned, and will not be released pending future determination of policy.

d. The German Supreme Command and the General Staff will be arrested and imprisoned. You will seize all military documents, maps, files, ^{records,} equipment and facilities of the German Supreme Command the General Staff.

e. You will take immediate possession of all military equipment, all military supplies, all war material, military installations, military defenses, and military devices of any kind, including all military paraphernalia of whatever type. You will take control of the entire munitions industry and all associated facilities. You will require the German Supreme Command and all other German authorities who may be in possession of such knowledge to make available to you forthwith lists of quantities and locations of such material and installations. Subject to such use as you may make of such material and installations they will remain under your control pending ultimate disposal as prescribed by the United Nations.

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f. The manufacture, production and construction of war material, military equipment, military supplies, or military installations or military devices of any kind in Germany and the import, export and transit of such material and installations will be prohibited except as directed by the United States.

g. The possession of firearms or military devices of any kind in Germany except with your express permission will be prohibited and offenders hereunder will be subject to severe punishment by AMG courts.

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FINANCIAL GUIDE FOR GERMANY

1. The U.S. forces will use yellow seal dollars and regular U.S. coins and the British forces and other Allied forces under your command will use British Military Authority notes and regular British coins for payment of troops. The rate of exchange between the U.S. yellow seal dollars and the B.M.A. notes will be 4.035 dollars to 1 pound, and the two currencies will be interchangeable at that rate. The U.S. Treasury will make the necessary arrangements with the British Treasury. Records will be kept of the amounts of currencies used by the U.S. and British forces.

2. Allied Military Marks and Reichsmark currency will be used by the Allied Military Government for all civil administration purposes and by the Allied forces for purchase of local supplies and services in Germany. Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction, and will be interchangeable at par. Reichskreditkassenscheine and other German military currency will not be legal tender in Germany. Records will be kept of the amounts of German marks used by the Allied Military Government and the military components of the Allied forces will submit full reports to Washington and London of marks used for the purchase of supplies and services in order that the relevant appropriations may be debited.

3. A rate of exchange between the mark and Allied currencies employed in the operation will not be set during this period. You will inform the personnel under your command that the exchange by them of U.S. dollars or British Military Authority notes for mark currency will be at their own risk. You will advise such personnel that conversion of U.S. dollars into local mark currency should be limited to their local requirements, as you will provide no facilities for the reconversion of local mark currency into U.S. currency.

4. The Financial Division of the Civil Affairs Section in Germany will include in its functions the control of all mark currency used by the Allied Military Government and the Allied forces within the area. Yellow seal dollars and B.M.A. notes will be under the control of the U.S. and British forces respectively.

- a. In so far as operations relate to the provision of currencies for civil administration, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the Allied Military Government.
- b. In so far as operations relate to the provision of currencies for the purchase of local supplies and services by military components of the Allied forces, the Financial Division will supply Allied military marks from currency on hand and will record the debit against the military force concerned.
- c. The Financial Division will maintain all the accounts and records necessary to indicate the supply, control, and movement of these currencies including yellow seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied Military forces. The U.S. and British forces will make the necessary information available to the Financial Division concerning the supply, control and movement of yellow seal dollars and BMA notes.
- d. If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof, or any other bank satisfactory to you, as agent for the Financial Division of Civil Affairs Sections. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business, and, if necessary, by making credits available, place such bank or banks in a position to finance other banks and branches thereof, for the conduct of their business as determined necessary for military operations by the Allied military authorities.
- e. The records of the Financial Division of the Civil Affairs Section established within the area will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

5. Upon entering the area, you will take the following steps and will put into effect only such further financial measures as you may deem to be necessary from a strictly military standpoint;

- a. Banks should be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided and to insure that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph b below.
- b. Pending determination of future disposition, you will impound or block currencies, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following and you will permit their use only in accordance with instructions which you may issue:

 - (1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.
 - (2) Other enemy governments, the agencies and instrumentalities thereof and their Nationals.
 - (3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Germany under your control.
 - (4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials, leading members, and supporters thereof.
 - (5) Persons under detention or other types of custody by Allied Military authorities and other persons whose activities are hostile to the interests of the military government.
- c. No governmental or private bank or agency will be authorized to issue banknotes or currency, except that, if found practicable and desirable, you may so authorize the Reichsbank and the Rentenbank when they are under adequate military control and supervision.

d. All dealings in gold and foreign exchange and all foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited, except as permitted under such regulations as you may issue relative thereto and for strict military purposes. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts. The banks may, of course, acquire or otherwise deal in yellow seal dollars and BMA notes except that the exportation or importation of yellow seal dollars and BMA notes will be prohibited.

6. Non-yellow seal U.S. dollar notes and regular British pound notes will not be legal tender. No person, agency or bank engaged in the exchange of money will acquire or otherwise deal in these notes except as you may so authorize. U.S. Army and Navy Finance Officers and British Paymasters may, however, be authorized to accept non-yellow seal U.S. dollar notes and regular British pound notes from United States and British Military or authorized personnel for conversion into yellow-seal dollars or BMA notes, after satisfying themselves as to the source of the notes.

7. All bona fide government pensions, allowances and social security payments may continue to be paid, but you will take steps as soon as practicable for a study of pensioners records with a view to nullifying all unnecessary and undesirable pensions and bonuses of Nazi inception.

8. The railways, postal, telegraph and telephone service, radio and all government monopolies will be placed under your control and their revenues made available to the military government.

9. You will immediately rescind all "discriminatory taxes" introduced by the Nazi regime which discriminate on the basis of race, color, creed, or political conviction.

ECONOMIC GUIDE FOR GERMANY

The following directive relates to Phase I:

1. Your sole purpose in control of the German economy shall be to facilitate military operations and military occupation.
2. You will seize all plants, property, patents and equipment and impound all books and records, of large German industrial companies and trade and research associations that have been essential to the German war effort and the German economy. You will pay particular attention to research and experimental establishments of such concerns. You will preserve intact all such plants, equipment and other assets for such allied disposition as you will be directed to make by the Combined Chiefs of Staff.
3. You will take steps to insure that no sabotage or destruction is carried out by the Germans of any industrial plants, equipment or stocks or of any of the books or records relating thereto. Anyone found violating this provision will be tried before Allied Military courts and these courts will be instructed to inflict severe penalties upon such offenders.
4. You will prohibit immediately the production of any munitions or war material except in so far as their production is needed to meet your requirements.
5. Consumers goods industries may be permitted to continue in operation except as they may conflict with the requirements of military operations. You will report on any surpluses of the production of consumers goods above the minimum requirements of the German population that may be available for export and you will accumulate such goods within Germany pending instructions from the Combined Chiefs of Staff for their disposition. No exports or imports of any character will be permitted without the express authorization of the Allied Military Government. Only such civilian goods as are considered by you to be essential for Allied Military operations shall be imported into Germany. Records will be kept of all import and export transactions.

6. German food and other supplies will be utilized for the German population. However, German consumption standards should be held to a minimum so as to enable surpluses of German food and agricultural production to be made available to the devastated countries of Europe. You will report on any surpluses that may be available with regard for which separate instructions will be issued.

7. You will exercise full control over German shipping, inland transportation and communications in the interests of the Allied Military effort.

8. You will be responsible for procuring such goods and materials for export as you may, from time to time, be directed by the Combined Chiefs of Staff, to obtain for the use of the United Nations. You will take only such steps to control the systems of production and distribution within Germany as are necessary to obtain such goods and materials.

9. The German authorities may be permitted to maintain or establish systems of rationing and price controls, except in so far as they may be inconsistent with military requirements or the objectives of the Allied Military Government.

10. The Allied Military Government shall not assume responsibility for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing, or transportation, or take any measures designed to maintain or strengthen the German economy, except those which are essential to military operations and are indicated above. The responsibility for sustaining the German economy and people rests with the German people with such facilities as may be available under the circumstances.

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From War Dept., Office of Assistant Secretary

McCloy - September 1, 1944.

APPENDIX "F"

UNCONDITIONAL SURRENDER OF GERMANY

The German Government and the German High Command, recognising and acknowledging the complete defeat of the German armed forces on land, at sea and in the air, hereby announce Germany's unconditional surrender.

The Representatives of the Supreme Commands of the United States of America, the United Kingdom and the Union of Soviet Socialist Republics, hereinafter called the "Allied Representatives," acting by authority of their respective Governments and in interests of the United Nations, announce the following terms of surrender, with which Germany shall comply:-

Article 1.

Germany will cease hostilities in all theaters of war against the forces of the United Nations on land, at sea, and in the air. The German Government and the German High Command will at once issue instructions to all German military, naval and air authorities and to all forces under German control to cease hostilities at hours Central European Time on (date)

Article 2.

(a) All armed forces of Germany or under German control, wherever they may be situated, including land, air, anti-aircraft and naval forces, the S.S., S.A. and Gestapo, and all other forces or auxiliary organisations equipped with weapons, will be completely disarmed, handing over their weapons and equipment to local Allied Commanders or to officers designated by the Allied Representatives.

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(b) The personnel of the formations and units of all the forces referred to in paragraph (a) above shall, at the discretion of the Commander-in-Chief of the Armed Forces of the Allied State concerned, be declared to be prisoners of war, pending further decisions, and shall be subject to such conditions and directions as may be prescribed by the Allied Representatives.

(c) All forces referred to in paragraph (a) above, wherever they may be, will remain in their present positions pending instructions from the Allied Representatives.

(d) Evacuation by the said forces of all territories outside the frontiers of Germany as they existed on the 31st December, 1937, will proceed according to instructions to be given by the Allied Representatives.

(e) Detachments of civil police to be armed with small arms only, for the maintenance of order and for guard duties, will be designated by the Allied Representatives.

Article 3.

(a) All aircraft of any kind or nationality in Germany or German-occupied or controlled territories or waters, military, naval or civil, other than aircraft in the service of the Allies, will remain on the ground, on the water or aboard ships pending further instructions.

(b) The German authorities will forthwith order all German or German-controlled aircraft in or over territories or waters not occupied or controlled by Germany to proceed to Germany or to such other place or places as may be specified by the Allied Representatives.

Article 4.

(a) The German authorities will issue orders to all German or German-controlled naval vessels, surface and submarine, auxiliary naval craft, and merchant and other shipping,

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wherever such vessels may be at the time of surrender, and to all other merchant ships of whatever nationality in German ports, to remain in or proceed immediately to ports and bases as specified by the Allied Representatives. The crews of such vessels will remain on board pending further instructions.

(b) All ships and vessels of the United Nations, whether or not title has been transferred as the result of prize court or other proceedings, which are at the disposal of Germany or under German control at the time of surrender, will proceed at the dates and to the ports or bases specified by the Allied Representatives.

Article 5.

(a) The German authorities will hold intact and in good condition at the disposal of the Allied Representatives, for such purposes and at such times and places as they may prescribe -

- (i) all arms, ammunition, explosives, military equipment, stores and supplies and other implements of war of all kinds and all other war material;
- (ii) all naval vessels of all classes, both surface and submarine, auxiliary naval craft and all merchant shipping, whether afloat, under repair or construction, built or building;
- (iii) all aircraft of all kinds, aviation and anti-aircraft equipment and devices;
- (iv) all transportation and communications facilities and equipment, by land, water or air;
- (v) all military installations and establishments, including airfields, seaplane bases, ports and naval bases, storage depots, permanent and temporary land and coast fortifications, fortresses and other fortified areas,

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together with plans and drawings of all such fortifications, installations and establishments;

(vi) all factories, plants, shops, research institutions, laboratories, testing stations, technical data, patents, plans, drawings and inventions, designed or intended to produce or to facilitate the production or use of the articles, materials and facilities referred to in subparagraphs (i), (ii), (iii), (iv) and (v) above, or otherwise to further the conduct of war.

(b) The German authorities will at the demand of the Allied Representatives furnish -

(i) the labor, services, and plant required for the maintenance or operation of any of the six categories mentioned in paragraph (a) above; and

(ii) any information or records that may be required by the Allied Representatives in connection with the same.

(c) The German authorities will at the demand of the Allied Representatives provide all facilities for the movement of Allied troops and agencies, their equipment and supplies, on the railways, roads and other land communications or by sea, river or air. The German authorities will maintain all means of transportation in good order and repair and will furnish the labor, services and plant necessary therefor.

Article 6.

(a) The German authorities will release to the Allied Representatives, in accordance with the procedure to be laid down by them, all prisoners of war at present in their power, belonging to the forces of the United Nations, and will furnish full lists of these persons indicating the places of their detention in Germany or territory occupied

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by Germany. Pending the release of such prisoners of war, the German authorities will protect them in their persons and property and provide them with adequate food, clothing, shelter, medical attention and money in accordance with their rank or official position.

(b) The German authorities will in like manner provide for and release all other nationals of the United Nations who are confined, interned or otherwise under restraint, and all other persons who may be confined, interned or otherwise under restraint for political reasons or as a result of any Nazi action, law or regulation which discriminates on the ground of race, color, creed or political belief.

(c) Without prejudice to the foregoing provisions of this Article the German authorities will hand over control of the places of detention there mentioned to such officers as may be designated for the purpose by the Allied Representatives.

Article 7.

The German authorities will furnish to the Allied Representatives -

(a) full information regarding the forces referred to in Article 2(a), and in particular will within twenty-four hours of the time of surrender furnish all information which the Allied Representatives may require concerning the numbers, locations and dispositions of such forces, whether located inside or outside Germany;

(b) complete and detailed information concerning mines, minefields and other obstacles to movement by land, sea or air, and the safety lanes in connection therewith. All such safety lanes will be kept open and clearly marked; all mines, minefields and other dangerous obstacles will as far as possible be rendered safe, and all aids to navigation

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will be reinstated. Unarmed German military and civilian personnel with the necessary equipment will be made available and utilised for the above purposes and for the removal of mines, minefields and other obstacles as directed by the Allied Representatives.

Article 8.

The German authorities will prevent the destruction, removal, concealment, transfer or scuttling of, or damage to, all military, naval, air, shipping, port, industrial and other like property and facilities and all records and archives, wherever they may be situated, except as may be directed by the Allied Representatives.

Article 9.

Pending the institution of control by the Allied Representatives over all means of communication, all radio and telecommunication installations and other forms of wire or wireless communications, whether ashore or afloat, under German control, will cease transmission except as directed by the Allied Representatives.

Article 10.

The forces, nationals, ships, aircraft, military equipment, and other property in Germany or in German control or service or at German disposal, of any other country at war with any of the Allies, will be subject to the provisions of this Instrument and of any proclamations, orders, ordinances or instructions issued thereunder.

Article 11.

The Allied Representatives will station forces and civil agencies in any or all parts of Germany as they may determine.

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Article 12.

(a) The United States of America, the United Kingdom and the Union of Soviet Socialist Republics shall possess supreme authority with respect to Germany. In the exercise of such authority they will take such steps, including the complete disarmament and demilitarisation of Germany, as they deem requisite for future peace and security.

(b) The Allied Representatives will present additional political, administrative, economic, financial, military and other requirements arising from the surrender of Germany. The Allied Representatives, or persons or agencies duly designated to act on their authority, will issue proclamations, orders, ordinances and instructions for the purpose of laying down such additional requirements and of giving effect to the other provisions of the present Instrument. The German Government, the German High Command, all German authorities and the German people shall carry out unconditionally the requirements of the Allied Representatives and shall fully comply with all such proclamations, orders, ordinances and instructions.....

Article 13.

This Instrument will enter into force and effect immediately upon signature. In the event of failure on the part of the German authorities or people promptly and completely to fulfil their obligations hereby or hereafter imposed, the Allied Representatives will take whatever action may be deemed by them to be appropriate under the circumstances.

Article 14.

This Instrument is drawn up in the English, Russian and German languages. The English and Russian are the only authentic texts. In case of any question as to the meaning of any of

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the provisions of this Instrument, the decision of the Allied Representatives shall be final.

(Date and year) (Place)
. (Hours - Central European Time).

Signed by the Allied
Representatives:

(Name).(Title)
(Name).(Title)
(Name).(Title)

Signed by the Representatives
of the German Government and
the German High Command
thereunto duly authorised:

(Name).(Title). . .
(Highest German civil
authority)

(Name).(Title). . .
(Highest German military
authority)

CONFIDENTIAL
WAR DEPARTMENT
WASHINGTON 25, D. C.

32
Copy to Mr. Hays
9/2/44
SEP 1 1944

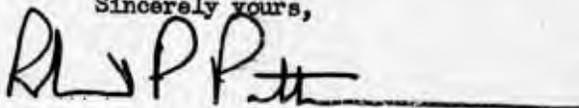
My dear Mr. Morgenthau:

8x766:59

With reference to your letter of August 25, 1944, there is no immediately foreseeable change in over-all munitions production prior to the defeat of Germany, though there will be continual program adjustments involving both increases and decreases in some items, the effect of which is largely unpredictable. Upon the defeat of Germany, however, the War Department has made extensive plans for adjustment in procurement schedules which indicate an over-all cutback of between 35 and 40 percent.

These cutbacks are applied to the prime contractor directly and reach the subcontractors and material suppliers through the prime contractor. It is, therefore, impossible for the War Department to estimate the geographical variations in the impact of cutbacks on employment because of the complexity of the subcontracting chain. However, the detailed figures upon which our present estimate of cutbacks is based have been furnished the War Production Board and I understand that the Director of the Bureau of Planning and Statistics of WPB has developed methods of statistical projection of the effect of cutbacks upon employment. I believe, therefore, that you may be able to obtain the information you desire from his office.

Sincerely yours,



Acting Secretary of War.

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



CONFIDENTIAL

MEMORANDUM FOR THE SECRETARY.

September 1, 1944.

Mail Report

The week's tax mail -- still at very low ebb -- included a few repetitious inquiries about deductions for advertising expenses allowed Montgomery Ward, scattered questions about future tax rates for corporations, and 14 demands for refunds.

Bond mail was also uninteresting, with questions about procedures dominating all other subjects. A few persons who had read of extensive cashing of bonds suggested that the practice might be curbed by giving holders of E Bonds the privilege of converting them into larger bonds with slightly higher rates of interest. There was still very little comment on the plan for cashing bonds over the counter, and none of it decidedly pro or con.

The number of bonds submitted for redemption dropped from 88 last week to 54 this week. Also the number of replies to redemption slips fell off. Of those who responded, one said that he was converting small bonds into larger ones, and the others told of personal emergencies.

Five donations were received, the lowest a dollar bill, and the highest a check for \$950 transmitted through the Navy Department. Aside from a few requests for copies of the report of proceedings, there was nothing else about the Bretton Woods Conference.

Ger. Forbus

General Comments

Miss Sincerity Faith, New York City. PEACE You will find enclosed three U. S. Series E. Bonds I am giving to our Government, and want it recorded that I desire to transfer beneficiary from Miss Sincerity Faith to the Government. The bond issued in July was made over, or in other words, named the Government as beneficiary. Please thank Father Divine as He is the Giver of all Good and Perfect Gifts. It was Him that lifted me from lacks and wants, giving me a full and plenty and some to spare.

P. J. Evans, Waltham, Massachusetts. Congratulations on your explanation of the purposes of the proposed World Bank as broadcast Tuesday night, August 22, by the Forum. It was a masterpiece in simplicity of enlightenment for the rank and file of Americans. * * * In conclusion, Mr. Secretary, in my humble opinion, the proposed World Bank and use of its fund, plus the Stabilization of Currencies measured by Gold, together with a fair adjustment of tariff schedules should make for an easier flow of commodities and monies between nations, (by bringing both closer to parity) and thereby solve two major problems concerning postwar international agreements. It means greater prosperity and a continuous employment in all walks of our social and economic lives.

Captain Howard A. Lowry, M.C.O., A.P.O. 627, c/o Postmaster, New York City. A situation has arisen in China which I feel should be brought to your attention. For the past several years the American missions in China have been obtaining their funds through Chinese banks at the official rate of 20 Chinese dollars, and, more recently, 40 Chinese dollars, to one U. S. dollar. With inflation, the

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present unofficial rate is approximately 190 Chinese dollars to one U. S. dollar, so that the missions have obviously been at a great disadvantage. Recently, as I understand it, arrangements were made with the U. S. Treasury and the Chinese Government whereby the United Clearing Board of the Missions, Educational and Relief Agencies in China, could sell drafts or checks on their account in the National City Bank in New York, at the rate of 115 Chinese dollars to one U. S. dollar. * * * Recently, however, an order has come through from the U. S. Treasury prohibiting the sale of these drafts to American military personnel. I, and many others, feel that this new order is discriminatory and very unfair. As the situation now stands, the only ones who can and do benefit from this arrangement are Chinese Government officials, rich Chinese with "connections", and nationals of other nations. Inasmuch as these funds are contributed by Americans for the American missionaries in China, I feel quite strongly that the benefits to be derived from the purchase of these bank drafts should be available to American citizens, particularly those serving in the Armed Forces. The percentage of purchases of these drafts by American military personnel was small, but the opportunity was appreciated. The withdrawal of this privilege is resented by many of us. We fail to see why Americans should be deprived of the chance to help the American missionaries, and at the same time help ourselves when this same opportunity is granted to Chinese and nationals of other nations. I would appreciate any rational explanation for this ruling of the Treasury Department.

E. P. Kohl, Hotel St. Francis, San Francisco, California. With a manpower shortage, I find on San Francisco Streets hawkers with machines making souvenirs by mutilating U. S. coins. How come?

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Favorable Comments on Bonds

Joe Perez, Moorpark, California. I am a boy 16 years of age and live in a small town called Moorpark. There are plenty of people, Mexicans and Americans both. I write to you to ask how I can get bonds and stamps to sell in our neighborhood. Of course, there is the Post Office and bank which sell bonds and stamps, but I feel even if we are a small vicinity we have not bought all the bonds and stamps we should have bought in the past few years. There are some people that haven't even bought one, and I feel that the only way for them to buy bonds is for someone to go to their homes and sell bonds and stamps. That is why I write to you. I would like to sell bonds and stamps in the homes.

Abraham Wiener, Director, Camps Dalmaqua and Diana, Glen Spey, New York. Kindly be advised that in the course of the summer season (July 2--August 28) our girls and boys have succeeded in selling War Stamps and Bonds for a total of \$20,066.00. Although they were up here for a vacation, our girls and boys, ranging in age from five to sixteen, conducted this campaign and succeeded in reaching the total already mentioned. We want you to know that these children were ever conscious of their duty as good citizens even while they were on vacation.

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Unfavorable Comments on Bonds

Albert Leon, Albert Leon & Son, (Home Furnishers Since 1905), Perth Amboy, New Jersey. Some time ago I purchased three Treasury Bonds. I bought these bonds at the Perth Amboy Savings Institution, Perth Amboy, New Jersey, for Harry L. Jacoby or his mother, Sylvia E. Jacoby. Through an error at The Perth Amboy Savings Institution, the bonds were made out to Harold L. Jacoby, instead of Harry L. Jacoby. The bank informed me that a change was not necessary in his name, but unsatisfied with this explanation, I took these bonds to the First Bank and Trust Co., Perth Amboy, New Jersey, who advised me to cash them and repurchase bonds of equal value, bearing the correct name. * * * When application was made for the sale, the bank refused to accept the signature of Mrs. Sylvia E. Jacoby and insists upon a Power of Attorney given by Harry L. Jacoby before this transaction can be completed. Harry L. Jacoby is now serving in the Armed Forces somewhere in France, and mail to him and from him has been very uncertain. * * * The mistake was made at the Perth Amboy Savings Institution, and the money was intended as a nest-egg for this boy, who is my grandson, when he returns to civilian life. We are heavy purchasers of War Bonds and feel that some easier way ought to be designated whereby the mistake made by a bank can be rectified without going through all this red tape. * * *

Thornton J. Davis, Marysville, California. Is it contemplated to float another bond issue in view of the 75-100 billion dollar surplus war material Congress is now trying to dispose of?

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Wm. G. Curnow, Flint, Michigan. I turned in 25 bonds and did not even get face value for the bonds, even though some were 2 years old and it cost me 68¢ a bond to hold them 2 years, and we are expected to buy more. Why was I penalized \$17.01 on my 25 bonds? Please explain the discount.

Edythe Misel, Brooklyn, New York. My husband is a defense worker and up until August 9 his shipyard was under the payroll deduction plan for the purchase of War Bonds. Since then, the Dekom Shipyards have been taken over by the J. K. Welding Company, and they refuse to deduct bond money, saying it is too much trouble. I have found it difficult to buy bonds unless it is immediately deducted, and my husband told me that there were over one hundred and fifty men enrolled in this plan before it was dropped. I believe it is unpatriotic and unfair, if this company is all out for the war effort, not to deduct money from the men's payroll. I sincerely hope the plan may be resumed there, as I'm sure would be the other one hundred and fifty war workers' wives at the J. K. Welding Company. This yard is located at Strickland Avenue and Mell Basin. If any report is made, I prefer that my name be withheld.

Unfavorable Comments on Taxation

Miss Florence W. Foster, Rochester, New York. For a number of years I have tried to get a classification as head of the family for my income tax. However, due to the ruling that one must live under the same roof as the family, it seems that I am not qualified. * * * I work in Rochester and consequently have to live here. My aunt, who is 83 years old, lives in her home in Geneva, New York. My sister, who keeps house for my aunt, has no income except that she receives from me; I contribute a regular weekly amount to her. * * * My financial circumstances make it impossible for me to keep this up much longer as the only deduction I am allowed on my income tax is the small one for one dependent. The numerous and very large deductions that are made from my salary (especially the huge income tax) do not leave me enough to live on, even though I exercise the greatest economy, and I feel very strongly that an adjustment should be made in my status. It seems to a great many of us who have always worked and earned our own living, that the tax laws make it much harder for us than for any other class of people. * * *

John M. Dietrich, Parkville, Maryland. * * * Last March, after checking my income, I found that I must pay \$100.18 tax. I paid \$66.00 of the \$100.18 at that time. On July 5, 1944, I received a notice claiming to be the second one (I never received the first one) from George Hofferberger, the Collector at Baltimore, demanding the balance with 6% interest charge. I wrote to him (Mr. Hofferberger) and asked him to read rule 15 on Form 1040-A, and he would learn that the balance was not due until March 15, 1945. My letter was ignored, as usual. Instead of the courtesy of a polite reply, on August 3, 1944, I received a threatening notice from Robert S. McKenna, Deputy Collector. I wrote to Mr. McKenna and sent

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him a copy of rule 15, Form 1040-A, and asked him to explain to me what it meant. Instead of explaining it, he requested that the amount claimed due, be paid at once. I paid said amount, with interest, which is not legal and just, as I see it. As yet I have received no receipt for amount paid. I also mentioned to Mr. Hofferberger that on my 1942 tax I made a mistake and paid on my entire year's earnings. As a single man I believe I was allowed credit of \$750.00 that was not taxable -- is that not correct? I asked for a correction to be made, but only to be ignored again. * * *

Mrs. Hazel Birkhead, Chicago Heights, Illinois. I am writing to you in regard to the 1943 income tax of myself and husband. My husband filed at the Flintkote Company, where he works. They had a man there to file for all the employees. We each filed separate returns there. My husband owed \$131.86 (approximately), while I had overpaid \$130.00. The company called up the Internal Revenue Office in Chicago and asked them if it would be all right to let my \$130 go on my husband's debt, and they told them it was all right, provided I wrote a letter telling them I wanted it filed that way. So I did this, also sending a Money Order for the \$1.86 on or about March 1st. We thought it was o.k. as a lot of our friends filed this way also. Then in May my husband receives a notice from Chicago saying if his income tax of \$130, plus some \$2 interest, wasn't paid in 10 days, he would be liable for a fine of several hundred dollars. We immediately took this to the Company where he works, and they called the Revenue Office in Chicago and asked them why this was, and we were told that after we filed, the law was changed and we weren't allowed to file that way; that he would have to pay his, and I would receive my \$130 in check in a few days. That was over 4 months ago, and I haven't received it. I have written to them asking about it and have received no answer. * * * If we do not receive this in a few days, it will be necessary for us to cash our War Bonds to buy our winter's coal.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 1, 1944

TO Secretary Morgenthau

FROM Mr. White

For your information.

Subject: Present status of action in London on question of looted property and hidden enemy assets

The essence of a report from Mr. Hoffman on the above subject, made at our request, is to the effect that "...nothing effective is being done in the Embassy or anywhere else about implementing either the United Nations Declaration of January 5, 1942 or the Bretton Woods Resolution No. 6."

Hoffman states that the Inter-Allied Commission, consisting of the Foreign Ministers of "about fourteen" of the United Nations, met in London in connection with the issuance of the Declaration of January 5, 1942 but that it has never met since. A sub-committee exists which met a few times and prepared some reports which Hoffman will endeavor to obtain and forward but no meetings have been held since early 1944 because the Poles insisted on discussing the question of the treatment of Polish property by Russia, a procedure to which the Russians would not agree.

Hoffman reports that neither the F.E.A. nor Economic Warfare people at our Embassy knew of the Bretton Woods Resolution No. 6 until he read it to them. Neither is anyone at the Embassy aware of what steps, if any, have been taken by the British or the exiled Governments outside the Inter-Allied Commission and sub-committee arrangements mentioned above. Hoffman is under the impression that some informal discussions among these governments have taken place and he will endeavor to ascertain and report their significance.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 1, 1944

TO Secretary Morgenthau
FROM Mr. White
Subject: Program on the Fund and Bank Projects

Members of the Treasury staff, including Mr. Smith and Mr. Luxford, have been considering means of securing wide public support for the Fund and the Bank. We are agreed that every possible form of publicity must be utilized to reach large and important groups.

We plan to arrange a number of conferences with representatives of important organizations, including some of those listed below. If you could see Mr. Murray and Mr. Green, and the leaders of a few outstanding groups, it should be possible to secure their active cooperation in favor of the Fund and the Bank.

There is summarized below the program we are planning to inform the public on the Bretton Woods Conference.

Cooperation with Organizations

One of the most effective ways of reaching large numbers of people and securing their support for the Fund and the Bank is through organized groups interested in international cooperation and public affairs.

We hope that it will be possible to secure the cooperation of the following organizations in arranging meetings and in distributing information in support of the Bretton Woods Conference:

- World Peace Foundation
- Council on Foreign Relations
- Foreign Policy Association
- United Nations Association
- League of Women Voters
- Federation of Women's Clubs
- Women's Conference on International Affairs
- American Association of University Women
- National Foreign Trade Council
- Congress of Industrial Organizations
- American Federation of Labor
- Railroad Brotherhoods
- Federal Council of Churches
- National Catholic Peace Society

- 2 -

There are other organizations through whom we expect to arrange meetings and the distribution of publications.

We have already had very helpful meetings with the research people of the C.I.O., and A.F.L., the Council on Foreign Relations, the Women's Conference on International Affairs, and some smaller groups. We have found these groups very eager to work with us in bringing to the attention of their members the importance of United States participation in the Fund and in the Bank.

Meetings

We are receiving many invitations for meetings.

It would be most helpful if you would address a number of important meetings. The Foreign Trade Convention wishes you to make the principal address at the luncheon meeting of the first day of their convention. This would give you an opportunity to sound the keynote for a post-war world based on international economic cooperation.

The Detroit Economic Club, which includes all of the important industrialists in the Detroit area, would like to have you for their luncheon meeting of February 5. They assure us of a very large attendance and a wide interest in what you have to say.

The Council on Foreign Relations will arrange meetings with organizations in 20 cities affiliated with them. The National Foreign Trade Council wishes to arrange similar meetings in 40 cities in which they have members. We also expect to arrange meetings either through the Federal Reserve Board or through the bankers' organizations in some 15 or 20 cities.

It will be sometime before we complete our plans for the meetings which should run us steadily for the next few months. I hope to give you a tentative list of meetings which we have scheduled very soon.

Radio and Press

Obviously it is not possible to reach many people through meetings. While meetings have the advantage of giving personal contact with influential groups, they must be supplemented by radio talks and popular publications.

- 3 -

The recent Forum of the Air was probably heard by a couple of million people. A number of discussion programs of this character might be arranged. In addition, there should be a few addresses that explain the necessity of our participation in the Fund and in the Bank. With you on the program it will be possible to reach a very large public.

It is equally important to secure the support of radio commentators, columnists, and the press. We hope it will be possible for us to see men like Swing, Lippmann, Lindley and others and give them our view of the importance of international monetary and financial cooperation.

Publications

We are now preparing publications designed to reach a wide range of audiences.

We think it would be helpful to publish an article by you in some national magazine of very high standing, such as Foreign Affairs, the Atlantic Monthly, or Harpers. Such an article is now being prepared.

We are also working on material for general distribution:

1. A popular explanation of the Fund and the Bank.
2. Simple questions and answers on the Fund and the Bank.
3. An elementary discussion of the Fund and Bank, illustrated with pictographs.
4. A pamphlet on what the Bretton Woods Conference means to labor.
5. A pamphlet on what the Bretton Woods Conference means to the farmer.
6. A pamphlet on what the Bretton Woods Conference means to the foreign trader.
7. The Bretton Woods Conference and peace.

We expect to distribute most of the material through the organizations with which we are cooperating.

RECD: September 5, 5p

UNRESTRICTED

Secretary of State

Washington

A-1069, September 1, 1944

For the Secretaries of State and Treasury

The following editorial appeared in the Evening Standard:

"Key to the Earth"

"Nearly two thousand years ago, Pliny the Elder described the famous cave out of which the north-east wind was said to issue and which place - because it was a gold mine - 'they call the cloister, or key to the earth.'

"In this cave dwelt the Arimaspians and the Griffins. The Arimaspians were 'known for having one eye only in the midst of their foreheads' and for being engaged in perpetual war with the Griffins, 'a kind of wild beast that flies and filches gold out of the veins of those mines.' 'The savage beasts', wrote the Roman historian in what might have been a comment on modern man's struggle to maintain the Gold Standard, 'strive as eagerly to keep and hold the gold mines as the Arimaspians to get the gold away from them.'

"Happily, the British people have put this childish savagery behind them. In the terrible years between 1925, when they returned to the Gold Standard, and 1931, when they were forced off it, they learned that pursuit of the barbaric relic could be achieved only by sacrificing the workman's standard of living and frustrating the community's enterprise. They saw their export trade destroyed and their home market depressed. So they rejected the idea of confining economic development within a gilded cage. They refused to 'wear a golden sorrow'. That the British people rejected in 1931 they will not accept in 1944, even though the wind be tempered in an experts' cave at Bretton Woods.

"We do not know whether Lord Keynes, an architect-in-chief of the Monetary Plan, is an Arimaspiian or a Griffin. What we do know is that his Plan perpetuates the foolish battle between the cyclops and the cannibals by restoring a Gold Standard. We also know that this newspaper and its companions are no longer a lone voice crying against a return to the wilderness. There is no responsible section of the British Press - from the Times to The Tribune and the Daily Express to the Economist - that has not expressed at least grave doubts about the wisdom of the Bretton Woods proposals.

The

9/1/44

A-337

SECRET

5:40 p.m.

AMEMBASSY

LA PAZ

The following message of August 9 has been received from Amembassy, Madrid:

QUOTE In response to Embassy's representations Foreign Office has formally expressed willingness of Spanish Government to cooperate in bringing to successful conclusion proposed arrangements for exchange on Spanish territory of German nationals in Paraguay and Bolivia for persons in German-occupied territories bearing documentation of those countries but has informed Embassy orally that it is not yet in receipt of representations on this subject from Paraguayan and Bolivian Governments whose representatives in Madrid are still without instructions. UNQUOTE

In view of earlier promises given to you in this respect and reported in your A-288 of June 27, please urge Bolivian officials to take speediest action necessary to enable Spain to bring to conclusion said exchange arrangements. In this connection, you may repeat assurances given in Department's A-221 of June 2 stating that QUOTE In contemplating such exchange negotiations it is not expected that the government to which you are accredited will physically admit any such persons into its territory even on a temporary or tentative basis. This Government is prepared to take full responsibility for all arrangements necessary to route these persons to places elsewhere. UNQUOTE

HULL
glw

WRB:MMV:KG
9/1/44

NWC

A-1551

September 1, 1944

5:30 p.m.

AMEMBASSY

HABANA

The following is from War Refugee Board.

1. Reference is made to Department's A-1229 of July 21, The clarification requested therein is still awaited.

2. Amlegation Bern cabled that Julian Gelernter, a Cuban, born on February 21, 1905, in Warsaw, Poland, has been moved by German authorities from internment camp Clermont. It is believed that German authorities will consider him a stateless Polish Jew and condemn him to deportation and death.

In view of promises given to you and reported in your A-1294 of June 16, please endeavor to obtain specific request of Cuban Foreign Office to Swiss authorities to demand for Gelernter and any other persons similarly situated treatment to which Cuban nationals are entitled.

The assurances given by this Government in Department's Circular Airgrams of March 31 and April 11 will apply to the case of Gelernter and all other persons similarly situated.

HULL

glw

WRB:MMV:KG
9/1/44

AIR MAIL

London, September 1, 1944.

RESTRICTED

No. 17816

Subject: Transmitting Copy of Memorandum Submitted by the Director of the Intergovernmental Committee on Refugees to the International Red Cross Delegation in London.

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to transmit herewith a copy of a memorandum which was submitted to the International Red Cross Delegation in London by Sir Herbert Emerson, Director of the Intergovernmental Committee on Refugees, after a discussion between him and Mr. Burckhardt. The memorandum sets forth the steps already taken by the Intergovernmental Committee, as well as action which it proposed to take, in implementation of the acceptance of the offer of the Government of Hungary with regard to the release and treatment of Jews. It is suggested that a copy of the memorandum be furnished to the War Refugee Board.

Respectfully yours,

For the Ambassador:

W. J. Gallman,
Counselor of Embassy

Enclosure
1/ Copy of
memorandum.
SHB:dm

Enclosure No. 1 to despatch No. 17816 of 9-1-44
from the Embassy at London, England.

31st August, 1944

INTERGOVERNMENTAL COMMITTEE ON REFUGEES

MEMORANDUM

The Vice-Director and I had a talk with Mr. Burckhardt of the International Red Cross Delegation in London regarding, first, the present position in Hungary, and second, the possible means by which advantage may be taken of the offer of the Hungarian Government. He has shown us a message received from the International Red Cross, Geneva, dispatched on the 26th August, 1944, regarding the present situation of Jews in Hungary. This, like other recent information, is not re-assuring, and since it was sent events have been moving rapidly in Roumania and Hungary. With regard to the specific matter mentioned in it, I have ascertained that the British Government has already authorized the Swiss Consul in Budapest, through the Swiss Government, to make the necessary endorsement on the travelling documents of those who are on the list for immigration to Palestine, which will enable the International Red Cross to satisfy the German Authorities that there will be no difficulty about their entrance into Palestine. These endorsements will also facilitate the issue of transit visas by the Governments of the countries through which they may have to pass.

2. We have informed Mr. Burckhardt that, following discussions with the American and British Governments, it is probable that the Intergovernmental Committee, acting in close collaboration with the War Refugee Board, will be the authority responsible for co-ordinating the work of:

- (a) Finding temporary homes inside Europe for those who cannot proceed direct to their places of asylum outside.
- (b) Providing maintenance where necessary, and
- (c) Assistance in transport arrangements.

- 2 -

For those who are proceeding to Palestine, the necessary discussions in regard to certificates, etc., will be carried out by the Jewish Agency with the British Government, but the Intergovernmental Committee will keep in touch with the Jewish Agency and also with the British Government.

3. The responsibility of the Intergovernmental Committee will not extend to negotiations with the Hungarian Government, which will, it is hoped, be continued by the International Red Cross to whom the offer was made by the Hungarian Government.

4. The action required at present would seem to be as follows:

(a) For the London Delegation of the International Red Cross to inform Geneva of the position of the Intergovernmental Committee.

(b) To request Geneva to keep the Intergovernmental Committee fully informed of all developments through the London Delegation.

(c) To concentrate on two groups as offering the most favourable prospects, first, children, and second, those on the Palestine list.

5. With regard to children, the immediate possible places of asylum would seem to be Switzerland and Sweden, if the children can be transported there pending reception outside Europe. Of these transport to Sweden may be an insuperable difficulty. We shall be glad of views of International Red Cross on this. Transport to Switzerland seems more promising, but here again, we should like to know the prospects.

6. With regard to the Palestinian group, recent events presumably rule out the Balkan routes. If this is so, the immediate course would seem to be to obtain temporary sanctuary for them in Switzerland until they can be removed by other routes to Palestine, which events in France should facilitate.

- 3 -

7. If maintenance has to be provided for those received in neutral or other countries, this will probably be done through the Intergovernmental Committee in pursuance of the Declaration of the American and British Governments.

8. The Intergovernmental Committee looks forward to the closest co-operation with the International Red Cross.

H. W. EMERSON,

Director.

AMT-999

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

London

Dated September 1, 1944

Rec'd 5:36 p.m.

Secretary of State,

Washington.

U. S. URGENT

7146, September 1, 8 p.m.

FOR DEPARTMENT, FEA AND WRB

IRCC have requested British to assist the more than 100,000 inhabitants of Warsaw now interned at camp in Druszkow. IRCC think that effective help can only be given by direct action of belligerents. They particularly suggest that Soviet Union could assist by parachuting food and medicines. IRCC also suggest that food on way to Gothenburg for prisoners of war in Germany be diverted to this use. British are replying that parachuting of food is impossible but that they would welcome use of parcels now being sent via Gothenburg for civilian internees if distribution can be made by IRCC in Druszkow in same way as IRCC suggested in Bern's 4578, July 18 to Department for other concentration camps.

WINANT

LMS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Jerusalem
 TO: Secretary of State, Washington
 DATED: September 1, 1944
 NUMBER: 124

CONFIDENTIAL

RESHEI FRUMKIN SENDS THE FOLLOWING MESSAGE FOR ISRAEL BEREMINSKI.

I have received your 18 through the Consulate and shall answer your queries in the near future. News of the renewed deportation of twelve thousand daily from Hungary has just been received. Strengthened and renewed sharp warnings to the population of Hungary and to its government officials is demanded by those nearer Hungary, and in addition frequent broadcastings and air dropped leaflets. It is most important that there be maximum activation of the Red Cross and a strong approach to the Pope. The foregoing is in reference to the Department's August 18 telegram No. 136.

PINKERTON

DCR:EBH:MLM

9/2/44

5:30 p.m.

SECRET

September 1, 1944

AMEMBASSY
ASUNCION

The following is from War Refugee Board.

1. Reference is made to previous communications relative to Jewish victims of Nazi oppression holding Latin-American passports.

The following message of August 9 has been received from Amembassy, Madrid:

QUOTE In response to Embassy's representations Foreign Office has formally expressed willingness of Spanish Government to cooperate in bringing to successful conclusion proposed arrangements for exchange on Spanish territory of German nationals in Paraguay and Bolivia for persons in German-occupied territories bearing documentation of those countries but has informed Embassy orally that it is not yet in receipt of representations on this subject from Paraguayan and Bolivian Governments whose representatives in Madrid are still without instructions. UNQUOTE

In view of earlier promises given to you in this respect and reported in your A-139 of April 22, in your A-148 of April 29, and in enclosure to your 2163 of June 8, please urge Paraguayan officials to take speediest action necessary to enable Spain to bring to conclusion said exchange arrangements. In this connection, you may repeat assurances given in Department's A-118 of April 11 stating that QUOTE In contemplating such exchange negotiations, it is not expected that Paraguay will physically admit these holders of Paraguayan passports into Paraguay even on a temporary or tentative basis. This Government is prepared to take full responsibility vis-a-vis Paraguay for all arrangements necessary to route these persons to places outside Paraguay. UNQUOTE.

2. The following is the substance of a message received from Amlegation Bern:

QUOTE I recommend that you urge the Paraguayan Government in particular (see our cable of July 14, 1944, No. 4518) to give the Spanish Government authority to extend through its Embassy at Berlin the shortly expiring Paraguayan passports which persons, especially those in Bergen Belsen camp, are holding. Several Jewish organizations and individuals have addressed to me desperate appeals calling to our attention the fact that Paraguayan passports held by many in Bergen Belsen were issued originally in 1942 and are due to expire soon.

With respect

-2- Asuncion, A-238

With respect to the general question of representation by Spain of Paraguayan interests in German territory, it is claimed by Sternbuch of Union of Orthodox Rabbis that a telephone conversation with the Spanish Embassy in Berlin in mid-July revealed that even at that late date that Embassy had no knowledge of removal from Vittel of any persons holding documents issued by Paraguay. While we have not confirmed this fact, it seems fairly clear that the Spanish have never protected with much despatch or energy the holders of Paraguayan Documents who are in German territory. UNQUOTE

Please take appropriate action.

3. Appreciation is expressed at information contained in your 2302 of July 21. This information is being forwarded to Amembassy Madrid for supporting action.

HULL
glw

WRB:MMV:KG
9/1/44

EMBASSY OF THE
UNITED STATES OF AMERICA

Lima, September 1, 1944.

RESTRICTED
No. 1292

Subject: Informally expressed attitude of Foreign Office official concerning possibility of reception by Peru of children of Hungarian nationality.

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

Sir:

I have the honor to refer to the Department's circular telegram of August 12, 8 p.m., directing me to ascertain if, in addition to a limited number of refugee children of French and Belgian nationality which the Peruvian Government had expressed willingness to accept under certain conditions, the group might be expanded to include refugee children of Hungarian nationality.

In the above regard I am able to inform the Department that, while a written communication on the subject was promptly addressed to the Foreign Office (August 14, 1944) to which no reply has as yet been received, occasion was taken by the Counselor of the Embassy, in the course of a call on the Ministry's Secretary General on another matter, to make inquiry concerning any decision in regard to the Hungarian refugee children which the Peruvian Government might have taken during the past fortnight.

Dr. Correa stated in reply that he did not believe his Government would find itself in a position to extend acceptance of refugee children to include those of Hungarian nationality. Not only were facilities for the accommodation of such children distinctly limited in Peru, but it was felt that it would be wise to limit acceptance of refugee children to persons whose nationality indicated they might be readily assimilable into the Peruvian population.

Should a more formal expression of view be communicated to the Embassy, I shall not fail to inform the Department thereof.

Respectfully yours,
For the Ambassador:

711
JP:bw

Jefferson Patterson
Counselor of Embassy

GEM-23
Distribution of
true reading only by
special arrangement.
(SECRET W)

Lisbon

Dated September 1, 1944

Rec'd 6:35 p.m.

Secretary of State,

Washington.

2702, September 1, 4 p.m.

WRB 172. REURTEL 2391.

Weissman World Jewish Congress representative
willing pay for furniture if so instructed by his
New York office. Please consult World Jewish Congress,
New York and telegraph authorization.

NORWEB

BB

Miss Chauncey (for the Sec'y), Abrahamson, Akzin, Cohn, DuBois,
Drury, Friedman, Gaston, Hodel, Laughlin, Lesser, Mannon, Marks,
McCormack, Pohle, Sargoy, Standish, Weinstein, Cable Control Files

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

SECRET "W"

War Refugee Board

AMEMBASSY,

September 1, 1944

MADRID.

7 p.m.

2427

The following is from War Refugee Board.

1. Reference is made to your 2753 of August 9. Information therein contained is being communicated to Amembassy, Asuncion.

2. The following is the substance of a message received from Amlegation Bern:

QUOTE With respect to the general question of representation by Spain of Paraguayan interests in German territory, it is claimed by Sternbuch of Union of Orthodox Rabbis that a telephone conversation with the Spanish Embassy in Berlin in mid-July revealed that even at that late date that Embassy had no knowledge of removal from Vittel of any persons holding documents issued by Paraguay. While we have not confirmed this fact, it seems fairly clear that the Spanish have never proceeded with much despatch or energy the holders of Paraguayan documents who are in German territory. UNQUOTE

Please make appropriate representations with a view to obtain more satisfactory attitude of Spanish officials in Madrid and in Berlin in discharge of this humanitarian duty voluntarily undertaken by Spain.

3. As a specific example, Amlegation Bern cabled that Swiss Legation Berlin referred to Spanish Legation Berlin the case of Josef Rappaport or Jose Frappaport, a Paraguayan, born on July 28, 1910 in Sanok, Poland, and moved by German authorities from internment camp Clermont. Please ascertain what Spanish officials in Madrid and Berlin are doing in his case and in that of other Jewish holders of Paraguayan documents.

4. Amembassy Asuncion reports that Paraguayan Government has requested Spanish Government to take appropriate steps in its name with a view to permitting commissioners of Intercross to visit concentration camps in German-controlled territory in which persons claiming Paraguayan nationality are held and to which Intercross had in the past no or little access. Please take appropriate action in support of Paraguayan request.

ARB:MMV:KG
9/1/44

WE

HULL (GLW)
RPA

SWP

CORRECTED

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 1, 1944
NUMBER: 5734

SECRET

The following message from McClelland for WRB is transmitted.

From Comité Refugees Intellectuals, for Weissmann of Self Help, the following:

Money and packages were received by Harrold and Renate Peis, Walter Englaender, and Otto Goldschmid Thiddei, in Holland. In Germany, at camp of Bergen Belsen, Karl Andauer; at the Resienstadt, Kattkoff; for "Rassenschande" Harksin imprisoned Berlin. On August 23, 12732 Swiss francs were received; it is assumed that this money is the stated \$3,000 additional. 22.30. For the above I thank you sincerely.

HARRISON

DCR:LCW:CR 9/4/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation Bern
DATED: September 1, 1944
NUMBER: 3022

CONFIDENTIAL

Reference is made to Department's telegram No. 2367 of July 10, 1944, relative to license No. W-2149 issued to Unitarian Service committee, Boston. Please advise Mr. Noel Field that Treasury Department has again amended section 1 of license No. W-2149 so as to permit him to arrange for operations contemplated therein in enemy and enemy-occupied territory. In view of such amendment, such operations are no longer limited solely to France. Also, section 2 has been amended 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 licenses to be used under this license."

The Unitarian Service Committee is remitting under a specific license the Swiss franc equivalent of \$30,000 in connection with the amendment to License No. W-2149. These operations are approved by the Department, the War Refugee Board and Treasury.

HULL

CP-870
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Bern
Dated September 1, 1944
Rec'd 10:30 a.m.

Secretary of State

Washington

5718, September 1, 2 p.m.

FOR WSB FROM MCCLELLAND

For FEA from American Friends Service Committee

Geneva: "Following purchases through Joint Relief Commission
IRC planned: 10,000 kilograms macaroni from Hungary, 3000
kilograms sugar from Slovakia for combining with Swiss
fruit to can 5000 kilograms jam in Switzerland, 250 cases
(48 boxes of 340 grams each) unsweetened condensed milk
and 3200 250 gram boxes cheese, last two items of Swiss
origin. Total value approximately 60,000 Swiss francs".

HARRISON

WSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
 TO: Secretary of State, Washington
 DATED: September 1, 1944
 NUMBER: 5721

SECRET

With reference to my cable 5248, dated August 12, 1944, Mr. Pilet Golaz informed me, when I conveyed the expression of appreciation as instructed in your cable 2908, dated August 23, 1944, that he had requested the Government of Hungary to intercede with the Government of Germany for permission for individuals in question to come to this country. Although he had immediately done so, he has not been able to secure consent from the Germans up to the present time.

He informed me that permission for German children to proceed to Switzerland had been refused by the Germans. Mr. Pilet is continuing his efforts for Jewish children and children of other races.

HARRISON

DCR:MED
 9/2/44

DRAFT OF CABLE TO BERN

Reference is made to Department's telegram No. 2367 Of July 10, 1944, relative to license No. W-2149 issued to Unitarian Service Committee, Boston. Please advise Mr. Noel Field that Treasury Department has again amended section 1 of license No. W-2149 so as to permit him to arrange for operations contemplated therein in enemy and enemy-occupied territory. In view of such amendment, such operations are no longer limited solely to France. Also, section 2 has been amended 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 licenses to be used under this license".

The Unitarian Service Committee is remitting under a specific license the Swiss franc equivalent of \$30,000 in connection with the amendment to license No. W-2149. These operations are approved by the Department, the War Refugee Board and Treasury.

2:05 p.m.
Sept. 1, 1944

RBParkes:Schurch:jfh 8/29/44

NOT TO BE RETRANSMITTED

SECRET

OPTEL No. 285

Information received up to 10 A.M. 1st September 1944.

1. MILITARY

France U.S. armoured units have advanced further eastwards to ST. DIZIER and VERDUN. Other U.S. forces have taken LAON whence general line runs through SOISSONS and ST. JUST. U.K troops have reached AMIENS and are firmly established there while Canadians have taken ROUEN and are advancing beyond to northeast and north.

Southern France U.S. forces have reached MEXIMIEUX N.E. of LYON and are continuing mopping up in the MONTELIMAR area. French forces have reached BOURG STANDEOS on Western bank of RHONE.

Italy Heavy fighting is taking place between PESARO and URBINO northwest of road. Canadians have in one place broken into the Gothic line and a fierce tank battle is in progress, Germans being forced back to their Gothic line positions in areas North of SANSEPOLCRO and N.E. of FLORENCE.

Russia Continued heavy fighting N.E. of WARSAW where the Russians report slight advance. They have entered BUCHAREST and made a slight advance inland from CONSTANZA.

2. AIR OPERATIONS

Western Front 31st. 233 aircraft, two missing dropped 910 tons on coastal batteries on an island off ST. MALO with excellent results. 444 others, five missing, dropped 2,394 tons on eight flying bomb supply depots in the PAS DE CALAIS; results reported fair.

31st/1st. Seventy-two Mosquitoes sent out, two missing, DUSSELDORF 42, COLOGNE 6, other tasks 24.

Yugoslavia 30th. Heavy bombers from MEDITERRANEAN bombed a railway bridge at CUPRIJA, 80 miles S.S.E. BELGRADE with excellent results.

Rumania 31st. Forty five Mustangs, four missing attacked an airfield and claim to have destroyed 55 enemy aircraft on the ground and nine in the air.

German Activity During 24 hours ending 6 A.M. 1st, 52 flying bombs plotted.

88 ←

September 2, 1944

Stimson's reason for calling me this morning was that he was worried about the exchange rate. The President wants us to give each soldier dollars and let him make his own rate, which is contrary to our plan. I told Stimson that if we went to the President with an over-all plan I was 75% sure that we could get him to agree to our original program to use invasion currency. I told him that I was for using invasion currency.

I also spoke to Hopkins this morning, who said he went to see Hull after Cabinet last Friday. Hull did not understand what the President was driving at but when he, Hopkins, explained it to Hull, Hull was entirely satisfied and appointed Matthews to represent him. Hopkins said he himself was in on it unofficially, and my reply was "Unofficially officially," and he laughed. He said he considers this the most important thing. He said he did not want to ask for an appointment with Hull until we had gotten together on Monday.

9/2/44

67

State Dept. document prepared by Matthews
& Riddelberger, and submitted at a meeting
held with Harry Hopkins on September 2, 1944,
at which were present the following:
Harry Hopkins, Mr. White, Mr. McCloy,
General Hilldring, Mr. Riddelberger and
Mr. Matthews.

(State Department Memorandum) 68
September 1, 1944

TOP SECRET

AMERICAN POLICY FOR TREATMENT OF GERMANY
AFTER SURRENDER

It is essential that a number of important decisions be made respecting American policy for the treatment of Germany after surrender, particularly as certain of these questions will have to be negotiated with the British and the Russians. There is accordingly set forth below a summary of the decisions that have been made to date and a statement of important problems on which final American policy has not been formulated.

1. Status of Negotiations
in the EAC

(a) Surrender Terms. The instrument of unconditional surrender of Germany has been recommended by the European Advisory Commission and has been formally approved by the American Government. It is anticipated that British and Russian approval will be forthcoming. These surrender terms are the outcome of prolonged negotiations in which considerable differences of opinion had to be ironed out. The surrender instrument is essentially a military document in which the German Government and the German High Command announces Germany's unconditional surrender. The first eleven articles relate primarily to military dispositions and are supplemented by a general clause in which it is stated that the U.S., the U.K., and the U.S.S.R. will exercise supreme authority with respect to Germany and will present additional political, administrative, economic, financial and other requirements which the German Government, High Command and people will carry out unconditionally.

(b) Zones of Occupation. Tentative, but not formal, agreement has been reached in the EAC respecting the demarcation of three zones of occupation which will be confided to Russian, British and American troops. The Soviet forces will occupy the eastern zone, but whether British or American troops will occupy the northwestern and southern zones is not as yet decided. The protocol on occupation has therefore not been formally recommended by the EAC as the Russians stated they did not desire to submit a document to Moscow containing blank spaces. It has been agreed that Austria will be jointly occupied by the three powers with American

military

-2-

military participation limited to a token force. The area of Greater Berlin will likewise be subject to tripartite occupation.

(c) Control Machinery and Military Government. Both the American and British Governments submitted to the EAC in March 1944 proposals for control machinery and military government in Germany. The Russian delegates refused to discuss these proposals in EAC until the surrender terms had been agreed upon and subsequently refused to discuss them until the occupation protocols had been finally recommended. After some pressure had been exerted in Moscow, the Russians have now agreed to discuss control machinery and have submitted a proposal to the EAC. This proposal has not as yet been received in Washington.

The American proposal for the administration of Germany contemplates a Supreme Authority consisting of the three Commanding Generals of the U.S., the U.K., and the U.S.S.R., which would coordinate Allied activity throughout Germany and supervise such centralized governmental functions and economic activities which the three powers deem essential. A Control Council, composed of representatives in equal numbers from each of the three Allied Governments, will be established by the Supreme Allied Authority and will coordinate the administration of military government throughout Germany, including detailed planning for the execution of directives received from the three governments. The British proposal is not dissimilar in its broad outline from the American plan.

2. Important Problems for which High Policy Decisions are Urgently Required

The fundamental question to be decided is what kind of a Germany do we want and what policies should be put into effect during occupation to attain our objectives. The most important of these problems are set forth below with an explanation of the State Department's attitude to them:

(a) Partition. It must be explained at the outset that "partition" as used here does not refer to frontier adjustments or territorial amputations in the outer borders

of

of the Reich. For example, the annexation of East Prussia and Danzig by Poland is not excluded in the recommendations set forth below on partition. By partition is meant the division of what is left of Germany into two, three or more independent states. While it can be argued that partition is not necessarily an urgent question, it is undoubtedly true that if partition were decided upon, we might desire to determine the zones of occupation to conform to a subsequent partition.

The State Department is, in general, opposed to the forcible partition of Germany. An imposed dismemberment of Germany into two or more separate states has been advocated as a practicable means of forestalling any renewal of German aggression. Such a measure, however drastic in itself, would not obviate the necessity of imposing and enforcing far-reaching security controls upon Germany for an indeterminate future, whether Germany is left united or is divided. Moreover, because of the high degree of economic, political and cultural integration in Germany, it must be anticipated that partition would not only have to be imposed but also maintained by force. The victor powers, by imposing partition would take on themselves a burdensome and neverending task of preventing surreptitious collaboration between the partite states and of restraining the nationalistic determination to reunite, which would, in all probability, be the response of the German people. Finally, the disruption of German economic unity would carry with it grave dangers for the economic stability of Europe as a whole, and not merely to Germany. We should not, however, oppose any spontaneous German movements for partition.

In place of partition, it is recommended that every effort be made to promote a federal system of government in Germany and a division of Prussia into a number of medium-sized states. Prussia in 1938 included 62% of the area and two-thirds of the population of Germany and it may well be that in reaction to Nazi over-centralization many Germans would want to return to a considerable degree of federal decentralization, including the breakup of Prussia.

(b) Dissolution of German Armed Forces. There is general agreement that the German armed forces and staff organizations, Nazi military, para-military and police organizations,

-4-

organizations, reserve corps, military academies, administrative agencies performing military functions shall be dissolved and prohibited. Their members shall be demobilized and disbanded as soon as practicable. All German arms, ammunition and implements of war shall be destroyed or scrapped, except as otherwise agreed, and the further manufacture in Germany of arms, ammunition and implements of war shall be prohibited.

(c) Liquidation of the Nazi Party. There is general agreement that the Nazi Party and all organizations associated with it shall be dissolved. The activities of persons who have been active Nazis shall be restricted. In effecting the abolition of the Nazi Party, it is contemplated that it shall be completely destroyed in all of its manifestations, including the SA, the SS, Hitler Youth, the Motor Corps, the Women's League, the Student's League, the University Teachers and all affiliated organizations such as the Labor Front, the Association for War Victims, the Guardians of the Law, the Public Welfare Organization and special party schools. Party members shall be excluded from political or civil activity and subjected to a number of restrictions. Any laws and decrees establishing the political structure of National Socialism shall be abrogated. Political activity shall be prohibited, except as authorized by the Supreme Allied Authority. All laws discriminating against persons on grounds of race, color, creed or political opinion shall be annulled.

(d) War Criminals. There is general agreement that Adolf Hitler, his chief Nazi associates, officials who have held ministerial and other important posts, persons suspected of having committed war crimes, and other persons designated by the U.S., the U.K. or the U.S.S.R. shall be arrested and held for "subsequent disposition".

(e) Control of Communications. There is general agreement that all information services (press, radio, cinema, etc.) and all channels of communication shall be administered under policies formulated by the Supreme Allied Authority.

(f) Economic Measures. American economic policy with respect to Germany envisages the reservation of far-reaching rights of control over German economy after surrender. There is no disagreement on this point. However, it is apparent that considerable differences of opinion have

developed

-5-

developed as to the purpose toward which this control should be directed. The Department of State has drafted and approved a statement on the general objectives of American economic policy and has received the approval to this document by the Executive Committee on Economic Foreign Policy. Without attempting to summarize here all of the reasoning contained in this document, there is quoted below the four major objectives to be sought:

1. The performance by Germany of acts of restitution and reparation required by the United Nations.
2. The control of Germany's economic war potential, by the conversion of German economic capacity directed to war purposes, and by rendering vulnerable to outside control the reconversion of Germany into a war economy able to launch and sustain a war of aggression.
3. The elimination of German economic domination in Europe, which Germany achieved by the systematic exploitation of the so-called "New Order" in Europe and by a series of other practices.
4. Effecting a fundamental change in the organization and conduct of German economic life to the end that German economy can be integrated into an inter-dependent world economy.

These statements, together with the justification thereof, have now been presented to the Secretaries of War and Navy for their comment.

In the meantime, the State Department has received, in the course of drafting instruction to its representative on the EAC, various proposals from the military authorities which apparently contemplate the dismantlement or destruction of all German industry capable of producing war material. Its objection is that such proposals contradict the general objectives quoted above, particularly paragraph 2. They would likewise presumably remove the possibility of extracting reparation goods from Germany.

The problem of German reparations is obviously closely linked to two others: (a) the level of subsistence which will be determined for the German people, and (b) the

extent

-6-

extent to which German industry may be dismantled or destroyed either for the purpose of long-term security or for short-term reparation payment.

Therefore it seems essential that this Government should determine its basic policy and should decide at an early date what kind of economic structure it proposes to leave to Germany. If a far-reaching program of industrial destruction or dismantlement is agreed upon, it is apparent that, if put into effect, it will bring about extensive and important changes in European economy as a whole. Germany is a deficit country in foodstuffs and it is doubtful if a plan of making Germany predominantly agricultural can be put into effect without the liquidation or emigration of X-millions of Germans. Germany is furthermore an important producer of certain raw materials, namely coal and bauxite, for Europe as a whole, not to speak of the vast amount of industrial goods which Germany normally exports. If we advocate a "wrecking program" as the best means of assuring our security, we may face considerable European opposition on account of its effect on European economy, and if we desire continuing reparations out of Germany, we shall eliminate any such program by a policy of destruction of German industry.

CE:JWRiddleberger:AMR

September 2, 1944

MEMORANDUM FOR THE SECRETARY

For your information

On Tuesday, ~~September~~ ^{August} 29, Mr. Bernstein and I had lunch with Arthur Hays Sulzberger. Also present were Messrs. Merz (editor), James (managing editor), Hazlitt (editorial writer-economist) and Russel Porter.

In my opinion our discussions had the following results:

(1) We did not succeed in changing the Times editorial policy on Bretton Woods agreements.

(2) We did succeed in shaking their confidence in the soundness of their views, and we probably succeeded in bringing James around to our point of view.

(3) The Times will probably avoid taking an editorial position on Bretton Woods until its position has been thoroughly reconvened.

(4) All of those present are anxious to have further discussions with us.

Mr. Sulzberger was most cordial and appeared most sincere in his desire to have the position of Times fully considered. He urged us to continue our discussions with his staff (who privately urged the same) and said that he would be glad to discuss the matter further at any point we thought it might be helpful.

Later in the week Russel Porter called at my office and again urged that we continue the discussions and ventured the view that "Hazlitt was living in an ivory tower". I think he was prompted to come by either James or Sulzberger.

We, of course, plan to continue our discussions.

AS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: September 2, 1944
NUMBER: 7191

SECRET

THE following is for WRB and Department

The Embassy has been requested by Poles to furnish additional data in connection with license W-2258 which, in line with Department's cable of August 10, No. 6324, was forwarded to Stanscyk on August 11.

We are informed by Poles that Adamczyk (when in Washington a short time ago) was advised that \$125,000 were to be transferred to Bank of England by United States Treasury on August 27 for subsequent payment to Polish Government here in sterling, and was given authority to use dollar currency in Poland in following action contemplated by license. Poles have requested information as to when they may look for transfer to be made, as neither they nor Embassy have received notice that this transfer has been effected.

Clarification and immediate directions (if any steps on our part are necessary in connection with release of these funds to Polish Government from Bank of England) would be appreciated by Embassy. Use of dollar currency is an acceptable way of implementing third method specified in license W-2258, Embassy assumes.

WTNART

DCR:QPM
9/4/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Delegate, Rome
TO: Secretary of State, Washington
DATED: September 2, 1944
NUMBER: 282

CONFIDENTIAL

Reference is made herewith to your cable of August 30, no. 114, to American Delegate.

Taylor's no. 295.

Today we have renewed our request of the Pope to press the appeal already made to him to the German authorities to release all those refugees north of the battle line in Italy and assurance has been given that they would find refuge in liberated Italy or elsewhere. His Holiness made the approach to the German representatives at the time of our previous advices. We have received no answers. The renewal of the request will now be undertaken promptly.

KIRK

DCR:FAG 9/5/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Tangier
DATED: September 2, 1944
NUMBER: 125

SECRET

Please inform Renee Reichman, 25 Rue Moliere, Tangier, that Vaad Hahatsala Emergency Committee has been licensed by Treasury Department to pay Jacob S. Cohen, New York City, \$5,000 for account of Aaron S. Cohen, Calle Tetuan 17, Tangier, against which payment Aaron S. Cohen is to pay the local currency equivalent to Renee Reichman for purchase of food packages for Jewish refugees in camps in Czechoslovakia. In this connection, reference is made to the Department's telegram No. 38 of March 30, 1944, concerning an identical transaction.

HULL

DRAFT OF CABLE TO AMERICAN LEGATION, TANGIER

Please inform Rence Reichman, 25 Rue Moliere, Tangier, that Vaad Hahatzala Emergency Committee has been licensed by Treasury Department to pay Jacob S. Cohen, New York City, \$5,000 for account of Aaron S. Cohen, Calle Tetuan 17, Tangier, against which payment Aaron S. Cohen is to pay the local currency equivalent to Renee Reichman for purchase of food packages for Jewish refugees in camps in Czecholovakia. In this connection, reference is made to the Department's telegram no. 38 of March 30, 1944, concerning an identical transaction.

9:30 a.m.
September 2, 1944

RRParke:jfh 9-1-44

EOC - 238
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Lisbon
Dated September 2, 1944
Rec'd 11 a.m.

Secretary of State,
Washington.

2707, September 2, noon.

WRB 173. JDC 61. FOR LEAVITT FROM PILPEL

Gurevitch, OSE, Geneva cables:

"Have met our French employees who came to Geneva
to confer. Work in France has continued so far on same
lines but not undertaking steps to reopen our former
institutions according elaborated plan in liberated
parts of country, particularly homes for abandoned
children. Address our Paris representative, Doctor
Minkovski, 130 Boulevard Mont Parnasse."

NCWWEB

J

CABLE TO MINISTER HARRISON FOR OLSEN, STOCKHOLM, SWEDEN

1. The President's War Relief Control Board requests WRB's advice on whether it would be appropriate for Latvian Relief, Inc., to seek to provide \$10,000 for recent arrivals from Latvia to Sweden in which case Latvian Relief, Inc., might be certified as participating agency in the National War Fund. The original request for funds came from Svensk Lettiska Hjaelpkommitten, Kungsgatan 70, to the Latvian Minister in Washington who transmitted it to Latvian Relief, Inc. It is understood that Hjaelpkommitten has also cabled for assistance to former Latvian Minister in London.

In the light of your A-721 of August 14, 3275 of August 24, your advice is requested.

Particular attention should be given to the question whether the persons concerned come within the category of persons intended to be aided under the Executive Order establishing the Board.

2. WRB understands that Adler Rudel proceeds shortly from England to Sweden on behalf of Jewish Agency for Palestine in connection with rescue projects for Hungarian Jews. You may extend to him all appropriate assistance.

3. Reference your 3199 of August 19, your 754 to WRB. In view of military situation and personal considerations indicated by you to Pehle under date of August 10, it is the considered judgment here that at appropriate time you should dispose of vessels rather than continue them in present status. Disposition to groups who would undertake sea-borne evacuation from Norway would be entirely acceptable here. The Board would appreciate more detailed information concerning Baltic evacuees and particularly a break-down into the various categories in which such refugees fall, such as Allied sympathizers and Jews. We assume that you are continuing to take every precaution to see to it that your Baltic operations do not (repeat not) benefit persons other than victims of enemy persecution.

THIS IS WRB STOCKHOLM CABLE NO. 80

10:15 a.m.
September 2, 1944

BAKzin:
LSLesser:tmh 8-31-44

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

Please deliver the following message to Rene Bertholet, Waserstrasse 14, Zurich, from the International Rescue and Relief Committee:

QUOTE RECEIVED YOUR MESSAGE OF AUGUST 23 EXPECT YOU DO EVERYTHING FOR DANNY STOP YOUR PLAN OPENING OFFICE IN FRANCE SHORTLY HAS OUR BACKING STOP WHAT WILL BE LOCATION QUERY WOULD LIKE SOME FORMER MEMBERS OF STAFF ESPECIALLY PAUL IF AVAILABLE STOP WHOM ELSE DO YOU SUGGEST QUERY ARE YOU IN CONTACT WITH ENTR'AIDE QUERY WE PLANNING SEND AMERICAN COWORKERS OF FRENCH DESCENT AS SOON AS POSSIBLE STOP KEEP US INFORMED DEVELOPMENT YOUR PROJECT STOP DO YOU HAVE LAST KNOWN ADDRESSES OF ALL PROTEGES FRANCE OR DO YOU NEED LISTS QUERY TRY TO LOCATE AS MANY AS POSSIBLE AND REPORT REGULARLY WHEREABOUTS AND NEEDS STOP JEWISH LABOR COMMITTEE ASKS YOU CONTACT THEIR FRIENDS FRANCE AND SEND THEM ANY JEWISH LABOR COMMITTEE MONEY AVAILABLE ALSO CABLE FURTHER NEEDS RELIEF THEIR CASES FRANCE STOP SEND NAMES LAST KNOWN ADDRESSES OF ALL PERSONS KNOWN TO BE IN ENEMY OR ENEMY OCCUPIED TERRITORY AND WHO ARE ONE HUSBANDS WIVES PARENTS OR MINOR UNMARRIED CHILDREN OF AMERICAN CITIZENS TWO WIVES AND MINOR CHILDREN OF ALIENS PERMANENTLY ADMITTED TO THE UNITED STATES STOP ALSO SEND AMERICAN ADDRESSES OF SUCH RELATIVES STOP EFFORTS UNDER WAY FOR RESCUE OF SUCH PERSONS UNQUOTE

THIS IS WRB CABLE TO BERN NO. 157

4:15 p.m
September 2, 1944

RDrury 9/1/44

PARAPHRASE OF TELEGRAM SENT

FROM: State Department, Washington
TO: American Legation, Bern
DATED: September 2, 1944
NUMBER: 3026

SECRET

The following message with reference to Honduran interests in Hungary is submitted.

There was received from the Embassy at Tegucigalpa, in its message dated August 14, 1944, Number A-268, a translation of Note Number 253, dated August 10, 1944, from the Foreign Affairs Minister of Honduras, as follows:

I ask that the Government of the Swiss Confederation, if it is pleased to do so, take charge of interests of Honduras within Hungary in the same manner in which it has taken charge of interests in countries occupied by Germany and within Germany itself, and I make this request very attentively and through the worthy medium of Your Excellency.

For the manner in which the Government of Switzerland is representing the interests of Honduras within the countries above referredto, I again take this opportunity to thank the Government of Switzerland.

Your Excellency is assured of a renewal of my highest and most distinguished regard.

It is requested that you inform the Foreign Office that the Government of the United States will be glad to act as channel of communications; also it is requested that you furnish the Foreign Office with the text of the preceding message.

In connection with the above, please refer to your message dated July 14, 1944, Number 4518.

HULL

SWP:ABC:HH
PARAPHRASED:
DCR:LCW:CR 9-5-44

CONNECTED COPY

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 2, 1944
NUMBER: 3027

SECRET

FOR MCCLELLAND.

The following message dated August 22 has been received from Embassy, Caracas:

QUOTE I have just been informed by the Foreign Office that the Venezuelan Government has requested the Swiss Federal Political Department to extend the protection of Venezuelan interests to Hungarian territory and other countries of Central and Eastern Europe, for the purpose of aiding the bearers of Venezuelan passports in these regions.
UNQUOTE THIS IS WRS CABLE TO BERN NO. 156.

HULL

Forgoing message transmitted to you on September 5 as No. 3227.

ORIGINAL TEXT OF TELEGRAM SENT

original

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 2, 1944
NUMBER: 3030

SECRET

From War Refugee Board to Harrison.

Please deliver the following message to Bishop Marius Besson, Fribourg, from Monsignor O'Boyle, Executive Director of the War Relief Services - National Catholic Welfare Conference:

"KINDLY FURNISH US MORE DETAIL ON NEEDS POLISH REFUGEES HUNGARY AND FRANCE ESPECIALLY FUNDS REQUIRED PER MONTH. ALSO IDENTIFY JANUSKOWSKI IN RELATION TO REFUGEES AND HIS COOPERATION WITH SWISS CATHOLIC MISSION. RESPECTS."

This is WRB cable to Bern No. 155.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 2, 1944
NUMBER: 3040

SECRET

FROM THE DEPARTMENT, THE WAR REFUGEE BOARD AND THE FOREIGN ECONOMIC ADMINISTRATION TO MINISTER HARRISON AND MCCLELLAND, BERN.

Please refer to your No. 4874 of July 29 concerning Sternbuch scheme. As clearly indicated in Department's No. 2656 of August 2 (WRB No. 106) and for the reasons indicated therein we concur in your view that it is not (repeat not) feasible to undertake the transaction in question at this time.

However, in view of the comments contained in paragraph four of your cable it is feared that you may be under a misapprehension as to the policy of the Government of the United States concerning the licensing of financial operations in and communications with enemy territory for refugee rescue and relief purposes. It is to be emphasized that the decision not to undertake the Sternbuch proposal does not (repeat not) in any way change or derogate from the licensing policy which has been in effect since prior to the establishment of the War Refugee Board in January of this year. For your information and guidance the following is a statement of this Government's policy regarding licenses for rescue and relief purposes which was communicated several months ago to the British Government and which has been explained in person and detail to Mr. Dingle Foot of the MEW.

... QUOTE .The United States Government, with the approval of the Department of State, the Treasury Department, and the War Refugee Board, has issued a number of licenses to private organizations authorizing such organizations to finance operations in and communicate with enemy territory in an effort to save the lives of oppressed peoples. The British Government has already been advised of the basic provisions of these licenses. As the British Government knows, such licenses permit the acquisition of the necessary local funds, goods or services from persons in enemy or enemy occupied territory against payment in free exchange or free currency notes only if it is not feasible to obtain the local funds by the other methods which are prescribed.

The United States Government has concluded, in issuing these licenses, that any danger involved in permitting the enemy to acquire relatively insubstantial quantities of foreign

-2- #3040

foreign exchange is far outweighed by the saving of lives. Experience has shown that the use of money is in many cases the only means by which refugees can be assisted to escape or otherwise save their lives, and it is felt that every effort should be made to see that adequate funds are available for this purpose.

The United States Government is convinced of the need for operations of this character, in addition to those to be undertaken by the Intergovernmental Committee in extension of credit operations hitherto conducted by private organizations.

The United States Government, motivated by humanitarian considerations, intends to continue to follow the policy which it has been pursuing now for several months in connection with the issuance of licenses to private organizations. It is most anxious that its efforts in this regard should not be unilateral, and that the two governments will be able to follow a common line so that there may be full cooperation in this matter as well as in the case of operations through the Intergovernmental Committee.

Accordingly, the United States Government hopes that the British Government will decide to adopt a similar policy in connection with authorizing and encouraging the sending of funds by private organizations to neutral countries for the relief and rescue of victims of enemy oppression. In this way, the two governments will be able most effectively to carry out the policy heretofore agreed upon to take all possible measures, consistent with the successful prosecution of the war, for the speedy rescue and relief of the oppressed minorities of Europe. UNQUOTE

It is important that in continuing and intensifying our humanitarian efforts to rescue the victims of enemy oppression, you be guided by the policy indicated. In this connection, your attention is further directed to the Department's cable of March 15, 1944, No. 856.

We know

-3- #3040

We know adequate care is being taken not to make available free exchange or free currency except where it is not feasible to use the other prescribed methods of procuring local funds and, from reports we have received, we are not disturbed about the amount of free exchange and free currency being obtained. Furthermore, these activities are not regarded by us as conflicting with the various negotiations now being conducted by this government with Swiss banks and Swiss Government to deny to the enemy Swiss francs to the greatest possible extent and especially to prevent a last minute flight of capital into Switzerland, trying to avoid United Nations' economic and military control.

THIS IS WRB CABLE TO BERN NO. 109.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 2, 1944
NUMBER: 3227

SECRET

FOR MCCLELLAND.

The following message dated August 22 has been received
from Amembassy, Caracas:

QUOTE I have just been informed by the Foreign Office
that the Venezuelan Government has requested the Swiss
Federal Political Department to extend the protection of
Venezuelan interests to Hungarian territory and other countries
of Central and Eastern Europe, for the purpose of aiding
the bearers of Venezuelan passports in those regions. UNQUOTE
THIS IS WRB CABLE TO BERN NO. 156.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 2, 1944
NUMBER: 5754

CONFIDENTIAL

McClelland sends the following for the War Refugee Board; for Kubowitzki of World Jewish Congress for Riegner and Jarblum.

Replying to your cable of August 22, thanks to funds placed at our disposal by the Congress and Jarblums by Palestine and Joint, following has been achieved with respect to France; since October 1943, 1350 children and young people up to 20 years of age both with and without parents or relatives have reached Switzerland; 70 children have reached Spain while some 700 have been hidden in France. Further some 700 young people have been evacuated to Spain as well as 200 parents accompanying their children. Our people in France have aided to hide four to five thousand adults. Such rescue work is necessarily linked with illegal activity of all sorts especially the procurement of approximately 5000 false identity and ration and cards, works permits, baptismal and birth certificates monthly. Considerable expenditure has been necessitated by appropriate equipment for armed convoys to the frontiers. At the present moment, it is impossible to separate the rescue of children from that of adults according various funds used as action was organized as a whole by our people using all available means. Our own participation amounted to more than 18 million French francs. We are awaiting further detailed information from France which shall be communicated to you at the earliest possible moment.

HARRISON

KEM-219
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Bern
Dated September 2, 1944
Rec'd 10:08 a.m.

Secretary of State,
Washington.
5761, September 2, 2 p.m.

FOR WRB FROM MCCLELLAND
FOR AMERICAN COMMITTEE FOR CHRISTIAN REFUGEES FROM
PRICE WATERHOUSE, ACCOUNTANTS ZURICH:

"Have examined recorded receipts and payments
ecumenical committee for refugees Geneva for calendar
year 1943. Examination subject to weakness in
internal control and non-availability of certain
supporting evidence due to precarious situation receivers.
Full report will be sent as soon as mailing facilities
permit".

HARRISON

BB

PARAPHRASE OF TELEGRAM SENT

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: September 2, 1944
 NUMBER: 5762

CONFIDENTIAL

With reference to numbered paragraph two of Department's cable of June 24, No. 2149 (WEB 36), Swiss note of August 30 reports that only one or two internment camps exist in Bulgaria to the knowledge of the Swiss Legation in Sofia. No American citizen was ever there. Chile is the only Latin American country which Switzerland represents in Bulgaria. No Chilean is now in Bulgaria.

Nevertheless, the question was submitted in principle to the Bulgarian Foreign Office by the Swiss Legation.

HARRISON

DCR:VAG:MLM

9/4/44

FBM-292

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

Born

Dated September 2, 1944

Rec'd 1:55 p.m.

Secretary of State,

Washington

5764, September 2, 5 p.m.

FOR MRB FROM MCCLELLAND.

Department's 2198, June 28

ICRC just reported United States visit their Zagreb delegate Schmidlin made between July 13 and July 17. Accompanied by Director General Police Department and Under Secretary for Work Camps in Ministry of Interior to camps of Jasenovac, Jablanac, Stara Gradiska and Grodjani Salas in Croatia. Conditions these camps on the whole tolerable though primitive. Health of internees in fair but working hours in shop and field are long (7 to 12 and 14 to 19) for persons living on monotonous and often insufficient diet consisting mainly of corn meal and vegetables. Camp house men and women (strictly separated) both Christian and Jewish under strict "ustachi" guard. There is a urgent and general need of clothing and shoes in all of these camps.

HARRISON

NPL

Miss Chauncey (for the Sec'y), Abrahamson, Akzin, Cohn, DuBois, Drury, Friedman, Gaston, Hodel, Laughlin, Lesser, Mannon, Marks, McCormack, Pohle, Sargoy, Standish, Weinstein, Cable Control Files

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY, FROM WAR REFUGEE BOARD.

Please deliver the following message to Leon P. Dennenberg from the International Rescue and Relief Committee:

QUOTE SEND NAMES LAST KNOWN ADDRESSES OF ALL PERSONS KNOWN TO BE IN ENEMY OR ENEMY OCCUPIED TERRITORY AND WHO ARE ONE HUSBANDS WIVES PARENTS OR MINOR UNMARRIED CHILDREN OF AMERICAN CITIZENS TWO WIVES AND MINOR CHILDREN OF ALIENS PERMANENTLY ADMITTED TO THE UNITED STATES STOP ALSO SEND AMERICAN ADDRESSES OF SUCH RELATIVES STOP EFFORTS UNDER WAY FOR RESCUE OF SUCH PERSONS UNQUOTE

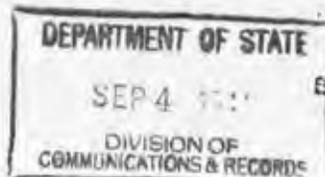
4:15 p.m.
September 2, 1944

RDrury 9/1/44

A-193

SECRET

10:10AM



Sept. 2, 1944

EMBASSY,

CHUNGKING.

FOR FRIEDMAN FROM THE SECRETARY OF THE TREASURY

The following is for Ambassador's and your own information only:

1. Reference is made to your 28 July 1944 memorandum and to Airgram A-173 of 2 August 1944. Treasury is now issuing blanket licenses to interested domestic banks permitting them to effect transfers from a blocked account of any United States citizen or any partnership, association, etc., located in China which is wholly or substantially owned by United States citizens to a blocked account with a banking institution in the United States of any person located in China, and Treasury is now prepared to act favorably on an individual case basis on applications for license to transfer from the blocked account of any person located in China funds to be paid to persons within the United States for the purpose of financing the purchase within the United States of goods for exportation to China for the account of the person in China whose account is to

Chungking A-173 - 2 -

be debited.

2. Treasury has amended blanket license of 5 July 1944 to National City Bank, New York, in respect to the operation of the account of the United Clearing Board, Chungking, as quoted in Airgram A-173 of 2 August 1944 by changing the first paragraph of Section 2 to read as follows:

QUOTE Transfer funds from such account on the instructions of the United Clearing Board, Chungking, to blocked accounts now existing or hereafter to be opened with domestic banks or reputable business concerns within the United States, provided such blocked accounts are maintained in the names of persons within Free China. UNQUOTE.

3. Treasury and War Departments have discussed the purchase of United Clearing Board checks, etc., by army personnel. The War Department is recommending to the China theatre that appropriate measures be taken within the theatre to prevent the purchase and transmission by mail of such checks, etc., by army personnel.

Chungking A-193 - 3 -

4. Treasury will advise United Clearing Board here that:

(a) its checks, etc., should not be sold to military, naval, and civilian governmental personnel;

(b) it expects that sales of checks, etc., to meet necessary, philanthropic, and education requirements will continue to be made through the United Clearing Board.

FMA:GL:HG

8/31/44

HULL
gl

NOT TO BE RE-TRANSMITTEDSECRETOPTEL No. 286

Information received up to 10 A.M. 2nd September 1944

1. NAVAL

A British Corvette torpedoed and sunk yesterday off Northern IRELAND. CAEN Canal now open to vessels up to 10 feet draught. Yesterday a British Battleship bombed the ILE DE CEZEMBRE off ST. MALO and damaged battery positions and the barracks area.

Adriatic 30th. Two British Destroyers successfully bombed gun positions and transport North of PESARO. Yesterday morning A Canadian Frigate made a promising attack upon a U-boat off LAND'S END.

2. MILITARY

France Elements of U.S. third Army are thrusting East of VERDUN while U.S. First Army has advanced NW to the general line LA PERE-BAPAUME, latter town still held by enemy. UK Troops are on the outskirts of ARRAS and are also driving North from AMEINS. Canadians have entered NEUFCHATEL, DIEPPE and LE TREPOT. Other U.K. troops are within four miles of LE HAVRE.

Southern France U.S. patrols are trying to regain touch with enemy East of NICE. The Germans have been driven from VALENCE. West of the RHONE French troops have occupied VAILLON BARJAC and MONTELLIER. Reconnaissance forces have penetrated to BEZIERS and NARBONNE.

Italy Continued good progress by 8th Army in both ADRIATIC and FLORENCE sectors. Patrol clashes have occurred in PESARO whilst further inland heavy fighting is in progress North of URBINO where Germans are offering strong resistance and mounting vigorous counter attacks from North of RIVER FOGLIA. North of FLORENCE town of SERTO has fallen to a British division and Indian troops are advancing on a commanding feature North of PONTASSIEVE. On 5th Army front U.S. patrols have crossed the ARNO west of FLORENCE while further West armour and infantry are across the river at CASTELFRANCO and CESCINA.

Russia Russians report further progress West and South of PLOESTI and South and East of BUCHAREST. They have captured GUIRGIU on the DANUBE.

3. AIR

Western Front 1st. Bomber Command aircraft dropped 482 tons on two flying bomb supply depots PAL DE CALAIS with good results. U.S. fighters attacked transport in East FRANCE LOREMOURG and the Low Countries destroying or damaging over 1000 vehicles, including 125 locomotives. ARAF medium bombers dropped 204 tons on gun positions and motor transport parts at PREST, 71 on troop concentrations near ABBEVILLE and 81 on fuel dump GIVET. Fighters destroyed or damaged about 800 vehicles in NE FRANCE including 570 motor vehicles. Two German aircraft destroyed, our losses one medium bomber, nine fighters.

1st/2nd. 74 Bomber Command aircraft despatched including 25 Mosquitoes BREMEN. All returned. Two German aircraft reported crashed in this country, one in NOTTINGHAMSHIRE, the other, a composite aircraft in KENT.

Italy 31st About 300 medium and light bombers and fighters, 7 missing - attacked communications NORTHERN ITALY, gun positions Gothic line and shipping GENOA.

Yugoslavia. Heavy bombers from MEDITERRANEAN dropped 282 tons on railway bridges KRALJEVO and MITROVICA and 203 on NISH airfields.

Hungary Liberators from MEDITERRANEAN dropped 227 tons on railway centres DEBRECEN and SZAKAL, 60 on SZOLNOK railway bridge and 97 on objectives at MEZOTUR and NOVI-SAD. 51 Mustangs (two missing attack DEBRECEN airfield destroying 63 enemy aircraft on the ground.

COPY NO. 11NOT TO BE RE-TRANSMITTEDSECRETOPTEL No. 287

Information received up to 10 A.M. 3rd September, 1944.

1. NAVAL

On 1st/2nd, 3 groups of German light craft moving from BOULOGNE to CALAIS were engaged by MTE's and by our shore batteries. Many hits on E-boats and 2 German TLC's sunk and another probably sunk. Shore batteries claim to have damaged or sunk 7 vessels. German coastal batteries replied and damaged ours. One of H.M. trawlers damaged. On 2nd, cross channel convoys were suspended, owing to bad weather. DIEPPE reported free from shelling. Port installations demolished, but entrance to harbour only partially blocked. One of H.M. trawlers damaged, by underwater explosion off NORMANDY. U.S. coastguard cutter intercepted German trawler about 200 miles Northwest of JAN MAYEN ISLAND: trawler was scuttled and prisoners taken.

2. MILITARY

France U.S. forces have taken VERDUN and SEDAN, while further North leading; U.S. infantry crossed BELGIUM frontier at 11 AM 2nd U.K. Armour has freed ARRAS, DOUAI, ALBERT, and LENS, while Canadian armour has crossed the SOMME at ABBEVILLE.

Southern France U.S. forces are now in AMBERIEU area northeast of LYON. After clearing VALENCE, other U.S. forces are pushing further northwards up RHONE Valley. French troops are moving North towards TOURNAI and Northwestwards towards YSSINGEAUX NE of LE PUY.

Italy 8th Army has continued its advance, and our whole front for about 20 miles westwards from ADRIATIC coast has moved forward from 2 to 4 miles against determined resistance. Poles have captured PESARO and continued their advance. We have made limited gain: Northwest of FLORENCE. 5th Army have made further progress across the ARNO and in some sectors are about 5 miles north of the river.

Russia Russians are now along the DANUBE and Bulgarian frontier along whole stretch between GIURGIU and the BLACK SEA.

3. AIR OPERATIONS

Western Front. 2nd Bad weather restricted operations. Lancasters bombed shipping BREST 365 tons. Fighters over forward areas destroyed 38 MT, 20 horse-drawn vehicles and 6 gun positions. Coastal command aircraft made 46 attacks on shipping off BELGIUM, HOLLAND, and FRANCE; 3 E/A boats destroyed and other promising results.

Yugoslavia 2nd. Liberators bombed railways at KRALJEVO, 260 tons, MITROVICA 175 and NISH 430. Fighters attacked communications between BELGRADE and NISH.

EE-624
Distribution of true
reading only by special
arrangements. (SECRET F)

Caserta

Dated September 3, 1944

Rec'd 1 a.m., 4th

Secretary of State

Washington

272, September 3, 9 p.m.

FOR WAR REFUGEE BOARD

In absence of Ackermann who left this morning on a trip to Northern Italy and Southern France and will be out of touch with us for four or five days, I am telegraphing you urgently to inform you of a situation which perhaps should receive your immediate attention. A report has just been received at AFHQ from an American member of OSS now in Rumania to the effect that there are several hundred refugees from Poland and Hungary in Bucharest who are in dire straits and need immediate assistance. OSS report requested this office to communicate this information immediately to Ackermann with recommendation that \$5000 should be sent at once to Bucharest for alleviating the tragic situation of these unfortunates. At my suggestion Colonel Early of OSS office at AFHQ is sending 5000 yellow seal dollars with another OSS representative who is flying to Bucharest tomorrow morning with instructions to hold this money and not disburse it until authorization is received from him.

Please telegraph what decision you wish me to communicate to Colonel Early.

OFFIE

WSB

SFC-544
Distribution of true
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arrangement. (SECRET W)

Stockholm

Dated September 3, 1944

Rec'd 12 p.m.

Secretary of State

Washington

3456, September 3, Noon

While Swedish Government is anxious to do every-
thing possible to rescue Hungarian children, (Department's
1739, August 30, 6 p.m.) it cannot (repeat not) according
to Grafstrom arrange to have a Swedish ship call at a
German port to pick up these children since making any
exception to the rule of refusing insurance to Swedish
ships proceeding to German ports would upset the
foundation on which Sweden's policy towards Germany now
rests. Hungarian children who may be evacuated will
be brought into Sweden via the ferries from Denmark.

Swedish Foreign Office is notifying Swedish
Consular Offices concerned regarding substance of
paragraph No. 2 of Department's telegram under reference.

JOHNSON

VMB NPL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 3, 1944
NUMBER: 5796

CONFIDENTIAL

Reference is made herewith to your cable of August 19, no. 2863, WRB's 130.

It is stated in Inter-cross response of August 31 that the Committee is continuing to oppose the deportation of Jews from Hungary by every means in their power.

Their wish to refrain from any share in the deportations, if only to obtain more tolerable means of transportation, is indicated by the desire that their attitude shall not be interpreted to mean participation in or approval of deportations.

A fresh proposal has just been submitted by the Committee to the Hungarian Government and Jewish Senate Budapest in an effort to find means of extending the Committee's protection to Jews confined in camps or houses in Hungary. We will communicate the result promptly.

HARRISON

DCR:VAG 9/5/44

September 4, 1944
10:19 a.m.

HMJr: Hello.

Operator: Harry Hop -- Mr. Hopkins.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello, Harry.

Harry Hopkins: Oh, hello, Henry.

HMJr: How are you?

H: Fine. Henry.

HMJr: Yeah.

H: I wonder if I can get out of the dinner tonight.

HMJr: Surely.

H: Because I thought we'd probably get most of it done at lunch as far as anything I've got to say to you.

HMJr: Good.

H: And you to me -- because the President has dropped in my lap a "hot potato" about the C.I.O.

HMJr: I see.

H: that I ought to work on tonight.

HMJr: Well, we'll miss your company but

H: We'll get it done this noon, and

HMJr: Yeah, and I thought it would just be you and me at noon today.

H: All right. Fine.

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HMJr: Because I want to

H: All right.

HMJr: I thought we might talk completely frankly.

H: Yeah. All right, Henry.

HMJr: Is that about one o'clock?

H: Fine. I'll be there.

HMJr: Thank you.

H: Fine.

September 4, 1944
10:55 a.m.

DISARMAMENT OF GERMANY

Present: Mr. D.W. Bell
Mr. White
Mr. Gaston
Mr. Pehle
Mr. O'Connell
Mr. McConnell
Mrs. Klotz

H.M.JR: Mr. O'Connell, here is a bit of business for you and Mr. Lynch - some charges by "hizzoner" the Mayor. You let Olrich know that I have asked you and Lynch - Lynch works on this, doesn't he?

MR. O'CONNELL: Yes. Olrich is out of town this week.

H.M.JR: I can't wait that long. (The Secretary hands Mr. O'Connell a letter from the Mayor of New York, dated August 29, 1944) *Not in 1944*

Will you handle that fairly promptly?

MR. O'CONNELL: Yes.

MRS. KLOTZ: I haven't acknowledged it, either.

MR. O'CONNELL: O.K.

H.M.JR: Now, this memorandum which White sent up to me just barely got under the wire. I gave it to the President with explanations, but it didn't go far enough to suit me.

The two places it didn't go far enough were: One, the complete closing down of the Ruhr; and two, the treating

- 2 -

of the present Nazis from sixteen to forty and their children.

Now, the President is entirely agreeable to the suggestion of closing the Ruhr, and I want something on that, do you see? I have told some of this to White - the map business, the Polish thing, and certain things at Teheran which I don't know about. You haven't got the boundary just right. Then north of the Kiel, if I remember - he put that into an international boundary - from north of the Kiel up to Denmark, including the Kiel. And the Saar was thrown into an international organization.

But there is no doubt that Isaiah Bowman has this thing, and the President says we could see it Wednesday, but I would ask Dr. Matthews to get it, see? I would like to have it.

MR. WHITE: From the White House? He is going to look in the State Department.

H.M.JR: No, no, it is in the State Department file. It is there. This is the group that went to England under Stettinius.

MR. WHITE: He said he was going to look.

H.M.JR: And would you make a note, Harry - I would like to know the exact technical status, today, of Robert Murphy and Mr. Heber - I think that is his name. The President is under the impression that Mr. Robert Murphy is to be appointed as a member of the European Advisory Committee, and Mr. Heber as political adviser to Eisenhower. I said, "If that is so, every newspaper was wrong."

MR. WHITE: We have one member of the European Advisory Committee - all we are entitled to - Winant.

H.M.JR: I know. I am just quoting the Commander in Chief. So let's get it correct, see?

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Now, where do we go from here in the way of the memorandum? What more do you people have?

MR. WHITE: Well, we were trying to resolve those points which you have raised, and also we agreed that the thing that needs to be done in addition to the memorandum is a directive that they are working on now, which will be in force at the moment major hostilities in Germany cease.

The directive which the Army has now, which has been cleared by the Combined Chiefs of Staff, will go into force the moment they get into Germany. Now, it may be that they will get in and put that thing into force before the President has a chance to see Churchill and change. So we can't rewrite that, though we may be successful in taking out some of the paragraphs.

H.M.JR: We are getting a copy. The President has written a letter to Stimson, based entirely on the memorandum which I gave him on this handbook, telling them that they cannot put the handbook into force, and they have to rewrite the whole thing.

MR. WHITE: They have already withdrawn it. That is the handbook.

H.M.JR: But I mean, did you hear about his letter to them?

MR. WHITE: No, but the Army told us they had withdrawn it.

H.M.JR: And there is an introductory paragraph and then came your memorandum, verbatim, the President said.

MR. WHITE: That will take care of the handbook, but it doesn't take care of the directive, so they will either have to write another handbook, which we thought we could help them do, or write another directive for the period, which we could regard as more important, because

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what they do on this actual fighting isn't very important, it is what happens the moment the fighting ceases.

Now, their present directive seems to cover that period also, so that when we were talking with McCloy Saturday we told him that if they would regard any directive which they would issue - either the one they have or a modified one - as applying only until hostilities cease, then we would prepare another directive covering phase two. That would go a long way, perhaps, toward alleviating the present situation. They agreed completely with that, so what the boys are now doing is trying to prepare a directive which would begin when hostilities cease.

Now, so far as the major memorandum that you are referring to is concerned, you raised several points. We thought of some more things which we added, and took care of the points which you suggested, with the exception of Three, which we were in the process of discussing, and we haven't arrived at any conclusion, so we don't even know what to put in the memorandum, yet. One was what to do with the children under six, and what to do with the fourteen to twenty. So far we have arrived at nothing.

H.M.JR: You mean fourteen to forty?

MR. WHITE: Was that it?

H.M.JR: Yes, he has been in since--

MR. PENLE: Since 1933.

MR. WHITE: Well, I confess, aside from the treatment of special troops - which are the SS and the Gestapo and some portions of the other groups - the leading officials - which I have here - we haven't been able to approach any solution that seems at all feasible or plausible to us with respect to the children under six. Any suggestion that is thrown out is thrown down on this or that adequate grounds. So we haven't got anywhere, and that needs to be discussed, because we haven't any idea how to handle that problem.

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H.M.JR: Now, these people - these Germans that you have pulled in, are they coming down tomorrow?

MR. WHITE: Yes, tomorrow.

H.M.JR: I want to get hold of McCloy a minute.

(The Secretary places a call to Mr. McCloy)

H.M.JR: Now, these are three things the President wants. He is going to ask for them the first time he sees the memorandum. The Germans should be allowed no aircraft--

MR. WHITE: That is in the terms of surrender and will be repeated.

H.M.JR: Nobody in uniform--

MR. WHITE: That we are adding.

H.M.JR: And no marching.

MR. WHITE: That we are adding.

H.M.JR: He wants that, so it can't do any harm.

MR. WHITE: We are adding that to the memorandum. We are also adding something that he had in first and then took out because there was some question of its legality, and now we are sticking it back, and that is that no one shall wear any insignia of rank or medals, or anything of that sort. The uniform is going to be troublesome because probably five million people have nothing else to wear. But if you treat it as a uniform - so they don't wear the whole thing, I think you can enforce it. These men who came down particularly emphasized not to have, or to start, anything that you can't effectively administer. They thought that was terribly bad. We are working out something on all those points and it will be added to the memorandum.

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Then they also have a memorandum on the special groups, prepared yesterday, which needs some modification.

H.M.JR: Harry, could you give me a little memorandum this afternoon - who these three Germans are who are coming down, so I could read it?

MR. WHITE: Yes, I will do that.

MR. MCCONNELL: There is some application on the industrial angle here, Mr. Secretary, that I have the preliminary memorandum on, but haven't had time to go over with Harry. I think it fits in very well here and there is only one new angle to the industrial application of that first paragraph of the Ruhr area - the third paragraph. I think perhaps I had better go over that with Harry first.

MR. WHITE: It is not necessary. I think we will want to discuss it in general before we come to that, because that is supplementary - not supplementary in the sense it is less important, but supplementary in the sense it probably fits in.

H.M.JR: Harry would like to run through his thing first, I think.

MR. WHITE: Yes, just a couple more points.

There is this punishment of war criminals which would probably fit in with what you said. That needs to be revised and shortened, but there was one suggestion made by General Hilldring at the meeting yesterday that seems good. He said that if you could draw up a list of people to present to the Commanding Officer, and the Commanding Officer has to apprehend them and identify them by some responsible authority, and that those people are immediately shot, that there is not a question of discretion by the military. He has his orders. They didn't know how long that list could be. Hilldring mentioned about twenty-five hundred, whether it was in connection with that or not, I don't know. But what we

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are trying to do is to state that problem and meet it. That is one thing he would have added. How many people you could get on the list - who is to decide who is to go on that list - I don't know. But DuBois, who has talked to Pell in England about the war criminals, concluded that they have done next to nothing.

H.M.JR: I got that from Pell and then asked DuBois to see Pell.

MR. WHITE: I see. I didn't know that was the origin.

H.M.JR: The origin was with me.

MR. WHITE: I didn't know that. Hopkins asked Matthews and McCloy what this Criminal Commission has done. Matthews said he didn't know, and no one there knew. I didn't know at the time, and I didn't comment, either. But if that Commission has done nothing, then they have no list. That is one of the problems which they were thinking about, and one of the ways of meeting it which everybody thought would be an excellent method. American soldiers wouldn't shoot them, somebody else would, probably, but the Commanding Officer would not have to decide whether or not they are to be shot, but rather merely to identify them.

H.M.JR: I have heard it put a little differently, and I think this is Churchill's idea, and Churchill told me this when he was over here - I am almost positive it goes back that far - Churchill said the way he would do it is that there would be this list in existence, and the orders would be that any soldier meeting this particular person on this list, that his orders were to shoot him on sight.

MR. WHITE: The only difference is that I think this other required an identification by a responsible officer.

H.M.JR: Churchill didn't go that far. He said that any soldier meeting any of these people, their orders were to shoot them on sight.

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MR. BELL: And identify them afterwards.

MR. GASTON: None of these people should be shot more than three times, Dan.

H.M.JR: If they shoot them at the rate they shot them in Italy - all they do there is to put them back in the house and set them up in fine style. Just to give you an example, we landed in Sardinia and this Brigadier General - English General - said, "I never thought I would live to remove a Lieutenant General, but there are two hundred and fifty thousand troops here, and I removed the Italian Lieutenant General in charge because he was a Fascist."

I said, "What did you do, shoot him?" The man said, "Oh, no."

I said, "Where is he?"

"He is over with the King at Bari."

(To White) Do you remember?

MR. WHITE: Yes.

H.M.JR: So, I mean, the shooting wasn't very good over there.

MR. WHITE: Joe has read some documents - I think some memoranda have been prepared for your office.

MR. PEHLE: We had a study made when you came back and Joe reported to us what you had gotten him into on the criminals thing. We had a study made of what happened during the last war and of course it is an abominable situation. In other words, we had a list then, and we were going to apprehend these people, and the Germans said, "Let us apprehend them." So they apprehended them, tried them and sentenced them, and all but about three escaped. But it was delayed so long that the heat went out of the thing. If anything is done it has to be done right away or nothing will be done.

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H.M.JR: Or sooner.

MR. WHITE: The third point that--

MR. PENLE: But on the list - I think if there is to be a list prepared of people that everyone agrees are to be shot, it has got to be within a limited number in character. You can't take one of these things of any little evidence of some name and put it on the list. It has to be a list of names about which there would be no question. The rest would be subject to trial.

H.M.JR: Stalin has a list with fifty thousand.

MR. PENLE: But we wouldn't get that, I don't think.

H.M.JR: (To Mr. White) Go ahead.

MR. WHITE: The third point that gives us a good deal of trouble is the Ruhr. It is your view that it should be locked up or wiped out, and it is what to do with the population. That is a troublesome point.

H.M.JR: Excuse me. The President is in complete accord on this, and the thing that he likes particularly about it is the idea that this would help put England back on its feet.

MR. WHITE: Well, I think that somebody is going to be confronted with what to do with fifteen million people.

H.M.JR: I spoke to him about it, and the President said what he proposes to do with a lot of these people is to give them - to just feed them out of the American Army's soup kitchens.

MR. PENLE: How long is that going to last? This is a problem of five years from now.

H.M.JR: He isn't going to worry very much.

MR. PENLE: He is not going to be able to sell that kind of program.

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MR. GASTON: You can't put a fence around the Ruhr and keep all the people out. What you will have to do, if it is to be practical, is to select some industries that are to be put out of business.

MR. WHITE: The only alternative that seems feasible to us - of these two, both have advantages and disadvantages - but you might think of the alternative, a very different one, of making the Ruhr an industrial area under international control which will produce reparations for twenty years.

H.M.JR: Harry, you can't sell it to me at all. I have read Welles' book on the thing. I have been reading up. You just can't sell it to me, because you have it there only so many years and you have an anschluss and the Germans go in and take it.

The only thing you can sell me, or I will have any part of, is the complete shut-down of the Ruhr.

MR. GASTON: You mean vacating the whole thing? Driving the population out?

H.M.JR: Just strip it. I don't care what happens to the population.

MR. GASTON: But there is some intermediate thing between those two things. I don't understand--

H.M.JR: I would take every mine, every mill and factory, and wreck it.

MR. GASTON: Of every kind?

H.M.JR: Steel, coal, everything. Just close it down.

MR. BELL: You wouldn't close the mines, would you?

H.M.JR: Sure.

MR. GASTON: You would leave agriculture?

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H.M.JR: Yes.

MR. WHITE: Leave it in international hands.

H.M.JR: Yes.

MR. WHITE: Of course, you wouldn't have to do a great deal of destruction if that were the policy. If you told the various Allies that you are going to do that and they can come in and strip it, they will take a good deal of it away. But they would have to do some destruction. The problem is not the destruction; the problem is population.

H.M.JR: I am for destroying it first and we will worry about the population second.

MR. McCONNELL: That food tonnage would be enormous.

MR. WHITE: They raise something there themselves.

MR. PELLE: In that area - not much.

MR. WHITE: Yes, there is some.

MR. McCONNELL: The soup kitchens to feed fifteen million people just wouldn't be adequate.

H.M.JR: That is the place where war can spring from, and that is the place that closed down the steel mills in Birmingham, the coal mines in England, that has caused the misery and the low standard of living in England - the higher standards of these places undercut the English and Belgians.

MR. WHITE: It has contributed to it.

MR. McCONNELL: The capacity of steel production in the Ruhr is fifty percent of England's.

H.M.JR: But it is the competition.

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MR. McCONNELL: Twelve million out of forty-two million total in Europe.

H.M.JR: If this thing was closed down, would England have to worry for the next twenty years on unemployment?

MR. WHITE: I think she still would, but it would be a great help to her.

MR. GASTON: Aren't you really just suggesting the closing of the mines and the steel mills in the Ruhr? The coal mines, iron mills, and the chemicals?

H.M.JR: Yes.

MR. GASTON: That would be covered in any program of war.

MR. O'CONNELL: You would close down the mines and chemicals.

H.M.JR: Coal, steel, and chemicals. You get your chemicals from your coal by-products, don't you?

MR. McCONNELL: A great many.

H.M.JR: I would close down those things tight. There is nothing left.

MR. GASTON: Oh, there is a great deal of subsidiary manufacturing in the Ruhr.

MR. WHITE: They would die off.

MR. GASTON: Not if they can buy their steel. They have lots of stuff there that doesn't take great quantities of steel.

MR. BELL: Haven't they folded up, anyway, during this war?

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MR. WHITE: No, but I think such places, for example, as are making cutlery - but I don't think you will find them in the Ruhr.

MR. McCONNELL: Well, now, if you consider an intermediate step, Mr. Secretary, reduce that twelve million to seven, take out all the war plants - the principal factor controlling the standard of living - you have about cut their standard of living in half, or come pretty close to it, by that contraction of steel. Now, if you go to nothing, the standard of living would come close to zero in that area, and it is either starvation or some kind of relief kitchens.

H.M.JR: Well, that doesn't bother me, because the people haven't thought about this thing. They have to think about it differently. If they don't, the first thing you will have is factories there; then somebody will open a coal mine, or a steel mill, and the first thing you know you will have a full-blown war field.

MR. WHITE: I don't agree on these half-way marks.

H.M.JR: These people are smart. I have seen the thing. This is the caldron which gives forth war, and I don't know any other way to stop them from making war other than to shut down this area completely.

MR. McCONNELL: And keep it shut? You would have to police it.

H.M.JR: No, because the Germans - they will find some way within five or ten years to win these people over. They will have a revolution; they will have an anschluss and the thing will be in the hands of the German war people. All the war has sprung from that area. They can't make war if that area is shut down.

MR. McCONNELL: That is true.

H.M.JR: They cannot make war. Now, my whole interest is this: I want to see as good a job done as I can on the

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war criminals, but over and above that, my interest is the future. I don't know of anything that I have read or anybody has told me, looking to the future peace of this world in the European hemisphere - the only way I know is to shut that thing down.

I don't know how much the Saar has or how much their production is; if necessary, shut that down or give it to France. But certainly if that area is made non-productive, stripped of its machinery, the mines flooded - dynamited - wrecked - it would make them impotent to wage future wars. That place has to be closed down.

Now, as soon as you start arguing with me, and I begin to give way, let this in or that in, or let that area or that population continue their skills, they will do just what they do in the hills of Pennsylvania - they will mine bootleg coal. You can't stop it. It runs into big figures, doesn't it?

MR. McCONNELL: Yes.

H.M.JR: A fellow will have a coal mine in his basement, and those fellows are so clever and such devils that before you know it they have got a marching army.

MR. McCONNELL: The objective is just the same. What bothers me is whether you can create a vacuum in the Ruhr area and leave the vacuum. I think in ten or fifteen years or so they would be back with modern improved apparatus.

MR. WHITE: Not if you have it under international control. I think there is no doubt - let's assume for a moment you could get rid of the population satisfactorily, or ninety or seventy-five percent of them - just have an agrarian populace - an international organization could very easily be perpetuated to see that nothing is done there because they are confronted with minor problems; then it is a policing job under international law which you can carry on indefinitely.

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But I don't think it is possible to pursue that if you have them produce some things and not others, or if you have them cut down on their production, because it is merely a case of expansion.

But if you can solve, or if you are ready to accept the consequences of that degree of shift of population, that is the price; if you are willing to pay that price now, then I think the Secretary is wholly right.

Then you have the problem solved at a terrific price, that is all.

H.M.JR: I am not going to budge an inch. I find the President is adamant on this thing.

Sure it is a terrific problem. Let the Germans solve it. Why the hell should I worry about what happens to their people?

MR. PERLE: In an international zone, that problem will be--

MR. GASTON: You would have to have international policing, wouldn't you?

MR. WHITE: Yes, you will have to have international control.

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H.M.JR: Look, I gave you people an example which I lived through in the eyes of my father. One morning the Turks woke up and said, "We don't want a Greek in Turkey." They didn't worry about what the Greeks were going to do with them. They moved one million people out. They said to the Greeks, "You take care of them." They went to the League of Nations, and so forth; they said, "We don't want any more Greeks in Turkey."

Now, whether it is one million, ten million, or twenty million, it has been done; a whole population was moved. The people lived. They got re-established in no time. They moved them.

If you can move a million, you can move twenty million; and you can move twenty million. It is just a question; nobody has thought about it. It seems a terrific task; it seems inhuman; it seems cruel. We didn't ask for this war; we didn't put millions of people through gas chambers. We didn't do any of these things. They have asked for it.

Now, what I say is, for the future of my children and grandchildren I don't want these beasts to wage war. I don't know any other way than to go to the heart of the thing, which is the Ruhr, and I am not going to be budged. I can be over-ruled by the President, but nobody else is going to over-rule me; I am not going to worry what happens to them, and nobody is going to over-rule me, except the President.

I had the President quietly and uninterrupted and he liked it, and so did Mrs. Roosevelt, who was a great pacifist before this. It doesn't bother her at all. She said, "Put the thing under lock and key and shut it down completely." Now, I have had plenty of time over the week end. Let the Germans worry about it. My worry is to keep them from waging future wars.

MR. PEHLE: That is everybody's worry. And a lot depends on whether people like you and the President will say they are willing to take this extreme measure and stick by it, because it will take some real battling.

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MR. GASTON: The thing is to find out just exactly what you want to do, and I am not quite sure about that.

MR. McCONNELL: Forced emigration can be accomplished by that procedure or by constricting the industry.

MR. WHITE: Shutting it down--if there is no way for them to make a living they will move out. If you are willing to accept the consequences of an act of that kind, which will show itself in the following fashion, there will be great unemployment in the Ruhr, tremendous unemployment, there will be breadlines. Now, there are two ways of meeting it, either you can prevent starvation by providing a minimum amount of food so they can stay in breadlines as long as they can stand it, and when they can't, they will go somewhere else where the lines are shorter. You don't have to drive them out. I don't think you want to say that anybody found in this area after such and such a time will be moved bodily. You provide some kind of transportation to get them out; you provide a certain amount of bread rationing to keep them alive, and you close down the means of livelihood. That is all you have to do. I say that is all. I mean, that is a ruthless decision, but it is not physically impossible or economically impossible; and if it is decided to do so, it is not politically impossible.

MR. GASTON: I think under any plan that can be considered about the Ruhr, as practical, to achieve the object you have to shut down a large part of the Ruhr industry. You don't want this huge excess steel production that has been going to war users, or the huge excess chemical production.

MR. WHITE: The moment war stops a good many of those plants will shut down.

MR. GASTON: Are you going to drive people out, or let nature take its course by killing industry? What industries? It becomes a complicated problem as to how far you will go.

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MR. WHITE: The establishment of the principle is not a complicated problem. If you decide what you are going to do is stop the industry, you destroy the big industries and move gradually down the line when you are on the job, and the population gradually moves out.

H.M.JR: Did I gather when you first started that you were sort of leaning towards the internationalization of this thing and would handle the thing through a--

MR. WHITE: Yes, gradually, having it international. What we said was that it is something close to it, but not of the same pattern. We said we would put it under international control and then let the foreign governments strip it of any machinery that they want. That would leave something there. That wasn't very adequate as a solution of it, because if you put an international controlling group in an area like that and you make them responsible for it, even if you give them some part, it will be their inevitable development that they will want to solve some of their problems by building up, even though you limit them. Concededly you can limit them to certain tonnage, but they would build it up to that tonnage in a couple of years and you still would have that as a danger. I am afraid you are being to some degree ruthless without accomplishing what you want. It is that kind of half-way measure that never pleased or satisfied us. We are suggesting something else because we didn't like the half way process. What we are suggesting is the opposite of what you had. But I say that we are suggesting the opposite because we were not satisfied with the half way process. The opposite was to build it up as a reparation producing area.

If that is out, I am afraid I am wholly in agreement with you that the only thing to do is to root it out, provided you think you can get away with it politically.

MR. PEHLE: That is the real problem.

H.M.JR: Do you mean at home?

MR. WHITE: Yes, or in other countries.

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MR. PEHLE: With the British. The British will be adamant, I suspect.

MR. WHITE: Russia may want reparations.

H.M.JR: I have it in mind--if you look at my broadcast which I gave from London--that we have to continue to make sacrifices, and so forth, and so on. We talked about that there. I mean, the American businessman is going to have to look to a little smaller market. He can't look to the German market. And the English can't look. Maybe our export business will be cut by that amount, but it is a very little price to pay for security.

MR. PEHLE: Sure. People can be faced up to the problem.

H.M.JR: I have yet to find anybody--I am amazed at how little hard thinking has been done on this thing. Everybody is toying with the thing, and here we are with one toe in Germany and just starting on it. I mean, he just hasn't thought about this thing, and there is a tremendous job of education to do in all United Nations on this thing.

Now, I am going to stick by my position as long as the President is behind me, which he is. To be practical, if a directive was written to repair no factories which had been damaged, no coal mines or steel mines or chemical plants and dismantle those which are there and then wade into this other thing about the population--let them stew in their own juice and let the thing work itself out. But that would accomplish the thing at the beginning. And I think, personally, whatever is going to be done has to be done the first six months, because I think at the end of six months the people are going to get soft.

Now, if a directive was written that the American Engineers should go in to every steel mill, every coal mine, every chemical plant, every synthetic gas business, or whatever there is, and put dynamite in and open the water valves and flood and dynamite that, then the great humanitarians could sit back and decide about the population afterwards.

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MR. McCONNELL: There is huge production of all of those requirements throughout the Balkans and Germany, true; perhaps half of it is in the Ruhr, but there should still be a control. The means is exactly the same to produce that industrial manpower in Germany by immigration, and that can be done by edict or by contraction of the economy.

H.M.JR: That is all right. But go along with me and make the Ruhr look like some of the silver mines in Nevada.

MR. BELL: Sherman's march to the sea.

H.M.JR: No, some of these ghost towns; make this a ghost area.

MR. PEHLE: In other words, you are talking about not only dismantling everything that has to do with war or which could do with war, but also preventing those industries from growing which will use skilled labor that later could be used for war, even though they are working on things which in themselves are harmless. It seems to me that is the real issue, because everybody admits you should do away with the munitions industry and the supporting industries to the munitions industry; a lot of people admit that. The question is, do you do away with people who want to make watches, precision instruments?

MR. WHITE: Let's not confuse the issue that way. In the first place there are two separate parts; one is Germany, and the other is the Ruhr. You are going to internationalize the Ruhr and put in any German plants you are suggesting. Sure, there is some production in Germany; you can handle it as you think best. But you take the Ruhr and you destroy what you call heavy industry and go down the line. You start out with the objective of destroying everything. That doesn't mean that there aren't farms left or small shops left. It does mean that the terrific unemployment which will exist anyhow, and already exists in the Ruhr and which will exist much more in a month because these plants that are producing armaments will stop, is extended into the steel-making industry and the iron industry, chemical industry, and so forth. There

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are about five million workers in the Ruhr, so you will have four million unemployed; the other million will get busy in one way or another. The four million won't have a source of income; therefore, they quickly get on relief some way or another. That will be particularly true if you have it as an international zone in which Germany as such cannot trade with that area. Now the point is the four million people and their families--how long are they going to stay in Germany, I mean, in that area? Only as long as they are certain that it won't become more attractive than other areas. Well, if this is destroyed and they see there is no future for them, as they quickly will see, they will seek means of getting out. But while that is happening, there is no food.

The assumption is that the Germans will supplement it by what you do provide, breadlines, because you will have to provide that probably in Germany, I am not sure. Now, if you do that under conditions which are so unattractive either because the breadlines are long or the amount of food is short, the families will get out. They will go to areas which will be attractive only because the Ruhr is less attractive.

Now, to say that you would permit industries that do not lend themselves to armament industries to exist, it seems to me they miss the point completely, because there isn't any industry that doesn't become an armament in time of war one way or another.

H.M.JR: May I just stop a minute? I have brought back the message to you as to where the President stands and where I stand. Why don't you go to work on it, see?

MR. BELL: What is the status on this memorandum, Mr. Secretary?

H.M.JR: Which one?

MR. BELL: The one that Harry sent you.

H.M.JR: The President has it, and it has to be fixed up. It has to be brought up to date. He knows it

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is a rough draft, but I had to have that for a basis of discussion to say to the President, "This is the way we are working. Now, are we working along the right lines? Are we going too far, or not far enough?"

I told him that as far as I was concerned the memorandum didn't go far enough. He is willing to go as far as I am, or he is willing to go farther than I am. Now, the man is hungry, crazy to get some stuff to work with. When he saw what we were talking about he said, "I don't know how far I will get with Churchill on this."

I said, "I think Eden will go along with you."

He said, "It will be tough sledding with Churchill."

But he is very, very anxious to get something down in black and white on this thing. He hasn't given it much thought. He just sat around a table at Teheran and discussed it, and most of the time I take it he discussed where the Polish Border was going to be. The Russians were so much interested in that.

MR. BELL: Did he say anything about giving a directive or anything to the State Department on it? After all, they are not in this corner.

H.M.JR: Yes, Hull is. What Hull told me, himself, was that--he said, "The reason I got along so well with ... the Russians was, when I went to Moscow the first thing I told them I would do was to bring up all of these people before a drumhead court-martial and I would shoot them before sunset, and from that day on I got along with the Russians beautifully."

MR. WHITE: That is a far cry from the Ruhr.

H.M.JR: You know what happened at Cabinet? When the President talked about this committee, Hull mentioned Pasvolsky and all that.

I said, "Now look, Cordell, I read Pasvolsky's memorandum of July 30, and that is just as far from you as the North and South Poles." I exaggerated a little bit. That kind of floored him.

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Stimson told me subsequently, "I am awfully glad you did that, because Hull has been throwing that stuff at me now for months."

So you don't have to start with Hull. You have to start with the people down below. Hull is prepared to do just what I said.

MR. BELL: I should think maybe you ought to start with Hull and leave it there.

H.M.JR: Where is this appointment with Hull for tomorrow? Do we have an appointment?

MR. WHITE: We are supposed to.

Well, the thing for us to do is to take that as the instructions and work out the best plan we can to meet them. Then you can have another memorandum setting an alternative which you can use only if you are not satisfied that this particular method is either politically or some other way practicable.

MR. McCONNELL: When you get outside of the Ruhr you have a great many problems in war production.

MR. WHITE: There is no reason why you can't go ahead with your program there.

H.M.JR: That is all right to do this supervising and all that, but if you put the Ruhr under lock and key and make it a ghost area, the Germans cannot wage war with what they have left.

MR. McCONNELL: About forty percent, roughly, of their armament production is in the Ruhr.

H.M.JR: Then you take the Saar away. I would like to see a map showing this production and where it is.

MR. McCONNELL: I have it. Military Intelligence--

MR. BELL: What do you contemplate doing with the natural resources of this area, let them lie dormant?

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MR. McCONNELL: Coal and iron.

MR. BELL: That is conserving the natural resources of this area, and they will be strong still in the future.

H.M.JR: Well, we have this big crop of German children coming up, leave something for them. As a conservationist I am worried about what they are going to have.

MR. WHITE: It fits in with the President's conservation program.

H.M.JR: Sure. These little unborn children are going to be democrats.

MR. WHITE: Still going to vote for Roosevelt?

MR. McCONNELL: The principal reason for the Ruhr is transportation and coal. There is very little iron.

MR. BELL: Where is the iron?

MR. McCONNELL: In Sweden, Norway--

H.M.JR: I would love to see a map showing that.

MR. WHITE: It seems to me if you are going to do this particularly it would mitigate your problem if the Saar went to France.

(The Secretary held a telephone conversation with Mr. McCloy as follows:)

September 4, 1944
12:45 p.m.

John
McCloy: Yeah.

HMJr: I'm sorry to have bothered you with Stimson but
this is on the same thing.

M: Yeah. We -- I got the date, by-the-way.

HMJr: What?

M: I've got the date fixed.

HMJr: Oh, have you? When?

M: Ten o'clock.

HMJr: Ten o'clock

M: Yeah.

HMJr: tomorrow at Mr. Hull's office.

M: That's right.

HMJr: All right.

M: Right.

HMJr: Now, Brand just phoned; he wants to see me.

M: Yes.

HMJr: Now, I wanted to be able to say this to them --
of course, this isn't what the President wants
but if

M: Yes.

HMJr: the Presidents change, the Administration
would take 8¢ -- "X" cents for the mark, see?

M: "X" cents?

HMJr: Well, I'm saying "X".

M: "X", yes. Right.

HMJr: What would you fellows settle for?

M: Oh, we'd take

HMJr: Would you settle for ten cents?

M: Yes. Yes.

HMJr: Would you take ten cents?

M: Yes.

HMJr: What?

M: Yes. I think that generally our fellows would -- would probably go -- well, go a little higher than that, but I think ten is about the reasonable one.

HMJr: Ten?

M: Yes, considering all the "pulls" and "hauls" on both sides.

HMJr: Pardon?

M: I think the "pulls" and "hauls" on both sides -- if you could settle for that, that would be much better than

HMJr: Well, I mean, so we had -- I'm going to tell him when we see the President

M: Right.

HMJr: Wednesday

M: Right.

HMJr: as an alternative, we've got to have a fixed rate as between England and ourselves.

M: Right.

HMJr: See?

M: Right. I understand.

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HMJr: Now, one other thing.

M: Yeah.

HMJr: Have you got in the Army a map which shows the industrial resources of Germany, where the coal and iron and the factories are -- a map?

M: Oh, sure. Sure.

HMJr: Could you rush that -- have somebody bring that over to me right after lunch?

M: Okay. Right.

HMJr: A map showing that.

M: Right. Okay.

HMJr: With an officer to explain it.

M: All right. I'll do just that.

HMJr: Thank you.

M: All right. Fine.

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H.M.JR: If I could, I would like this afternoon, maybe, to go in my chart room and take a look at the natural resources of Germany.

MR. McCONNELL: I have them in figures, Mr. Secretary; they are not up on a chart, but each tonnage is put down for each little town.

H.M.JR: I will look at it. I am going to stop now, and we can start again at three, the same group.

MR. WHITE: There is a tremendous amount of memoranda in the State Department, British documents and American documents.

H.M.JR: I wish you could get hold of Matthews and see if what's-his-name hasn't this all mapped. I bet they have maps and everything.

MR. GASTON: Maybe the War Department has.

MR. McCONNELL: The War Department has. I suppose we could get them.

H.M.JR: Through McCloy's office. What about the eighty men and one horse at Leo Crowley's office?

MR. WHITE: They stand ready to work with us when we get something to work on, but they would have a tremendous amount of information on this point, I know. I know they have on the question of where the resources are.

MR. PEHLE: I would wait until the policy was set before I would take any large group in on it.

MR. WHITE: But I will call up and find out what they have on that particular point. I am sure they have at least one man, head of a section, that has been working exclusively on that question of resources.

9/4/44

Biographies

Friedrich Wilhelm Foerster, Professor of Education and Philosophy; father was director of Berlin observatory and bitter foe of Bismarck; descendant of Moltke. Fought against German nationalism all his life. In 1895, as a man of about 25 years, sentenced to 3 months imprisonment because of an article which was very critical of a speech by William II made in celebration of the battle of Sedan. Academic career in Germany impossible because of his political ideas. Fought against government during first World War. Has lived since about 1924 outside of Germany. Author of books and many articles exposing German nationalism.

Kurt Goldstein, Professor of Neurology, Medical School, Tufts College, and instructor of Psychology, Harvard University. Became famous during last war by his pioneering work concerning the treatment and rehabilitation of brain-injured soldiers. Director of Neurological Institute at the University of Frankfurt (Main) and of Neurological Hospital of Berlin. Came to the U.S. in 1933. 1934-40, Professor of Neurology and Psychiatry, Columbia University, and lecturer in abnormal Psychology, Department of Psychology, Columbia University.

Hans Kohn, Professor of Modern European History, Smith College. Born in Prague, Czechoslovakia. Was correspondent of the "Frankfurter Zeitung" in Near East for about 15 years. Came to the United States for permanent residence in 1934. Lecturer and author of various books and many articles.

September 4, 1944

At lunch with Hopkins, we got on the German question, and he said he thought 70% of the question was to put a strong man under Eisenhower to really run German economy, and eventually put the man in charge and let him run the country. I said, "I understand from people in the War Dept. that you want to go yourself." He brushed that aside and said, "Well, what I wanted to do was sort of go on a roving mission as Ambassador." So I said, "Well, Harry just what is your interest in this thing, and do you want to go?" He said, "Stimson asked me that same question," and finally after several questions he said, "I will be completely frank with you and tell you what I have in mind. I have had several discussions with the President, and I have made up my mind that when the war is over there is nothing here for me in Washington. I have devoted all of my time to the war. I have paid no attention to trivial matters, and it would be a terrific anti-climax for me to stay around after the war in Germany is over." He said, "There are several very important jobs to be filled by the President, and one is Jimmy Byrnes' job and the other one is who is going to go to Germany."

Hopkins said, "I have talked to the President, and the President is in sympathy with my going abroad, but he thought I ought to do something which wouldn't take too much time." Then he said, "Of course, for the next four or five months they need somebody very badly in France to watch DeGaulle." Then he said, "Of course this job in Germany I only would take if I could pick 12 or 15 people to assist me."

Hopkins then asked me what I thought about McCloy, and I told him I thought he would be all right.

September 4, 1944
3:25 p.m.

DISARMAMENT OF GERMANY

Present: Mr. D.W. Bell
Mr. Gaston
Mr. White
Mr. Pehle
Mr. O'Connell
Mr. McConnell
Mrs. Klotz

H.M.JR: Where are we now?

MR. WHITE: I don't know. I didn't know this meeting was called for anything special. Had you announced this morning you were going to have it?

MR. BELL: Yes.

MR. WHITE: I guess it escaped me completely. We are reworking the document in the light of your instructions this morning. I don't think it is ready now, but it will be ready.

Did you ask to have that ready by three?

H.M.JR: Yes.

MR. BELL: You asked to have a continuation of this morning's meeting, and do what you could between this morning and this afternoon.

MR. WHITE: I see. Well, we spent most of the time talking about what to do. But it will be ready very shortly. I will tell you what it will contain that is different from what you have already seen. It will include the three points you mentioned and it replaces the paragraph on the Ruhr by stating very definitely that

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everything shall be moved or destroyed except homes and farms. Those are the main differences. We still have nothing on what to do with the children. We don't even have any ideas on the subject, let alone anything to write down. We have talked some more about it, but haven't got anywhere on it.

There are some memoranda over in the State Department on education - we are sending for them - British memoranda on re-education in Germany.

H.M. JR: The map didn't come through from McCloy? He was going to give me a map.

MR. WHITE: I didn't receive it. A big map is being prepared upstairs on Germany. It ought to be through this evening and then Bob is going to put on the data. McConnell has a book with all the details and he is going to put them on the map.

MR. McCONNELL: The Air Corps has a map of German industries and capacities marked on it, especially the iron, steel, coke, and soft chemical capacities. They are sending that over. That won't be over for an hour.

Now, I have these figures, and a map of the Ruhr area, showing the location of the deposits there but I haven't the whole Germany map yet.

H.M. JR: Let's see that a minute. (Mr. McConnell hands the Secretary map of Ruhr area.)

MR. WHITE: Some of the boys raised the point that there is a terrific coal shortage and that you might want to consider merely permitting the Ruhr coal mines just to produce coal.

MR. McCONNELL: The green or blue is the coal area. That is the Saar Valley and that is the iron in France (indicating), and this is the Ruhr Valley.

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MR. GASTON: That coal shortage won't last long after the war, will it, Harry?

MR. WHITE: They think it will last longer. I don't know enough about it, but they think there will be a shortage for at least a year or longer.

H.M.JR: I would like to keep this (referring to the map).

MR. McCONNELL: May I get a copy of that for you, please?

H.M.JR: I want it at supper time, if Harry will bring it to the house.

MR. WHITE: Yes.

H.M.JR: Don't forget it, Harry.

MR. WHITE: All right. Does that have marked on it what you want?

MR. McCONNELL: It hasn't got the production on it, Harry. Now, here is May, 1944 (referring to statistical data on German industries)

MR. WHITE: We have a very big map on which we were going to mark the data he has in the book, the production and the location of all important industry.

H.M.JR: This map helps. I want this one tonight.

MR. WHITE: All right, and we will try to have the other one done.

MR. McCONNELL: Here is every steel plant, its capacity and location. That capacity will be located on this large map.

H.M.JR: To answer you as to letting them produce coal,

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that doesn't answer what I have in mind. I started out with Hopkins, who had been pretty much sold on this international idea of letting them produce some. When we got through lunch he liked this thought very much - much simpler, much easier to sell. It isn't important whether they have an international zone or not just as long as they have a strong police force. He thinks it will be much easier to maintain - just a special police force.

All of these people, like the President and Hopkins, as soon as you speak to them about what it means to the future of England, immediately they catch the thing. That appeals to them right away.

MR. WHITE: I think if it is still German - you have a police force - the Germans will always regard it as theirs and just have the police force removed. I suppose they will regard it as theirs even in an international zone. It would be a little easier to perpetuate it as an international zone.

H.M.JR: But when he left he was thoroughly sold on the ghost-town idea.

MR. WHITE: There are a great many foreign workers in the Ruhr. There has been a substitution, apparently, for a lot of German workers of foreign workers, so that would render the problem a little less difficult.

H.M.JR: When you talk about letting them produce coal - after all, coal is the whole basis for their whole chemical industry.

MR. McCONNELL: That is right.

MR. GASTON: And their steel industry.

MR. PEHLE: Mr. Secretary, the coal is there, anyhow. If you use up their resources, that is all to the good.

H.M.JR: Listen, you people aren't going to be able to budge me. I could be run over and destroyed, but I am not going to give in while I have got breath.

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MR. McCONNELL: I think we ought to go much further, sir. Just take direct metallurgy--

H.M.JR: That is all right. You start where I am starting; take this coal basin, and these three or four important areas, and just flood them.

MR. GASTON: You mean flood the mines?

H.M.JR: Yes.

MR. McCONNELL: That is very easily pumped out.

H.M.JR: Then take a little dynamite.

MR. McCONNELL: You have got to sit there and watch them, I mean. I think the police force is almost essential.

H.M.JR: That is right. But you can do this in three months - you can do it in thirty days and then explain it afterwards.

MR. GASTON: My trouble is not with your idea, but just the mechanics - how you do it.

H.M.JR: You do it, that is all. The Combined Chiefs of Staff just tell the Army to do it - just to destroy them.

MR. GASTON: Oh, destroy the mines; that is just one phase of it. The other proposition is how you keep them destroyed, and what you do to the population. I should think it would call for international control over the area.

H.M.JR: The way Hopkins put it, you set this thing up to destroy, and then he says let the people argue about putting it back into production, but first destroy the area. Then the burden of proof is on the other fellow. With all the labor in America, and labor in England - why, this would solve all the troubles in Pennsylvania and West Virginia, and everywhere else.

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MR. WHITE: I don't think - not as much as that.

H.M.JR: You are wrong. You go back thirty years when we used to export coal from Norfolk.

MR. PEHLE: We are exporting it now to Italy.

H.M.JR: It is the ten percent on top, you know that.

MR. McCONNELL: Six hundred million tons could come out of that area.

H.M.JR: But I am just saying a ten-percent extra on top of the normal production makes it a bargaining power for the buyer.

MR. McCONNELL: Yes, fifty percent difference in the price.

H.M.JR: But a surplus of ten percent puts the product in the hands of the buyer instead of the seller.

MR. McCONNELL: That is right, sir. It must not be forgotten, sir, that there is coal all over Germany.

H.M.JR: We will pursue the thing. I have another little idea and I am going to stick with it. I have the President, I have Mrs. Roosevelt, and I have Hopkins on my side. I didn't have that much when we did the volunteer plan; I only had the President and Mrs. Roosevelt.

MR. PEHLE: Mr. Secretary, I don't think the idea is to destroy everything in the Ruhr. That means you have to say that isn't any good, because you can't destroy everything all over Germany.

H.M.JR: The interesting thing - Hopkins says, "We will have to meet with Roosevelt quick, before somebody else changes his mind."

MR. WHITE: There is much to be said, actually - if you are going to take it, take it right away.

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H.M.JR: Hopkins is so keen about it. We are going to talk to Hull. He doesn't want to let more than twenty-four hours elapse.

MR. WHITE: The happiest man in the Treasury will be Orvis Schmidt. He was fighting tooth and nail for that position of destroying everything, but we shouted him down last week.

John thought the Army ought to destroy that stuff as soon as they go in, because that is when it would be possible. Glasser was talking of the splendid job which the German engineers did in the destruction of all industrial plants in Naples. The American Army engineers said it was the best job of a highly skilled technical destruction that they have ever seen. So it does require engineers of a high order to do it, and they could do it then. But the part that gave us pause was we thought that the machinery that was in the factories ought to be removed.

MR. PEHLE: Once we start on the program of saying that everybody can get what they want out of Germany, I am afraid there will be months and months of delay, and delay in this program means a great difficulty in ever carrying it out.

H.M.JR: If the Combined Chiefs of Staff, with the cooperation of the Russians, agree to this thing - that it should be done as they sweep through--

MR. PEHLE: That is right, even if they destroy some machinery that somebody else wants.

MR. BELL: Cause less fighting.

H.M.JR: They have gone through Brussels, did you know that?

MR. WHITE: I assume they are probably pulling out of Belgium into Holland.

H.M.JR: I mean our troops are through Brussels and on the outskirts of Antwerp.

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MR. GASTON: Did they enter Brussels at all?

MR. McCONNELL: We went into the city and through it.

H.M.JR: I mean, we are talking about something--

MR. BELL: ...that is around the corner. If they are going to destroy as they go in, they had better have a decision made this week.

MR. GASTON: They haven't a Siegfried Line up at the West Wall, have they - on the Dutch border? It runs up to Cologne, doesn't it?

H.M.JR: You say Schmidt is for this?

MR. PEHLE: Yes, sir. He certainly is.

H.M.JR: Who else is for it?

MR. PEHLE: I think we are all for it, now.

MR. GASTON: I don't know what it is yet. I am for stopping the heavy production of the Ruhr by any means to do it - of eliminating the heavy wartime production of the Ruhr - but I still don't know just what your plan for accomplishing that is. I think it has to be done by international occupation and deliberate closing up of those industries, and continued international occupation. I don't know that the blowing up has much importance at all. It may help.

MR. PEHLE: Boy! I do. I think it is the only way you can keep them from operating two years hence. Blow them up now and blow them up as close to the fighting period as possible. I mean, psychologically, for us to go in and blow up a lot of fine machinery is going to hurt a lot of people's senses, but if we do it at the time of the demolition of Germany, I think the public would take it without any trouble whatsoever.

MR. GASTON: I think so.

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MR. BELL: You would never do it after two years.

MR. GASTON: If the sentiment is going to change in two years, all of these plans are hopeless. If sentiment is going to change so you say, "Oh, let Germany come back" - I don't think it is going to change.

H.M.JR: Last week Schmidt and Abramson were for this?

MR. WHITE: Yes - well, the history was, they were on the other side of the fence and they claim I tried to sell them the idea of why Germany had to be made a fourth great power. So they said that I convinced them so thoroughly, that they wanted to be consistent with my view, and the only position that was consistent was the complete destruction of the Ruhr and the moving out of the people.

At first I thought they were kidding me. They were very serious indeed and they pushed us around a great deal, Schmidt and Abramson insisting that was the only reasonable position, a complete destruction of the Ruhr, and let the people be moved out. Schmidt thinks it is entirely possible and so does Abramson. As I say, they lost out finally, but--

MR. McCONNELL: ...won again.

MR. WHITE: They won out where it matters now.

MR. McCONNELL: The direct parallel would be the destruction of Pittsburgh, down to Detroit and Chicago and St. Louis and Cleveland. Eighty percent of the industry of this country, outside of the food processing--

MR. GASTON: It means they have to buy steel supplies from somewhere else, doesn't it?

MR. McCONNELL: It would be uneconomical. Automobile plants probably could not produce anything.

MR. WHITE: Why not?

MR. GASTON: Can't they get their steel from Lorraine?

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MR. McCONNELL: I doubt that without steel from Pittsburgh or the interior here that Detroit could produce any automobiles.

MR. WHITE: You mean they couldn't produce cheaply enough.

MR. McCONNELL: In competition with anybody else.

MR. WHITE: There won't be any competition. They won't be able to buy.

H.M.JR: But isn't it a fact that the Germans own Opel and they went there because they could pay the labor less? They went there because they thought they could produce stuff there and their main market was to compete with us in South America.

MR. McCONNELL: No, I didn't think that was so, sir. The German automobile is a very small low-horsepower thing.

H.M.JR: Didn't they meet us mainly in South America, the Opel?

MR. McCONNELL: I think they are making the little European car.

H.M.JR: ...The small car was made by the Fiat - a low-gas-consuming car.

MR. McCONNELL: Yes, down in Italy.

MR. GASTON: All European cars are--

H.M.JR: Well, do you have some more maps? I like maps.

Where are Schmidt and Abramson?

MR. PENLE: I can get Schmidt.

H.M.JR: Well, I have to stop at four o'clock.

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MR. McCONNELL: These are sectionalized maps of Germany with the terrain, and so forth.

H.M.JR: Look, anything you can get to White so he can bring it to the house to me tonight, I would like to have.

This is helpful. If I haven't gone far enough, Mr. McConnell, let's go a little further.

MR. McCONNELL: Well, I would like to point out just one development which might occur within five years after the razing of the Ruhr, and that is direct metallurgy with gas from brown coal and low-grade iron ores. That is right on the doorstep, almost. Not to discuss the question of the Ruhr, but I just want to point out that isn't the entire answer to the steel industry in Germany. It would be temporary. Those plants would be out, but it is not at all sure that steel can't be produced all over Germany where brown steel occurs. There are a lot of deposits in Germany. This idea of direct metal from the ore with gas production from brown coal is receiving a lot of attention. As a matter of fact, they are doing it down in Duisberg, now; we have some fairly large commercial plants working here on direct metallurgy.

H.M.JR: Well, look, what I am trying to do is to get ready a picture for the President. I am repeating myself, but I am going to keep repeating myself until he tells me to stop. I want to make Germany so impotent that she cannot forge the tools of war - another World War. Now, I could repeat myself and repeat myself, but that is what I want to accomplish.

MR. McCONNELL: This is one of the means to that end, but there are other necessary essential steps.

H.M.JR: Let's have them. We have to move awfully fast.

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MR. WHITE: What Mr. McConnell is suggesting is that there shall be a control exercised on the plants that are left within the part of Germany that you are going to leave as Germany - north and south Germany - and that that control shall be imposed to eliminate some plants entirely, to curtail the output of other plants, and subject it to the kind of control which would prevent those plants which are left from producing large enough quantities to give rise to a military potential of any significance.

MR. McCONNELL: Plus quarantine which will prevent importations of any war materials. That involves policing.

MR. WHITE: That applies to the part of Germany which is left after you take away the Ruhr and those other sections.

H.M. JR: Harry, you bring me everything you can get, and a memorandum which I hope we can work from when we see Hull.

Meeting in Secretary Morgenthau's Office
Monday, September 4, 1944, 4:00 p.m.

Present: Secretary Morgenthau
Mr. D. W. Bell
Mr. White

Mr. Brand, British Treasury

The conference was requested by Mr. Brand.

Mr. Brand stated that he had received a message from the Chancellor of the Exchequer with respect to the possible use of yellow seal dollars for pay of American troops in Germany. He gave a copy of the message to the Secretary. A copy is appended.

Secretary Morgenthau's first comment was that no decision had been made with respect to the use of dollars. Mr. Bell said that he had been given to understand that a decision had been made on that matter but that subsequently he learned that the decision was not final and so had informed the British not to send a message until the matter were further explored here. Mr. Brand stated that apparently a brief message had gone to his Government on Saturday and that he had amplified the message on Monday after talking with me. Mr. Bell and I explained that it had been decided to inform the British that the President wanted to use dollars for pay of American troops in Germany. I had also explained to Brand when Brand called on me that the decision may not be final but any modification of that decision rested with higher authorities. Mr. Brand asked if the delay in arriving at the rate was responsible for the decision to use the dollars.

The Secretary replied that the delay might have contributed to the decision. The Secretary stated that his view was that the rate should not be higher than 10 cents and that he was not going to recommend to the President any other rate than 10 cents. He said he didn't know whether the President would listen to any rate inasmuch as the President had indicated he wished to have dollars used in payment of troops in Germany. Mr. Brand stated that a 10 cent rate would give rise to a lot of trouble, that his own people thought that the rate ought to be 20 cents but that they were willing to consider a lower rate than that, probably 6 or 7 to the dollar. Mr. Brand also said that he thought we had already agreed to a rate of 12 1/2 cents and had so informed the Russians. I reminded him that the cable which we had written had stated that the British wanted the rate to be 6 to the dollar and we wanted the rate to be 10 to the dollar but it might be possible that we might compromise at 12 1/2 cents. I said I had used the word "might" because we had not gotten the approval of the Secretary on anything higher than 10 cents.

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The Secretary pointed out that he had earlier recommended a 5 cent rate to the President but was now willing in view of the circumstance to recommend a 10 cent rate but that he was not going to horse trade on the matter. Mr. Brand said that "So 10 cents is an ultimatum." The Secretary quickly objected to that characterization of his remarks and said that he wanted it clearly understood that he was not in any sense giving any ultimatum, that he was merely expressing the view that he would recommend a 10 cent rate and that it was up to the President to decide. Mr. Brand wanted to know whether it wouldn't be all right for Churchill to cable the President directly. Secretary Morgenthau replied that the Prime Minister had done so a number of times before. Mr. Brand said he would inform his Chancellor at once of the Secretary's views.

H. D. White

COPY

Message from the Chancellor of the Exchequer to Mr. Morgenthau

From London, September 4, 1944:

1. I have learned that a decision has been taken to use yellow seal dollars for pay of the American troops in Germany. I think I can understand the grounds for such a decision but close study has convinced me that for technical reasons the probable consequences would be so disturbing that I earnestly hope you may be able to secure reconsideration of the matter. I have therefore asked Brand to convey this personal message urgently to you.
2. You will know that after careful consideration an agreement was reached between your Treasury and ours, and with the Soviet authorities, that an allied military mark should be used for all purposes and for all allied troops. This agreement seemed to the Treasury here entirely right in the circumstances and we assumed that in any event it would not be altered without the consultation and agreement of all three governments.
3. Technical reasons to which I have referred are briefly as follows. Although yellow seal dollars are to be confined to pay of troops it is likely that in the early period the number of American troops in Germany will be very large and therefore this dollar will be a currency in wide use. For obvious reasons it is a currency that will be much more sought after than allied military marks or others, and these therefore are certain to lose value sharply in relation to yellow seal dollars. This situation is bound in the first place to cause considerable difficulties for our troops and those of the other allies who may be in Germany and who will be using military marks. The British military authority note, for example, does not correspond to your yellow seal dollar because it is not legal tender in the U.K. and thus has no intrinsic value unless we consent to redeem it, which of course we should certainly not do in Germany. The pro-

-2 -

bable effect on good relations between troops would indicate the desirability of consulting Combined Chiefs of Staff if change is still contemplated despite the considerations I am putting before you. There is another point. As allied military marks and Reichsmarks lose value, as they must, in relation to yellow seal dollars, it cannot be long before price and wage structure in Germany collapses. I certainly would not worry about the consequences for the Germans. If financial ruin is part of the price that leading persons in Germany pay for their wickedness so be it. But what about the immediate consequences of a collapse upon the commanders of occupation troops? I am assuming that whatever else happens in Germany immediately upon its occupation we should wish to make such civil administration as may be found to exist in Germany work on our behalf, and especially to make it take responsibility for maintaining such production as is necessary for the requirements of the occupying armies and the minimum essentials of life of the German people. Otherwise this responsibility will be laid at the door of the commanders of the occupying armies and add seriously to their anxieties. Neither of us can wish that... the allied armies should have among their first tasks the restoration of the economy of Germany.

4. All my advisers are in agreement that the fears I have expressed are not bogeys. These general arguments were all discussed with your people in connection with the earlier decision to use allied military marks and it is in the light of these broad issues of policy that I ask you to reconsider the matter."

*The Brand gave to
Hoye - 9/4/44*

Message from the Chancellor of the Exchequer to Mr. Morgenthau

From London, September 4, 1944:

"1. I have learned that a decision has been taken to use yellow seal dollars for pay of the American troops in Germany. I think I can understand the grounds for such a decision but close study has convinced me that for technical reasons the probable consequences would be so disturbing that I earnestly hope you may be able to secure reconsideration of the matter. I have therefore asked Brand to convey this personal message urgently to you.

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Mr. Morgenthau

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September 4, 1944
4:33 p.m.

HMJr: Hello.

Admiral
Leahy: Admiral Leahy.

HMJr: Morgenthau.

L: Hello, Mr. Secretary.

HMJr: How are you?

L: Fine, thank you.

HMJr: Look, Admiral, just so that you know what I've been doing in case it should come through. You know I've been to the President twice, now, to get him to agree to let us fix a rate on this military currency for Germany.

L: Yes.

HMJr: And he doesn't want no part of it, and he wants to -- to use American dollars.

L: Yeah.

HMJr: Well, we've been trying to convince him that they shouldn't and I believe the Combined Chiefs of Staff have already passed on that but that -- the President still didn't like it. Now, the representative of the British Treasury was just in here and I told him, because they've never agreed with us, if they would agree on a mark being worth ten cents; instead of twenty cents, the way they want it....

L: Yes.

HMJr: that I would go back once more to the President and try to get him to agree to it.

L: Yeah.

HMJr: And that -- but I wouldn't go back to him again while we were still trying to horse-trade with the English.

L: Yeah, I see.

HMJr: And that this was -- would be ten cents as far as I was concerned, or I would not go back. So the last thing they said, "Well, supposing Mr. Churchill should cable directly to Mr. Roosevelt?" I said, "Well, that's his privilege. He's done it before."

L: Yeah, he does it every day.

HMJr: (Laughs) So, I thought you might know about it and if something came through, I'd like to be the second fellow to know it.

L: Yes, I'll let you know if anything comes. The Boss will be back day after tomorrow morning, I think.

HMJr: I know. Well, I've told them -- the English to try to give me an answer tomorrow.

L: Uh huh.

HMJr: But I'm holding out for ten cents and I don't want the President to give them fifteen.

L: Well, if I -- if I get any message, I'll let you know -- if I get it -- as soon as he gets it, or before, if I have a chance.

HMJr: Yeah. And, of course, Eisenhower has been calling up both Stimson and McCloy and begging them to make a rate.

L: Yeah.

HMJr: And we've got to do something pretty soon.

L: Well, your ten-cent rate is all right, is it?

HMJr: Yes, the English want twenty.

L: I see.

HMJr: So, don't -- and I went to the President originally and wanted a five-cent rate.

L: That would be better than ten, wouldn't it?

HMJr: It would have. Now -- but I couldn't get either the State Department or the War Department to go along with me.

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L: Uh huh.

HMJr: The best they would do was ten cents.

L: Yeah.

HMJr: So, I say ten cents because that makes a united front here at home.

L: Yeah. Well, tell me one thing, what has the -- what has the military got to do with it? What difference does it make to us whether it's ten cents or one cent?

HMJr: Well, it's really a matter of bookkeeping. We've got to put on the books an amount. You see -- to account for it?

L: But I mean from the military point of view, I don't see why we should be interested in it. Is there any reason?

HMJr: Well, only from the standpoint -- when the soldiers begin to buy something in Germany, what are they going to get?

L: Yeah.

HMJr: See?

L: Yeah, well, it ought to be low if that's the point.

HMJr: That's the point. Now, the English want twenty; we, here in the Treasury, wanted five.

L: Yes.

HMJr: The State and War wouldn't go down below ten.

L: Uh huh.

HMJr: So we've come up and we -- I now have told the English it will be ten or nothing.

L: Good. Well, that's fine. I'll see that you get -- if I get the news

HMJr: Yes.

L: I'll see that you get it right away, Mr. Secretary.

HMJr: I thank you.

L: Fine. Good bye.

Dinner at the Secretary's Home
September 4, 1944

Present: Secretary Morgenthau
Secretary Stimson
Mr. McCloy
Mr. White

The Secretary had called the conference to discuss proposed recommendations for a program on Germany.

The Secretary read aloud part of the memorandum which had been prepared in the Treasury on a program for Germany. Secretary Stimson appeared to be most interested in the question of punishment of German war criminals. He expressed his view that it would be undesirable for either military or any other authority to impose sentences without giving the accused an opportunity for a hearing and for counsel. It was important, he felt, that they be given a fair trial though not necessarily a public trial.

The question of partitioning of Germany into Northern and Southern areas was also discussed. Secretary Stimson and McCloy said that they were not convinced of the need for such partitioning but wanted to give the matter further consideration. Mr. McCloy said he was moving toward the view that it would probably be a good thing to divide Germany. He emphasized the desirability of eliminating Berlin as the main city and moving the center of government activity to some other spot, possibly Frankfurt.

Mr. Stimson doubted the wisdom of destroying the Ruhr. He stressed the fact that to destroy much of the German industry would be to force 30 million people into starvation. In answer to an inquiry as to how he arrived at 30 million, he said that that was the difference in the population of Germany before it was industrialized in the middle of the 19th century and its present population. Mr. Stimson said that he favored slicing off Silesia and a part of East Prussia and that he also desired a rigorous prosecution of war criminals. However, he did not believe that the proper way to treat the Germans and to prevent future war was to destroy German industry.

H. D. White

9/4/44

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treasury draft document to be presented to
the Secretary for his review prior to submis-
sion to the President.

Suggested Post-Surrender Program for Germany

It is suggested that the position of the United States should be determined on the basis of the following principles:

1. Demilitarization of Germany.

It should be the aim of the Allied Forces to accomplish the complete demilitarization of Germany in the shortest possible period of time after surrender. This means completely disarming the German Army and people (including the removal or destruction of all war material), the total destruction of the whole German armament industry, and the removal or destruction of other key industries which are basic to military strength.

2. Partitioning of Germany.

(a) Poland should get that part of East Prussia which doesn't go to the U.S.S.R. and the southern portion of Silesia as indicated on the attached map, (Appendix A).

(b) France should get the Saar and the adjacent territories bounded by the Rhine and the Moselle Rivers.

(c) As indicated in part 3 an International Zone should be created containing the Ruhr and the surrounding industrial areas.

(d) The remaining portion of Germany should be divided into two autonomous, independent states, (1) a South German state comprising Bavaria, Wuerttemberg, Baden and some smaller areas and (2) a North German state comprising a large part of the old state of Prussia, Saxony, Thuringia and several smaller states.

There shall be a custom union between the new South German state and Austria, which will be restored to her pre-1938 political borders.

3. The Ruhr Area. (The Ruhr, surrounding industrial ^{and} areas, as shown on the attached map, including the Rhineland all German territory north of the Keil Canal.)

Here lies the heart of German industrial power, the caldron of wars. This area should not only be stripped of all presently existing industries but so weakened that it can never again become an industrial area. The following steps will accomplish this:

(a) Within a short period, if possible not longer than 6 months after the cessation of hostilities, all industrial plants and equipment not destroyed by military action shall either be completely dismantled and removed from the area or completely destroyed. All equipment shall be removed from the mines and all possible steps shall be taken to make it as difficult as possible ever to return the mines to operation.

It is anticipated that the stripping of this area would

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be accomplished in two stages (aside from the destruction that will occur as a result of military operations):

(i) Removal of plants and equipment by members of the United Nations as restitution and reparation (Paragraph 4).

(ii) All equipment not removed within a stated period of time, say 6 months, will be completely destroyed or reduced to scrap and allocated to the United Nations.

(b) All people within the area should be made to understand that this area will never again be allowed to become an industrial area. Accordingly, all people and their families within the area having special skills or technical training should be encouraged to migrate permanently from the area and should be as widely dispersed as possible. Steps will be taken to assure subsistence to the people pending their migration out of the area, or transfer to new occupations having no military potential.

(c) The area should be made an international zone to be governed by an international security organization to be established by the United Nations. In governing the area the international organization should take all possible steps and be guided by policies designed to further the above stated objectives.

4. Restitution and Reparation.

Reparations, in the form of recurrent payments and deliveries, should not be demanded. Restitution and reparation shall be effected by the transfer of existing German resources and territories, e.g.,

(a) by restitution of property looted by the Germans in territories occupied by them;

(b) by transfer of German territory and German private rights in industrial property situated in such territory to invaded countries and the international organization under the program of partition;

(c) by the removal and distribution among devastated countries of industrial plants and equipment situated within the International Zone and the North and South German states delimited in the section on partition;

(d) by forced German labor outside Germany; and

(e) by confiscation of all German assets of any character whatsoever outside of Germany.

5. Education and Propaganda.

(a) All schools and universities will be closed until an Allied Commission of Education has formulated an effective reorganization

- 3 -

program. It is contemplated that it may require a considerable period of time before any institutions of higher education are reopened. Meanwhile the education of German students in foreign universities will not be prohibited. Elementary schools will be reopened as quickly as appropriate teachers and textbooks are available.

(b) All German newspapers, magazines, weeklies, etc., will cease publication immediately and shall not resume publication until so directed.

(c) All German radio stations will be discontinued immediately and shall not be permitted to resume operations until so directed.

6. Political Decentralization.

The military administration in Germany in the initial period should be carried out with a view toward the eventual partitioning of Germany into three states. To facilitate partitioning and to assure its permanence the military authorities should be guided by the following principles:

(a) Dismiss all policy-making officials of the Reich government and deal primarily with local governments.

(b) Encourage the reestablishment of state governments in each of the states (Lander) corresponding to 18 states into which Germany is presently divided and in addition make the Prussian provinces separate states.

(c) Upon the partition of Germany, the various state governments should be encouraged to organize a federal government for each of the newly partitioned areas. Such new governments should be in the form of a loose confederation of states, with emphasis on states' rights and a large degree of local autonomy. Eventually such confederacies would assume sovereign functions, including separate currency and postal systems, powers of foreign representation and negotiation, etc.

7. Responsibility of Military for Local German Economy.

The sole purpose of the military in control of the German economy shall be to facilitate military operations and military occupation. The Allied Military Government shall not assume responsibility for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing, or transportation, or take any measures designed to maintain or strengthen the German economy, except those which are essential to military operations. The responsibility for sustaining the German economy and people rests with the German people with such facilities as may be available under the circumstances.

8. Controls over Development of German Economy.

During the period of 10 years after surrender controls shall

be maintained by the United Nations designed to prevent in the newly established states:

- (a) The establishment of key industries basic to military potential.
- (b) The development beyond a predetermined level of other key industries.

Among other things, controls should be exercised over foreign trade and capital imports into these states should be greatly restricted.

9. Punishment of War Crimes and Treatment of Special Groups.

There is attached (Appendix B) a program for the punishment of certain war crimes and for the treatment of Nazi organizations and other special groups.

10. Wearing of Insignia and Uniforms.

(a) No person in Germany (except members of the United Nations and neutral countries) shall be permitted to wear any military insignia of rank or branch of service, service ribbons or military medals.

(b) No such person shall be permitted to wear, after months from the cessation of hostilities any military uniform or any uniform of any quasi military organizations.

11. Prohibition on Parades, Nazi Flags, etc.

(a) No parades (military, political, civilian or sports) shall be permitted anywhere in Germany. All military bands should be disbanded and no band shall be permitted to march on the streets of Germany. *(disbanded - 1949)*

(b) All flags and other paraphernalia of the Nazi organizations shall be collected. A portion shall be set aside to distribute to foreign museums and the remainder shall be destroyed.

(No display in public of Nazi flags or other symbols or Nazi flags)

12. Airplanes

All airplanes and gliders, whether military or commercial, will be confiscated for later disposition. No German shall be permitted to operate or to help operate such planes and gliders, including those owned by foreign interests.

13. United States Responsibility.

(a) The responsibility for the execution of the post-surrender program for Germany set forth in this memorandum is the joint responsibility of the United Nations. The execution of the joint policy agreed upon should therefore eventually be entrusted to the international body which emerges from United Nations discussions.

Consideration of the specific measures to be taken in carrying out the joint program suggests the desirability of separating the task to be performed during the initial period of military occupation from those which will require a much longer period of execution. While the U.S., U.K. and U.S.S.R., will, for practical reasons, play the major role (of course aided by the military forces of other United Nations) in demilitarizing Germany (point 1) the detailed execution of other parts of the program can best be handled by Germany's continental neighbors.

(b) When Germany has been completely demilitarized there would be the following distribution of duties in carrying out the German program:

(i) The U.S. would have military and civilian representation on whatever international commission or commissions may be established for the execution of the whole German program and such representatives should have adequate U.S. staffs.

(ii) The primary responsibility for the policing of Germany and for civil administration in Germany would be assumed by the military forces of Germany's continental neighbors. Specifically, these should include Russian, French, Polish, Czech, Greek, Yugoslav, Norwegian, Dutch and Belgian soldiers.

(c) Under this program United States troops could be withdrawn within a relatively short time. Actual withdrawal of United States troops should not precede agreement with the U.S.S.R. and the U.K. on the principles set forth in this memorandum.

Punishment of Certain War Crimes and Treatment of Special Groups.

A. Punishment of Certain War Criminals.

(1) Arch-criminals.

A list of the arch criminals of this war whose obvious guilt has generally been recognized by the United Nations shall be drawn up as soon as possible and transmitted to the appropriate military authorities. The military authorities shall be instructed with respect to all persons who are on such list as follows:

(a) They shall be apprehended as soon as possible and identified as soon as possible after apprehension, the identification to be approved by an officer of the General rank.

(b) When such identification has been made the person identified shall be put to death forthwith by firing squads made up of soldiers of the United Nations.

(2) Certain Other War Criminals.

(a) Military commissions shall be established by the Allied Military Government for the trial of certain crimes which have been committed against civilization during this war. As soon as practicable, representatives of the liberated countries of Europe shall be included on such commissions. These crimes shall include those crimes covered by the following section and such other crimes as such military commissions may be ordered to try from time to time.

(b) Any person who is suspected of being responsible for (through the issuance of orders or otherwise), or having participated in, causing the death of any human being in the following situations shall be arrested and tried promptly by such military commissions, unless prior to trial one of the United Nations has requested that such person be placed in its custody for trial on similar charges for acts committed within its territory:

(i) The death was caused by action in violation of the rules of war.

(ii) The victim was killed as a hostage in reprisal for the deeds of other persons.

(iii) The victim met death because of his nationality, race, color, creed, or political conviction.

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(c) Any person who is convicted by the military commissions of the crimes specified in paragraph (b) shall be sentenced to death, unless the military commissions, in exceptional cases, determine that there are extenuating circumstances, in which case other punishment may be meted out, including deportation to a penal colony outside of Germany. Upon conviction, the sentence shall be carried out immediately.

B. Detention of Certain War Criminals.

(1) All members of the following groups should be detained until the extent of the guilt of each individual is determined:

- (a) The S.S.
- (b) The Gestapo.
- (c) All high officials of the police, S.A. and other security organizations.
- (d) All high Government and Nazi party officials.
- (e) All leading public figures closely identified with Nazism.

C. Registration of Certain Groups.

(1) A Proclamation shall be issued as soon as possible requiring the following persons to register before designated officials of the Allied Military Government:

(a) All members of the Nazi party, the Gestapo, S.S., S.A., and Kraft-Korps.

(b) Officials, and anyone occupying a position for which remuneration is received, in the Labor Front, Strength-through-Joy, Hitler Youth, and Todt.

(2) The registration shall be on a form and in a manner to be prescribed by the military authorities.

(3) Failure to register or the making of a false registration shall be made an offense triable by military commissions under the Allied Military Government, and heavy penalties shall be prescribed, including death.

D. Labor Battalions.

Apart from the question of established guilt for special crimes, mere membership in the S.S., the Gestapo and similar groups will constitute the basis for inclusion into compulsory labor battalion to serve outside Germany for reconstruction purposes.

E. Dissolution of Nazi Organizations.

The Nazi Party and all affiliated organizations such as the Labor Front, The Hitler Youth, The Strength-through-Joy, etc., should be dissolved and their properties and records confiscated. Every possible effort should be made to prevent any attempts to reconstitute them in underground or disguised form.

F. Prohibition on Exercise of Certain Privileges.

All members of the following groups should be dismissed from public office, disenfranchised and disqualified to hold any public office or to engage in journalism, teaching, and legal professions, or, in any managerial capacity in banking, manufacturing or trade:

- (1) The Nazi Party.
- (2) Nazi sympathizers who by their words or deeds materially aided or abetted the Nazi program.
- (3) The Junkers.
- (4) Military and Naval officers.

G. Junker Estates.

All Junker estates should be broken up and divided among the peasants and the system of primogeniture and entail should be abolished.

H. Prohibition on Emigration.

- (1) A Proclamation shall be issued prohibiting any person resident in Germany from leaving or attempting to leave Germany, except with permission from the Allied Military Government.
- (2) Violation of this Proclamation shall be an offense triable by military commissions of the Allied Military Government and heavy penalties shall be prescribed, including death.
- (3) All possible steps shall be taken by the military authorities to prevent any such person from leaving (without permission).

War Department Draft of Directive for 166

Period immediately following cessation
of organized resistance. Discussed with

McCloy 9/4/44

INTERIM DIRECTIVE TO SCAP REGARDING THE MILITARY GOVERNMENT OF GERMANY IN THE PERIOD IMMEDIATELY FOLLOWING THE CESSATION OF ORGANIZED RESISTANCE (POST-DEFEAT)

1. In the event that RANKIN "C" conditions obtain in Germany or that the German forces are either defeated or surrender before you have received a directive containing policies agreed upon by the three governments of the U.S., U.K. and U.S.S.R., you will be guided by the following policies, principles and instructions.
2. Your primary objectives are of short term and military character rather than of a long view governmental policy type. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. The clear fact of German military defeat and the undesirability of the results of aggression must be appreciated by all levels of the German population. The German people must bear the inevitable consequences of their own acts. Your occupation and administration will be just but firm and distant. You will strongly discourage fraternization between Allied troops and the German officials and population.
3. Military government will be established and will extend over all parts of Germany under your command. Your rights, powers and status in Germany are based upon the unconditional surrender or the complete defeat of Germany.
4. a. By virtue of your position you are clothed with supreme legislative, executive and judicial authority and power in the areas occupied by forces under your command. This authority will be broadly construed and includes

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authority to take all measures deemed by you necessary, desirable or appropriate in relation to military exigencies and the objectives of a firm military government.

2. You are authorized at your discretion to delegate the authority herein granted to you in whole or in part to members of your command and further to authorize them at their discretion to make appropriate sub-delegations.

3. You should take the necessary measures to enforce the terms of surrender and complete the disarmament of Germany.

4. The military government shall be a military administration which, until you receive further advice, will show the characteristics of an Allied undertaking acting in the interests of the United Nations.

5. The administrative policies shall be uniform throughout those parts of Germany occupied by forces under your command subject to any special requirements due to local circumstances.

6. Representatives of civilian agencies of the U.S. or U.K. Governments or of UNRRA shall not participate unless and until you consider such participation desirable when it will be subject, as to time and extent, to decision by the Combined Chiefs of Staff on your recommendation.

7. It is contemplated that a tripartite administration by the U.S., U.K. and U.S.S.R. covering the whole of Germany will be established. You have previously

received advice in this connection.

8. You are authorized as SCAMP to enter into arrangements with the U.S.S.R. military commanders as may be necessary for the occupation of Germany by the three powers.

9. Appendix "A", Political Directive; Appendix "B", Financial Directive; Appendix "C", Economic Directive; and Appendix "D", Relief Directive, are attached hereto. At Appendix "E" there is a chart suggestive of the tripartite form which military government for Germany might take. At Appendix "F" there is attached the draft instrument of unconditional surrender for Germany.

APPENDIX "A"POLITICAL DIRECTIVE

1. The following persons will be arrested and held, pending receipt by you of further instructions as to their disposition:

(a) Adolf Hitler, his chief Nazi associates, and Nazi officials down to and including the secretaries of local party units.

(b) All persons suspected of having committed war crimes.

(c) The leading officials of all ministries and other high political officials of Germany and those persons who have held high position, either civil or military, in the administration of German occupied countries.

(d) Prominent Nazis holding important and key positions in (1) National and Gau civic and economic organizations, (2) corporations and other organizations in which the government has a major financial interest, (3) industry, (4) finance, (5) education, (6) the judiciary, (7) the press and other agencies disseminating news and propaganda.

(e) All judges, prosecutors and officials of the People's Court.

(f) Any national of any of the United Nations who is believed to have committed offenses against his national law in support of the German war effort.

2. You will issue a proclamation dissolving the Nazi party and its affiliates throughout Germany. You will take all practicable measures to uproot and discredit Nazi doctrines. No secret organizations or societies of any

kind shall be permitted. Property, real and personal, of the Nazi party and its affiliates, wherever found, will be regarded as public property.

3. You will make special efforts to preserve all records and plans of the

- (a) The German government
- (b) German military organizations
- (c) All organizations engaged in military research
- (d) The Nazi party and affiliated organizations
- (e) Security, criminal and ordinary police
- (f) Nazi economic organizations and industrial establishments
- (g) Institutes and special bureaus established in Germany, devoting

themselves to race, political, or similar research.

4. You will take immediate steps to abrogate all laws, decrees, regulations or aspects thereof, which discriminate on the basis of race, color, creed, or political opinions. All persons who are detained or placed in custody by the Nazis on these grounds will be released, subject to requirements of security and interests of the individuals concerned.

5. The criminal and civil courts of Germany will be closed. After the elimination of all Nazi elements, at such time and under such regulations, supervision and control as you may determine, you may permit the courts to resume functioning. All politically objectionable courts, e.g., People's Courts, will be abolished. All security and political police, including

criminal and order police, but including the Gestapo and Sicherheitsdienst der S.S., will be disbanded, arrested and their members disarmed and held for disposition. Criminal and ordinary police, and such others as it may be proper to retain, must be purged of Nazi or otherwise undesirable elements, who will also be arrested and held for disposition. It is imperative to arrest and hold all high police presidents and leaders.

6. No person in Germany, other than United Nations nationals as authorized by you, shall be permitted to possess arms of any character except that such local police as you may utilize to maintain order may be armed with such law enforcement weapons as you may deem appropriate.

7. You will decide whether the objectives of military government are better served by the appointment of officers of the occupation forces or by the use of the services of Germans. It shall be made clear to all other government officials and employees that their continued employment is solely on the basis of cooperation, performance and behavior satisfactory to you. The replacement of any local government officials who may be removed will rest with you. In general, the entire Nazi leadership shall be removed from all posts of authority and no person who was a member of the German General Staff or Supreme Command or the Nazi Hierarchy will occupy any important governmental or civilian position. Under no circumstances shall active Nazis or ardent sympathisers be retained in office for the purpose of administrative convenience or expediency.

8. Subject to the provisions of paragraph 11 and to the extent that military interests are not prejudiced, freedom of speech and press, and of religious worship will be permitted. Consistent with military necessity, all religious institutions will be respected and all efforts will be made to preserve historical archives, classical monuments and fine arts.

9. a. Diplomatic and consular officials of countries at war with any of the United Nations will be taken into protective custody and held for further disposition. Diplomatic and consular officials of neutrals will be dealt with in accordance with instructions to be issued by the Combined Chiefs of Staff.

b. All German diplomats and consular officials and other agents will be recalled. If their recall cannot be effected or if their recall is not practicable by reasons of nationality, their authority as agents for Germany will be terminated. All records and files of these agents and officers will be ordered returned to Germany or otherwise made available for appropriate inspection.

10. a. All practical measures will be taken to insure the health and welfare of United Nations nationals and neutral internees, including provision of employment as practicable, and repatriation should be undertaken as rapidly as military conditions permit. It shall be within your discretion to determine whether such persons should or should not be allowed to disperse, pending the completion of plans for their employment

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or other disposition.

b. Nationals of countries with which any of the United Nations are or have been at war (except Germany) will be identified and registered, and those whose freedom of movement would endanger the security of the armed forces or be otherwise undesirable will be interned or their activities curtailed as may be necessary under the circumstances.

11. a. Propagation of Nazi doctrines and Nazi propaganda in any form shall be prohibited. All schools and universities will be closed. Elementary schools only will be reopened as soon as possible after Nazi personnel has been eliminated and text books and curricula provided which are free of Nazi doctrines. Further guidance on German education and schools will be given to you in a separate directive.

b. No political activities of any kind shall be countenanced unless authorized by you. Unless you deem otherwise, no political personalities or organized political groups shall have any part in determining the policies of the military administration. It is essential to avoid any commitments to or negotiations with any political elements.

c. The publication of all newspapers, magazines, weeklies and other publications and the operation of all German radio stations throughout the area under your command will be suspended. Thereafter you will permit the dissemination of news or information subject to such censorship and control

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as you consider necessary in the interests of military security and intelligence and to carry out the principles laid down in this directive.

12. No persons shall be permitted to leave or enter the area under your command without your authority.

APPENDIX "B"**FINANCIAL DIRECTIVE**

1. United States, British and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at a rate of 1 Allied Military mark for 1 Reichsmark. Records will be kept of the amounts of the German marks used by the forces of each nation. Reichskreditkassenscheine and other German Military currency will not be legal tender in Germany.

2. In the event, however, that for any reason adequate supplies of Allied Military marks and/or Reichsmarks are not available, the United States forces will use yellow seal dollars and regular United States coins and the British forces will use British Military authority notes and regular British coins. Records will be kept of the amounts of currencies used by the United States and British forces.

3. If it is found necessary to use U.S. yellow seal dollars and BMA notes, the following provisions will apply to such use:

A. The rate of exchange between the U.S. yellow seal dollar and the BMA notes will be 4.035 dollars to one pound, and the two currencies will be interchangeable at that rate. The United States Treasury will make the necessary arrangements with the British Treasury.

B. You will issue a proclamation, if necessary, requiring all persons

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to accept U.S. yellow seal dollars and BMA notes at the decreed rates.

Transactions at any other rates will be prohibited.

g. The issuance of yellow seal dollars and BMA notes will cease and Allied Military mark and/or Reichsmark currency will be used in their place as soon as available.

h. U.S. yellow seal dollars and BMA notes will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

i. Records will be kept of the amounts of such currencies used by the United States, British and other Allied forces.

4. The rate of exchange to be used only for the purpose of paying personnel of the armed forces will be _____ marks to the dollar and _____ marks to the pound sterling. A general rate of exchange may be furnished to you later. Holders of mark currency or deposits will not be entitled to purchase foreign exchange without special permission. They will obtain dollars or pounds, or any other foreign currency or foreign exchange credits, only in accordance with exchange regulations issued by you.

5. The Financial Division of the Civil Affairs Section for Germany will include in its functions the control of all funds to be used by the Allied Military forces within the area, except yellow seal dollars and BMA notes which will be under the control of U.S. and British forces respectively. It will maintain all the accounts and records necessary to indicate the supply, control, and movement of

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these currencies including yellow seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied Military forces.

a. Insofar as operations relate to the provisions of currencies for the pay and other cash requirements of military components of the Allied forces, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the military force concerned at the rate of exchange prescribed in paragraph 4 above.

b. Insofar as operations relate to the provision of currencies for civil administration, the Finance Division will supply Allied Military marks from currency on hand and will record the debit against the Allied Military Government.

a. If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof, or any other bank satisfactory to you, as agent for the Financial Division of the Civil Affairs Section. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business, and, if necessary, by making credits available, place such bank or banks in a position to finance other banks and branches thereof, for the conduct of their business as approved by the Allied Military authorities.

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4. The records of the Financial Division of the Civil Affairs Section established within the area will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

5. You will take the following steps and will put into effect only such further financial measures as you may deem to be necessary from a strictly military standpoint:

a. You will declare a general or limited moratorium if you deem such measure to be necessary. In particular, it may prove desirable to prevent foreclosures of mortgages and the exercise of similar remedies by creditors against individuals and small business enterprises.

b. Banks should be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided and to insure that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove Nazi elements and other objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph 2 below. As soon as practicable, banks should be required to file reports listing assets, liabilities, and all accounts in excess of 25,000 marks.

2. You will issue regulations prescribing the purposes for which credit may be extended and the terms and conditions governing the extension of credit.

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If banking facilities are not available you may establish such credits or make such loans as you deem necessary for essential economic activities. These will be restricted to mark credits and loans.

A. You will close all stock exchanges and similar financial institutions for such period as you deem desirable.

B. Pending determination of future disposition, all gold, foreign currencies, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following, will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof and their Nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Germany under your control.

(4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials, leading members, and supporters thereof.

(5) Persons under detention or other types of custody by Allied

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Military authorities and other persons whose activities are hostile to the interests of the military government.

F. No governmental or private bank or agency will be authorized to issue banknotes or currency except that, if found practicable and desirable, you may so authorize the Reichsbank and the Rentenbank when they are under adequate military control and supervision.

G. You will issue immediately a proclamation prohibiting all transfers of or other dealings in securities, other than central government securities, for such period as you may deem desirable. You may, however, prohibit or limit dealings in central government securities, but only pending resumption of service on the public debt.

7. All dealings in gold and foreign exchange and all foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited except as permitted under such regulations as you may issue relative thereto. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts, but if yellow seal dollars and BMA notes are legal tender, they may be accepted at the decreed general rate of exchange and will be turned in as directed by you in exchange for mark currency at the decreed general rate of exchange.

8. Non-yellow seal U.S. dollar notes and regular British pound notes will not be legal tender. No person, agency or bank engaged in the exchange of money will

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acquire or otherwise deal in these notes except as you may so authorize. U.S. Army and Navy Finance Officers and British Paymasters may, however, be authorized to accept non-yellow seal U.S. dollar notes and regular British pound notes from United States and British Military or authorized personnel for conversion into Allied Military mark or Reichsmark currency at the decreed general rate of exchange, after satisfying themselves as to the source of the notes.

9. All bona fide government pensions, allowances, and social security payments will continue to be paid, but steps will be taken as soon as practicable for a study of pensioners' records with a view to nullifying all unnecessary and undesirable pensions and bonuses of Nazi inception.

10. The railways, postal, telegraph and telephone service, radio and all government monopolies will be placed under your control and their revenues made available to the military government.

11. You will, consistent with international custom and usage, maintain existing tax laws, except that discriminatory taxes introduced under the Nazi regime will be abolished. Prompt action should be taken to maintain the inflow of revenue at the highest possible level. You will resume service on the public debt as soon as military and financial conditions permit.

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TOP SECRETAPPENDIX "G"ECONOMIC DIRECTIVE

1. You will assume control of existing German industrial, agricultural, utility, communication and transportation facilities, supplies and services, and of German domestic and foreign trade, for the purposes of

a. Assuring the immediate cessation of the production, acquisition or development of implements of war.

b. Assuring the production and maintenance of goods and services essential

(1) to prevent or alleviate epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation.

(2) to the prosecution of the war against Japan (but only to the extent that specific directives of higher authority call for such goods or services) and

(3) to the provision of relief and rehabilitation supplies to the Allied nations and to the performance by Germany of such further acts of restitution as may be determined by the Allied governments.

2. You may impose such other economic measures as you deem necessary to prevent serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation.

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3. A plan should be prepared by you to prevent transfers of title of real and personal property intended to defeat, evade or avoid the orders, proclamations or decrees of the military government or the decision of the courts established by it.

4. Substantial amounts of private property of various categories has been seized, looted or otherwise improperly acquired by various Nazi officials. While it is contemplated that a suitable commission will ultimately deal with this problem, you should take such steps as may be practicable to collect any available information and to preserve any property of this kind found in the area under your control.

5. a. All property in the German territory belonging to any country with which any of the United Nations are, or have been, at war may be controlled, subject to such use thereof as you may direct.

b. Your responsibility for the property of the United Nations, other than U.K. and U.S. and their nationals, in areas occupied by Allied forces shall be the same as for the property of U.K. and U.S. and their nationals, except where a distinction is expressly provided by treaty or agreement. Within such limits as are imposed by the military situation you should take all reasonable steps necessary to preserve and protect such property.

6. You will permit the formation of democratic labor unions and other forms of free economic association, exercising safeguards necessary to eliminate Nazi

labor institutions and to prevent or eradicate underground, secret, or subversive activities or organizations.

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APPENDIX "D"

RELIEF DIRECTIVE

1. You will be responsible for the provision and distribution of supplies for civilian relief, to the extent defined below, in all areas of Germany under your command. In connection with this responsibility, you will make maximum use of supplies, stockpiles and resources available within Germany in order to limit the extent to which imports, if any, will be required.

2. The scale of relief to be provided will in no event exceed the minimum quantity of food, fuel, medical, sanitary and agreed essential supplies necessary to maintain the health and working capacity of the civilian population, to preserve public order, to develop local resources in order to lighten the burden on the Allied armies, and to accomplish the objectives of the occupation.

3. You will provide for importation of civilian supplies into Germany only to the extent that critical shortages of any essential items threaten clear and imminent interference with the policies set forth in paragraph 2 of this directive.

4. You will undertake measures necessary for the control, prevention and treatment of epidemics and other diseases and the promulgation of such medical and sanitation measures, including emergency shelter, as will preserve the state of public health and protect the occupying forces.

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SUGGESTED POST-SURRENDER U.S. PROGRAM FOR GERMANY

1. Demilitarisation of Germany.

It should be the aim of the Allied Forces to accomplish the complete demilitarisation of Germany in the shortest possible period of time after surrender. This means completely disarming the German Army and people (including the withdrawal or destruction of all war material) and the total destruction of the whole German armament industry as well as those parts of supporting industries having no other justification. This will include the following:

- (a) Demolition of synthetic oil plants.
- (b) Removal of surplus nitrogen plants.
- (c) Removal of surplus sulphuric acid plants.
- (d) Scrap heavy steel armament plants.
- (e) Removal of electric furnaces.
- (f) Removal of high alloy steel works.
- (g) Scrap airplane plants and prohibit construction or operation of airplanes by Germans.
- (h) Scrap aluminum, alumina and all light metal plants.
- (i) Demolition of all powder plants.

2. Partitioning of Germany.

- (a) To U.S.S.R. and Poland, northern Silesia and that territory east of the Oder River.
- (b) To France, the territory west of the Rhine and south of Coblenz.
- (c) To Belgium and The Netherlands, portions of the northern Rhine Valley.
- (d) To Denmark, the area north of the Kiel Canal.
- (e) As indicated in Part 3, an international, mandated area created by the Allied Nations to be placed under the control of the U.S., U.K. and U.S.S.R., comprising the Ruhr, the water shed east of the Rhine and the channel coast to the Kiel Canal.
- (f) The remaining portion of Germany to be divided into two (or three) autonomous, independent states; (i) A South Germany state comprising the water shed of the Danube to the Austrian border and (ii) a North Germany state bounded by the Oder River, Czechoslovakia on the east, the Danube divide on the south and the mandated area on the west.

3. The Ruhr - East Rhine.

- (a) An International Zone mandated to Anglo-American-Russian control should be created containing the Ruhr and the surrounding industrial areas. Included in the Zone should be the Kiel Canal and the Rhineland. The Zone should be governed and controlled by an Anglo-American security organization, the mandate and provisions for which to be established by the United Nations.
- (b) The mandate shall require: (i) total destruction of all industry in the Ruhr; (ii) restitution and reparations, including removal and distribution of all industrial plants and equipment.
- (c) Ownership and control, subject to mandate provisions, shall be transferred to the U.K. and U.S.
- (d) The natural resources of the Ruhr area shall not be used or developed so as to contribute in any way to the industrial or military potential of Germany or the Ruhr area.
- (e) The Zone will be a free trade area.

4. Quarantine.

An Allied Nations tariff and foreign exchange commission with full power to control all imports or exports and to collect tariffs thereon. The commission to be comprised of U.S., U.K. and U.S.S.R., each with 20 votes and the border nations collectively with 40 votes.

The power of the commission to extend around and between the North and South German states, the Rhine-Ruhr mandate area, Austria, Hungary, Rumania, and Bulgaria. To control trade and collect tariffs as may be determined from time to time for the purposes of:

- (a) Exclusion of all raw materials useful for war purposes other than those amounts necessary for normal peacetime inventories in order to prohibit stockpiling of war materials such as oil, nitrates, pyrites or brimstone, iron ore, pig iron, all alloy metals, manganese, chrome ore, copper, nickel, aluminum, magnesium, tin, lead, zinc, etc.
- (b) To collect tariffs:
 - (i) To defray the cost of policing on land or sea.
 - (ii) Pay the cost of occupation, relief, rehabilitation.
 - (iii) Reparation.

5. Restitution and Reparation.

Restitution shall be effected by the transfer of existing German resources and territories, e.g.,

- (a) by restitution of property looted by the Germans in territories occupied by them.

- (b) by transfer of German territory and German private rights in industrial property situated in such territory to invaded countries and the international organization under the program of partition.
- (c) by the removal and distribution among devastated countries of industrial plants and equipment situated within the International Zone and the North and South German states delimited in the section on partition.
- (d) by forced German labor outside Germany.
- (e) by confiscation of all German assets of any character whatsoever outside of Germany.

6. Treatment of Special Groups.

7. There should be abrogated and declared null and void all pre-surrender laws, decrees, regulations or aspects of the same which discriminate on the basis of race, color, creed or political opinions.

8. Education and Propaganda.

9. Political Decentralisation.

10. German Economy.

11. United States Responsibility.

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Draft prepared in State
Dept. & given by Sec. Hull
Sec. M. -

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September 4, 1944

SUGGESTED RECOMMENDATIONS ON TREATMENT OF GERMANY
FROM THE CABINET COMMITTEE FOR THE PRESIDENT

1. Appointment of an American
High Commissioner

It has become urgent that an American High Commissioner for Germany be appointed. Immediately upon occupation of Germany many important problems will have to be decided on a tripartite basis between the U.S., the U.K., and the U.S.S.R. These problems will have not only important military aspects but will require the working out of a common policy in the political and economic fields as well. The American High Commissioner should be an official of high political ability and considerable prestige who can speak with authority for this Government in all matters where a common policy must be worked out with the U.K. and the U.S.S.R. The appointment should be made as soon as possible.

2. American Policy for the
Treatment of Germany

The following policies for the treatment of Germany are recommended as the objectives of the United States, and for which we should seek agreement with the U.K. and the U.S.S.R.:

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(a) Demilitarization of Germany, including the complete dissolution of all German armed forces and all Nazi military, para-military and police organizations, and the destruction or scrapping of all arms, ammunition and implements of war. Further manufacture in Germany of arms, ammunition and implements of war should be prohibited.

(b) Dissolution of the Nazi Party and all affiliated organizations. Large groups of particularly objectionable elements, especially the SS and the Gestapo, should be arrested and interned and war criminals should be tried and executed. Party members should be excluded from political or civil activity and subject to a number of restrictions. All laws discriminating against persons on grounds of race, color, creed or political opinion should be annulled.

(c) Extensive controls should be maintained over communications, press and propaganda for the purpose of eliminating Nazi doctrines or similar teachings.

(d) Extensive controls over German educational system should be established for the purpose of eliminating all Nazi influence and propaganda.

(e) No decision should be taken on the possible partition of Germany (as distinguished from territorial amputations) until we see what the internal situation is and what is the

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attitude of our principal Allies on this question. We should encourage a decentralization of the German governmental structure and if any tendencies toward spontaneous partition of Germany arise they should not be discouraged.

(f) The American Government has no direct interest in obtaining reparations from Germany and consequently no interest in building up German economy in order to collect continuing reparations. However, the U.K. and the U.S.S.R., together with a number of smaller states which have been victims of German exploitation, may have claims on German production which they will require for purposes of rehabilitation and reconstruction. Consequently, we should not take a fixed position on reparations at this time but should await the views of governments which have a more direct interest.

(g) As the great Junker estates have provided the economic basis for the military caste in Germany, these estates should be broken up and the holdings distributed to tenants.

(h) The primary objectives of our economic policy are: (1) the standard of living of the German population shall be held down to subsistence levels; (2) German economic position of power in Europe must be eliminated; (3) German economic capacity must be converted in such manner that it will be so dependent on imports and exports that Germany cannot by its own devices reconvert to war production.

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meeting with Hull 9/5/44

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2. American Policy for the
Treatment of Germany

The following policies for the treatment of Germany are recommended as the objectives of the United States, and for which we should seek agreement with the U.K. and the U.S.S.R.:

(a) Demilitarization of Germany, including the complete dissolution of all German armed forces and all Nazi military, para-military and police organizations, and the destruction or scrapping of all arms, ammunition and implements of war. Further manufacture in Germany of arms, ammunition and implements of war should be prohibited.

(b) Dissolution

-2-

(b) Dissolution of the Nazi Party and all affiliated organizations. Large groups of particularly objectionable elements, especially the SS and the Gestapo, should be arrested and interned and war criminals should be tried and executed. Party members should be excluded from political or civil activity and subject to a number of restrictions. All laws discriminating against persons on grounds of race, color, creed or political opinion should be annulled.

(c) Extensive controls should be maintained over communications, press and propaganda for the purpose of eliminating Nazi doctrines or similar teachings.

(d) Extensive controls over German educational system should be established for the purpose of eliminating all Nazi influence and propaganda.

(e) No decision should be taken on the possible partition of Germany (as distinguished from territorial amputations) until we see what the internal situation is and what is the attitude of our principal Allies on this question. We should encourage a decentralization of the German governmental structure and if any tendencies toward spontaneous partition of Germany arise they should not be discouraged.

(f) The American Government has no direct interest in obtaining reparations from Germany and consequently no interest in building up German economy in order to collect continuing reparations. However, the U.K. and the U.S.S.R., together with a number of smaller states which have been victims of German exploitation, may have claims on German production which they will require for purposes of rehabilitation and reconstruction. Consequently, we should not take

a

I said I think we should refer to the Pres. before we do anything.

-3-

a fixed position on reparations at this time but should await the views of governments which have a more direct interest.

(g) As the great Junker estates have provided the economic basis for the military caste in Germany, these estates should be broken up and the holdings distributed to tenants.

(h) The primary objectives of our economic policy are:
(1) the standard of living of the German population shall be held down to subsistence levels; (2) German economic position of power in Europe must be eliminated; (3) German economic capacity must be converted in such manner that it will be so dependent on imports and exports that Germany cannot by its own devices reconvert to war production.

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

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file

SECRET September 4th, 1944.

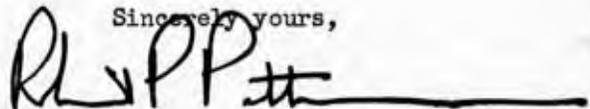
Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Henry:

I am enclosing a copy of the memorandum from
General Greenbaum on the subject of industrial demobilization
problems following the defeat of Germany. This is the paper
that you looked at this morning.

I am also enclosing a copy of Colonel Gow's memo-
randum on the same topic.

Sincerely yours,



Robert P. Patterson,
Under Secretary of War.

rpp:lm
enc.

SECRET

September 4th, 1944.

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(Signed) ROBERT P. PATTERSON

Robert P. Patterson,
Under Secretary of War.

rpp:lm
enc.

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1 September 1944

MEMORANDUM FOR GENERAL GREENBAUM

Subject: Upon the Defeat of Germany

1. In accordance with your request, the attached material outlines Army public relations proposals to take effect subsequent to and following the defeat of Germany.

2. This program can be summarized as follows:

- a. A fully developed plan to rededicate America to the big job of defeating Japan.
- b. A plan to explain the Army's program on industrial demobilization to the American public.
- c. A plan to explain the Army's program on military demobilization to the American public.

Underlying these objectives are three fundamentals that it is believed should govern all thinking and planning.

1) The Army comes to the American public with a great **SUCCESS** story.

The defeat of Germany will represent an unprecedented **VICTORY**. Part of the rewards of this victory is the opportunity to cancel a portion of war production. Let this story be kept triumphant and on the positive side where it belongs.

2) The Army comes to the American public with a great **CONSERVATION** story.

The public naturally wants war expenditures to be reduced. Everybody wants to return to normalcy. Let cutbacks be explained -- not apologized for. The Army is conserving manpower, materials and money in not continuing to produce what it does not need.

3) The War isn't over yet.

We still have to defeat Japan. The quicker the victory, the quicker all America can return to peace-time living and working.

SUGGESTED PROGRAM

Meetings: A series of small informal meetings, called by top officials of the War Department, to be held successively with Pentagon Reporters, publishers and heads of Radio Networks, labor leaders, leaders in advertising, editorial writers - columnists - radio commentators, trade press, heads of various business groups and associations.

Radio: A series of half-hour radio programs, shortly after the defeat of Germany, which would reveal the skillful strategy and planning on part of Army. First program might feature the inside story of the great campaign just completed as told by General Marshall and Mr. Patterson, the second by General Eisenhower and General Bradley, the third by Generals Clark, Patton and Fitch, and the fourth by General MacArthur. Other radio programs are suggested such as a rededication ceremony, a program aimed at the peoples of Japan, as well as an immediate Japanese emphasis on all Army radio programs.

Moving Pictures: In addition to the moving picture on military demobilization the possibilities of one on industrial demobilization are being considered. Six shorts on Japan for theatrical distribution are also being worked on.

Immediately -- More Emphasis on Japan: In all caravan shows, plant rallies and other assemblies.

Immediately -- Strengthening of Speakers' Bureau: Efforts are already underway to secure men with Pacific Ocean experience.

Program to Stimulate Magazine Articles: Efforts will be made to get articles written on all phases of industrial demobilization and the problems ahead in defeating Japan.

Press Releases: A series of press releases should be initiated which would explain the whole War Department policy on industrial and military demobilization.

Generation of Advertisers: A complete program will be suggested to the War Advertising Council and their full cooperation requested in carrying it out.

Statement from Mr. Patterson: This statement would congratulate the war workers of America on a job well done and tell them that the War Department is going to waste no time in releasing as many plants as possible for civilian production.

General Marshall Newsreel: A statement covering our needs to defeat Japan, both soldiers and war workers, to be shown in every theater in the country following the defeat of Germany.

Generals: Series of posters on Japan. Special press releases. Special newspaper releases. Letters to Technical Services and Service Commands. Encouragement of community parades. Possible return of a B-29 that raided Japan.

RALPH F. GOW
Colonel, G. S. C.
Chief, Industrial Services Division

CONFIDENTIAL

SECRET

1 September 1944

MEMORANDUM TO: The Under Secretary

Subject: Industrial Demobilization Problems Facing the War Department Immediately Following the Defeat of Germany.

In accordance with your instructions the subject has been studied and this memorandum is submitted as an outline of conclusions and suggestions for action.

Discussion is limited to the period immediately following the "defeat of Germany." It is assumed that defeat may not occur on any one day but may be gradual or piecemeal. Just as no "M Day" actually occurred under the Industrial Mobilization Plan, no "X Day" may occur here. The timing and contents of any plan must, therefore, be sufficiently flexible to adjust to the course of events.

The magnitude of the problem is obvious. The experience following the defeat of Germany in World War I is a lesson on the consequences of unpreparedness for the event. This time the consequences have, to a considerable degree, been anticipated. The War Department has carefully developed basic plans for its part in demobilization. But it is essential that its action upon these plans give actual evidence of such anticipation. What it does -- or fails to do -- at the very first stages of demobilization may, to a large extent, determine the public's confidence in the War Department's ability to carry through. A bad start may jeopardize the success of sound overall plans.

The subject will be discussed under two headings: "Public Relations," and "Demobilization Plans." Since the public relations problem is of most immediately pressing importance, it is here discussed in advance of a general description of overall planning.

Public Relations

It is paramount that the War Department adopt an affirmative position, not an apologetic or defensive one. The War Department's strength will lie in the fact that the Army will stand before the American Public at the height of its triumph. But public confidence and approbation will be sharply diminished as the demobilization plan is put into effect, however justified its character and inescapable its consequences.

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The mainstay of the War Department's position must be that the fight against Germany has been won; that huge expenditures of money, required for that purpose need no longer be made, must now be eliminated, and will be eliminated, as a result of industrial demobilization; that the Army has no right to buy and will not buy what it no longer needs; that as a direct result of this policy, labor, materials, and facilities will speedily be made available for the process of reconversion and for normal civilian activities. The War Department must further take the position that its conduct is the only one open to an honest and efficient public servant.

There will be no escaping the obvious fact that, at least for the time being, millions of people will be put out of work and thousands of plants closed. Criticism and complaints from various sources similar to those leveled against the War Department's procurement program during the past four years may be concentrated against its demobilization program, in heightened form, during a period of four weeks. In dealing with this situation, the War Department must be realistic and candid. It must show that the main responsibility for cushioning the shock of these events lies with other agencies and with Congress, but that by the conscientious execution of its plans, by the criteria it has adopted for cutbacks, the period of unemployment will be shortened and the transition to normal activities facilitated.

Throughout there must be repeated stress of the fact that the war is not over, that the big job of defeating Japan is still ahead, and that the problems of transition must in no way be permitted to interfere with achievement of final victory. It must be pointed out that the aims, policies and plans on industrial demobilization are those best suited to achieve the ultimate victory while simultaneously promoting economic stability and the resumption of civilian production at home.

General Surles is fully in accord with the necessity of convincing the American public that the Army has planned its Industrial Demobilization Program with the same care as it planned its Military Program, now crowned with success. After

After this office had raised the problem with General Surles he brought it up before the General Council. This appears in the minutes of the Council meeting of 14 August. After report of the discussion of the matter, the following appears:

*General Maxwell commented that the G-4 Division had been informed that the Under Secretary of War was setting up a committee to work in this field. General Surles replied that he believed that this was in response to his request. There had been many interested parties making their own plans without such coordination, and the Army Service Forces was

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asked to coordinate ASF material so that it would be channeled through one medium in order to consolidate and coordinate the plans and projects of the ASF in the fields of supply and materiel."

The Committee referred to is a group appointed by this office on 11 August to study this problem. It includes representatives from General Tompkins' office, from BPR, G-4, AAF, ASF Control Division, Readjustment Division, Industrial Personnel Division and this office. The information herein presented was collected largely as a result of the work of this Committee.

Colonel Gow has been designated by General Surles to handle the public relations program for demobilization and is Chairman of the Committee.

Attached is a memorandum from Colonel Gow indicating some of the steps to be taken to accomplish the public relations program. (Tab A) While it will require changes and revisions, its present form will indicate the general character of action to be taken. You will note that it entails certain preparatory action before X-Day and steps to be taken thereafter. The plan includes broadcasts by Gen. Marshall and a series of broadcasts on successive days by Gen. Eisenhower, Gen. Bradley, Gen. Patton and other overseas commanders. Final broadcast is to be made by Gen. MacArthur. There are envisaged a series of meetings with small selected groups of newspapermen, publishers, business leaders and labor representatives. At these meetings the War Department will announce its plans and invite questions, suggestions and criticisms. The program includes the preparation of posters, ready for distribution after X-day to war plants throughout the country. An excellent poster by James Montgomery Flagg stresses the slogan -- "Japan you are next -- We'll finish the job!"

The program will make full use of radio, newspapers, groups of individuals, advertising councils and every other kind of publicity apparatus for disseminating the War Department's plans and thoughts. Whatever will serve to both clarify the War Department's position and reawaken and rededicate America to the task of defeating Japan will be utilized.

At the same time that the War Department is engaged upon its program of industrial demobilization it will embark upon its program of military demobilization. This will also involve a number of extremely difficult problems on the Public Relations side. It will be a bitter disappointment to many soldiers and their families to realize that they are not coming home at once and many who are in this country will not be discharged.

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General Tompkins is fully aware of the difficulties of the Public Relations Program for this side of demobilization. He has asked General Surles to have it developed and General Surles has detailed Colonel Gow and his staff to work on it. A technicolor motion picture is being prepared by Walt Disney and Col. Frank Capra and it is expected that it will be ready by the 2nd of October. The message which is part of the picture is given by General Marshall.

The War Department will, therefore, assume the responsibility for two unpopular trains of events. It must deny discharge to millions of soldiers while granting it to others; its cutbacks while satisfactory to many business men will be unsatisfactory to others and generally unsatisfactory to labor. In developing a Public Relations Program to meet the criticisms and animosity stemming from both of these actions, it is essential that the interrelatedness of military and industrial demobilization be recognized and reflected.

Demobilization Plans

The public relations aspect of the problem is, of course, merely one phase of it. Its success is entirely dependent upon the soundness of the demobilization plans and the War Department's ability to execute it.

Status of demobilization planning. The War Department has devoted a great deal of time to detailed studies since the formation of the Special Planning Division, War Department General Staff, in May 1943. A careful and extremely able job has been done. The steps taken by the War Department in regard to industrial demobilization are outlined in a memorandum sent to Mr. Justice Byrnes 23 August 1944 (Tab B). The documents which form the basis of industrial demobilization planning are listed and described in Tab C.

War Department Policy. The basic War Department policy was approved by you on 21 April 1944 (War Department Policies on Industrial Demobilization, dated 24 April 1944; revised 30 June 1944; approved by Under Secretary of War, 11 July 1944 - (Tab C). This policy provides for "immediate termination of the maximum quantity of war production consistent with military requirements and with due regard to sound economic practices". Privately-owned plants not normally munitions producers are, where possible, to be released first; contractor's wishes are to be considered; competing units are to be released simultaneously, where possible, and "consideration is to be given to cushioning the shock of unemployment". The policy was described by you to the Senate Military Affairs Committee on 12 July 1944. (Hearings are attached on Tab D).

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This policy is obviously going to be extremely difficult to administer. While the plans of both ASP and AAF include instructions which insofar as possible are adequate, individual decisions must be governed in the borderline cases and it will often be impossible to satisfy all parties interested. It is here that criticism is bound to be leveled against the War Department for having too close to the line of economy, or for boondoggling, or for taking any number of conceivable actions displeasing to labor, capital, or to Congress. Efforts will be made to show that the War Department's opposition to reconversion, while the European war was at its height, made the country unprepared to convert after the defeat of Germany. The War Department will be charged with having caused unemployment and economic dislocation and having prevented an orderly reconversion.

Demobilization which will follow cutbacks. Anticipated cuts in the Army Supply Program resulting from action to be taken on "A" Day are as follows:

	Annual Rate Before "A" Day (Billions of \$)	Annual Rate After "A" Day (Billions of \$)	Percentage Cut
AAF	17,045	12,893	24.3%
ASP	21,038	11,660	45%
Total	38,083	24,550	35%

These figures are subject to revision and only approximate. No accurate figures are obtainable as to unemployment which will result. War Manpower Commission, War Production Board, and other agencies are preparing estimates. War Production Board's present estimates indicate total labor forces in war production at present at 9,400,000, and assumes a proportional cut in employment. It estimates that 3,300,000 will be put out of war work when these cuts are put in effect. Two-thirds of the cutbacks (and therefore, roughly, 2,200,000 of the total labor forces disemployed) will be on War Department contracts. At the end of the last war, peak unemployment was not far in excess of 360,000, but the seriousness of the situation and the bitter criticism leveled against the War Department would be hard to overestimate.

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a. Rate of Disemployment. The attached charts (Tab F) show the rate at which AAF and ASF will cut back. (While based on estimated figures which may have to be substantially changed, they are probably sufficiently accurate to show the general trend expected). It will be seen that in the AAF cutbacks will be far more gradually spread over the yearly period estimated to be required for the defeat of Japan than in the case of ASF, which expects to put through the largest proportion of its cutbacks in the first month following "X" Day. Unnecessary procurement must be cut entirely; and in many cases involving needed items it will be necessary to average monthly procurement required for the year instead of to cut down gradually.

b. Geographic Distribution of unemployment. The Technical Services and Army Air Forces have been instructed to cut back wherever practicable in places where the displaced labor can be re-employed. There is no indication at this time as to how they will be able to comply with these instructions. An indication of how the cutbacks may be distributed is shown in Tab G (taken from the 31 May 1944 Analysis Progress Report). It will be seen that cutbacks vary from 6% reduction in Buffalo to 100% reduction in Genesee County, Michigan. In other words, the unemployment will be concentrated in certain areas, many of which may be totally unable to take care of the situation arising.

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The Special Army Supply Program. The Special Army Supply Program scheduled for issuance today is the basis on which cuts and terminations are to be made upon the defeat of Germany. It is the result of months of study and gives the Army's needs for the period following the defeat of Germany. Prime contractors have already been confidentially advised of how these cuts will affect them. It is contemplated that the Services will send notices to them within 24 hours after the plan becomes effective.

Recently G-4 has raised the fundamental question as to whether the cutbacks should be accomplished through a series of changes in the present Army Supply Program rather than by the issuance of Special Army Supply Programs. Because the Special Army Supply Program is the very foundation of industrial demobilization planning, it is essential that this matter be resolved at once. Gen. Clay has been in conference with G-4 for this purpose and it is hoped that the matter will be settled today.

Clearance with P.E.C. The Subcommittee of P.E.C., set up by Mr. Justice Byrnes, has been described by you as being the "Federal Agency charged with the responsibility to synchronize and integrate developments" regarding cutbacks (testimony before Senate Military Affairs Subcommittee 12 July 1944) (Tab E). On 5 June 1944, after the Brewster termination, Justice Byrnes wrote a letter to the Secretary stating that he had requested Mr. Wilson to have PEG "adopt uniform policies with the future cancellation of contracts, giving reasonable notice to management and labor of such cancellations". In this letter (Tab H) the Procurement agencies were "directed to take prompt action; clear proposed cutbacks and terminations with the Committee set up by Mr. Wilson and such cutbacks and terminations shall not be made effective until such clearance is obtained".

In compliance with this directive, the War Department has cleared cutbacks and terminations with the PEC Subcommittee. It has kept PEG fully informed as to its plans for the Special Army Supply Program and has likewise, through the PEC, made them known to the War Manpower Commission and OWI. It is not understood that Justice Byrnes or any one else contemplated that the directive of 5 June 1944 requires clearances of individual cutbacks and terminations when the Special Army Supply Program becomes effective. However, it is felt advisable that a letter be sent clarifying this point to Justice Byrnes, with a copy to PEC, when the Special Army Supply Program is forwarded to them.

Notice to Management, Labor and Other Government Agencies. As indicated above, the Services are giving preliminary notice to prime contractors as to cancellations contemplated under the Special Army Supply Program. No such action is being taken with reference to

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Regraded Unclassified

subcontractors and there does not appear to be any practical way in which this can be done. Nor has notification been given to labor, although Mr. Justice Byrnes had directed that PEC adopt uniform policies, including giving reasonable notice to management and labor. Unless labor is given some advance notice as to action contemplated under Special Army Supply Program, it is believed that increased difficulties will result. At best, labor will not view with equanimity action resulting in stopping war production in areas where reemployment will be slow or non-existent but its objections will be far louder if it has not received advance notification of this, particularly since the War Department has referred to labor as being a "partner" in war production and the other "partner", namely, management, has been so informed. It is accordingly recommended that steps be taken to inform labor leaders on a confidential basis of the action contemplated. This is covered in one of the recommendations in Col. Gow's program.

Other Government agencies must, of course, be continually advised, through PEC and otherwise, of the War Department's actions. Reemployment is not the War Department's job. It is the job of War Manpower Commission and other agencies, but they cannot perform this job until they know the War Department's plans. Full information must be continued to be furnished to all interested agencies at the earliest possible time. Gen. Clay and Gen. Tompkins are fully aware of this and should be able to see that it is accomplished.

Effective Carrying Out of War Department Plans. It is obvious that no matter how good a planning job has been done, its success will be dependent upon the actual operation of the plan by those charged with carrying it out. As a step in testing, ASF plans a "dry run" next week and AAF is being invited to have representatives attend. This is the result of a suggestion from this office.

Implementation of the public relations program, submitted herewith, will serve as an additional means of testing the effectiveness of planning steps. The Committee referred to above will submit a report to you shortly, including recommendations.

Recommendations. The following recommendations are made:

- a. That the Public Relations Program submitted herewith be approved and authorization be given to put the plan into effect.
- b. If the Special Army Supply Program is not approved today, that you confer with G-4 and Gen. Clay in reference to it.
- c. If it is approved, that it be transmitted to Mr. Justice Byrnes with a letter. If you approve this recommendation a proposed draft will be taken up with Gen. Clay.

EDWARD S. GREENBAUM,
Brig. Gen., U.S.A.,
Executive Officer.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 4, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending September 2, 1944.Summary

Industrial production: Industrial activity showed a further slight decline in July, and the FRB adjusted index receded 2 points to 233. This compares with last fall's war-time peak of 247. Factory employment in July declined for the eighth consecutive month, and was 7 percent less than a year earlier.

Reconversion: With rapid Allied advances pointing toward an early end of the war in Europe, prospects for the reconversion of industry to the production of civilian goods remain clouded. Insufficient time has elapsed to gauge the effectiveness of WPB's recent 4-point program for the limited reconversion of industry. Meanwhile, final legislative action remains to be taken on the bills covering disposal of surplus war property and industrial reconversion and demobilization, with wide differences between the Senate and House versions of both bills.

Stock market: Stock prices last week moved in a narrow range and trading fell off to the lowest levels since May, as investors and traders withheld commitments pending evaluation of war and reconversion developments. Despite recent weakness, industrial stock prices in London at the end of last week were still 43 percent above pre-war levels, as contrasted with a rise of 9 percent in industrial stocks at New York.

Commodity prices: Favorable war developments have had a bearish influence on the commodity markets, particularly on futures prices. The Dow-Jones futures index declined 1.2 percent in the past two weeks, although the BLS spot index of 28 basic commodities was off only 0.1 percent.

Food surpluses: The fulfilling of the Government's obligation to support agricultural prices until two years after the war, in the face of expected huge surpluses of many farm products, is now causing some concern. While a curtailment of production from war-expanded levels will be necessary, the price-support program and other factors will tend to encourage production.

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Industrial production continues gradual decline

The gradual decline in industrial activity which has been under way since the early part of the year continued in July, with the FRB adjusted index of production showing a further recession of 2 points to 233. This figure compares with the war-time peak of 247 attained last fall. Most industries showed declines in July although the drop in output in most cases was small. Labor shortages and oppressive weather caused iron and steel output to decline moderately, while readjustments in shipbuilding and aircraft production contributed to a small decrease in activity in the transportation equipment industries. Nondurable goods output was slightly lower than in June, while minerals production in the aggregate fell off moderately, despite a record output of crude petroleum.

Factory employment lower

The decrease in factory output in July was accompanied by a further decline of 66,000 in the number of wage earners employed in manufacturing industries. This was the eighth consecutive monthly decline, and factory employment and output in July were 8 percent and 7 percent, respectively, below last fall's war-time peak. (See Chart 1.) Only a small part of these declines can be attributed to seasonal influences.

Employment in the durable goods industries in July showed a drop of nearly 100,000, principally due to decreases in the aircraft, shipbuilding, automotive and machinery industries. These declines much more than offset an increase in employment in the nondurable goods industries, which was due largely to seasonal expansion in the canning industry.

The steady reduction in factory employment since last fall has made the level in July 1,000,000 less than a year earlier, accounting for most of the drop in nonagricultural employment in the past year. The major portion of this decline probably represents inductions into the armed forces and withdrawal of women from the labor force. Total nonagricultural employment in July was 38.6 millions as compared with 39.9 millions a year earlier, with manufacturing and construction employment showing the principal declines.

Divergent tendencies in manpower situation

The manpower situation continues to be characterized by divergent tendencies, with numerous labor shortages being reported in particular areas and industries, along with some evidence of an easier over-all trend. At the beginning of

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last week it was officially reported that production in 13 key war industries was lagging due to manpower shortages. Among the industries said to be needing additional workers were those producing tires, trucks, tanks, signal equipment, heavy guns and shells, and lumber. Subsequently, it was reported that the cotton textile industry is facing an acute labor shortage, with a large number of additional workers needed by November 1.

On the other hand, the number of acute labor shortage areas as classified by the WMC at the beginning of the month decreased slightly as a result of removing 5 areas from the acute shortage classification (Group I) while adding 4. Moreover, 5 areas were moved from Group III to Group IV, indicating that a substantial labor surplus has developed in the areas thus classified. These are Atlanta, Georgia; Des Moines, Iowa; Kansas City, Missouri; Kingsport-Bristol, Tennessee; and Newton, Iowa.

Reconversion developments

Although shortages of manpower, materials, and equipment continue to beset some phases of the war production program, the rapid crumbling of Nazi power in recent weeks has served to focus intensified interest on the reconversion problems now emerging. The WPB Chairman last month estimated that a 40 percent cut in war production would be "possible" when Germany surrenders, and some observers believe that an even sharper cut is likely. While the WPB recently put into effect a 4-point program designed to achieve a limited reconversion of industry to civilian goods production, it remains to be seen how much can be accomplished under this plan in view of existing manpower restrictions, materials shortages, price ceilings and other limiting factors. When the last of the orders covering the program was issued in mid-August, the WPB Chairman warned that no large increases in civilian goods production were anticipated for the time being.

Meanwhile, final legislative action remains to be taken on the pending bills covering disposal of surplus war property and industrial reconversion and demobilization. Both bills are now in conference, with Senate and House versions in each case showing wide differences which will have to be ironed out in conference. The House version of the reconversion and demobilization bill which was sent to conference near the end of last week eliminated various salient features of the Senate bill, considerably narrowing the scope of the measure. Among

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the provisions eliminated by the House were those granting unemployment compensation to Federal civil workers, providing for transportation of war workers to their homes or new places of employment, and providing for a retraining program.

Aircraft manufacturers urged to prepare
for cancellations

In view of the phenomenal war-time expansion in aircraft output, few if any industries will be confronted with more severe problems at the conclusion of hostilities than the aircraft industry. In this connection it is of interest that Army Air Forces procurement officers held a meeting with more than 2,700 aircraft company officials in New York last week to outline procedures for easing the shock of contract cancellations. A ranking War Department official asserted at the meeting that contractors had not kept pace with the Department in the speed of handling claims, and in this connection manufacturers were urged to prepare at once for the large volume of cancellations that eventually will be made. Manufacturers were warned that contracts may be cut by one-third when Germany surrenders. Earlier last month, Major General Echols of the Army Air Forces stated that by next July aircraft employment would show a decline of 294,000 workers, with the drop by the end of this year approximating 100,000 workers.

Stock prices move in narrow range

After a small advance around the middle of last month, stock prices have eased slightly, fluctuating narrowly on reduced trading volume. Apparently the swift pace of military developments in Europe, and the many complexities of the forthcoming reconversion period, have caused traders and investors to restrict commitments pending a clearer evaluation of the outlook. Daily average trading volume on the New York Stock Exchange last week dropped to around 660,000 shares, the lowest level since the second week in May. At the close on Friday the Dow-Jones averages were virtually unchanged from week-earlier levels. (See Chart 2.)

Industrial stock prices in London last week showed slightly weakening tendencies, although the average level of prices was higher than a week earlier, when the low point in the August liquidating movement was reached. (See Chart 3.) In London as in New York, prospects of an early peace in

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Europe have revived fears over the problems of the post-war reconversion period. After equalling the war-time high on August 8, industrial stock prices in London declined steadily through August 23, the aggregate decline for the period amounting to about 4 percent. However, despite the recent decline, it should be noted that industrial stock prices in London at the end of last week were still 43 percent above the levels prevailing on the eve of the outbreak of war 5 years ago, while industrial stock prices in New York were only 9 percent higher.

Commodity prices lower

The rapid progress of the Allied armies in Europe has had a bearish influence on commodity prices during the past two weeks. While spot prices have declined only slightly, commodity futures, particularly in the more distant months, have shown noticeable weakness. The Dow-Jones futures index dropped 1.2 percent in the two-week period, reaching the lowest level since November 1943. Improved corn crop prospects resulting from recent rains in the droughty eastern portion of the Corn Belt have contributed to the pronounced declines of feed grain futures. December oat futures have dropped 9 percent in the two weeks.

In this period the BLS spot index of 28 basic commodities has declined only 0.1 percent. Lower prices for cotton and rosin were partially offset by higher prices for steers. (See Chart 4.) It is of interest that federally-inspected cattle slaughter attained record levels in August, 21 percent greater than a year ago. The record slaughter was due in part to heavy marketings of grass-fed cattle.

Although cotton prices declined only 1.8 percent in the last two weeks, the decline is significant in that it occurred despite several bullish legislative developments. A rider was attached to the Senate's surplus property disposal bill raising the loan rate on cotton from 92½ to 95 percent of parity. Moreover, a provision in both the Senate and House surplus property bills would, in effect, subsidize exports by permitting the CCC to sell Government stockpiles of fiber, food, and feed at the lower world prices. Finally, the CCC and the OPA have agreed to raise the selling price of Government-owned cotton to 50 points above parity, as compared with previous selling prices at the parity level.

While the BLS general index of wholesale prices has moved in a very narrow range in the past three months, following

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a gradual rise in the early part of the year, successive declines in the two weeks ended August 26 have brought the index to the lowest level since March. Lower prices for fruits and vegetables contributed most to the decline. At 103.5 percent of the 1926 average, the all-commodity index is only 0.6 percent higher than a year ago, but it is 38 percent above the pre-war August 1939 average.

Farm prices in August slightly higher

The index of farm prices rose 1 point in August, but it continues within the narrow range of the past 17 months. At 193 percent of the 1910-14 average, the index is only 1 point above that of a year ago. Since the index of prices paid by farmers (including interest and taxes) showed no change last month, the parity ratio rose 1 point. Thus farm prices averaged 114 percent of parity as compared with 113 percent in July and 117 percent in August 1943.

A sharp rise in hog prices last month was the most important factor in the advance in the farm price index. Egg prices also showed a sharp rise, and the average price of whole milk was also noticeably higher. Heavy storage stocks of eggs, however, have tended to limit the seasonal rise in prices this summer, and despite the rise last month, egg prices are still almost 15 percent below those of a year ago. Partially offsetting the above increases, prices of fruits and truck crops showed marked declines, and grain and cotton prices also were significantly lower. Wheat and cotton are 10 and 4 percent, respectively, below parity.

Farm prices show somewhat larger rise
in this war than in last war

Although farm prices have been stabilized for almost a year and a half, they have on the whole shown a somewhat greater rise than during World War I. It should be noted, however, that farm prices in World War I, following an 8 percent decline during the closing months of the war and the first few months of peace, resumed their rise and reached a peak in May 1920, eighteen months after the end of the war. (See Chart 5.) Then the farm price structure collapsed, and by June 1921 most of the war-engendered rise had evaporated.

Several fundamental differences as between the two periods will affect the comparative trend of farm prices

- 7 -

after the present war. These include: (1) an increase of almost 25 percent in farm production from 1939 to 1944, as compared with the small increase of less than 5 percent from 1914 to 1918, which will necessitate a greater readjustment of present production to demand after the war; (2) the continuation of price ceilings may prevent any substantial rise in farm prices such as occurred after the last war; and (3) the Government's obligation to support prices of most of the important agricultural products for at least 2 years after the war should prevent the drastic decline in farm prices such as occurred in 1920. Farm prices may decline, nevertheless, since the Government is not required to support prices above 90 percent of parity, while farm prices now average 114 percent of parity. Moreover, the parity level itself would be affected by lower prices for agricultural products as well as for other products bought by farmers.

Food surpluses may create price support
problem

The problem of successfully carrying out the Government's obligation to support agricultural prices until two years after the end of the war, in the face of expected huge surpluses of many farm products, is now causing some concern. Food Administrator Jones told a special House Committee on Post-War Economic Development recently that the immediate post-war farm problem would involve disposition of surplus Government-owned food stocks which had been held in reserve. The Army's policy of maintaining large reserve food supplies (reportedly 1 year's supply) for soldiers on foreign duty, and smaller reserves for soldiers within this country, will tend to create large food surpluses when hostilities cease. Meanwhile, civilian demand for foods may be reduced by unemployment during the reconversion period.

This concern over the post-war outlook for farm products has had a bearish influence on cotton and grain markets in recent months. Food wholesalers, according to trade reports, have adopted a more cautious inventory policy in view of the recent favorable war developments.

Specifically, the Government is committed by the Stabilization Act of October 2, 1942, and by the recently-enacted Stabilization Extension Act, to support the prices of various farm commodities at not less than 90 percent of parity until 2 years after the January 1 following "the date upon which the President or the Congress by concurrent resolution declare that hostilities in the present war are

- 8 -

terminated". The commodities covered by the support commitments include the basic commodities (corn, cotton, wheat, rice, tobacco, and peanuts) and those commodities under the Steagall amendment for which a substantial increase in wartime production was asked, such as soybeans, potatoes, eggs, chickens, hogs, milk, and various other products.

Price support problems likely to increase later

While agricultural surpluses may appear with the end of the European war which would require immediate expansion of the Government's price support activities, it appears likely that the problem of supporting agricultural prices will become greater in the succeeding months. Among the factors which will tend to increase agricultural surpluses in the post-war period are: (1) a probable decline in exports following the rehabilitation of war-torn countries, particularly in view of the price disadvantage our supported commodities may face in international competition, (2) a possible reduction in domestic consumption due to probability of a lower income level and to the smaller food consumption of former soldiers in civilian life, and (3) a stimulus toward greater production as a result of the assurance of supported prices, together with larger available supplies of farm machinery, fertilizer, and labor. Food production has been running about one-third greater than pre-war levels.

Wheat, for example, may again become a surplus problem. The use of large quantities of wheat for feed and industrial alcohol, which has been chiefly responsible for the record disappearance in the last two years, is unlikely to continue in the post-war period. (See Chart 6.) Although relief needs immediately after the war will require large quantities of wheat, our record crop of this year, together with a large crop in Canada, and an increased acreage in Argentina and Australia, will result in an export surplus estimated as equal to more than twice the world's imports during the twelve months just prior to the war, when Europe was building up reserves.

In order to carry out price support operations required by law during the two-year statutory period after the war, the solicitor of the WFA, Robert H. Shields, stated recently that greatly increased funds must be supplied by Congress. Officials of the WFA are reported to be considering the use of such devices as the food stamp plan, a broadened school lunch program and other plans for handling extra supplies until production can be brought into line with peacetime

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requirements. To prevent Government-owned food surpluses from directly depressing prices, a provision banning domestic sales of any surplus farm products at less than parity or prevailing market prices, whichever is higher, was written into the Senate version of the surplus war property disposal bill.

Cold storage holdings continue high

Reflecting the heavy stocks of food on hand, cold storage space has continued tight in recent months. Freezer space occupancy increased 2 points during July to 89 percent on August 1, as compared with 87 percent a year previous. At the present level, freezer occupancy is only 1 point below the 1943 peak which was reached in October of that year. Although cooler space occupancy at 84 percent on August 1 was 1 point below that of the month previous, it was higher than on any other date in at least the past two years.

Stocks of butter and frozen fruits and vegetables showed sharp increases during July, while stocks of cheese, frozen eggs, and frozen poultry registered more moderate increases. On the other hand, shell eggs, meats, and lard decreased considerably. (See Table I.) Cold storage holdings of all items, with the exception of butter, are now greatly in excess of those on August 1, 1943 and also of the average for that date for the five years 1939-43.

The capacity of cold storage space is important in the Government's price support activities. Last spring the tight storage space situation handicapped the effective support of egg prices. It is of interest that the WFA recently leased a limestone mine in Kansas which, when converted, is expected to increase the nation's commercial cooler storage space by 9 percent.

Department store sales continue active

Prospects of a reduction in the high war-time levels of employment and payrolls growing out of the rapid march of events in Europe thus far appear to have had little restraining effect on the pace of department store sales. During July, sales showed less than the usual seasonal decline, and the FRB adjusted index of sales jumped to 194 from 175 in the previous month. Reference to Chart 7 will disclose that the July figure exceeded by 2 points the

- 10 -

previous record high reached in February 1943. Despite adverse weather conditions and the loss in sales arising from the Philadelphia transportation tie-up early in the month, the dollar volume of department store sales in the 4 weeks ended August 26 was 9 percent above year-earlier levels.

Department store stocks are seriously depleted in some lines, but seasonally-adjusted stocks at the end of July stood at the highest level in 11 months. (Refer to Chart 7.) The war-time shift toward higher-priced items undoubtedly has tended to sustain the level of the index despite the prevailing shortage of many types of merchandise.

Table I

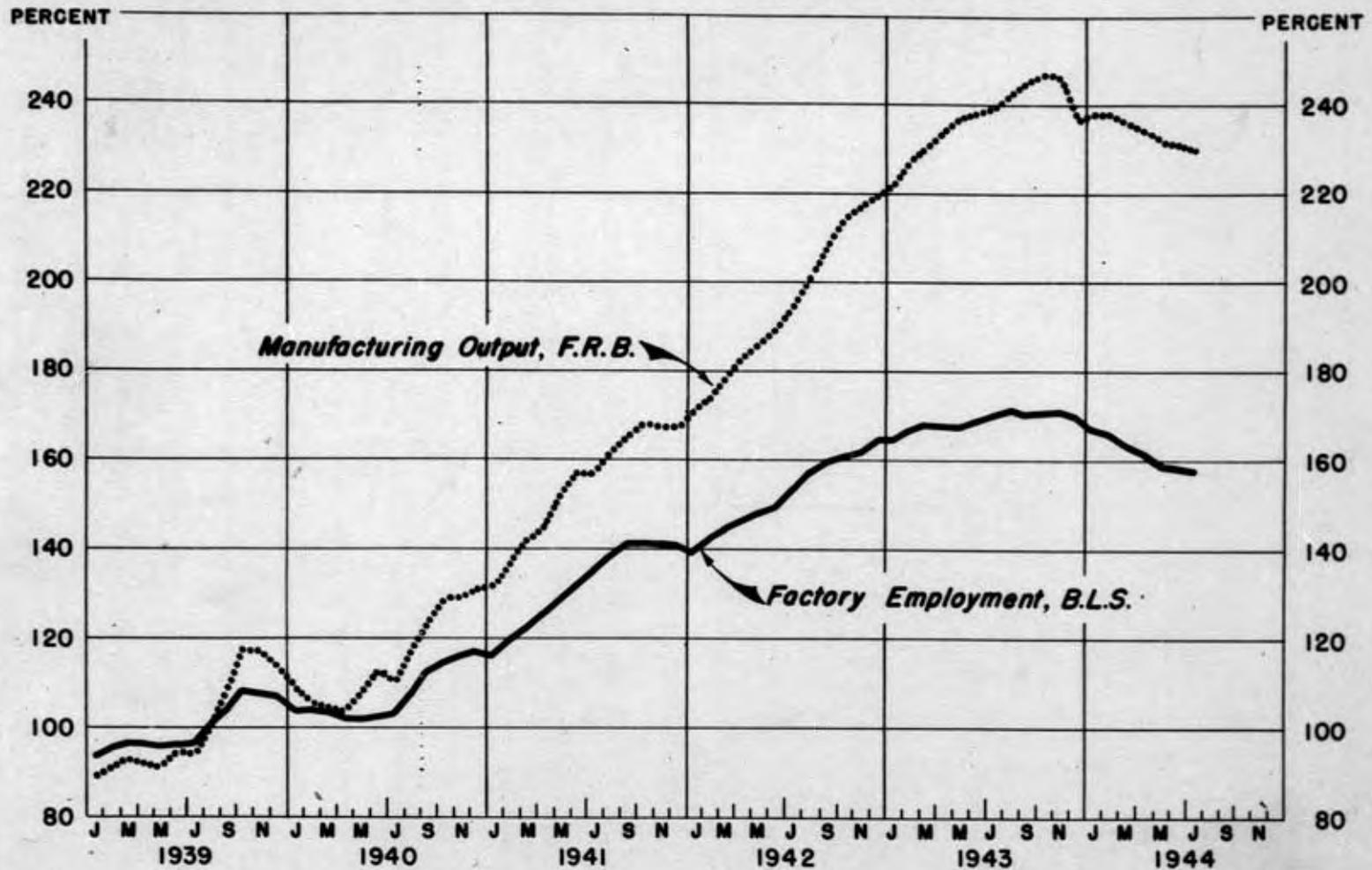
Cold storage stocks, August 1, 1944 compared with stocks
July 1, 1944 and August 1, 1943

	Percentage change August 1, 1944 over	
	July 1, 1944	August 1, 1943
Frozen fruits	/ 61	/ 28
Frozen vegetables	/ 18	/ 35
Butter	/ 34	- 34
Cheese	/ 9	/ 21
Eggs, shell	- 14	/ 14
Eggs, frozen	/ 9	/ 10
Frozen poultry	/ 9	/266
Meats	- 18	/ 20
Lard and rendered pork fat	- 18	/ 43

Source: War Food Administration.

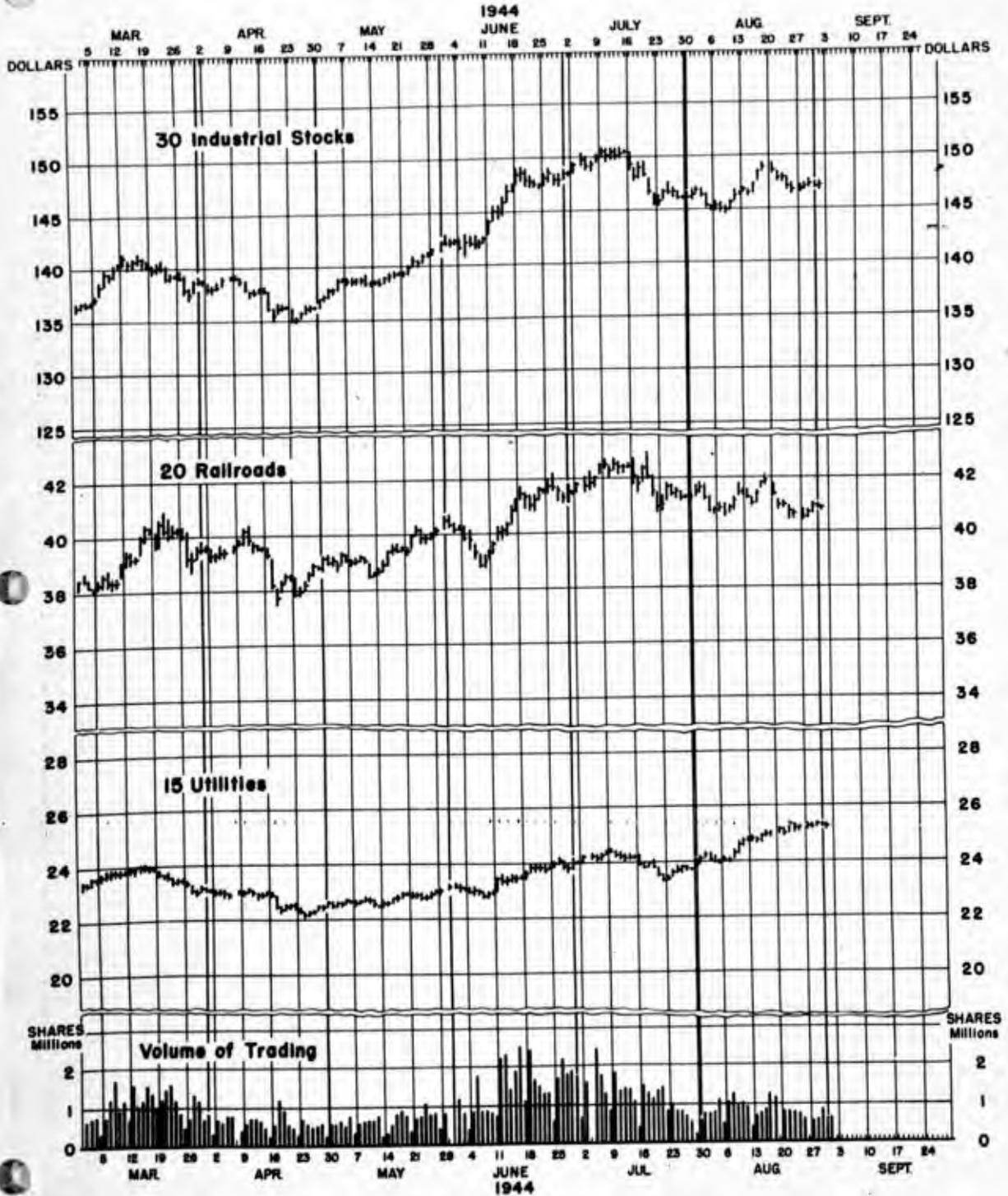
FACTORY EMPLOYMENT AND OUTPUT

1939 = 100, Unadjusted



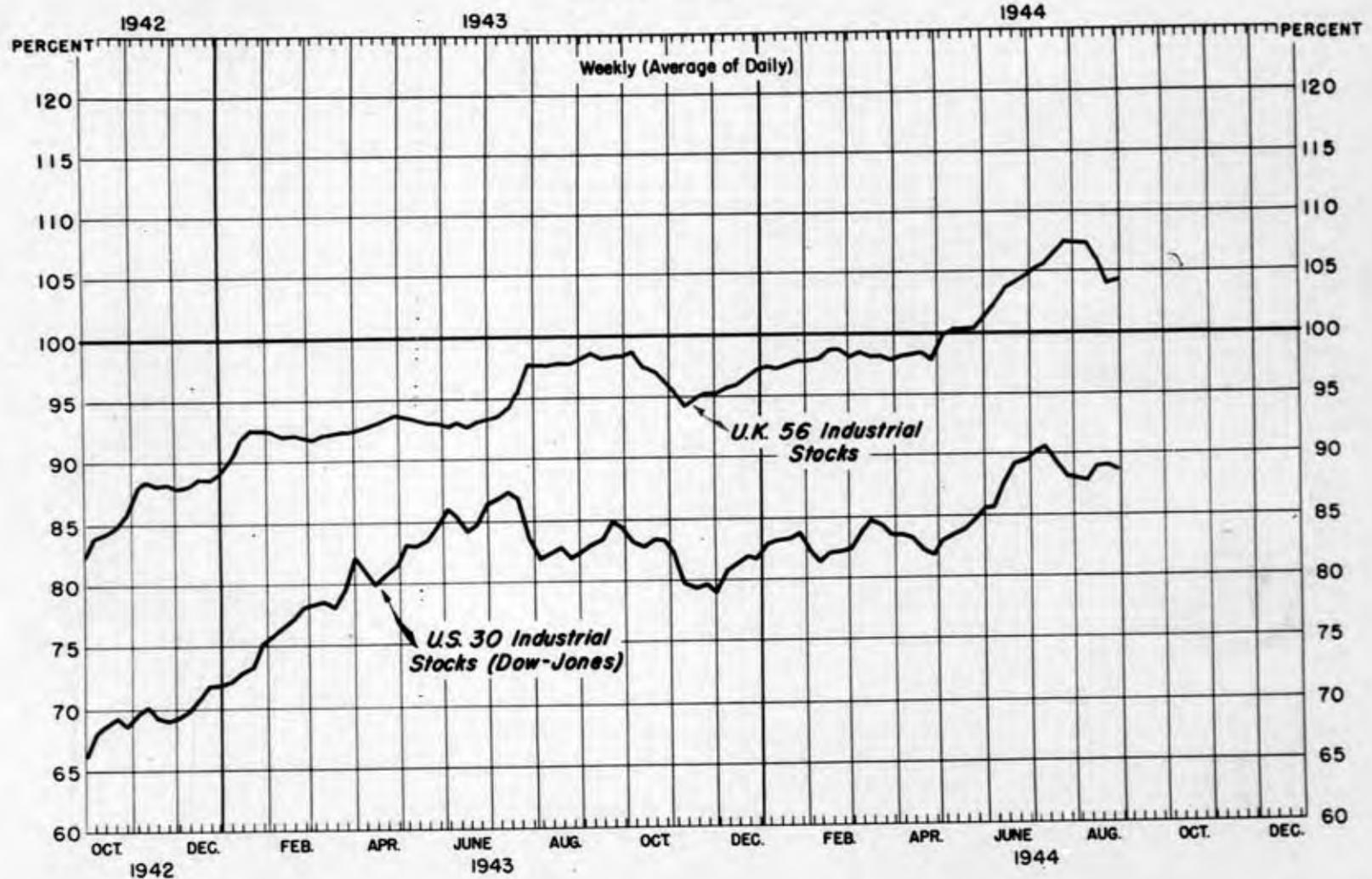
STOCK PRICES, DOW-JONES AVERAGES

Daily



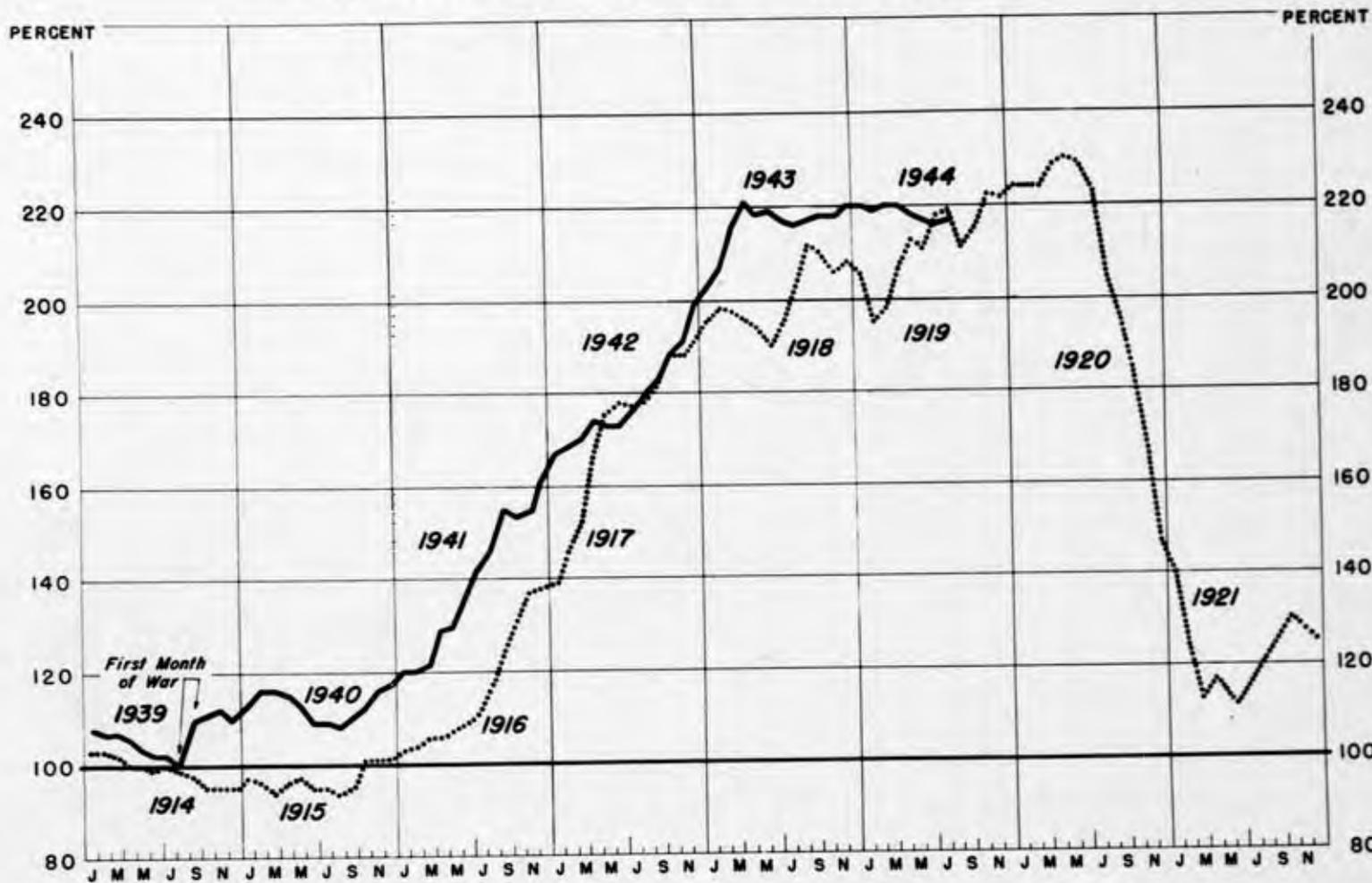
INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

August 1936 = 100



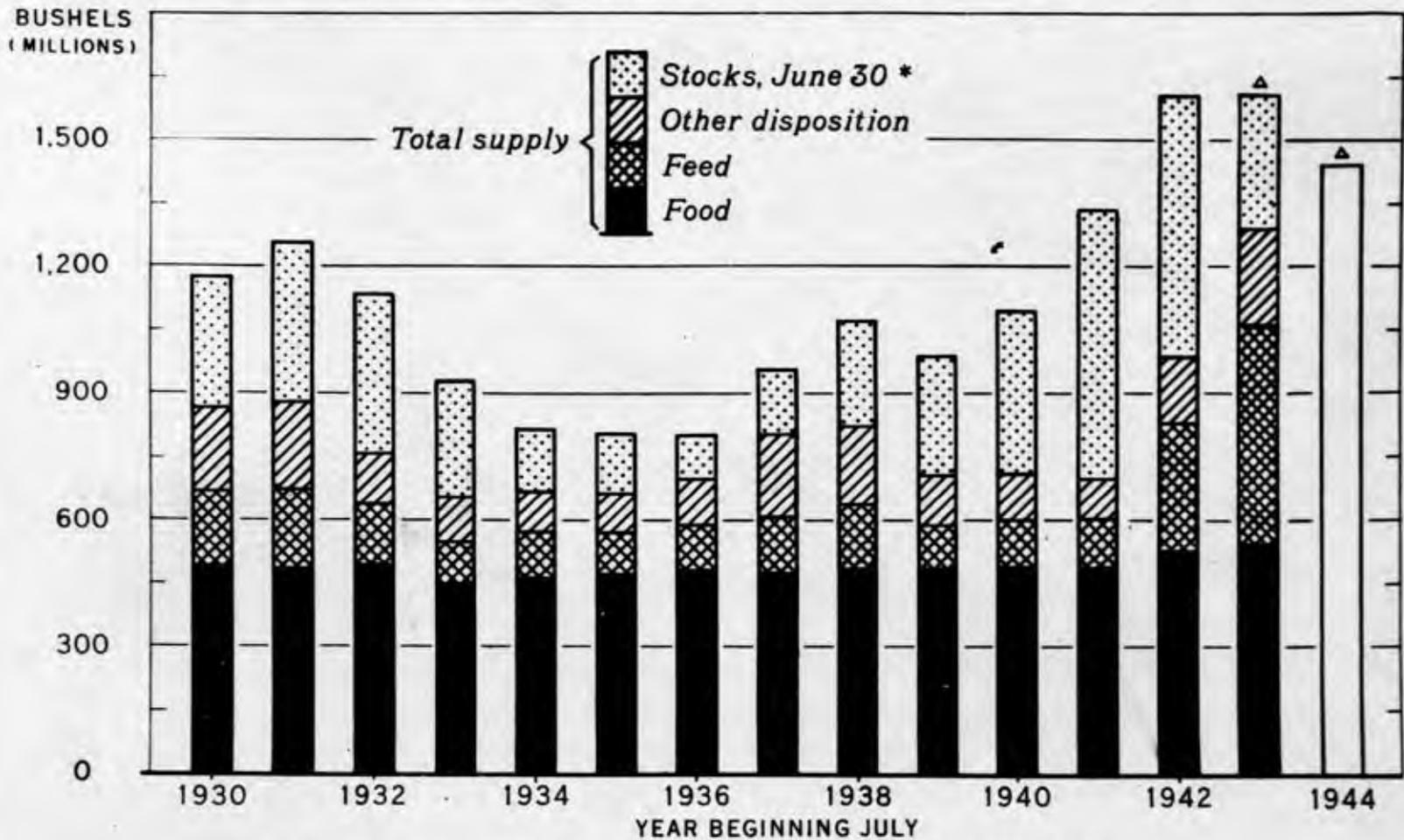
FARM PRICES, 1939 TO DATE COMPARED WITH 1914 TO 1921

July 1914 = 100 World War Period; Aug. 1939 = 100 Present Period



Source: Department of Agriculture

WHEAT: DISTRIBUTION OF U. S. SUPPLY, 1930-44

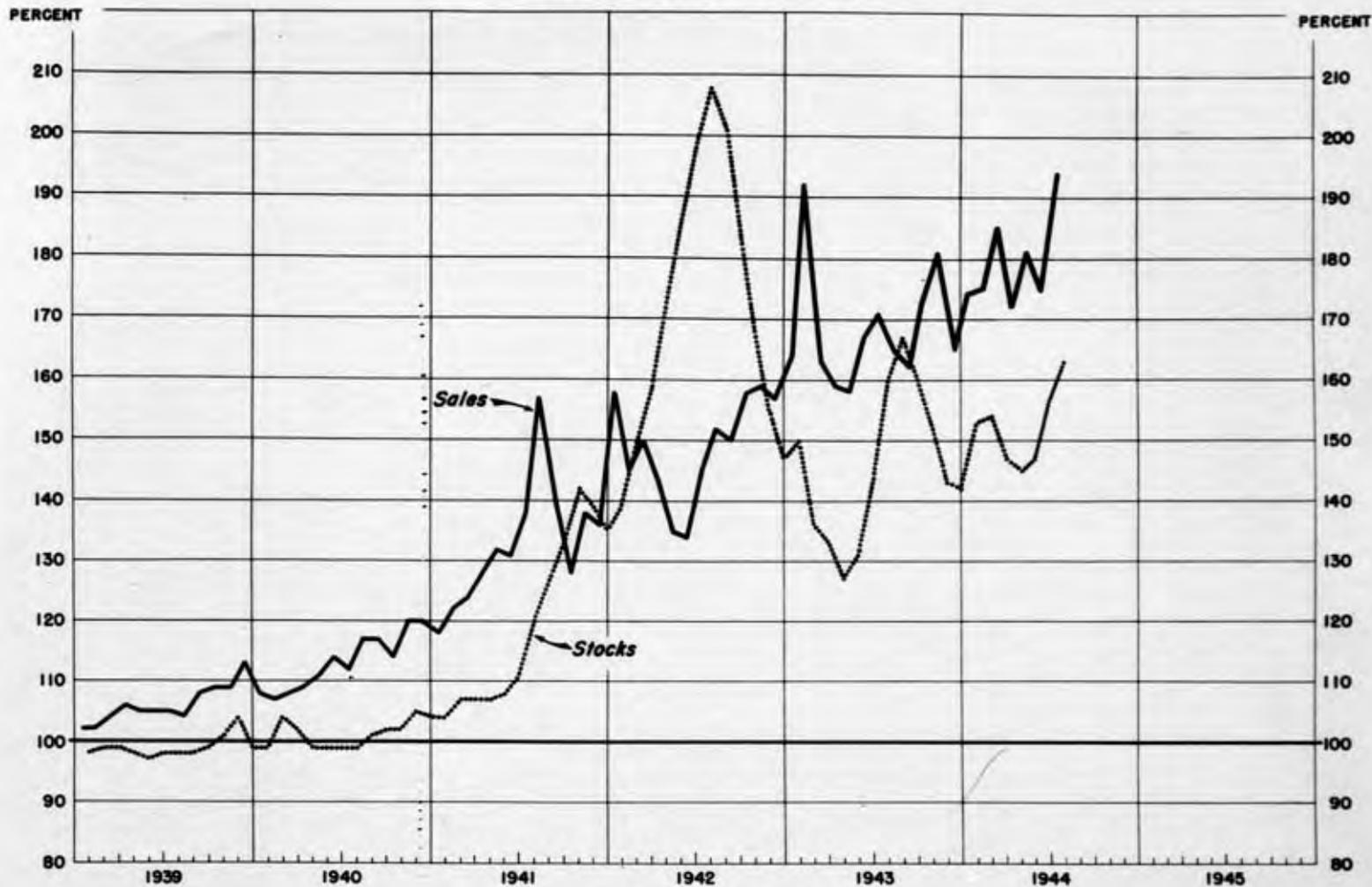


* 1930-37 INCLUDES SOME NEW WHEAT

▲ PRELIMINARY ESTIMATES

DEPARTMENT STORE SALES AND STOCKS

Dollar Values, 1935-39=100, Adjusted



Source: Federal Reserve Board

Chart 7 225

SEP - 4 1944

MEMORANDUM FOR THE SECRETARY:

FOR YOUR INFORMATION

In a memorandum of August 17, 1944, you were advised that the State Department was seriously considering the application of economic sanctions to Argentina. The State Department had recommended to Cordell Hull that Argentina be frozen and FEA had obtained State's approval to the idea of substantially reducing our imports from Argentina. Pending the basic decision concerning these matters which Hull had under consideration, we held up two shipments of gold that were about to be exported to Argentina.

Schmidt has now been informally advised by Collado of the following recent developments:

Hull has just conferred with Churchill about Argentina and it has been decided that there will be a "quiet period" of indefinite duration during which no action that would receive publicity will be taken against Argentina. During this "quiet period" steps that can quietly be taken with existing administrative machinery to decrease our exports to or imports from Argentina are to be taken. No new controls are to be imposed over our imports from Argentina. The freezing of Argentina is to be "postponed."

The position of Argentine gold in this country was also discussed with Hull, who decided that no change should be made in the present policy and Treasury should continue to prevent its exportation to Argentina.

Joseph J. O'Connell

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The Secretary decided that this memorandum
from the President should be filed without
an answer.

File 225

**THE WHITE HOUSE
WASHINGTON**

September 6, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

This maybe rather a dead issue but I would like to know if the facts are substantially correct, because I might put it into a short paragraph as an example of what Dewey might return us to.

F.D.R.

Handwritten notes on the right margin, partially obscured and illegible.

SEP 4 1944

MEMORANDUM FOR THE PRESIDENT

I am returning herewith the letter to you from Ambassador Gerard and the attached memorandum.

I have had the matter which Ambassador Gerard raises looked into. This appears to be just one of quite a number of questionable deals in the Twenties which involved Latin American bonds. The general subject was aired publicly in the early Thirties and resulted in the enactment of the Corporation of Foreign Bondholders Act of 1933 and certain portions of the Securities Act of 1933. The specific matter referred to by the Ambassador was, moreover, the subject of extensive litigation in the New York courts.

This seems to me to be a rather "dead" issue.

(Signed) H. Morgenthau, Jr.

JWP

JWP:dg 9/4/44

*Hoje decided not
to send. File
without answering*



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

Reference is made to your memorandum of September 6 with further regard to Ambassador Gerard's suggestion to you.

I have had this matter looked into further. The litigation dealing with this situation was decided on jurisdictional grounds and the facts involved never came to issue.

Without an outside investigation, the object of which could hardly be concealed, it is not possible to verify the facts to such an extent that it would be safe to use them for the purposes indicated.



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Pelle =

THE WHITE HOUSE
WASHINGTON

August 21, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

Will you run this down?

F.D.R.

Handwritten notes on the right edge of the page, including the number 5.

1014 FIFTH AVENUE

The Monmouth 232

Spring Lake

R. J.
Aug. 17th 44

Dear Franklin:

The enclosed, which I am
sure can be verified, showing 2 weeks
before election would make victory
certain.

Must be carefully verified.

Yours ever
James W. Grant

Some years back, when the buying public was even more gullible than now, J. P. Morgan & Co. succeeded in peddling a series of Mexican railway bonds to the suckers. The sale was accompanied by the usual advertising fanfare, and the name of Morgan was enough to bring the buyers a-running.

Time passed, and Mexico defaulted on its railway bonds and other obligations. Then one day in the 1920's, Dwight Morrow closed up his desk at J. P. Morgan's and went to Mexico as Ambassador. Sometime thereafter, J. P. Morgan & Co. unctuously announced that it did, after all, feel an obligation to those who bought the bonds on its recommendation and would redeem them in the greatness of its generosity at around \$24. The market price then was in the neighborhood of \$14. In the ensuing rush J. P. & Co. obtained possession of practically the entire issue.

This princely gesture was soon followed by announcement that Ambassador Morrow had persuaded the Mexican Govt. to redeem some of its bonds at \$65 on the \$100. There was great applause, but no one seemed to notice that of all the Mexican bonds in default the only ones to be redeemed were those which J. P. Morgan & Co. in its honorable generosity had bought back at \$24 each. Profit to J. P. & Co. - \$41 the bond.

This story was unearthed and verified at the time but never published in full form. Occasionally references have appeared from time to time in financial gossip columns. Cynics have suggested that the Morrow appointment as Ambassador was engineered solely to put the bond deal over.

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September 7, 1944

Mr. Bell
Mr. White

The Secretary would like to have you talk with him about this at your first opportunity.

M.K. McHugh

*Bell talked to King 9/9/44 - no
action necessary*

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THE WHITE HOUSE
WASHINGTON

September 4, 1944

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

For your information.

William D. Hassett

WILLIAM D. HASSETT
Secretary to the President

C
O
P
Y

THE WHITE HOUSE

WASHINGTON

September 4, 1944

My dear Mr. Secretary:

I have consulted the Secretaries of State and the Treasury regarding your letter of August 10, 1944 concerning the request of the Netherlands Minister of Finance for a Reconstruction Finance Corporation secured credit of up to \$300,000,000 for post-war expenditures in this country.

It is their view, in which I concur, that international financing on reasonable terms through normal banking channels should be encouraged, and that governmental agencies participate only when broad policy considerations make desirable inter-governmental collaboration in cases in which commercial financing is not available on such terms, or when some governmental participation is necessary in order to assist private institutions in handling the transaction.

The Netherlands Government has a credit position which should be attractive to private lenders and the type of credit requested in this case is particularly suited to their facilities. I feel that every effort should be made to ascertain definitely the possibility of a private credit to the Netherlands Government before an agency of this Government undertakes to handle the loan. In this connection, I am informed that a consortium of private banks is now prepared to extend a short-term credit on reasonable terms to the Netherlands Government.

Irrespective of whether this loan should be made by private investors or the Reconstruction Finance Corporation, this Government will not take any action to make legally effective in this country the Netherlands royal decrees of May 24, 1940 and May 7, 1942, in so far as these decrees purport to vest in the Netherlands Government title to the dollar securities in this country privately owned by residents of the Netherlands.

I suggest that you consult with the State and Treasury Departments about the manner in which to proceed with the request of the Netherlands Government.

Sincerely yours,

FRANKLIN D. ROOSEVELT

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

Treasury Department 237
Division of Monetary Research

Date 9/7 1954

To: Mrs. McHugh

A reply will be prepared in
our Division.

jm

MR. WHITE
Branch 2058 - Room 214½

AF 251
CV/WJ

SEPTEMBER 4, 1944.

DEAR MR. SECRETARY:

THE AGREEMENTS THAT HAVE JUST BEEN SIGNED IN LONDON AND WASHINGTON PROVIDE THAT PAYMENTS IN DOLLARS MUST BE EFFECTED EITHER BY THE AMERICAN AUTHORITIES, PARTICULARLY IN REGARD TO THE COUNTER-VALUE OF THE FRANCS USED FOR THE TROOPS, OR BY THE FRENCH AUTHORITIES FOR THE PAYMENT OF CERTAIN CIVILIAN SUPPLIES.

ON THE OTHER HAND, IN A LETTER DATED AUGUST 25 TO MR. CROWLEY, ADMINISTRATOR OF FEA, THE PROVISIONAL GOVERNMENT REAFFIRMED ITS INTENTION OF COMPLETING AS SOON AS POSSIBLE THE PAYMENTS FOR THE CIVILIAN SUPPLIES THAT HAVE ALREADY BEEN DELIVERED TO FRENCH NORTH AND WEST AFRICA IN PURSUANCE TO THE MODUS VIVENDI OF SEPTEMBER 25, 1943, AND OF KEEPING THEM THENCEFORTH ON A CURRENT BASIS.

WE ARE MOST ANXIOUS TO TAKE THE NECESSARY STEPS IN ORDER TO COMPLY WITH THESE COMMITMENTS AND PARTICULARLY TO REPLY TO YOU IMMEDIATELY THE FIRST DOLLAR RETURNS DERIVING FROM THE PAY OF THE AMERICAN TROOPS.

I WOULD, THEREFORE, BE VERY GRATEFUL IF YOU COULD LET ME KNOW WHAT WAS AT THE MOST RECENT DATE POSSIBLE THE AMOUNT OF DOLLARS CORRESPONDING TO THE FUNDS PLACED AT THE DISPOSAL OF THE COMMANDER IN CHIEF FOR THE AMERICAN TROOPS ON BOTH THEATRES OF OPERATIONS IN FRANCE.

I AM, DEAR MR. SECRETARY,

FAITHFULLY YOURS,

Christian Valenti

CHRISTIAN VALENTI
FINANCIAL ATTACHE

HENRY MORSE THOMAS, JR., Esq.,
SECRETARY OF THE TREASURY,
TREASURY DEPARTMENT,
WASHINGTON, D.C.

AF 251
 CV/WJ

LE 4 SEPTEMBRE 1944,

MONSIEUR LE SECRETAIRE AU TRESOR,

LES ACCORDS QUI VIENNENT D'ETRE SIGNES A LONDRES ET A WASHINGTON PREVOIENT QUE DES VERSEMENTS EN DOLLARS DOIVENT ETRE FAITS, SOIT PAR LES AUTORITES AMERICAINES, NOTAMMENT POUR LA CONTRE-VALEUR DES FRANCS UTILISES A LA PAIE DES TROUPES, SOIT PAR LES AUTORITES FRANCAISES POUR LE PAIEMENT DE CERTAINES FOURNITURES CIVILES.

D'AUTRE PART, PAR LETTRE DU 25 AOUT ADRESSEE A M. CROWLEY, ADMINISTRATEUR DU FEA, LE GOUVERNEMENT PROVISOIRE A REAFFIRME SON INTENTION DE COMPLETER A BREF DELAI LE PAIEMENT DES FOURNITURES CIVILES QUI ONT DEJA ETE LIVREES EN AFRIQUE DU NORD ET EN AFRIQUE OCCIDENTALE PAR APPLICATION DU MODUS VIVENDI DU 25 SEPTEMBRE 1943, ET DE POURUIVRE ULTERIEUREMENT CES PAIEMENTS DE FACON PERIODIQUE.

NOUS SOMES TRES DESIREUX DE PRENDRE D'URGENCE LES DISPOSITIONS NECESSAIRES POUR METTRE A EXECUTION CES ENGAGEMENTS ET EN PARTICULIER DE VOUS REVERSER IMMEDIATEMENT LES PREMIERS DOLLARS CORRESPONDANT A LA PAIE DES TROUPES AMERICAINES.

JE VOUS SERAIS, EN CONSQUENCE, TRES OBLIGE DE BIEN VOULOIR ME FAIRE SAVOIR QUEL EST, A LA DATE LA PLUS RECENTE POSSIBLE, LE MONTANT DES DOLLARS CORRESPONDANT AUX SOMMES MISES A LA DISPOSITION DU COMMANDANT-EN-CHEF POUR LES TROUPES AMERICAINES DES DEUX THEATRES D'OPERATIONS EN FRANCE.

VEUILLEZ AGREER, MONSIEUR LE SECRETAIRE AU TRESOR, LES ASSURANCES DE MA TRES HAUTE CONSIDERATION.

Christian Valenti

CHRISTIAN VALENTI
 ATTACHE FINANCIER
 MAITRE DES REQUETES AU CONSEIL D'ETAT

MONSIEUR HENRY MORSENTHAU, JR.,
 SECRETAIRE AU TRESOR,
 WASHINGTON, D.C.



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

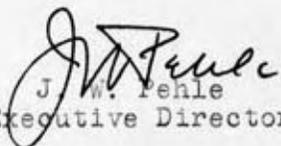
OFFICE OF THE
EXECUTIVE DIRECTOR

SEP 4 1944

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of August 21 to August 26, 1944.

Very truly yours,


J. W. Fehle
Executive Director

The Honorable,

The Secretary of the Treasury. ...

Enclosure.

Report of the War Refugee Board
for the week of Aug. 21-26, 1944.

SITUATION IN HUNGARY

Implementation of Acceptance of Hungarian Offer

An informal conference for discussion of steps to implement acceptance of the Hungarian offer regarding Jews was held in London on August 21, attended by the Director and Vice Director of the Intergovernmental Committee, representatives of the British Foreign Office, the Admiralty, and the Ministry of War Transport, and representatives of the United States Embassy, Treasury Department, and the War Refugee Board. Despite our constant realization that the rapidly changing military and political situation may preclude the possibility of any large scale rescue operations from Hungary, the United States Government has already taken unilaterally most of the steps suggested at the conference by the Intergovernmental Committee for action by the British and American Governments. In this connection, we pointed out that we have already received confirmation from the International Red Cross that it is pursuing many of the suggested lines of activity, both as to relief and rescue. Moreover, all of the neutrals have been requested by this Government to communicate to the Hungarian authorities their willingness to receive refugees from Hungary, and have been given guarantees of financial aid and prompt evacuation. Nearly all of the neutrals have indicated to the Hungarians their willingness to receive refugees. In addition to making 5,000 children's visas available for children from Hungary or other European countries, other action concerning the granting of American visas to Jews in Hungary has been or is being taken, and the neutral governments as well as the Hungarians have been so advised. Mexico has already indicated to us its willingness to receive refugees for the duration of the war.

We requested Ambassador Winant to advise the British Government and the Intergovernmental Committee that, while we have taken action along the lines indicated above, we are anxious to cooperate in working out such further measures as may be deemed necessary or advisable and are in general agreement that such steps be taken under the leadership of the Intergovernmental Committee.

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Reports on Conditions in Hungary

Reports reaching our Legation in Stockholm from various sources make increasingly clear the major part which the Hungarian police have played in the tragically cruel arrests and deportations of Jews from Hungary. A detailed account by a thoroughly reliable eyewitness of deportations conducted in the vicinity of Budapest indicates active Hungarian participation. The informant was particularly impressed by the ruthlessness of the Hungarian gendarmes, whom he described as "as bloodthirsty as the Gestapo of Germany." Camps in provincial Hungary, which were emptied of Jews before deportations were halted by officials of Hungary, were managed by Hungarian personnel with the aid of an SS adviser.

Board Representative McClelland advised us from Bern of reports which he had recently received, and which he is endeavoring to confirm, that the Gestapo, with the collaboration of the German "Feld Polizei," has continued to deport small groups of Hungarian Jews from camps in the provinces, the numbers involved not known. It was indicated that this appeared to be purely German action.

We requested Minister Harrison and McClelland to convey to the Swiss Government for transmission to the Hungarian authorities the reports of active Hungarian participation in deportations, with a request for their comment on the reports, which the United States Government regards as authentic.

Board Representative Hirschmann advised us of the receipt from the Apostolic Delegate in Istanbul of a written summary of the assistance which the latter can give in matters relating to Hungary. Principal assistance is in the nature of courier service, by which several thousand Palestine immigration certificates authorized by the Jewish Agency for Jews in Hungary have been transmitted to the Apostolic Nuncio in Budapest. Hirschmann is attempting to verify reports by persons from Hungary who recently passed through Istanbul that deportations have ceased for the present but that there are few Jews left in Hungary except those in Budapest.

Proposal for Evacuation of Jewish Children to Sweden

The Swedish Minister to Ankara advised our Embassy there of the Swedish Government's announced readiness to receive in Sweden Jewish children from Hungary. Accordingly, and in

order to forestall any last-minute renewal of deportations on the excuse that no satisfactory arrangements have been made for evacuation of Jews from Hungary, we requested Minister Johnson and Board Representative Olsen to suggest to the Swedish Government that it advise German and Hungarian authorities that it is willing to arrange for a Swedish boat to call at any German port which they may specify to transport to Sweden Jewish children from Hungary, such sailings to be repeated as long as necessary. This proposal is advanced with the thought that obstacles which prevented making a Swedish boat available for sailings to Haifa might not apply to the short route between Germany and Sweden.

While it is not anticipated that the number of children actually evacuated in this manner would be large, this Government, singly or in cooperation with the British, would guarantee costs of maintenance of such children in Sweden and their evacuation from Sweden as soon as possible. Should the project materialize, it is hoped that evacuation from Hungary can be supervised by representatives of the International Red Cross, the Swedish Red Cross, or the Swedish Government, to ensure proper treatment of the children en route.

Evacuation of Palestine Certificate Holders to Switzerland

The Swiss Government recently advised its Minister in Budapest that Switzerland would be prepared to give temporary refuge to 8,000 individuals holding Palestine immigration certificates, in the event they were unable to proceed eastward. This is in addition to the proposed asylum in Switzerland for 5,000 expectant mothers and children from Hungary.

We requested Minister Harrison and McClelland to advise the Swiss Government of our genuine appreciation of this action and to suggest informally that a public statement concerning it would help to prevent the Hungarians and Germans from pleading that emigration is not feasible, and would provide an example to other governments.

Spanish Visas for Children

Efforts to provide accommodation in Spanish Morocco for a larger number of Hungarian Jewish refugee children were reported by our Legation in Tangier. We consider the prospect of increasing the number of children's visas granted for Spanish Morocco important for the temporary protection which such visas may give the children involved

- 4 -

and from the standpoint of general alleviation of the situation in Hungary prior to actual departure of the visa holders, which may be indefinitely delayed by the Gestapo. We advised Ambassador Hayes in Madrid of these views and requested him in his discretion to advise our Charge d'Affaires in Tangier to support the request for additional visas without reference to available reception facilities. We also requested him, if he deems it advisable, to adopt the same procedure with regard to Spanish visas in general.

Portuguese Visas

Following our appeal to neutral governments to permit the entry of Hungarian Jewish refugees reaching their borders, Ambassador Norweb advised us that the Portuguese Government has indicated its agreement in principle to helping these persons and that it has already informed the Hungarian Government of its interest. Ambassador Norweb was informed that the Portuguese Government had in fact issued visas to a number of people and had persuaded the Hungarian Government to issue exit visas, but that the Germans had until now refused to permit them to leave. Some of the persons in question have found asylum in the Portuguese Legation in Hungary.

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

United States consular officers in Spain, Switzerland, Sweden, Portugal, and Turkey were authorized to issue United States immigration visas to certain categories of close relatives of American citizens and of resident aliens entitled to nonquota or preference quota immigration status; the Swiss Government is being requested to inform enemy governments, particularly Germany and Hungary, of such authorization. At the same time, our Missions in these five countries were requested to attempt to secure the prompt agreement of the governments to which they are accredited to advise enemy governments of their willingness to permit the entry of persons in the categories described.

With this action, the program formulated by this Government to give assistance and protection of this nature now provides:

5,000 immigration visas, and such periodic replace visas as may be necessary, for children up to 16 years of age reaching Switzerland, Spain, and Portugal from France and Hungary.

- 5 -

- Replace or new immigration visas for persons for whom visas were issued or authorized on or after July 1, 1941, and who have been in enemy territory since December 8, 1941.
- New immigration visas for persons in enemy territory with nonquota or preference quota status as above reported.

OWI--INTENSIFICATION OF PSYCHOLOGICAL WARFARE PROGRAM

Reports of the slaughter by the Nazis of thousands of Jews in the path of their retreat through the Baltic States are an unhappy portent of the menace of a general Nazi retreat through France, Poland, and Czechoslovakia to the Jews remaining in those occupied countries. The high hopes engendered by the swiftly changing military situation cannot be free of apprehension that the defeated German army and the guilt-ridden Gestapo will use their waning power to consummate Hitler's threat to make Europe's "Judenrein."

Psychological warfare appears to be the only means of forestalling these dread possibilities. We have therefore requested the Office of War Information to intensify the programs of warnings and appeals to the people in enemy occupied Europe. We asked that renewed broadcasts of warnings to the Nazi military authorities remind them of President Roosevelt's statement that all men who participate in the murder of Jews will be held accountable for their crimes, and that the German authorities be informed that the Government and the people of the United States are shocked by the brutality of such incidents as the sinking of the "Mefkura" and are determined that the captain and crew of the German warship responsible for the outrage shall pay the full penalty. We suggested that appeals be beamed to the Maquis to make a special effort to protect the thousands of helpless men, women, and children confined in concentration camps in France, and that repeated attempts be made during the next few weeks to speak to partisans in France, the Low Countries, Czechoslovakia, and Poland, urging them to frustrate the Nazi plan to exterminate their Jewish compatriots.

SITUATION IN BULGARIA

We learned from Board Representative Hirschmann in Ankara that Draganov, the Bulgarian Minister of Foreign Affairs and Cults, in an address to the Bulgarian Parliament on August 22 concerning immediate removal of anti-Jewish legislation, stated specifically that his government was never in accord with the action of the previous Bulgarian Government on this question. The fact that Draganov is

- 6 -

in a position of authority to deal with this question may be an indication that the Bulgarian Government intends to act in good faith in this matter.

SITUATION IN RUMANIA

Through our representatives in Stockholm we received information from the Rumanian Government that the latter has been assisting Jews in Hungary with Rumanian passports and has taken special measures to get them into Rumania. It was indicated that the Rumanian decree ordering Hungarian Jews to be shot at the Rumanian border was issued to prevent mass flights, which it was felt would greatly endanger their lives. It was stated that border guards have been privately instructed to shoot no one and that not a single Jew has been shot fleeing across the border. Approximately 1,000 Rumanian Jews were estimated to have been evacuated to Palestine in small vessels during April and May, and approximately 8,000 Hungarian Jews were expected at Constanza in August for evacuation to Turkey on the SS "Smyrna."

According to information which Hirschmann received from Istanbul, the past several weeks have seen an increase in the clandestine movement of Jews from Hungary to Rumania. Estimates of the number of such refugees in Rumania at the end of July were from 1,500 to 1,700, compared with an estimated 3,500 to 4,000 there now. It was reported that, while the Rumanians condone this movement, persons who are caught are being held in a camp in Transylvania. Hirschmann is seeking further information concerning the camp.

EVACUATIONS THROUGH TURKEY

The Secretary General of the Turkish Ministry of Foreign Affairs advised our Embassy in Ankara that the Turkish Consul in Budapest has been instructed to issue transit visas to any Jews who apply for them, provided such persons hold (1) an American immigration visa issued on or after July 1, 1941, (2) a letter from the Jewish Agency in Istanbul certifying that the holder has been granted a Palestine immigration certificate, (3) a certificate issued by the Jewish Agency representative in Budapest that the bearer is a Jew, or (4) an appropriate certificate issued by the Swiss Legation or an endorsement on a child's passport under the "five thousand" scheme. At the same time, Turkish consuls at Burgas and Constanza were authorized to grant up to 400 visas every ten days to persons in possession of one of these four documents.

- 7 -

Hirschmann subsequently reported that the Rumanian Government has now definitely agreed to provide transit facilities for refugees from Hungary, and that continued efforts are being made to secure a similar concession from the Bulgarian Government. The latter has now offered to permit the "Vita" and the "Pirin" to be used to transport refugees from Burgas to Istanbul. Hirschmann expressed the hope that one of these ships might make a trip every ten days carrying refugees with transit visas granted by Turkish consuls. At the request of our Embassy, the Turkish authorities have agreed to facilitate the movement of the refugees by rail in the event of a delay in commencing operation of the boats.

Despite the broad scope of these new arrangements, which provide a basis for substantial rescue operations through Turkey, the movement of refugees may continue to be delayed. The International Red Cross has confirmed to our Embassy in Ankara that although 2,195 Jews in Hungary have all their visas in order, including transit visas, the German authorities there have not yet granted permission for their departure.

EVACUATIONS TO SOUTHERN ITALY

As a result of Board Representative Ackermann's inquiries regarding possible aid to refugees in Northern Italy, it was learned that the Office of Strategic Services has already established good contacts with resistance groups in that area. OSS representatives indicated their belief that there is great need for refugee aid there and that such aid could be effective. It was suggested by OSS that efforts to effect such a program be directed through them, rather than through the Italian Government in Rome.

Italian resistance groups are presently receiving some supplies by plane, but these are hardly sufficient for effective military aid. Supplies of food and clothing are an urgent necessity if refugees are to be assisted in hiding in the mountains, but additional planes for this purpose can be allocated only by a directive through the Combined Chiefs of Staff. Ackermann suggested that investigations be made here to determine the possibility for the issuance of such a directive while he continues his investigations to ascertain what other possibilities might exist for formulating a program of assistance which would not require the use of planes.

EVACUATIONS FROM NORWAY TO SWEDEN

Minister Johnson cabled us a summary of a report on rescue and relief activities in Norway being conducted under the

- 8 -

supervision of Board Representative Olsen. Approximately 1,000 Norwegians were evacuated to Sweden during the month of July. An organization is now well established, with good channels for food and clothing supplies, for the maintenance of the 10,000 youths hiding in the Norwegian forests. Should their evacuation become necessary, plans are in readiness. Food packages, clothing, shoes, and other critical items are being sent to families of prisoners, to children, and to other needy groups in Norway.

In view of military developments, Olsen is considering the possibility of transferring to Norwegian operations the vessels which are now being used for rescue activities in the Baltic.

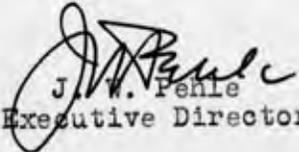
EVACUATIONS FROM FRANCE TO SPAIN AND PORTUGAL

We advised Ambassador Norweb and Board Representative Dexter in Lisbon that in view of recent military developments in France, no further efforts should be made to rescue either children or adults from France through Spain. The World Jewish Congress and the American Jewish Joint Distribution Committee, both of which have participated in such operations, concurred in the Board's decision to abandon this program.

RECOGNITION OF LATIN AMERICAN PASSPORTS

Acting on the request made by the Board for the protection of persons holding documents issued in its name, the Government of Honduras has asked the Swiss Government to take charge of Honduran interests in Hungary.

Our Embassy in San Salvador advised us that the Salvadoran Government had some time ago requested the Swiss Government to assume representation of Salvadoran interests in Hungary, and that it will request the Swiss to make the desired representations to the Hungarian authorities regarding persons holding Salvadoran passports and documents.


J. W. Penle
Executive Director

UNITED KINGDOM TREASURY DELEGATION

BOX 680
 BENJAMIN FRANKLIN STATION
 WASHINGTON, D. C.

REFERENCE:

4

TELEPHONE EXECUTIVE

September 4, 1944.

Dr. Harry White,
 U.S. Treasury,
 Washington, D.C.

Dear Dr. White,

I write to inform you that the figures for our gold and dollar holdings in Million Dollars as at July 31, 1944, are as following:-

Gold	1,522	
Less Gold Liabilities	<u>327</u>	
Net Gold		1,195
Official Dollar Balance	697	
Less Dollar Liabilities	<u>214</u>	
Net Dollars		<u>483</u>
Net Gold & Dollars		<u>1,678</u>

I have also been advised that the figure of 323 appearing in Mr. Lee's letter to you of August 1, 1944, in respect of gold liabilities has been found to be incorrect, and the figure of 313 should be substituted for it, increasing Net Gold to 1,095 and Net Gold & Dollars to 1,614 as at June 30.

Yours sincerely,



R. H. Brand.

RHB;mw

AIRGRAM

FROM
Cabberra
Date September 4, 1944
Reed September 12, 6 p.m.

Secretary of State,
Washington

A-34 September 4, 4:10 p.m.

With reference to Department's circular telegram dated August 12, 1944, 8 p.m., concerning a haven for children from Hungary there is quoted below the text of a letter dated August 25, 1944 from Mr. W. D. Forsyth, officer in charge of refugee questions at the Department of External Affairs:

"With reference to your letter of 18th August concerning children from Hungary, the following is the position:

"There is no general undertaking by the Australian Government to provide asylum for refugee children. The Australian Government has so far approved the admission of 300 refugee children from France for whom welfare organisations in Australia have undertaken responsibility, but it has not been possible to obtain passages to Australia. The question of our agreeing to admit children from Hungary has been raised with us recently, but in view of the fact that it has not yet been possible to arrange transport for the children from France there is some doubt as to the utility of approving the admission of children from Hungary. We propose, however, to inquire in London whether approval would serve any useful purpose even if transport remains unobtainable".

JOHNSON

JHM/vr

AMT-688
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Vatican City

Dated September 4, 1944

Rec'd 2 p.m.

Secretary of State

Washington.

302, September 4, 5 p.m.

FOR THE SECRETARY FOR WAR REFUGEE BOARD.

In response to your telegram No. 114, dated August 30, 7 p.m., I would advise that I promptly renewed the approach to the Holy See again supporting an appeal by His Holiness the Pope to the German authorities requesting the release from Northern Italy and the transfer to Southern Italy or elsewhere of about 9000 Jewish refugees. It is my understanding that the British are again supporting such an appeal.

TAYLOR

LMS

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

September 4, 1944

4 p.m.

AMEMBASSY,

LISBON

2420

The following War Refugee Board message is for
Dexter.

Dr. Leon Kubowitzki, head of rescue department of
World Jewish Congress, wishes to visit Portugal and
some other European countries on a mission from his
organization connected with refugee matters.

Please lend him all appropriate assistance in his
mission including assistance in obtaining Portuguese
visa for which we understand he is applying.

HULL
(GLW)

WRB:MMV:KG
9/4/44

WE

LC-919
Distribution of
true reading only by
special arrangement.
(SECRET W)

Lisbon
Dated September 4, 1944
Rec'd 9:32 a.m., 5th

Secretary of State,

Washington.

2724, September 4, 3 p.m.

THIS WRB 174 USC 3 FOR RAYMOND BRAGG BOSTON
FROM ELIZABETH DEXTER.

Am forwarding telegram from Field with most
encouraging news of progress. Here this seems best
perhaps only immediate opening into France. Suggest
someone go Geneva from here soonest possibly this
person or Field returning Boston afterward for conference.
Whoever goes should have fullest possible instructions from
committee also considerable latitude for urgent
decisions. Situation crucial for future working
Europe. Field should have all possible help and
financial backing. Hope you can secure aid for
Yugoslav plans.

NOHHEB

BB

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois,
Friedman, Drury, Gaston, Hodel, Laughlin, Lesser, Mannon,
Marks, McCormack, Pehle, Sargoy, Standish, Weinstein, Files

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
 TO: Secretary of State, Washington
 DATED: September 4, 1944
 NUMBER: 2727

CONFIDENTIAL

ELISABETH DEXTER, BREN SENDS THE FOLLOWING, WRB 175.
 FOR RAYMOND BRAGG, BOSTON.

NO. 171 of September 1.

This continues my 170.

You are informed that I am departing this week for nearby

liberated regions with a view to surveying requirements and recommending action. I have appointed an excellent French collaborator prepared to depart at any time. Madame Andre Phillip, just back from France, advised me that the number of foreign refugees in the Savoie area is about 12,000 French friends representing various tendencies unanimously urge our helping social services of liberation forces and their families. Upon my return I shall wire a full report. I have secured 50,000 Swiss francs from Joint, repayable if and when possible.

I trust that you approve my assistance effort large number of Yugoslav adherents to Tito movement here and France to return home and join the struggle. We have also been requested by representatives of the Tito movement to help some 20 Yugoslav interned high school students complete their education here prior to returning to their country. The cost is about 3,000 francs per person for the school year. It is urged that the committee make effort to obtain a special fund. It is suggested by McClelland that you approach the United Yugoslav Relief fund which some months ago displayed an interest in Yugoslav refugees in Switzerland, but has rendered no practical aid as yet.

HORVET

DCR:VAG:MIM 9/6/44

GJ-855

PLAIN

Lisbon

Dated September 4, 1944

Received 2:19 a m 5th

Secretary of State

Washington.

2733, September 4, 7 p. m.

WRB 177 JDC 63 FOR LEAVITT FROM PILPEL

One. Saleymayer inquires for name of
reliable person Sofia.

Two. He without recent news from Rumania.

THREE. He has been approached Abraham
Abramovics who states formerly associated with
JDC Paris. Please advise.

HORNEB

HMB

GJ-857

PLAIN
Lisbon
Dated September 4, 1944
Rec'd 2:21 a.m. 5th

Secretary of State,

Washington.

2734, September 4, 7 p.m.

WRB 176 JDC 65 FOR LEAVITT FROM PILPEL.

Saley Mayer advises Shanghai Committee assist-
ing almost 10,000 persons and requires \$50,000
September.

WCEWSEB

WMB

MDC-246

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

Madrid**Dated September 4, 1944****Rec'd 11:13 p.m. 5th****Secretary of State****Washington****3028, September 4, 9 p m**

Reference your letter August 11 No. 106. USOC paid from its expense account on August 24 pesetas 4077.60 for account of War Refugee Board to defray port charges in connection with embarkation of refugees which took place at Cadix on June 21 ex the SS GOUVERNEUR GENERAL LE PINE.

HAYES**EDA**

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

Reference is made to your 5579 of August 26, paragraph one. You may draw attention of Intercross to text of this Government's reply to Intercross of August 11 (see Department's 2657 of August 2) in which it undertook to arrange for the care of all Jews permitted to leave Hungary under the present circumstances, who reach neutral or United Nations' territory, and to find for them temporary havens of refuge. Nothing in that reply implied limitation to Jews in possession of Palestine certificates or planning to go to Palestine.

Furthermore, you may draw attention of Intercross to special provisions made in favor of persons to whom American immigration visas were issued or authorized after July 1, 1941 (Department's 2605 of August 1); to extension of children's visa facilities to Jewish children from Hungary (Department's 2877 of August 21); to provisions in favor of close relatives of American citizens and alien residents (Department's 2918 of August 24); and to assurances obtained by this Government from Ireland and Honduras in favor of children from Hungary (Department's _____ of _____, WRB 151 to Bern). In addition, Nicaragua has agreed to admit 100 children from Hungary, and Mexico has expressed its willingness to give emergency shelter to refugees from enemy territory for duration of war.

The cooperation of Switzerland, Sweden, Spain, Portugal, and Turkey has also been requested by this Government in respect of admission of any Jews who would be permitted to leave Hungary, and these requests have been partly successful. Spain alone has authorized 2,000 visas. Sweden is reported to have agreed to admit children, numerous adults, and persons to whom American visas were issued or authorized after July 1, 1941. Rumania is also cooperating, but current events on Hungarian-Rumanian border presumably preclude evacuation via Rumania.

Pointing out the foregoing to Intercross, you may reiterate this Government's refusal ever to limit its undertakings with respect to the emigration of Jews from Hungary to any number or particular category of Jews or to Jews going to any particular country and its protest against the attempt of German and Hungarian authorities to introduce such arbitrary limitations.

Recommendation contained in last paragraph of your 5579 is appreciated and is being acted upon.

THIS IS WRB CABLE TO BERN NO. 158

11:45 a.m.
September 4, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mannon, McCormack, Cable Control Files

BAKzin:ar 8/31/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Unofficial reports reaching WRB indicate that Intercross believes Theresienstadt a privileged camp and does not (repeat not) consider necessary any action calculated to bring its inmates within scope of Intercross activity.

Please advise Intercross that Board has received repeated reports of recent deportations from Theresienstadt to extermination camps which, if true, indicate that its inmates enjoy no security. In addition, well-known tendencies in certain official circles in Germany to exterminate maximum number of Jews before and of war make likely sudden deterioration of position in Theresienstadt and elsewhere unless adequate precautions are taken betimes. Board is therefore unable to share moral responsibility for possible loss of human lives involved in an express or tacit approval of reported Intercross position. Board is convinced that Intercross too would not like to bear such responsibility.

Accordingly, Board earnestly hopes that Intercross will extend its protective activities to Theresienstadt inmates including distribution of Palestine certificates and other documents entitling them to partial assimilation with civilian internees, eligibility for exchange and general Intercross supervision.

In general, please submit to Intercross the Board's view that in dealing with Jews in German-controlled territory in the coming critical weeks, it is not enough to attempt to correct unsatisfactory situations already in existence. In the light of present circumstances it is urgent that all measures be taken to beprepared to deal with sudden deterioration. Therefore, Intercross is earnestly urged to take preventive as well as corrective action, however much this may go beyond the traditional pattern of Intercross activities. If this line of action is unprecedented, so is the situation.

If possible, discuss the foregoing points with Huber personally.

THIS IS WRB CABLE TO BERN NO. 159

11:45 a.m.
September 4, 1944

MissChauncey (for the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mannon, McCormack, Cable Control Files.

BAkrin:LSLesser:ar

9/2/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 4, 1944
NUMBER: ~~MM~~ 5805

SECRET

McClelland sends following for War Refugee Board.

Reference is made herewith to Department's cable No. 2899 and to Legation's of August 12, 1944, No. 5233.

Reliable Hungarian reports received recently by Salymayer, explicitly confirmed by Kasztner, are that under present circumstances false El Salvador "nationality" documents give the bearers no protection whatsoever. It is felt by us to be inadvisable to make use of information contained in your cable No. 2899, for this reason as well as for reasons set forth in the penultimate paragraph of cable No. 5233.

As regards official United States presentation to Swiss Federal Political Department of Salvadoran documents for delivery to persons in Germany and German occupied territory other than Hungary who claim Salvador nationality, repeated attempts have been made by the Legation to secure confirmation that validity of documents fraudulently issued by the Salvador Consulate General at Geneva will be recognized by the Government of El Salvador. To date the Legation has not felt it advisable to present these documents officially to Swiss FPD for forwarding, owing to complete absence of any such confirmation. We should be glad to receive your instructions in this matter.

HARRISON

DCR:IDB:EFR 9/9/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking
TO: Secretary of State, Washington
DATED: September 4, 1944
NO.: 1499

SECRET

The Central News report that Finance, Communications, Economic Affairs and Foreign Affairs Ministries have jointly drawn up comprehensive plan for "encouragement" of foreign capital investments and had referred the plan to Executive Yuan is orally confirmed by the Vice Finance Minister. While expressing inability to predict if or when the plan will be approved, or whether it will be materially altered, he states that the eventual treatment of foreign capital will "undoubtedly be quite liberal" with adequate provisions for security and reasonable returns. It is stated by him that the proposed revision of insurance banking laws apparently has been shelved and officials favoring anti-foreign discrimination have been forced to give way to officials who favor liberal treatment.

Although these remarks are encouraging and may indicate the growth of more liberal attitude, pending more concrete evidence that the general Chinese Government tendency in these matters is changing, the Embassy accepts them with considerable reserve.

GAUSS

DOR:VAG:MLM 9/9/44

ef:copy
9-13-44

NOT TO BE RE-TRANSMITTEDSECRETOPTEL No. 288

Information received up to 10 A.M. 4th September 1944.

1. NAVAL

A Small British AA ship, foundered on 2nd in heavy weather off ARROMANCHES. Unloading CHERBOURG restricted and many sailings suspended. German hospital ship BORDEAUX (status unrecognized) intercepted off CHANNEL ISLANDS 1st by U.S. Destroyer and has been escorted by a British Destroyer into PORTSMOUTH. A U.S. Destroyer shelled positions near MONACO 1st. Two British Destroyers again shelled batteries and cross roads north of PESARO on 1st. Aircraft from a British escort carrier and destroyers escorting a convoy sank a U-boat on 2nd N.W. of TRONDHEIM.

2. MILITARY

France U.S. troops are within 7 miles of the LUXEMBOURG Frontier. Further north they are on general line MAUBEUGE-MONS. U.K. Armour has cleared TOURNAI and reached outskirts of BRUSSELS; another U.K. armoured column has reached ALOST. Canadians have been considerably delayed in crossing SOMME owing to destruction all bridges but havenow established two bridgeheads across the river. On left flank U.K. and Canadian forces have cleared the coast to within 5 miles south of SOMME Estuary. U.K. forces are closing in on Germans left behind in small area round LE HAVRE.

Southern France French forces have pushed reconnaissance towards SWISS Frontier as far as CHAMOUSSE and North and East of THE LAC DU BOURGET. U.S. Forces have maintained their positions NE of LYON and are within 3 miles due South of the city where they are in contact with the Germans West of RHONE. Further West French reconnaissance elements are on general line ST. CHAMOND-ST ETIENNE-FIRMINY.

Italy Eighth Army advance in ADRIATIC Sector continues satisfactorily with stiff fighting. CATTOLICA has been captured. German resistance has prevented any further advance in hills 8 miles NE of Florence. West of FLORENCE Fifth Army advance over ARNO going well on broad front; latest reports show forward troops 7 miles South PISTOIA and midway between PISA and LUCCA.

3. AIR OPERATIONS

Western Front. 3rd. 615 escorted bomber command heavies (2 missing) bombed 6 airfields HOLLAND 3246 tons; most crews bombed visually with good results. 393 escorted U.S. Heavies (2 missing) bombed 16 batteries BREST 927. 325 escorted U.S. Heavies (one missing) bombed LUDWIGSHAFEN 866 tons.

Supporting fighters shot down 7 German aircraft. 200 other bombers (one missing) bombed strong points and bridges BREST 310 tons and 96 fighter bombers attacked similar objectives. Other fighter bombers destroyed 42 locomotives and 134 motor vehicles in the LOW COUNTRIES.

Italy and Southern France 1st/2nd. Heavy and medium bombers dropped 160 tons BOLOGNA Railway Centre. 2nd. About 180 medium and light bombers (2 missing) and 670 fighters (6 missing) attacked communications etc. Yugoslavia fighters which attacked communications between BELGRADE and NISH 2nd destroyed or damaged 106 locomotives and nearly 500 motor and other vehicles.

German Activity About 125 shells from French coast fell in DOVER Deal Area.