

DIARY

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MEMORANDUM FOR THE SECRETARY.

September 22, 1944.

Mail Report

Both in the mail referred by the White House and in the mail received directly, there continued to be very few letters that could be considered "fan mail". Correspondents wanted their tax overpayments refunded, their out-of-date checks rewritten, or their bonds reprocessed. A few asked for copies of the proceedings of the Bretton Woods Conference. But the usual "it is my opinion" letter was almost entirely absent. Protests against high tax rates and extensive discussions as to how additional income may be obtained -- once a large part of the mail -- seldom appear now; and at this time of the year very few persons have questions about individual obligations.

Only 35 bonds were submitted for redemption, and replies to the redemption slip also dropped off. Though somewhat increased over last week's unusually low figure, complaints about delays regarding bond matters were still of little consequence. Now and then a bondholder protested that he is unable to relate interest payments with particular bonds; thus he has no check as to whether he has received correct amounts. From the CIO Council of California was received a formal resolution that the payroll deduction plan be made a permanent part of Government financing.

A few copies of a news item suggesting that paper money of different denominations be printed on paper of different colors were forwarded, along with personal approval of the suggestion. Aside from two small sums representing conscience money, only 3 contributions were made -- \$5, \$166, and \$1,515.



General Comments

M. Clark, 22 Bottom Street, Salford 3, Lancashire, England. Could you Find Me A Lady Pen Friend Who would like to Correspond with Me? I am Married. have Fair Hair, Blue eyes, Fresh complexion, no need to use make up. 5 ft. 3 in., in Height. I shall be 48 next October, but I carry my Age Well, with being Slim. I am of a Reserved nature. I hope You will Forgive Me taking the Liberty of writing to you, but I saw your Name in our Evening Paper. Our People write to the Mayors of our Towns if they want Friends, Husbands or Wives so I hope you won't Mind. Yours Sincerely, M. Clark.

Mrs. Thelma Clapp, Fresno, California. I have received a check in the amount of \$53.97 for refund on income tax - made out to my husband and myself jointly. As my husband is serving in the Army in France at the present time, it seems that I cannot either cash or deposit the check. Before my husband left for overseas duty, we had our attorney make out a General Power of Attorney from my husband to myself. However, the bank refuses to accept a Power of Attorney in lieu of my husband's signature. The bank has no other suggestion to make as to how I should go about either depositing this check or cashing it. * * * I do not wish to send this check to my husband over in France, as there is too great a possibility of it being lost. This may not sound like a large amount of money to be writing about, but when your husband is overseas, and you have a child to support, every little bit counts. I had always been under the impression that a General Power of Attorney is good for transactions such as this. If a General Power of Attorney is not good, is any Power of Attorney good in an instance like this? Please let me know as soon as possible how I can either cash or deposit this check.

Favorable Comments on Bonds

W. H. Wood, Chairman of the Board, American Trust Company, Charlotte, North Carolina. In the American Banker of September 12, I read an article about the protest that has been made to you by Mr. Earl Crawford, a prominent banker in Indiana, regarding the cashing of "E" Bonds by the banks, stating that it was inflationary and that the fees were arbitrary. * * * It seems to me that when people realize they can get their money easily and quickly, they do not want it as much as they would if they had to go through three or four days' delay and "red tape" about it. Personally, I do not think it will make any difference in the number of people who cash in their bonds. * * * A number of people have asked me if I thought the Government would "freeze" these bonds, which, of course, is ridiculous, and I have told everyone that this is absolutely absurd; that when a Government Bond becomes due, the Government will always pay U. S. currency for it, or the equivalent in a Treasury check, which is the same as currency and can be turned into currency. It seems to me that the Indiana banker is a little hasty in his conclusion. In other words, my observation from fifty years in banking is, that when people know or believe they can get something, they do not want it as much as they do when they think they cannot get it promptly. I am inclined to agree with the Treasury Department on this plan.

Unfavorable Comments on Bonds

E. O. Kemler, Wilmette, Illinois. I acknowledge receipt of U. S. Treasury Department citation dated July 31, 1944, for work done on the Fifth War Loan Drive, as well as citation received some time ago. * * * Being associated with the paperboard industry, I cannot refrain at this time from commenting adversely and emphatically on such use of paper. As you are aware, we have been confronted with an extreme shortage of paper for many months and paper today is one of the most critical, if not the most critical of all materials in the war effort. In this particular case, there not only has been unnecessary use of paper, but hundreds of manpower hours have been used. * * * With the Postal Department already staggering with tremendous additional tonnage, the Treasury Department has burdened it with many more tons to handle. The citation measures 6" x 5". The letter accompanying it is 8 x 10½", both of which were mailed in a high quality kraft envelope, size 9½ x 6½", or more than twice the square inch area of the citation. I, for one, and I am sure this is applicable to other persons who have patriotically and unselfishly given of their time to the war effort, do not feel a citation of any kind is necessary. Far more good can be derived for our country if the raw material and manpower needed to produce these citations were directed to real war and highly essential necessities. * * *

Mrs. C. E. Gallant, Inglewood, California. What is the reason that the Press carries the news that a bond can be cashed at a local bank on proper identification? Have just phoned my local bank asking if this is true, and was informed that it would have to be sent to the Federal Reserve Bank at San Francisco. What can I believe? Please give me the reason why. Shall I buy some more bonds?

Senator Vandenberg forwards the following letter he has received from Walter Biess, E M 3/c, U.S.N.R., Receiving Station, Brooklyn, New York: "I enlisted in 1943 and gave up a \$5,000 a year job to work for \$78 per month. So far there is no question of my loyalty to my country. I have gone out of my way to enlist. * * * I saw all legal advisers and bond experts; latest was a call directly to New York, which answer was, 'Whoever is in possession of the bonds is the owner' -- or in plain words, I am in service and moved from coast to coast; therefore, the bonds are at home and my wife is the owner by possession, by law. And I, as a service man, am legally broke. How can a man of my age (38) prevent my wife from cashing bonds, and how can I return home and at least get one-half of the bonds, instead of finding all bonds gone and only an angry wife? I suggest a Bill be passed to legally make a wife give her husband at least one-half of the total bonds bought by the husband. * * * I can't get a leave, I am shoving off soon. If I could, maybe I could rob my own home by finding the bonds, but if my wife has the bonds hidden or partly cashed, I can't do a thing. * * * My life's savings are in these bonds, so by being in service, under the present law, I am legally broke. What a future for an old man like me -- what a reward for enlistment! * * *"

Unfavorable Comments on Taxation

Senator Vandenberg transmits the following letter from John Ickes, Cassopolis, Michigan: "My wife and I own a 265-acre farm at the above address. * * * It was a depleted farm when we bought it several years ago, and the greater part of my salary earned in Chicago has been devoted to bringing it back. This almost has been accomplished. The current year is the first when we really felt assured of good results. But, unfortunately, as you know, we are located in that part of southwest Michigan which recently suffered severely from about 75 days of extreme hot weather, with no rain. To give you an idea of the damage we have suffered, on August 1, we confidently expected a corn crop of between 3,000 and 3,500 bushels. We will not harvest even 300 bushels. As you know, the Government for the year 1943 arbitrarily requested withholding by the employer of a large percentage of wages of every employee to apply on his income tax. In very many instances, the amount withheld was greater than the amount due. The result is that the Government today is refunding to a multitude of wage earners the amount which was unjustly taken from their salaries or wages. Under all the circumstances, it would seem that having done this unfair thing, the Government would be exceedingly anxious and prompt in making the refunds. However, the opposite is true and the present system of handling refunds for overpayment of income taxes is working a hardship on many taxpayers. * * * Instead of proceeding in a businesslike way, the Chicago Office is actually following a grab-bag system, sending out about 6,000 refunds each day, such refunds not being selected in an orderly or systematic way, but on the contrary, being actually grabbed from the mass or mess, as it might better be called, of refunds. It is impossible, according to advice I have just received, for any one refund to be located or

expedited, no matter how desirable or urgent it might be; nor can any promise be made by this Division as to when this mess can be cleared up. * * * Undoubtedly, many taxpayers need the money thus unjustly taken from them and it is a great hardship to be compelled to wait an indefinite time. This is my position. Obligations were incurred by me, with the farm as security; long before it was dreamed that we were going to be engaged in the present war, and, of course, long before anyone could have imagined that the Government was going to need such tremendous sums of money. * * * Without question, many of my fellow citizens are in the same predicament and with the Government proceeding in an exceedingly careless and hazardous manner, being entirely callous and indifferent to the needs of those to whom these refunds are due, it seems to me that here is a matter that fully warrants a Congressional investigation."

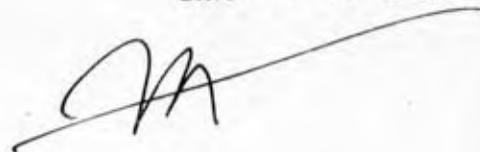
Donald L. Bridges, Charlotte, North Carolina.
 I have a refund on my 1943 income tax that I haven't received, and shall appreciate information about same. You know us citizens are given a deadline of March 15 to pay our income tax or face action by the U. S. Government. Now I think that fair play by the Government to the citizens would or should be in order regarding things like this. With countless thousands of Federal employees in Government offices in Washington, it seems to me that these refunds could be got out faster. I am just a railroad man working for a living, frozen on my job, and have to like it. Also have to pay high taxes, and have to like that too, and I am a Democrat and always liked being one, but there are times when the line must be drawn. * * *

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

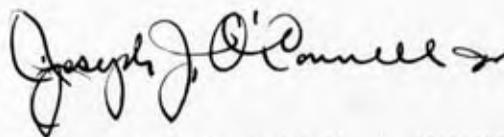
DATE SEP 22 1944

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.



The attached memorandum from Mr. Julian Street, Jr., reporting on the disposition of the royalties so far received from the sales of the British edition of "There Were Giants in the Land" is in accordance with the arrangement Mr. Street made with the various authors whose works comprise the book.

Under the circumstances, there is no legal problem, and I think you should consider Mr. Street's memorandum purely as a report to the effect that everything is working out according to plan.



Attachment

*O'Connell 7-6
127 note*

**TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION**

DATE 9/19/44

TO: The Secretary of the Treasury
FROM: Mr. Julian Street, Jr. *JSj.*

Royalties of L20/17 shillings from the British edition of "There Were Giants in the Land" (published in England by Allen & Unwin under the title "They Were Great Americans") have been paid over to the Lord Mayor's National Air Raid Distress Fund. A similar amount of L20/17 shillings was paid to the British government in income tax.

All but 20 copies of the British edition of 1900 copies which contained your preface and an introduction by Lord Halifax have been sold.

Treasury Department
Division of Monetary Research

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Date Sept. 22, 1946

To: Secretary Morgenthau

I think you will be interested
in reading this summary of Hoffman's
observations.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

Hoffman
A 7

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date 9/22/44

TO Mr. White

FROM Mr. Casaday

Subject: Summary of Hoffman's observations in Paris -- report dated September 2, 1944.

1. General. In great contrast with London, physical war damage in Paris is almost unbelievably slight. Sporadic sniping is still going on and will probably continue to the end of the war.

Transport is largely by bicycles, of which there are literally millions. The Metro is not running. There are few automobiles but a considerable number of trucks. Gasoline is very scarce.

Meat, flour and all imported foods are scarce but fruits and vegetables are in surplus. Restaurant meals are expensive. The British seem to be getting most of the credit for sending food to Paris. Everybody, including the press, praises them. Hoffman describes a convoy of hugh 12-wheel U.S. trucks with trailers, bringing in food of (presumably) U.S. origin. Trucks were driven by British soldiers and on each vehicle was a large British flag and the inscription "Vivres pour Paris".

The press, including the Socialist and Communist organs, urges recognition of the Provisional Government by the Allies. The French seem to feel that recognition by the British will be obtained but that the United States will be reluctant.

2. Finance Ministry. Mendes-France, Guinday, Gregh, Alphand, Ardant (now a Colonel) and Monick are all in Paris, the last acting as Inspector General of Finance. It is thought there will be no interruption of Ministry's activities on account of change of situs. Seniority will determine relationship of those who have been with deGaulle to those already in Paris. There will be some eputation but this is not expected to hit many in the Treasury proper.

3. Currency. Major problem for U.S. Army is keeping the currency up to the troops. Because of mobility of disbursing officers, General Cobbs is using the more immediately available and conveniently packaged supplemental francs for practically all offices except Paris and Cherbourg. Belgian currency had not yet arrived from the War Office when Hoffman wrote and one payday to troops entering Belgium had been passed on this account.

Division of Monetary
Research

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Supplemental francs are readily accepted and apparently being hoarded. This latter is thought to be due to German and Vichy propaganda to effect that Allies intend to make Bank of France notes worthless. All small denomination notes are scarce.

4. Bank of France. The Governor (Poinsiger) and First Deputy Governor (Villard) have been interned. The FFI have an office in the Bank building and apparently considerable personnel on the staff. Present acting head of Bank is Elitterie, Second Deputy Governor, who expresses desire to cooperate fully with Allies. Hoffman does not seem impressed on this score, however, Hoffman also believes Favre-Gilly (Secretary General) is suspect although he is described by both Lithiby and Rabino as "extremely competent".

5. U.S. banking and business firms. All American banks are closed but Guarantee Trust is actively preparing to reopen and Cobbs says personnel will soon be sent in from U.S. and U.K. Hoffman is very anxious to know how far plans concerning opening of this and other banks have gone and what U.S. Treasury's views regarding this are. Hoffman doubts that Army really needs Guarantee Trust but Cobbs says it does.

Westminister and Barclays banks are both in operation.

Hoffman doubts whether there is "a single big American company who hasn't got a 'representative' in Paris in the U.S. Army". Those people are making contact with their firms, reoccupying their old quarters, etc. For example, Col. Claiborne and Tupper Barret are Guarantee men, an unnamed Colonel represents Standard Oil and there are many others. Many of these apparently intend to get out of uniform soon and to remain in France. Undoubtedly the British are more active in this field than the U.S. Hoffman believes that both Lithiby and Rabino, who are there with him, are especially active in renewing former official and business contacts.

6. Troop spending and the "off-limits" policy. The "off-limits" policy in Paris is a complete failure. The city is patently full of troops ... of all kinds but especially of officers and more especially of British officers. Almost all these people are purely on leave or in Paris on official orders which Hoffman says are "laughable". Troops as well as Red Cross workers and similar camp followers, are buying all they can lay hands on but there is little patronage of restaurants because meals are expensive and insufficient. Outside Paris the "off-limits" policy seems to be well enforced by the U.S. Army but "not at all strictly" by the British.

Treasury Department
Division of Monetary Research

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Date October 4, 1946

To: Secretary Morgenthau

I think you will be interested in
the letter from Mr. Friedman, dated
September 22nd; and you may also want
to glance at his letter to Mr. Adler.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

SECRET

September 22, 1944

Dear Mr. White,

Chungking has been a rather exciting place these days what with the bad military news from S. E. China, the meetings of the People's Political Council, the Hurley-Nelson Mission, the opening of a new phase in the Kuomintang - Communist discussions together with increasing interest and reports on the Northwest and other so-called communist areas and new censorship difficulties.

The military news from S. E. China continues to be bad. We (the Americans) have already destroyed all our air-fields at Kweilin, except for one fighter strip which, I understand, has not been used for nearly a week. The Japanese have not yet taken Kweilin itself and there are some Chinese reports of Chinese resistance near the city, but no one here really believes Chinese reports on military developments and the complete lack of resistance during the last few weeks makes it difficult to believe the current stories. Eye-witness accounts describe how the Chinese armies who were to defend the Chinese soil between Hengyang and Kweilin faded and disappeared into the mountains as the Japanese approached. The 14th Air Force, I'm told, has fallen back to Luichow, to the south of Kweilin, but the Japanese have been coming westward up the West River from Canton at a rapid rate without encountering any resistance and, if they can keep it up, it will be a contest between the Japanese coming from the north and those coming from the east as to which will have the honor of capturing Luichow. The members of the People's Political Council strongly criticized the Government for this situation and were told that something would be done. General Hurley seems to feel that the situation can be remedied. The well-informed civilian Chinese seem very pessimistic and have written off Luichow and Nanning already, which would give the

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Japanese an overland route to Indo-China. There are many guesses as to Japanese intentions after this objective has been achieved, but no one knows. When I was in Kuming, Governor Lung Yung told me that he was convinced that the Japanese would make a drive towards Kuming from Indo-China as soon as the rainy season ended (October) but he may have been merely putting forth his best argument to support his contention that the Americans should train and equip his troops as they were doing for the Chungking Government.

There have been further reports of Japanese counter-attacks on the Salween, but, perhaps the real reason for the seeming reversals in the last two weeks is that General Stilwell is in Chungking. Poor Stilwell!! Not only does he have to plan campaigns, but he also has to be up in the front lines to make sure that at least some of his plans are executed by the Chinese commanders.

The meetings of the People's Political Council have come to an end. There seems to be a general feeling that the Central Government was very wise to have allowed them to let off steam, as they did. There were some real pointed attacks on corruption in government, the abuses of conscription, and the maltreatment of the troops. I understand that O.K. Yui, the Acting Minister of Finance came through his siege with increased prestige and popularity, although, of course, it was relatively easy for him since the personal attacks were directed at Dr. Kung.

The most sensational development was the open discussion of the Communist-Kuomintang relations and the decision to have the People's Political council send a delegation of five to Yen-an to investigate the

situation. It is regarded here as quite a victory for the Communists since they had extended the invitation in the first place. Moreover, the documents covering the negotiations were presented to the Council and made public; this action was taken at the initiative of the Communists. (I am trying to get a set of the documents for you.) I am told that this delegation of five will be leaving in the very near future. If they are as impressed by Yen-an as the Americans have been, it may well have major consequences. (I am writing about the American reactions to Yen-an in some detail in my letter to Sol.)

It's still too early to assess the effects of Nelson's visit. I had a few talks with him and his assistants. The Chinese tell me that Nelson made a very good impression. He seemed to stick fairly close to discussion of production and told me that he made it clear to everyone that he had promised Secretary Morgenthau that he would not discuss financial matters. He also told me that he told the Generalissimo in no uncertain terms that the Government's policy of discouraging productive enterprises at the present time was completely wrong and that everything should be done to increase production. (Do you recall the stories Manual Fox used to tell of his battles with the Chinese on this point?) It seems that we have made definite promises to the Chinese regarding increasing supplies of imported consumer goods including textiles. It seems that we will try to get C' 46's for the CNAC instead of the C' 47's they now use thereby considerably increasing the amount of cargo the Chinese fly over the hump. (A C'46 will carry 4 to 5 tons as compared with 2 to 3 ton capacity of C'47.) Moreover, we are going to try to persuade the Russians to allow trucks to come in via the Northwest (Sinkiang Province) and Nelson's assistants, at least, seemed

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quite optimistic about their ability to get Russian approval and cooperation on this project. An amusing story in connection with the import of these civilian goods is told. When Nelson discussed with O. K. Yui the disposal of the lend-leased textiles to be brought in, O. K. Yui said he wished to sell them to raise revenue and that they should be sold to government employees. When asked why government employees as against farmers or laborers, he replied that he could get higher prices from the civil servants. Nelson took the position the cloth should, instead, be sold to the farmers. Nelson has publicly stated that he intends to return during the latter part of the year and, in private, speaks of returning within two months but it doesn't seem very likely to me, at least.

One of the real effects of Nelson's visit has been to revive considerably the prestige of T. V. Soong. The Generalissimo appointed T. V. Soong to discuss matters with Nelson and to act as interpreter in their discussions. This, of course, has given T. V. considerable favorable publicity and it is reliably reported that Dr. Kung is considerably worried about this development. Nelson and his assistants were very favorably impressed with T. V. They were also very favorably impressed with the Generalissimo and said that he showed qualities of great statesmanship and leadership, particularly in his willingness to reverse himself when he was shown why he should. This, of course, does not fit in with the general prevalent feeling and, instead, you hear stories of how he stubbornly insists on running the present campaign in East China from Chungking and will not give any general in the area even the authority necessary to coordinate the activities of the different branches of the Chinese armies. At the same time, it is interesting to note that the

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Communists in Yen-an still say that their desired reorganization of the Government would keep the Generalissimo as the head of state and armies. It would, therefore, seem that if he still has the flexibility to shift his position drastically, he may come through the present crisis with his personal position intact.

The censorship difficulties I mentioned above relate to the question which has just arisen regarding U. S. Army communiques (14th Air Force). The other day, the Chinese refused to allow the sending out of a U. S. Army communique dealing with the destruction of U. S. basis in Kweilin on the grounds that the U. S. Army (General Hearn) had agreed over a year ago that the Chinese could censor any U. S. Army communique dealing with Chinese military developments and vice-versa and, although this agreement had not been exercised for over a year, they were now acting under it! You can well imagine the reaction of American newspaper men here to the statement that they could not send to their newspapers the complete text of communiques issued by the U. S. Army. It still hasn't been settled.

I am enclosing a letter for Sol.

I do hope that everyone in the Division is in the best of spirits and good health. Please give my regards to Bernie, Harold and the rest.

Sincerely yours,

Irving

P.S. I am enclosing some currency issued in the Yen-an area (Shansi-Kansu-Minghsia Border Area) and some newspaper clippings giving texts of documents exchanged between Kuomintang and Communist negotiators referred to above.

Treasury Department
Division of Monetary Research

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Date..... October 3, 1944 19

To: Mr. White

From: Mr. Adler

1. Friedman's letter to me containing a Catholic lieutenant's impression of the Border Area would certainly be of interest to the Secretary. I venture to suggest that the President might also be interested in the first-hand impressions of a typical Boston American descending from the air into the Communist area.

2. In paragraph 3 of Friedman's letter he mentions that Nelson has recommended a War Production Board to be set up with Tseng Yang-fu as chairman. Unfortunately Nelson made an error characteristic of well meaning Americans visiting China for the first time. Tseng talks a good line, but actually he is less efficient and "clean" than the Minister of Economics and the head of the arsenal who will be placed under him as a result of this reorganization. Tseng is a member of the most reactionary group in the Kuomintang, namely the C. C. Group; also his engineers and representatives were pretty deeply involved in the graft in the construction of the Chengtu airfield. Thus neither from a political nor an administrative point of view is Nelson's recommendation an improvement. Perhaps it would be worthwhile calling this to Nelson's attention.

SECRET

September 22, 1944

Dear Sol,

I haven't received any mail from you during the last ten days or so but hope to in the next few days. Things were pretty active here during the last few weeks but will probably slacken off now that the Nelson visit is ended and the People's Political Council meeting has come to an end. Of course, there is the still dynamic factor of the military reverses around Kweilin. By the time you receive this, it should be clearer as to what Japanese intentions really are. Of course, the Chinese press blames us for these defeats on the usual grounds.

K. P. Chen intends to leave for the States in a couple of weeks. He tells me that he was not on the original list of delegates, but that when the list was submitted to the Generalissimo, the Generalissimo added K. P.'s name.

It seems that as a result of Nelson's trip, a War Production Board will be set up and the latest information is that Tseng Yang-fu will be chairman.

The best story of the week that I heard was told by Mac Fisher and a young Army pilot. I saw them on Wednesday night. They had just returned that afternoon from Yenan - Mac having gone to discuss psychological warfare with them and the lieutenant having just completed a 104 day escape from the Japanese which began when he and his plane were brought down by Japanese ack-ack fire while on a strafing mission outside Peiping. The pilot was rescued and guided to safety by the guerillas who took him from one end of China to practically the other. Using the language of the G.I. he told about his experiences with supporting statements by Mac Fisher who, although

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using more moderate and cultured language, was no less enthusiastic. I will try to summarize what I heard, although I'm afraid that much of their enthusiasm and wit will be lost in doing so since I will be making generalizations based on many, many individual stories of live people who rubbed the hair on the pilot's arm to see if it was real^{1/}; of his trying to gain the friendship of the ten year old daughter of a general by giving her his insignia and how they ended up by being fast friends and how she hugged him "like a wet rag thrown around your neck"; of his being asked to address town assemblies; of his visiting factories and being asked for his advice on technical matters completely out of his field of competence and gladly giving it; of how he was picked up by the guerillas and the anxious first two days when he did not know whether they were friend or foe and of the chicken which they fed him, head, feet, wings and all; of his shy and embarrassed reluctance to answer questions which might give away military secrets of those who befriended him; of the emphasis and not to be mistaken tone of his voice when he answered their (guerillas and communists) questions on what he thought of Earl Browder and the future of the Communists in the United States - how he explained to them how he used to entertain himself in Boston by going to communist-addressed meetings and heckling the speakers, often causing the disruption of such meetings; of the scorn in his words, eyes and gesture when anyone present on Wednesday night suggested that these guerrillas were anything but patriotic Chinese who placed the welfare of their country above all else. I could go on for many a page trying to reproduce the experiences and reactions of this young fellow (age about 22 - Catholic [attended confession first day in Chungking] - Sicilian parents).

^{1/} The Chinese are the least hairy people in the world. One of their nicknames for foreigners is "hairy ones". (S.A.)

- 3 -

But I'll leave that to the journalists and try to summarize what he said.

1. The Border Areas of North China have a mobile army of 450,000 whose main job is to fight the enemy. They claim they engage 2/3 of the Japanese forces in China. In addition, there are "people's militia" totaling 2 million odd, composed of different organizations such as youth organizations, women's divisions, etc. Their chief job is normally production but they are given military training in case the Japanese invade their areas.

2. The Border Areas include 80 million people and there is no real difficulty in traveling from one end of North China to another. The Japanese control all the roads and railroads, but not the many single file paths.

3. The 80 million people enjoy democratic government in the Western sense of the word. Women as well as men vote. Freedom of speech and press seem to exist. In the villages, the chief official is an elected magistrate and in only one village out of a hundred is he a communist. In the Congress governing an entire area - one third of the delegates are communists, but the other two-thirds are not. Thus, at Yen-an, the Vice-Chairman of the Government is the largest land-owner in the area and heads a very active and vociferous land-lord group. Last year when the Yen-an Government proposed higher taxes on land, this large land-owner objected on the grounds that taxes were too high and proposed, instead, that the army and civil service be "rationalized", i.e. the elimination of unnecessary and overlapping government agencies and over-age and otherwise unsuitable people from the Army. His (the landlord's) plan was discussed and accepted by the Congress and, as a result, taxes were lowered. This proposal worked so well in the Yen-an area that it has become the policy throughout North China, with similar results: better army - superior administration - less taxes.

- 4 -

4. The armies are well fed, well disciplined, literate, and well trained in the use of the equipment which they have captured from the Japs. They specialize in close-in fighting and use of dynamite in form of land-mines and hand grenades. All soldiers must go to school and also devote part of their day to productive activity, such as spinning cotton. The cooperation between Army and people is complete and the fundamental cause of the success of the guerilla areas. Soldiers work in the fields so that farmers can go to school while even petty looting is unheard of.

5. Throughout the area there is sufficient food and no cases of starvation seen while the children, however dirty, look healthy and none suffered from skin diseases and eye sores. In many areas there is a surplus of food and increasingly higher percentage of land can be devoted to cotton growing. 30% of raw cotton needs now met by own production while all have plenty of clothing from cotton and wool cloth spun in the area. Most exchange is on a barter basis, even work is exchanged on this basis, e.g. a skilled workman may exchange his labor with an unskilled workman on a two day to one day basis. Wages are expressed in terms of millet which can be sold by wage-earner in form of physical millet or receipt for millet or he can save the receipt to pay his taxes; currency is also used, but relatively unimportant. Everybody works; while practically all institutions such as banks spin their own cloth and manufacture their own cigarettes after working hours. Mules are chief source of transport and Japanese are chief source of supply for these.

6. Japanese prisoners are sent to school; allowed to have their own farms and cooperatives. A Japanese prisoner has been duly elected to the area Congress. The punishment for escaping is to be sent to school for further education.

- 5 -

7. All are friendly to the U. S. and repeatedly expressed gratitude for our aid. They didn't ask for more aid but instead asked what could they do to help. They don't want heavy equipment or planes because they aren't prepared to use them. No evidence of Russian influence or contact with Russians; use U. S. and British press released and services such as U. P. and O.W.I. but not Russian service - Tass. Interested in purpose of Hurley-Nelson Mission and expressed hope that Roosevelt would win election. Convinced that they are eager for whole-hearted and sincere cooperation with U. S. Invite all visitors, including representatives from Chungking, willing to keep the Generalissimo in present post.

8. Did everything possible to express friendship for American flyer. For example, one guerilla made twenty trips into a Japanese fort to buy 40 packages of cigaretts for the American and apologized because it took him two days to do this. Another example, the guerillas sent a man into Peiping to buy a Parker fountain pen for the flyer since he had expressed a wish to have one like those used by the guerilla Army officers.

9. The Japanese troops in North China lack the good clothing and food they got in the past. Now they live in constant fear of being transferred to the S. W. Pacific from where, they are convinced, Jap soldiers never return.

10. The guerillas have worked out a tightly knit and careful system of defense. On the Hopei plains, where they do not have the mountains in which to hide, they have connected all the villages with a system of tunnels - three between each town, with a separate entrance for every family. The Japanese used to pump gas into these tunnels when they found them, before

- 6 -

they entered. Now the tunnels are so constructed as to be gas traps and suitable for ambushes so that the Japanese don't dare go into the tunnels even when they find them.

I hope I have given you enough to convey the impression which this place made on this pilot and Mac Fisher. I, of course, don't know to what extent it's right or wrong, but it does fit in with what other returned American soldiers are saying. The subject is rapidly becoming one of the two or three principal topics of conversation in Chungking. The actual relations between the Kuomintang and Communist are still strained and the problem is still far from being solved.

How have you enjoyed your leave in the U. S.? There are all sorts of rumors about your return; some, in typical Chungking fashion, have you back already. At a few dinners with George Atcheson and the Ambassador, I have seen how some of these rumors get their start. Someone will ask George or the Ambassador about you and their prompt reply is that you are expected back in the immediate future to assume the post of Treasury Attache. If you have the time, get some stationary with your new title engraved on it; the Embassy here unlike in other places, does not seem to be anxious to have us use their stationary, altho it may be different when you are here as Attache. Also be sure to arrange to have enough U. S. currency notes made available to you.

I am spending this week end with K. P. Chen. Bob Ward expects to leave for Tihwa very soon and I have been helping him on the financial and banking sections of a book he has written on Japanese occupation of Hong Kong.

- 7 -

Bill Yuni has been in India about a month now and it is rumored that George is going there soon for a few weeks. Dick Watts is here and Atkinson has gone up to Yenan. Everybody here constantly asks about you and ask to be remembered in my letters to you.

Do you see Edna and my daughter? I appreciate your keeping in touch with them. Please give my best regards to my friends in the Division, Mrs. Scharf, Mrs. Shanahan, Mrs. Hall, Janet, Alex and the others.

Irving.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS
27

LFG-309
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

13 2 42 Chungking via Navy

Dated September 22, 1944

Rec'd 9:52 a.m.

Secretary of State,
Washington.

1500, September 22, 5 p.m.

FOR SECRETARY OF THE TREASURY FROM FRIEDMAN.

State Department airdgrams A-175, August 2 and
A-198, September 2. Request permission to make
contents of paragraphs one and two of second known
to O. K. Yui Foreign Exchange Control Commission and
other interested parties.

CAUSS

RR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking via Navy
 TO: Secretary of State, Washington
 DATED: September 22, 1944
 NUMBER: 1597

CONFIDENTIAL

FRIEDMAN SENDS THE FOLLOWING FOR THE SECRETARY OF TREASURY.

Summary of confidential information concerning War Area Supply Corps obtained on trip to Chengtu and Kunming is given below. WASC officials are source of information unless otherwise indicated.

One. CN dollars 2.1 billion was the total ^{of} WASC expenditures July 1, 1944-June 30, 1944; CN dollars 509 being the per capita cost per day. CN dollars 1.62 billion was the United States Army estimate.

Two. CN dollars 1.44 billion was the total ^{of} expenditures for board and lodging June 1, 1942-June 30, 1944; CN dollars ~~354~~²⁵⁴ being the per capita cost.

Three. Approximately 25,000 USAF personnel are being served by WASC; approximately CN dollars 375 million being the current monthly expenditures. It is stated by the United States Army that total is below 20,000.

Four. WASC expenditures July 1944 for district one (Yunnan) were about CN dollars 200 million. Approximately CN dollars 500 was the per capita cost per day and of this amount there was

spent

- 2 -

spent for board and lodging CN dollars 472; expenditures were about CN dollars 75 million for district two (Chengtu), CN dollars 460 being the average per capita cost.

Five. It is admitted that corruption in WASC is widespread.

Six. Since Army has not had access to books it is experiencing difficulty in checking the accuracy of WASC figures. Since Chinese do not submit bills listing expenditures, similar difficulty is being experienced in estimating total expenditures by the Chinese on our behalf.

Seven. Personnel of United States Army have made many complaints regarding sanitary facilities ^{and} food. It was felt by many that ^{by} American standard there was exorbitant squeeze, and excessive administrative personnel. The matter is being studied by the Army here with a view to making conditions better.

GAUSS

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: September 22, 1944
NUMBER: 7743

CONFIDENTIAL

To Winant, London, for Mann from War Refugee Board.
Reference your No. 7534 of September 13 with respect
to license No. W-2215.

Telegram from Lafollette and Jeremias was not intended
to preclude use of funds in enemy-occupied territory, French
or otherwise. It was merely an instruction not to use funds
in liberated areas.

THIS IS WRB CABLE TO LONDON NO. 4.

HULL

AIRGRAM

RESTRICTED

FROM: American Embassy

Mexico, D. F. Mexico

Dated:

Rec'd: September 22, 5 p.m.

Secretary of State
Washington, D. C.

A-3408, Sept. 20, noon, 1944.

Reference is made to the Department's telegram No. 1493 of August 10, 8 p.m., 1944, transcribing a message from the War Refugee Board for transmission to the Mexican Government. For the Department's information, I transmitted the War Refugee Board's message to the Foreign Minister on August 14, in a personal note and under date of September 6, have received a note from him reading in part and in translation as follows: "In this connection, it is my pleasure to express my appreciation and that of my Government, for the expression of the War Refugee Board, whose message has been conveyed to the competent Mexican authorities".

MESSERSMITH

SFOD/ear
648

NOR-611

PLAIN

Lisbon

Dated September 23, 1944

Rec'd 11:30 p.m.

Secretary of State,
Washington.

2954, Twenty-second.

FOR LEAVITT FROM ROBERT PILPEL JDC.

77 WBS 301 repeating our regular 154:

Please open irrevocable credit 4,000,000 escudos
Bank London South American Lisbon favor Companhia Colonial
de Navegacao Lisbon. Fifty percent payable departure
SS GUINE ex Lisbon which scheduled October first and
fifty percent against telegram from Companhia Tangiers
agent stating GUINE has left Tangiers. Please request
Chase Bank New York advise us also. 400 passengers
Lisbon, Cadix, Tangiers destination Haifa.

NORWES

JMS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
TO: Secretary of State, Washington
DATED: September 22, 1944
NUMBER: 2955

CONFIDENTIAL

The Minister from Venezuela at Lisbon has finally confirmed receipt of letter from Caracas which authorized the Legation to visa refugees' passports, children for Venezuela, whether or not they are going to Venezuela, in particular. Every application must be presented to the Foreign Office in Caracas, nevertheless. This is WEB 200.

In this connection the Embassy is conferring further with the Minister to find out if the arrangements which have been made are definite enough to justify approaching the Portuguese Foreign Office as your cable 2480, September 2, suggested. Because of the necessity to refer to Caracas with the consequent delay, the Embassy is doubtful if it is wise to approach the Portuguese without additional guarantees that the Legation in Venezuela could really grant visas within a reasonable time of the arrival in Portugal of the refugees.

NORWEB

BAS-431
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated September 22, 1944
Rec'd 3:20 p.m.

Secretary of State,
Washington.

3811, September 22, Noon. (SECTION ONE OF TWO)

Wallenberg's activities in Hungary, the present situation, and the use of the funds placed at his disposal by Olsen are summarized by the following. The report was forwarded through the Swedish Foreign Office. Our number 82 for War Refugee Board. Of the sixty thousand kroner placed at Wallenberg's disposal, less than three thousand kroner have been expended by him thus far, since he also had available certain funds placed at his disposal by local Hungarian Jews. It was found impracticable in the beginning to inaugurate any large scale relief actions but to concentrate instead on the task of bringing as many of the Jews as possible under Swedish protection. Over five thousand persons have now been extended such protection out of nine thousand applications received. As of the present moment, however, the number of people still possessing the thinnest thread of eligibility for Swedish protection has narrowed considerably and attention is beginning to be focused on relief activities. Consequently the remaining part of the sixty thousand kroner will be used to purchase foodstuffs and to distribute local currency to needy cases. It might be mentioned incidentally the funds transferred to Wallenberg were concluded under arrangements which proved exceptionally favorable pengo rates but at the same time had no possible benefit for Axis interests.

In view of the status of funds already supplied, however, Wallenberg has no immediate need for further funds which could be supplied either from the balance on hand resulting from WRB number 41 (Department's 1353 of July 7, 7 p.m.) or funds more recently made available pursuant to WRB 83 (Department's 1795 of September 8, 4 p.m.) Foreign Office and Wallenberg have been advised that further funds are available to carry out whatever rescue or relief programs appear feasible.

JOHNSON

HTM

KD-418
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated September 22, 1944

Rec'd 2:35 p.m.

Secretary of State,
Washington.

3811, September 22, Noon, (SECTION TWO)

Officially deportations have stepped although the Germans still raid concentration camps in rural districts and take away small groups. The Jews in Budapest appear reasonably safe, at least for the time being. Jewish food rations are limited but it is reported that Jews in general are not suffering from hunger since they are able to obtain necessities on the Black Market.

Concentration camps for Jews still existing in Hungary are listed at the following locations: Kistarcsa, Okermezo, Sarvar, Kéked, Hollóháza, Förrercs, Berec, Csernely Volgy, Hidas and Fuzerkomlos.

Wallenberg states that the Hungarian officials have been fairly receptive to his approaches for more lenience in the treatment of Jews and he has been successful in releasing approximately 500 from all anti-Jewish measures. These benefits are being extended as rapidly as possible to those having Swedish protection of one kind or another.

The previous program of constructing a camp under Swedish protection for approximately 3,500 Jews was not carried out due to the fact that this particular group is now fairly well protected.

JOHNSON

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 22, 1944
NUMBER: 3268

SECRET

FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Reference your No. 5925, September 8.

(1) Funds from Queen Qilhelmina Fund to Clement and Krier, under terms of the license issued Queen Wilhelmina Fund are to be spent in manner to be determined by Clement and Krier for purposes specified in license. Dutch Government here was advised of terms of lencense. It should be borne in mind, however, that under the terms of the license these funds may be used only for operations in enemy-controlled areas.

(2) Inview of liberation of Belgium and Luxenbourg please advise Clement and Erier that, under terms of licenses, funds of Belgian War Relief Society and Friends of Luxembourg may not be used for rescue and relief activities in Belgium and Luxembourg. It is, however, suggested that you ascertain from Clement and Krier if funds from these two organizations can be used in enemy or enemy-occupied territory for the purposes specified in the respective licenses. Friends of Luxembourg remitting \$20,000 this week.

THIS IS WRB CABLE TO BERN NO. 182.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATE: September 22, 1944
 NUMBER: ~~EXX~~ 6276

SECRET

McClelland sends the following for the War Refugee Board.

Reference is made herein to the Department's September 14 cable No. 3185.

A note dated September 8 from Swiss Federal Political Department received by the British Legation at Bern and reporting substance of a conversation between an unnamed German Foreign Office official and Swiss Minister Feldscher at Berlin is the basis for the British Minister's telegram under reference. An approach had been made to the Germans by Feldscher concerning emigration of ~~the~~ initial group of 2,000 Hungarian Jews from Hungary holding Palestine certificates for whom the Swiss Legation at Budapest issued a collective passport in late July. (Legation's August 3 cable No. 4972 and August 5 cable No. 5043 mentioned this). The Germans replied, as British Minister's telegram stated, that since the departure of these people for Palestine would disturb "German relations with Arabs" they could not permit these people to go. However the German Foreign Office intimated to Feldscher ("a *laisse entendre*") "that if these Jews were going to American or British territory their departure would be viewed more favorably" ("*envisagerait plus favorablement le depart, et cetera*"). Consequently there is no question whatsoever of a concrete offer on the part of the German Government to permit such a group to depart if Allies agreed to accept them in either American or British territory but a vague statement only that "more favorable consideration" would or might be given to such a proposal. In addition the Swiss note reports very definite (*) influence on decisions and plans of Gestapo and SS who are obviously, so far as the German Government is concerned, in control of the Jewish situation in Hungary.

The British Legation at Bern with whom I discussed this question is of the opinion that the Swiss Legation at Budapest should not under any circumstances be requested to deliver to the Germans lists of Hungarian Jews and that transit of any group or groups of Jews through German-controlled territory at this particular time would be, to say the least, an extremely hazardous undertaking. Unless real control

by some such organ as ICRC could be assured permission for such transit if it were granted could scarcely be relied upon. It is the feeling of the British Legation here that the responsibility of recommending such a move could not be assumed by it.

In agreement with the point of view of the British I feel that it would be exceedingly dangerous to try to evacuate Hungarian Jews through territory controlled by the Germans which now that exit by way of Bulgaria and Rumania is barred, is the only existing route. With respect to the eventuality of the Germans attempting to hold the allies responsible for not accepting an offer which it could hardly be said, after all, has been concretely made would on their part constitute pure casuistry.

As an alternative an offer might be made to the Germans via the Swiss to grant temporary haven in Allied territory to the group of 2,000 or more Hungarian Jews who did not have Palestine certificates and who did not plan to go to Palestine eventually as the Legation's August 26 cable No. 5579 suggested. Of course from the Jewish point of view this would raise very knotty problem of selection in Hungary of a non-Palestine group. The possibility exists for the British to declare formally that this group would not go to Palestine and the Germans' alleged objection to Palestine immigration would thus be offset. It could be stated, if the Germans insisted on knowing the ultimate destination, that division of this group among various overseas countries of immigration was being actively arranged. It might be possible, in order to ease the problem of settlement of such a group in the postwar, if this could be done without German suspicion being aroused, to select Hungarian Jews who desired to return to their country when the war is over. The idea of getting Jews out of Europe permanently is an obsession in certain Nazi circles and they will not tolerate the departure of those they feel may come back again.

An additional alternative of a more positive nature would be to make a concrete offer to admit a group of 1,000 or more Hungarian Jewish children into the United States, for instance, those whose parents have been departed in line with August 21 cable No. 2877 from the Department. Pending possibility to evacuate such children to the United States they could possibly be convoyed under ICRC control from Hungary for a temporary sojourn in Switzerland.

HARRISON

(*) apparent omission
verification requested.

DCR:EBN:MFM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 22, 1944
NUMBER: 6292

CONFIDENTIAL

Reference is made herewith to Department's cable of July 13, No. 2407, paragraph 7.

It is stated in a note dated September 16 from the Foreign Office that the Government of Hungary is informed of the pertinent portions of Department's 2407 and previous instructions concerning extension of Swiss protection to all persons in Hungary bearing a passport or other document which an American Republic issued whether or not the validity of these documents be contested or even claiming without documentary proof nationality of one of the American Republics until the interested Government is able to verify claims. It is reported by the Swiss Legation in Budapest that the Hungarian Foreign Office before taking a decision, wants to be advised whether if it further considers this matter, the states further requesting this treatment for persons claiming such nationality guarantee to accord reciprocity to Hungary. The Hungarian Government, in other words, wants to be advised whether persons in the United States or other American Republics claiming Hungarian nationality might benefit protection of state representing Hungary in those countries even if their claim to this protection is not well established.

Instructions as to the reply to be made to the Government of Hungary are requested by the Swiss Foreign Office.

HARRISON

DCR:VAG:EFR 9/25/44

MS-489

PLAIN

Bern

Dated September 22, 1944

Rec'd 5:50 p.m.

Secretary of State,
Washington.

6299, Twenty-second

Sequence Legation's 5779, second.

Berlin DNB twenty-first makes following propaganda statement regarding alleged conditions Pruszkow Camp for Warsaw refugees: Contrary reports spread by Anglo-Americans Polish Relief Committee states no difficulties are encountered in extending medical and spiritual assistance to inmates Pruszkow camp where 250,000 Polish men, women and children have been housed since beginning revolt in Warsaw. Camp was visited September 17-18 by Intercross representative Wyss who was acquainted by Chief Polish Relief Committee and doctors, nurses and auxiliary personnel with feeding and medical arrangements and inspected kitchen lodging and welfare installations Wyss likewise investigated individual refugees cases. Statement appears designed to forestall possible Wyss reports.

HARRISON

LMS

SFG-527
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated September 22, 1944

Rec'd 7:56 p.m.

Secretary of State

Washington

1794, September 22, 1 p.m.

FOR WRB. ANKARA'S 159.

Simond of the International Red Cross conferred on September 20 with Baron Thierry, counselor of the Hungarian Embassy in Ankara. Baron reiterated his previous statement that the regent is aiding the Jews in Hungary, that the Hungarian Government is not unwilling to permit the Jews to leave the country but so long as it is necessary for them to depart through Germany he cannot see any favorable possibilities for the present. Baron Thierry stated further that the matter is still being discussed by Horthy with the Germans.

STEINHARDT

WSB

SECRET

OPTEL No. 309

Information received up to 10 a.m., 22nd September, 1944.

1. NAVAL

Landing made from 2 Polish destroyers at AUDIERNEWN, Eastern Brittany, on 20th. No opposition met. German trawlers were being disarmed by the F.F.I. and 300 prisoners had been taken. At OSTEND outer harbour reported clear of mines, but entrance to inner harbour blocked by sunken ships. At ANTWERP 15 dry docks found practically intact and shipyards are undamaged. On 18th a U.S. Destroyer bombarded shipping in SAN REMO harbour setting small craft on fire and blowing up an ammunition dump.

2. MILITARY

WESTERN EUROPE. No report on operations since 12 noon 20th received from U.S. fronts. No material change on 3rd U.S. Army front, but heavy fighting on 1st U.S. Army Front. After strong counter-attacks by tanks and infantry a U.S. bridgehead across MOSELLE at BIESDORF was lost. In area where German, Belgian and Luxembourg frontiers meet all German counter-attacks repulsed. In AACHEN area, U.S. troops have further consolidated their positions after heavy fighting. Six mile advance made in MAASTRICHT area. U.K. airborne troops at ARNHEM are under heavy pressure. At NIJMEGEN our armour is now across THE WAAL but is held up 3 miles further north by anti-tank guns and infantry. U.K. infantry division is following up in close support. The base of the corridor into HOLLAND has been substantially widened both sides of EINDHOVEN. Southern shore of SCHELDE now clear from ANTWERP to TERNEUZEN. Fighting continues BOULOGNE area against German strong points.

ITALY. Greek troops are now within 1 mile of RIMINI. Canadians have cleared the San Fortunata feature and have pushed on towards MARECCHIA River. Our forces are in the immediate vicinity of SAN MARINO. U.S. troops are closing in on FIRENZUOLA and have cut the FIRENZUOLA-IMOLA Road.

RUSSIA. Russians have captured RAKVERA and places 10 miles west and 30 miles south of it. Their troops north of Lake PIEPUS' have joined up with those west of the lake. In ROUMANIA they have captured LIPOVA and several other places in the area N.E. of TIMISOARA.

3. AIR OPERATIONS

WESTERN FRONT. 21st. 330 escorted heavy bombers (3 missing) bombed railway centre KOBLENZ-MOSEL - 334 tons, and MAINZ - 362, and a synthetic oil plant LUDWIGSHAVEN - 368 with fair results. 84 Liberators carried over 400 tons of petrol to the PARIS area. 294 aircraft (50 missing) sent to drop reinforcements and supplies in HOLLAND. Escorting fighters shot down 20 German aircraft for loss of four. Medium bombers dropped 96 tons on strong point at BOULOGNE with good results.

MEDITERRANEAN. 19th/20th. Heavy bombers of M.A.A.F. dropped 178 tons on railway centre SZEKESFEHERVAR, Southwest BUDAPEST.

20th. 91 fighters attacked military objectives and communications in Yugoslavia and Greece.
21st. 336 heavy bombers (1 missing) dropped 371 tons on 2 railway centres and 228 on 3 railway bridges in Hungary. 88 others (1 missing) bombed a railway centre and railway bridge Yugoslavia - 129 tons. Good results obtained in all these operations.

List of guests at luncheon which HM Jr
attended in Boston on September 23, 1944.

43



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



OFFICE OF STATE CHAIRMAN

HANCOCK ROOM - STATLER HOTEL

HONORABLE SECRETARY OF THE TREASURY
HENRY MORGENTHAU, JR.

MRS. HENRY MORGENTHAU, JR.

ALBERT M. CREIGHTON
Chairman of the Board
Federal Reserve Bank of Boston

ALBERT P. EVERTS
Paine, Webber, Jackson & Curtis

CHARLES E. SPENCER, JR.
President, First National Bank
of Boston

JOSEPH E. O'CONNELL
O'Connell & Co.

SAMUEL PINANSKI
M & P Theatres Corp.

JOHN O. STUBBS
Whiting, Weeks & Stubbs, Inc.

MISS ANNA M. MANION
Executive Committee

COLONEL EDWARD HELLER

STAFF MEMBERS OF THE MASSACHUSETTS
WAR FINANCE COMMITTEE

F. W. DENIO, State Chairman

KENNETH S. MAY, Vice-Chairman

DONALD BRADLEY, Dir. Financial Div.

FRANCIS E. BURKE, Dir. Industrial Div.

ALFRED C. SHEEHY, Dir. Community
Activities

RUBY B. LITCHFIELD, Dir. Women's Div.

HUGH R. MACLENNAN, Special Events

LAWRENCE J. FLYNN, Radio Specialist

CHARLES W. BURTON, Press

LESTER O. SIMONDS, Regional Manager

WM. E. WELLINGTON, Regional Manager

MRS. WM. BRACE PRATT, Chairman, Boston
Women's Div.

45

September 23, 1944

handed to Secretary at the Boston meeting
today

J. W. Davis

FIFTH WAR LOAN

TEN LEADING STATES BASED
ON TOTAL SALES PER CAPITA

<u>Rank</u>	<u>State</u>	<u>Estimated Population as of Nov. 1, 1943*</u>	<u>Total Sales (000)</u>	<u>Total Sales Per Capita</u>
1.	New York	12,442,784	\$ 5,933,782	\$ 476.89
2.	Connecticut	1,748,402	513,832	288.02
3.	Massachusetts	4,093,072	920,731	224.95
4.	Maryland	1,982,947	421,797	212.71
5.	Delaware	273,614	55,331	202.22
6.	Rhode Island	694,616	136,710	196.81
7.	Illinois	7,563,770	1,470,074	194.36
8.	Dist. of Col.	816,982	152,107	186.18
9.	New Jersey	4,080,485	743,464	182.20
10.	Ohio	6,828,352	1,109,604	162.50
	UNITED STATES**	127,307,884	\$20,594,558	\$ 161.77

TEN LEADING STATES BASED
ON TOTAL SALES EXCLUDING
INSURANCE COS. PER CAPITA

<u>Rank</u>	<u>State</u>	<u>Estimated Population as of Nov. 1, 1943*</u>	<u>TOTAL SALES EX- CLUDING INS. COS. (000)</u>	<u>Total Sales Ex- cluding ins. cos. Per Capita</u>
1.	New York	12,442,784	\$ 4,458,129	\$ 358.29
2.	Maryland	1,982,947	396,126	199.77
3.	Delaware	273,614	52,184	191.82
4.	Illinois	7,563,770	1,405,830	185.86
5.	Massachusetts	4,093,072	740,656	180.95
6.	Dist. of Col.	816,982	142,733	174.71
7.	Connecticut	1,748,402	304,808	174.34
8.	Rhode Island	694,616	120,108	173.34
9.	Oregon	1,172,674	186,547	159.08
10.	Ohio	6,828,352	1,018,364	149.14
	UNITED STATES**	127,307,884	\$17,825,060	\$ 140.02

Kenneth S. May
September 11, 1944

* Bureau of the Census report dated 2/15/44.
** Excluding Alaska, Hawaii, Canal Zone, Puerto Rico, Virgin Islands, Unallocated.

Handed to HM Jr by Mr. Creighton in

47

●ston on Sept. 23, 1944

P-
Boston

M E M O R A N D U M

September 22, 1944

TO: MR. CREIGHTON

FROM: MR. VAN AMRINGE

With reference to the matter of incorporated banks and trust companies which have qualified as paying agents for War Savings Bonds, there has been a fair amount of publicity given in the papers throughout New England, but any press releases concerning this subject, of course, have been given to the press in Washington. The Secretary's letter on this subject which was released for publication on August 29 was given considerable publicity throughout the New England district by the press and financial papers and magazines.

In our letter of instructions furnished to each qualifying bank for the payment of bonds, we have stated that the Treasury prefers that any announcement concerning the qualified bank becoming a paying agent for savings bonds must be withheld until after October 1. This is in accordance with a telegram dated September 9 from Under Secretary Bell which is attached hereto.

The press release of September 20 announcing the Exchange Offering of 7/8% Treasury Certificates of Indebtedness of Series G-1945 offered on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series F-1944 maturing October 1, 1944 was well received in this district. Several banks and investment dealers have expressed to us their satisfaction in receiving such advanced notice giving the details of this offering prior to the official release of the offering circular. Our circular letter on this press release is attached hereto.

The redemption of Series E War Savings Bonds by this bank for the first fifteen days of September compares about the same as for last March, and the month of March, of course, was the largest month of redemption so far this year. Redemptions to sales for the first fifteen days of September represents 40%.

R. Van Amringe

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**FEDERAL RESERVE BANK
OF BOSTON**

FISCAL AGENT OF THE UNITED STATES



September 20, 1944

EXCHANGE OFFERING

To All Banking Institutions and Others Concerned
in the First Federal Reserve District:

There is quoted below a press statement released by the Treasury Department today:

"Secretary of the Treasury Morgenthau today announced that on Monday, September 25th, an offering will be made, through the Federal Reserve Banks, of $\frac{1}{8}$ percent Treasury Certificates of Indebtedness of Series G-1945, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series F-1944, maturing October 1, 1944. Cash subscriptions will not be received.

The certificates now offered will be dated October 1, 1944, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable semiannually on April 1 and October 1, 1945. They will mature October 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular to be released September 25.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations all subscriptions will be allotted in full.

There are now outstanding \$3,519,047,000 of the Series F-1944 Certificates.

The text of the official circular will be made public on September 25th."

The official circular and subscription forms will be mailed to reach you on or about September 25, 1944.

Very truly yours,

Ralph E. Flanders

President.

COPY OF
TELEGRAM RECEIVED

FEDERAL RESERVE BANK OF BOSTON
PRIVATE WIRE SYSTEM
INCOMING

50

FROM

DATE

1 B E

K WASH 9-9-44-414P 11

PRES FRB

WE HAVE BEEN ASKED WHETHER BANKS WHICH HAVE QUALIFIED
AS PAYING AGENTS FOR SAVINGS BONDS MAY MAKE IMMEDIATE
ANNOUNCEMENT OF THEIR QUALIFICATION STOP TREASURY PREFERS
THAT SUCH ANNOUNCEMENTS BE WITHHELD UNTIL FIRST OF OCTOBER

BELL

949P

WT 14A

*Wanderpool's notes - 3rd Fl
Wash Post*

II 51

9-13-44

Notes for speeches of the Secretary
to Regional War Finance Groups.

One thing a champion learns early in his climb to the top is to bear down, to redouble his efforts as victory nears.

The hour of victory for the United Nations is approaching. The men at the front who are fighting for that victory are champions and today they are bearing down.

But you and I know that the battle for victory has gone on ceaselessly here at home as well as on the far flung fighting fronts and that an essential part of that battle has been financing the war effort. Today I am asking you who have been in the very forefront of this fight, to show your champion caliber by redoubling your efforts.

I want to tell you something of the job we still have to do -- you, the leaders in the field of the War Finance effort, and we of the Treasury Department. First, however, I should like to sketch for you some of our accomplishments as I see them.

The better we understand the road we have traveled, and exactly where we stand today, the easier it will be to go forward from here.

When the history of this war is written, I am confident the chapter devoted to War Finance will be read by our children and our grandchildren with pride. Let me tell you exactly why I feel that way.

It has been the job of the Treasury Department to finance the costliest war in history. Since the beginning of the national defense program to date the war has cost about 215 billion dollars. During this same period non-war expenditures have approximated 24 billion dollars, making a total government outlay of 239 billion dollars.

Such figures stagger the imagination, but it is impossible to succeed in a task by being overwhelmed by its immensity. How, then, have these staggering amounts been financed.

Well, 92 billion dollars, or 38 percent, has come from revenue -- in other words, taxes.

During the fiscal year just ended expenditures were just over 95 billions and net receipts slightly exceeded 44 billions, or 46 percent. In short, out coverage curve has been upward -- a favorable trend which may be surprising to some and certainly should be encouraging to all.

For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenues. And yet there have been those who -- through ignorance or deliberate intention of deceiving -- have charged that we have followed a soft path of War Finance.

The position of the Treasury Department, as you know, has been consistent throughout this period in asking for more taxes on the ground that taxes represent the soundest method of

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raising the funds needed for victory.

In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, Treasury receipts were slightly less than 5 1/2 billion dollars. The 44 billion total for the year just ended was more than eight times as great -- a larger increase than has occurred in the case of any other major belligerent. No sign of a soft policy there.

Recognizing the necessity of greatly increased government revenues, the American people have submitted to the highest taxes in the nation's history with remarkably good grace. They have dug deep, and, for the most part, cheerfully.

But after these record collections there remained 51 billion dollars in the last fiscal year, 147 billion in the last four years, that had to be raised in some other manner.

These huge amounts represented the problem which you and I, as members of the Treasury War Finance Staff, had to face. This money had to be raised by borrowing. We not only had to get the money, but we had to do it in a way that would strengthen rather than weaken the national economy. I suspect that many of you, yes, even you who have been in the forefront of this fight, do not suspect how well we -- you -- have succeeded in this job.

It would have been relatively easy to finance the rising debt through the banks, but if inflation was to be avoided, if we

were to come out of the war with an economic structure that offered promise of a long period of peaceful prosperity ahead, it was essential that as large a proportion of the increased debt as possible be borrowed outside of the banking system.

Fortunately many years earlier, in accordance with a philosophy which I have never publicly discussed before, we had set up machinery which at this point stood us in good stead. What is that philosophy. In a very few words it may be described as "the democratizing of public finance."

We reviewed the situation which had prevailed quite generally in this nation except for a relatively brief period during and immediately after World War I, wherein the federal financing was handled by a very few, powerful firms -- so powerful that they came close to dictating Treasury Financing policy, and government securities were bought almost exclusively by institutions and the comparatively wealthy.

Why, we asked, should federal finance be a prerogative of the rich. The answer was inescapable -- it should not.

So we launched a program, slowly at first, that might be compared with the mutualization of the insurance companies. As one of the key steps in this program we initiated the savings bonds. The first of these bonds will mature in March. In other words they were sold ten years ago. Let us examine a little of the progress we have made in those ten years.

- 5 -

First of all, like most forward steps in Democracy, benefits have gone even to most of those who opposed the program. Many of you, here, are bankers. Some few of you, at least, may have feared that the Democratizing of Federal Finance would hurt your business. Shall we examine the record. In 1934 all banks in the United States earned a return of percent on their capital resources. This year, it is estimated the return will be percent. Meanwhile, capital resources have increased and \$ capital supplied by the government through the Reconstruction Finance Corporation has been repaid. The banks, veritably, have climbed from the abyss of despair and hopelessness to a new pinnacle of strength and usefulness and at the same time have once more become prosperous. I don't like to rub it in, gentlemen, but I welcome those among you who are bankers back to the group of good taxpayers.

But, of course, it has not been in terms of money alone that banking progress has been made during these last ten years. The democratizing process, greatly accentuated by the war needs, has brought the banks once again close to the people. As the banks have performed this great national service, they have regained the confidence of the American public. Bankers, once more, have become the respected leaders of their communities.

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I have digressed. Let me return to the Savings Bonds. It was my conviction that the strength of Government would increase as more and more people came to have a direct financial stake in it. Every man or woman who owned a Bond would have a personal interest in keeping Federal finances sound, would serve as a bulwark against the constant threats to Uncle Sam's pocketbook from the many pressure groups. These groups never sleep. They are ever alert to make raids on the Federal Treasury. I want as many citizens as possible with an actual dollar and cents interest in the Treasury to support me in my efforts to halt such selfish raids.

Also, there was that other great step in the democratization of Federal finance -- the direct contact, through the Federal Reserve System, of the Treasury with all of the banks of the country, replacing the old system of privilege through which a small handful of all-powerful Government Bond specialists purchased virtually all Federal issues and parcelled them out more or less as they saw fit in regular royalist fashion -- after pocketing their own take. They had done this so long they thought they had a vested interest. In fact some appeared to believe they had the Treasury Department in their vest pocket.

So the machinery of the Savings Bonds -- the people's Bonds -- was already set up to be of service during the war

emergency and the Treasury was working in close cooperation with a revitalized banking system. What has been the result.

During these last four years, covering the defense and war periods, the Federal debt has risen 163 billion dollars, although the deficit has been 16 billion dollars less, the amount of cash in the hands of the Treasury having risen that much.

Of the 163 billion, 94 billion has been absorbed by others than the banking system. I say "absorbed," but actually, of course, it represents Bonds which you, as members of the Treasury War Finance Staff have sold to the American people and to American corporations.

During the course of this period we have sold Bonds to more than 80 million different people. In other words, out of every thirteen men, women, children and babies in the United States, eight now own Bonds of their Government. Today there are approximately 23 billion dollars of Series E Savings Bonds -- the people's Bond -- outstanding, all held by individuals.

I have told you something of the conception of this Bond. If it were to be the force for good which we hoped, the security itself had to have intrinsic merit. The Treasury Department considered itself the trustee for the small, inexperienced investor. Such investor places his faith in his Government.

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Could we do less than see to it that the securities he buys are sound investments, designed as nearly as possible in a broad sense with a view to his own requirements.

The Series E Savings Bonds non-negotiable and payable on demand 60 days after issue date were well designed to fit this situation. By their nature they are guaranteed against fluctuation in market value. Their investment yield if held to maturity 2.9 percent is the highest obtainable on any United States Government security.

The small investor thus has a fully liquid investment with relatively high yield and a guaranty against loss as a result of fluctuations in market value. There are certain incidental advantages to both the investor and the Government from this situation.

First non-negotiable securities with guaranteed redemption values are not subject to panicky liquidation which experience shows develops among small holders of marketable securities in the event of a decline in market value. In short they are more likely to be retained as investments.

It is worth while to recall the experience following World War I when Liberty Bonds plunged downward into the eighties and frightened buyers, inexperienced as investors, unloaded. They

felt that their trust in their Government had been betrayed. Later they awoke to find that their loss had been the gain of the speculators and the wealthy who now owned their Bonds at prices which brought them truly handsome yields on the safest securities in the world.

Returning to the incidental advantages of the Savings Bonds it should be noted that when non-negotiable securities are redeemed they have no direct effect upon the money market. The Treasury can refund them in an orderly manner through the issuance of whatever type or types of securities seem best fitted for the market at such time.

Series F and G Bonds which have been sold for the most part to individuals in the higher income brackets and Series C Notes which have been sold to corporations are like Series E Bonds -- demand obligations.

On the other hand practically all of the Securities sold to the commercial banks have been of fixed maturities. It has been our policy to encourage banks to purchase issues of short maturity. As a consequence about half the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year and practically all of the securities acquired by the banks have had a maturity of ten years or under.

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This maturity structure of our public debt has been criticized by some of the traditionalist school of economics who I am convinced have no real understanding of modern public finance. As a matter of fact this maturity structure will, I believe, make an important contribution to the stability of our post-war economy, a goal very much to be desired if we are to avoid the extreme swings of the business cycle, carrying with them unemployment, financial ruin and even threats to our social - political - economic system. There are advantages in this maturity structure both to the holder of the securities and to the Government.

The form of the E Bonds as I have already pointed out, protects them from the vagaries of the market place and assures them a complete stability of value.

The securities held by industrial corporations, mainly certificates of Indebtedness and Series C Notes, constitute a substantial part of their reserves for reconversion and post-war development. It is advantageous not only to the corporations but to the whole economy that these reserves be liquid.

Finally, it should be noted that Government securities now constitute a large proportion of the assets of the commercial banks. The result is that the banking system of the country is in a position of unparalleled liquidity. This affords assurance

against a recurrence of deflation such as came in the aftermath of World War I. Moreover, it places the banking system in a strong position to meet the shifts in deposits that will probably come with reconversion and the new business demand for funds that may be anticipated with the development of a healthy, expanding economy. In brief, the banks are in a position to service a verile, private enterprise system. The maturity structure of the debt is equally advantageous from the point of view of the Government. It has at one and the same time contributed to the liquidity of the economy and permitted a large saving to the Government in borrowing costs.

The average cost of money to the Treasury since the beginning of the defense program has been 1.80 percent. This contrasts with an average of 44 percent paid for money during World War I. On the basis of the 163 billion dollar increase in the debt to the present time, the resulting saving to the Government amounts to almost 4 billion dollars annually. This represents 4 billion dollars saved for the taxpayers of the country.

Moreover, and this is a point which is deserving of particular emphasis, the interest on all the securities sold during this war has been fully taxable, while the issues marketed during World War I were largely tax exempt. This has resulted in a

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further saving of probably in excess of a billion dollars a year to the Federal Treasury. At the same time it has left the Federal debt in a position where it does not offer unfair competition to private capital, or, maybe I should say, to private enterprise seeking to attract private capital.

If you are interested in preserving the private enterprise system -- and I am sure you are -- you will certainly appreciate the importance of this point and see the real contribution we have made to this desired end.

The stability of interest rates -- and, consequently, of financing costs, during this war, also is worth noting. It will be recalled that during World War I successive loans were issued at higher and higher interest rates and some of the earlier loans were made convertible into the later issues so that the increased costs applied even to the earlier borrowings. As a result the expense of borrowing constantly mounted. As a contrast, we have enjoyed virtual stability, a fact which has kept our costs down, made for confidence and minimized speculation in Government securities.

Looking at the debt structure from still another angle, it will be seen that the holders of Federal securities have been largely spared from the risks incident to fluctuations in interest rates. I believe these risks have been exaggerated,

but whatever they may be, the Government is in a better position to bear them than are the bondholders -- whether individual or corporate. There is no reason why gambling should be a necessary part of lending money to the Government. The day is past when the United States Government need ask its citizens or its business enterprises to insure it against changes in the rate of interest.

I see no occasion, therefore, for any great funding of the debt, as has been anticipated by some, in the postwar period. I feel that any such action would operate to the detriment of both the national economy and the Treasury. On the one hand, it would certainly cost the taxpayers more in interest. On the other, demand and short-term obligations of the Treasury have become as much a part of the capital of the country as are the demand deposits of the banks. There is no more reason for funding one than the other. They should be preserved rather than destroyed.

A further step in the Democratization of Federal Finance was taken last year when the organization set-up for the War Bond Drives was changed from a Federal Reserve District to a State basis. There was some opposition to this move, particularly in the East, but experience has proved that it was sound and wise. It has helped bring Federal Finance closer to the people. It resulted in a great increase in the number of

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volunteer workers, a sharp upturn in the number of individuals buying Bonds and a new enthusiasm for the job that has contributed much to the success of the whole Bond program.

We should never lose sight of the fact that this great War Bond effort has been done on a voluntary basis. There were times when, it seemed, I stood almost alone -- no, the President always stood by me -- in insisting that this job, staggering as it was, be done the American, the Democratic, the voluntary way. You will recall the clamor that arose for forced, or compulsory saving. There were those who declared that only in that way could the stupendous amounts needed for Victory be raised. The Treasury Department maintained its faith in the American people and with your untiring unstinting aid we have demonstrated that this faith was not misplaced. Today the demand for forced saving is no longer heard. We have proved that it is unnecessary, that the American people will step forward and supply the funds necessary to defend the nation and bring Victory. How can we be otherwise than justly proud of this achievement.

There is one other point in connection with the War Finance record that I should like to develop here. It has to do with the broad question of economic and price stabilization. Our

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Our fiscal policy -- paying for as large a proportion of the war costs as possible and borrowing from sources other than the commercial banks a maximum share of the remainder -- has been one of two buttresses supporting the structure of economic stabilization. The other, of course, has been direct controls, including rationing, price ceilings, allocations and so forth.

As a result of this policy of stabilization, wholesale prices have advanced only 39 percent and the cost of living 28 percent since August, 1939. During the corresponding period after July 1914, wholesale prices had advanced 110 percent and the cost of living 73 percent.

If we assume roughly that the average cost to the Federal Government of goods and services would have been increased by a percentage about half way between these two indexes, we find that Government expenditures, but for the improved stabilization, would now be running about 43 percent more than they are. If we cut the percentage in two to adjust it over the war period we find that the greater stabilization has resulted in a saving to the Government -- in other words the people -- of around 50 billion dollars. Remember that the next time you hear anyone question the value of the stabilization efforts.

If the dead weight of this additional debt -- 50 billion dollars to date -- had been fastened upon the country, it might

- 16 -

well have endangered the prospects for postwar prosperity.

Of course, there have been further benefits of economic stabilization. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to an unbelievably low minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes, and probably most important of all, has averted what otherwise would have been almost a certainty, the likelihood of a postwar deflation which would have been devastating in its consequences.

So much for the record of war finance to date. It is a record of which I am proud -- good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the postwar world, we need have no fear of the future.

But the postwar world is not yet here. What lies immediately ahead of us? No one knows how soon Victory may come in Europe. We are hoping that it may come very soon. But we know in any case, a hard fight lies still before us in the Pacific.

To see our remaining task of War Finance at a minimum, let us assume that total victory should be achieved in Europe to-

morrow and in Asia within six months. Our task can hardly be less than this and it may be much greater. To see it at this minimum is a sobering thing.

War expenditures do not stop abruptly with enemy capitulation. Completed and partially completed products must be paid for. Some raw material even will be of doubtful value and must be paid for. The costs of occupation of enemy countries will be great. Some relief of allied nations may be required. The Armed Forces must be brought home and demobilized, and, in the meantime they must be paid and clothed and fed. Then there is the mustering-out pay and the expense for the retraining and rehabilitation of veterans. I am sure no one would want the country to be in such financial straits and that it became necessary to say "Sorry, boys, you have won your fight, our fight, but we can't keep our promises to you -- there is nothing in the till."

Expenditures during the first six months following the Armistice in World War I were slightly greater than during the six months preceding the Armistice.

So even after the costly war against Japan is brought to a successful conclusion we may be certain that the calls upon the Treasury will be enormous for some time to come. We must

be prepared -- prepared to meet the cost and to do it just as soundly as we have financed the war thus far.

We cannot rest on our laurels. First of all, we must make the Sixth War Loan as successful as our previous efforts. Next, we must realize that on even the most optimistic assumption there will be a Seventh Loan. We on the Home Front, still have our task to do. Let us see it through to the end. Like real champions, now is the time to bear down.

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September 23, 1944.

Dear Mr. Eccles:

Your letter of September 22 has been received during the Secretary's absence from Washington. Mr. Morgenthau will be back at his desk the first part of next week, and I shall be glad to bring your letter and its enclosures to his immediate attention.

Sincerely yours,

H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

GEF/dbs



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

House
f *70*

OFFICE OF THE CHAIRMAN

September 22, 1944.

Dear Henry:

Enclosed are four memoranda which I presented to the Open Market Committee at their meetings with the Board this week in order to outline a situation which has given me a great deal of concern in connection with some of the problems involved in postwar financing and the increasing difficulty of maintaining the pattern of rates while at the same time keeping down the cost to the Treasury. I want to emphasize that these memoranda do not attempt to give the answers to what I think is a genuine dilemma, but merely outline the situation as I see it.

One, on Treasury financing policies, gives the overall picture of the distributional holdings of the debt with reference to the refunding problems ahead; the second gives estimates of member bank earnings through 1945; the third brings out the point that the ratio of the capital accounts of all commercial banks to their risk assets is greater than it ever has been; and the fourth outlines a situation in Congress that is very likely to gain increasing emphasis, particularly in the postwar period when the pressures will be heavy to reduce taxes and reduce Government expenses, at which time the earnings of the commercial banks will be a very large item in the costs to the Government.

I knew you would be particularly interested, as I am, in this general picture and hence I wanted to send you these memoranda for your own information. I am sending them at the same time to Dan. Later on it would be helpful, I think, if we could discuss the whole matter since it presents a dilemma in which the Federal Reserve System, of course, has an interest as well as the Treasury.

Sincerely yours,

Marriner

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

Enclosures 4

STRICTLY CONFIDENTIAL

R&S 100-1178

TREASURY FINANCING POLICIES

The present situation. - Following the end of the war in Europe, the principal emphasis in Treasury financing policies will shift from raising new funds to refunding maturing and callable issues. In each of the fiscal years ended on June 30, 1943 and 1944, the public debt increased by about 60 billion dollars. In the current fiscal year, the increase will be about 40 billion dollars. In the next fiscal year, it may decline to 10 or 20 billion dollars, depending upon when the war in the Pacific ends.

At the present time, the debt is 210 billion dollars. It is composed to the extent of 30 per cent of bills, certificates, and notes, about 40 per cent of Treasury bonds, and 30 per cent of savings bonds, savings notes, and special issues. The short-term securities are held principally by the banking system, while the nonmarketable securities are held almost entirely by nonbank investors. Nearly half of commercial bank holdings are in bills, certificates, and notes, and about three-fourths of their bond holdings mature within ten years.

DISTRIBUTION OF U. S. GOVERNMENT DEBT, AUGUST 31, 1944
(In billions of dollars)

Kind of securities	Total outstanding	Classes of holders					
		Federal Reserve Banks	Commercial banks	U.S. Government agencies and trust funds	Mutual savings banks	Insurance companies	Other investors
Total ^{1/}	209.8	15.8	71.5	20.0	7.5	17.5	77.5
Treasury bills	15.7	10.1	4.8	--	--	--	.8
Certificates	30.0	3.4	17.1	.1	.1	.4	8.9
Treasury notes	18.1	1.1	12.7	.1	.3	.3	3.6
Treasury bonds	81.2	1.3	34.6	4.3	6.9	16.6	17.5
Savings bonds	36.9	--	.7	--	.2	.2	35.8
Savings notes	10.0	--	.1	--	--	--	9.9
Special issues	15.5	--	--	15.5	--	--	--
Guarantees	1.5	--	1.0	--	--	--	.5

^{1/} Including small amounts of depository bonds, adjusted service bonds, and prewar bonds not shown separately.

The increase in commercial bank holdings of Government securities has resulted in a rapid growth of bank earnings, notwithstanding the large concentration of holdings in short-term securities. The ratio of net earnings after taxes to total capital accounts at member banks increased from 6.2 per cent in 1940 to 8.8 per cent in 1943. In 1944, the ratio will probably be nearly 10 per cent. At the same time, the capital accounts of banks have increased through the retention of earnings.

During the past year, commercial banks have added substantially to their holdings of higher-yield securities, comprising certificates, notes, and bonds, and have reduced their holdings of 3/8 per cent bills. The pattern of rates has been maintained, but the demand for higher-yield securities has resulted in downward pressure on yields for certificates, notes, and bonds. There is every reason to believe that this pressure will continue as long as investors think that the present pattern of rates will be maintained. In order to maintain the pattern of rates, the Federal Reserve during the past two months has sold about 300 million dollars of notes and bonds and at the same time has acquired 2 billion of bills.

Federal Reserve policy since the beginning of the war has been directed toward stabilizing the market for Government securities by providing banks with sufficient reserves to enable them to purchase securities not taken by other investors. The end of the war in Europe may diminish the importance of this phase of Federal Reserve policy, because with the decrease in the rate of growth of the debt nonbank investors will have sufficient funds in 1945 to absorb nearly all of the increase in the debt. Banks, therefore, will not need to increase their holdings of Government securities by anything like the increases during recent years. Many banks will be able to buy additional securities, however, particularly during drives, when their excess reserves increase. The desire of banks to purchase additional securities at a time when the demands of other investors are nearly sufficient to absorb existing supplies will exert pressure toward a further rise in prices of Government securities, that is, toward a further decline in interest rates. Medium-term securities will be particularly strong. If the pattern of rates is to be maintained, the System will either have to sell from their limited holdings of medium-term securities in order to keep prices from rising and yields from declining, or else some other method of limiting bank purchases of securities will have to be devised.

To summarize, the present situation is one of (1) a large public debt that will continue to increase but at a rapidly diminishing rate, (2) a considerable short-term debt, which is held principally by the banking system, (3) large and increasing commercial bank earnings, (4) considerable pressure for yields on certificates, notes, and bonds to decline, and (5) greatly diminished need for Federal Reserve policy to be directed toward supplying additional reserves to banks to support war financing. The development of financing policies that will be appropriate to the changing situation and that will permit the Federal Reserve to adjust its credit policy to new conditions is a task that must be undertaken promptly by the Federal Reserve and the Treasury. It should be kept in mind that in order to discharge its responsibilities the Federal Reserve should be in a position at all times to exert a restraining as well as an expansive influence on bank credit.

In managing Treasury financing during the next few years, the refunding and perhaps the retiring of maturing and called securities will probably be the major task in contrast to the recent situation when the principal problem has been to raise additional funds. This task can be handled in a number of different ways that will have widely different repercussions on the banking system. Some of the ways are:

(1) Refunding of short-term into long-term securities. - Traditionally, it has been considered good policy whenever conditions permit to refund short-term into long-term debt and to reserve short-term instruments for emergency use. The main purpose of such a policy has been to distribute maturities and to avoid the possibility of having to meet large and unwieldy maturities at a time when conditions were unfavorable. This may be the proper policy to follow in refinancing private debt, since private debtors have no control over and no responsibility for market conditions. In the management of the Government debt, however, the monetary and fiscal authorities can largely control the terms and conditions of refinancing, and they have responsibility for the adoption of policies that will be in the general public interest.

To follow the traditional policy of refunding the short-term Government debt into long-term debt as rapidly as possible would lead to a number of undesirable consequences, particularly in view of the size and distribution of the present debt. Such a policy, by lengthening the average maturity of the Government debt, would result in an increased interest cost and in less flexibility to the Treasury in managing the debt. The consequent increase in commercial bank holdings of longer-term securities would further increase commercial bank earnings, which are already large. This would make the Treasury and the banking system more vulnerable to political attack on the grounds that banks were making unreasonable profits from the public debt. In addition, an increase in the outstanding amount of long-term securities is inherently not in the best public interest if interest rates subsequently change; if interest rates rise the investor will be receiving less than the current rate of interest and will suffer a loss on any securities that he may sell, while if interest rates decline the Treasury will be paying more interest than is necessary at the current rate. Since the average maturity of bank holdings of Government securities would be lengthened, the depreciation of the value of bank holdings would be larger if interest rates should rise. Because of this, the Federal Reserve might be hesitant to pursue a policy of credit restraint, even if such a course should appear to be desirable on general economic grounds.

(2) Maintenance of present maturity distribution. - Instead of refunding maturing and called issues into longer-term securities, the Treasury might attempt to maintain the present maturity distribution of the debt. Certificates would then be refunded into certificates, notes into notes, and bonds into bonds. The maturity distribution of commercial bank holdings would remain about as it is at present. The rate of interest that banks would earn on their holdings of Government securities would show little change, and any further increase in earnings would depend upon additions to holdings.

It would be difficult, however, to follow this policy and at the same time to maintain the existing pattern of rates. Banks would probably continue to prefer medium-term, higher-yield issues over the short-term, low-yield issues, particularly as long as the Federal Reserve continued its policy of supporting the pattern. Yields on longer-term issues would decline relative to yields on short-term issues. This might be desirable if the period were one of deflation and particularly if conditions seemed to call for stimulation of building, of foreign loans, or of other activities that may be affected by medium-term yields. If, on the other hand, the period were one of inflation

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and if the situation seemed to call for a diminution of such activities, this policy would be inadvisable. There is also considerable question as to whether it would be desirable to have medium-term interest rates decline further from present low levels, in view of the many institutional adjustments that this would require in our financial system.

(3) Special measures. - In view of the serious objections to the adoption of a policy of refunding short-term debt into longer-term securities and in view of the difficulty of maintaining the pattern of rates if the existing maturity distribution is continued, some special measures may be needed to meet the situation.

(a) One such measure would be to issue a special type of security for purchase by banks, such as the so-called Treasury deposit receipts used by the British Government, and to require that commercial bank holdings of marketable Government securities be limited to a certain percentage of their savings deposits and of time deposits belonging to groups permitted to hold savings deposits. Under this provision, commercial banks would be required to exchange their excess holdings of marketable securities, as thus determined, for the Treasury deposit receipts. The deposit receipts would not be marketable, but could be sold to the Reserve Banks or redeemed at the Treasury by banks needing reserves. They would bear a rate of interest no higher than is necessary to provide banks with reasonable profits. Existing holdings of securities to be exchanged for them would include issues that have not yet matured or are not yet callable.

Such a measure would result in a removal of nearly all of the existing pressure on the pattern of rates, because the demand by banks for marketable issues would be considerably limited. It would also help to maintain bank earnings at a reasonable level. The proposal, however, raises a question of equity to banks that have purchased their existing holdings in good faith and with a Treasury contract that the securities are not callable or will not mature before a specified date. (Mr. Dreibelbis is examining the legal questions involved.) In order to provide a satisfactory market for nonbank investors, who would hold the remaining marketable securities and who could not sell them to banks, the Federal Reserve would need to engage in much larger open-market operations. It is possible that at times these operations might conflict with credit policy.

Instead of requiring an immediate exchange of all existing holdings, banks could be given the opportunity to exchange issues that mature or are called for Treasury deposit receipts but not for any marketable issues that might be offered in exchange to other holders. In order to make this variation effective, it would be necessary to prohibit banks from making any increases or shifts in their present holdings of marketable securities. This variation would make it possible to control bank earnings, and it would remove most of the existing pressure on the pattern of rates. It would be more equitable to banks than would the original proposal, since banks would not be forced to exchange their holdings before maturity. Although not forced to exchange them even at maturity, most banks would probably do so, because the choice would be between holding Treasury deposit receipts or holding idle funds. (Mr. Dreibelbis is examining the legal questions involved.)

On the other hand, this variation would increase the difficulties of operating individual banks that were gaining or losing deposits. Banks that were losing deposits would be forced either to sell marketable securities, which could not be purchased by banks that were gaining deposits, or to redeem deposit receipts. In the latter case, it might be necessary to develop some complicated method of allocating deposit receipts to banks that were gaining deposits. Such allocation would be much more difficult than it is in the United Kingdom, because in this country there are about 14,000 commercial banks, compared with 11 in the United Kingdom. This variation might also conflict with credit policy, for reasons stated under the original proposal as well as because the Federal Reserve would be under the necessity continuously of standing ready to purchase marketable securities when they were offered for sale by banks losing deposits.

(b) Perhaps a better solution along these general lines would be the enactment of legislation requiring all commercial banks in the country to hold, in addition to present reserve requirements, a specified amount of Treasury deposit receipts in relation to their demand deposits. In order to provide banks with the required amount of deposit receipts, the Treasury would have to stand ready to issue deposit receipts to banks in exchange for such portion of the banks' holdings as the banks would have to dispose of, giving the option to the banks to choose which of their securities would be exchanged. Banks would still be permitted to hold marketable securities, but the funds available for such issues would be limited by the new requirements.

Bank earnings would be under better control, and the possibility of the pattern of rates being influenced by bank transactions would be greatly reduced. Federal Reserve influence over credit conditions would be strengthened to the extent that the influence that banks now have on the pattern of rates would be reduced. An objection to this proposal arises from the fact that there are wide variations among individual banks in the ratio between their holdings of Government securities and their demand deposits. In order to prevent the liquidation of loans at some banks, the requirement should be placed rather low, with the result that many banks would continue to hold large amounts of marketable securities.

September 19, 1944

ESTIMATES OF MEMBER BANK EARNINGS THROUGH 1945

The large increase in member bank holdings of Government securities has resulted in a substantial increase in their profits, and a further increase is likely in the current year and in 1945, as shown by the first of the attached tables. Earnings on securities, of which the bulk is on Government securities, increased from 431 million dollars in 1940 to 766 million in 1943 and are expected to reach a peak of 970 million in 1945. Net profits increased from 349 to 557 million dollars and are expected to reach a peak of 700 million in 1945. Except for their earnings on Government securities, member banks as a whole would have large net losses instead of net profits. Before taxes, the ratio of net profits to capital accounts increased from 8.0 per cent in 1940 to 12.0 per cent in 1943 and is expected to reach a peak of 13.1 per cent in 1944 and 1945. After taxes, the ratio increased from 6.2 to 8.8 per cent and is expected to reach a peak of 9.7 per cent in 1944 and 1945. At the same time, member banks have added substantially to their capital accounts through retained earnings. Otherwise, the ratio would have increased even more sharply. It is estimated that member bank capital accounts will increase from 5.6 billion dollars in 1940 to 7.2 billion in 1945, or an aggregate increase of 1.6 billion dollars. Another point that should be borne in mind in considering bank earnings is that a reduction in tax rates following the war will increase bank earnings, whereas in the case of war industries such a reduction in tax rates would not have that effect, since their earnings would have declined.

It is estimated that member bank holdings of Government securities will increase by 15 billion dollars between the end of 1943 and the end of 1944 and that average holdings in 1944 will be 11 billion larger than in 1943. A further increase of 5 billion in average holdings is estimated in 1945. Holdings of other securities, which have declined during recent years, are estimated to show little change. The average rate of interest earned on securities has declined rapidly during recent years, principally as a result of a rapid expansion in holdings of short-term, low-yielding Government securities. This rate is the most important figure in estimating future bank earnings, since a difference of 0.1 per cent in the rate results in a difference of between 65 and 70 million dollars in total earnings and consequently a difference of nearly 1 per cent in the ratio of net profits to capital accounts. After considerable study, it was decided to leave the estimated rate at the level of 1.4 per cent reached in 1943, on the grounds that the average length of the maturity of holdings will increase only slightly and that it will be offset by the redemption of old issues with high coupon rates. On this basis, it is estimated that earnings on securities will reach a peak of 970 million dollars in 1945, when they will be about half of total earnings, compared with a third in 1940.

Loans are estimated to be slightly higher than in 1943. Although the average rate of interest on loans declined between 1940 and 1943, it is assumed that the 1943 rate of 3.4 per cent will continue in 1944 and 1945. Earnings on loans, therefore, are estimated to be slightly higher than in 1943. Other earnings, which increased between 1940 and 1943, are estimated at slightly above the 1943 level. Total earnings, which increased from 1.3 to 1.7 billion dollars, are estimated, therefore, to reach a peak of 1.9 billion in 1945.

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Member bank expenses increased from 921 million dollars in 1940 to 1.2 billion in 1943 and are estimated to increase slightly further to 1.3 billion in 1945. Between 1940 and 1943, interest on deposits declined, reflecting a reduction in the average rate paid, but taxes, salaries and wages, and other expenses increased. It is estimated that interest on time deposits will increase, on the assumptions that the amount of time deposits will continue to increase and that the rate will remain steady. Taxes, salaries and wages, and other expenses are estimated at a slightly higher level than was reached in 1943. Net current earnings are estimated consequently to increase to a peak of 640 million dollars in 1945. Recoveries and profits on securities are estimated to exceed charge-offs and losses on securities by 50 million dollars in 1944 and by 60 million in 1945. Dividends are expected to remain at about the 1943 level.

No estimate has been made of the future trend of earnings by classes of banks. The second of the attached tables, however, shows the actual results in 1940 and 1943. Net profits of New York City banks increased from 5.2 to 10.3 per cent of capital accounts, net profits of reserve city banks from 7.3 to 8.6 per cent, and net profits of country banks from 5.3 to 8.0 per cent, while net profits of Chicago banks declined. Most of the increase in holdings of Government securities is occurring at Reserve city and country banks, indicating that these banks will show large increases in profits in 1944 and 1945.

MEMBER BANK EARNINGS
(Amounts in millions of dollars)

Item	1940	1941	1942	1943	1944	1945
					Estimated 1/	
<u>Earnings -- Total</u>	1,323	1,417	1,487	1,650	1,830	1,900
On securities	431	445	510	766	900	970
On loans	595	665	640	552	580	580
Other	296	306	307	332	350	350
<u>Expenses -- Total</u>	921	988	1,069	1,154	1,230	1,260
Salaries and wages	400	426	461	487	500	500
Interest on deposits	117	110	128	124	150	170
Taxes	100	129	149	200	230	240
Other	273	293	331	344	350	350
<u>Net current earnings</u>	402	429	418	496	600	640
Recoveries, profits on securities sold, etc.	303	278	188	312	280	280
Charge-offs and losses on securities	356	318	223	251	230	220
<u>Net profits</u>	349	390	383	557	650	700
Dividends	210	211	203	208	210	210
<u>Ratios (per cent)</u>						
Net profits to capital accounts	6.2	6.7	6.4	8.8	9.7	9.7
Interest on secs. to secs.	2.1	1.9	1.7	1.4	1.4	1.4
Interest on loans to loans	4.2	4.0	3.7	3.4	3.4	3.4
Interest on secs. to total earnings	32.6	31.4	36.3	46.4	49.2	51.1
Interest on time deposits to time deposits	1.2	1.1	1.0	.9	.9	.9
<u>Assets and liabilities 2/</u>						
U. S. Government securities	14,823	17,753	25,408	48,182	59,500	64,500
Other securities	5,799	5,994	5,842	5,286	5,000	5,000
Loans	14,298	16,699	17,218	16,229	17,000	17,000
Time deposits	12,055	12,458	12,413	14,176	16,500	18,500
Capital accounts	5,597	5,798	5,977	6,304	6,700	7,200

1/ Estimates are based on assumption that war with Germany will be over at end of 1944.

2/ Average for year.

MEMBER BANK EARNINGS, BY CLASSES
(Amounts in millions of dollars)

	New York City banks		Chicago banks		Reserve city banks		Country banks	
	1940	1943	1940	1943	1940	1943	1940	1943
<u>Earnings -- Total</u>	260	343	62	90	486	618	515	598
On securities	100	185	30	52	155	283	147	246
On loans	82	88	17	22	227	212	270	231
Other	78	71	16	16	105	123	98	122
<u>Expenses -- Total</u>	170	221	42	59	341	435	368	439
Salaries and wages	85	98	19	22	148	183	148	184
Interest on deposits	4	3	5	5	55	46	84	69
Taxes	18	49	5	15	40	80	38	57
Other	64	71	13	17	98	127	98	130
<u>Net current earnings</u>	89	123	21	32	146	183	147	159
Recoveries, profits on securities sold, etc.	74	127	24	16	108	81	96	87
Charge-offs and losses on securities	80	65	13	23	119	86	144	77
<u>Net profits</u>	83	185	32	25	135	179	99	169
<u>Dividends</u>	70	66	13	12	73	72	55	58
<u>Ratios (per cent)</u>								
Net profits to capital accounts	5.2	10.3	12.4	7.8	7.3	8.6	5.3	8.0
Interest on secs. to secs.	1.5	1.2	1.8	1.5	2.2	1.5	2.7	1.6
Interest on loans to loans	2.5	2.0	2.8	2.4	4.1	3.5	5.4	4.9
Interest on secs. to total earnings	38.4	53.9	47.3	58.0	31.9	45.7	28.6	41.0
Interest on time de- posits to time deposits	.5	.4	1.0	1.1	1.1	.8	1.4	1.0
<u>Assets and liabilities</u>								
U. S. Government securities	5,319	14,183	1,272	3,222	5,104	17,688	3,130	13,090
Other securities	1,374	1,104	348	344	1,813	1,703	2,265	2,136
Loans	3,226	4,482	608	911	5,482	6,094	4,981	4,742
Time deposits	779	793	503	486	4,772	5,643	6,002	7,254
Capital accounts	1,602	1,793	258	315	1,860	2,087	1,878	2,110

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BANK CAPITAL AND DEPOSIT PROTECTION

Bank earnings are now relatively high and promise to be even higher in the future. Since dividend disbursements have been held relatively constant there has been a sizeable expansion of bank capital in the last few years. The growth of bank deposits, however, has been so much more rapid that the traditional capital-deposit ratio has fallen steadily. There are those who argue that present high bank earnings or even larger ones are needed to buttress the falling capital-deposit ratio.

This conclusion does not necessarily follow. The capital-deposit ratio is no longer a dependable measure of the need for bank capital in view of the large growth of riskless bank assets, cash and U. S. Government securities. Capital is needed by banks to absorb the market losses taken on assets when they are converted into cash to meet sudden deposit shifts or the losses on loans and investments which go sour and are collected only in part or not at all.

On the basis of real banking risks, the capital position of the banking system is now probably better off than ever before. In the following table there is presented a capital-risk ratio which compares net capital (i.e., after deduction of banking house, furniture and fixtures, and other real estate) with deposits after deduction of cash and U. S. Government securities. This ratio is an approximation of real banking risk. For comparative purposes, the conventional capital-deposit ratio is also shown below:

All Commercial Banks

	Adjusted Capital-risk ratio	Conventional Capital-deposit ratio
1914	28.6	23.3
1921	21.0	17.8
1929	19.4	18.0
1934	29.5	17.8
1939	28.9	12.8
1943	35.7	7.3
1944 (est.)	37½	6½

Even this calculation does not measure fully the improvement in bank capital protection. Bank loans and holdings of non-U. S. Government securities have never before been of as high quality or as liquid as now.

Under existing circumstances banks have adequate capital to fulfill their function in the financial community without jeopardizing the position of depositors.

CRITICISM IN CONGRESS OF BANK EARNINGS ON GOVERNMENT DEBT

There is reason to expect that Mr. Patman and his following in Congress may renew pressure to have the Reserve System finance, without interest, further increases in the public debt that would otherwise add to earnings of commercial banks.

Up until last Spring, Mr. Patman and his group had for some years repeatedly spoken in Congress and by radio in favor of having the Government finance all deficits by issuing non-interest-bearing bonds. He and his group charged that the Reserve System was dominated by the private bankers and emphasized the sovereign right of the Government to finance itself without interest if it decided to do so. All of this led me to address an open letter to Mr. Patman on March 21, 1941, to counter his argument and point out, among other things, the truism "that someone must pay for everything", that banks were not making inordinate profits out of Government financing, and that they could not be expected to operate on a sound basis with less income. I emphasized that in the 10-year period, 1930-1939, the average rate of net earnings on invested capital by member banks was 2 per cent, which was less than a reasonable rate of return. I mentioned also the depressed market for bank stocks as evidence that the banks were not unduly profiting from Government financing.

Time and again, in hearings before House committees, Mr. Patman had something of a field day catechizing me on this general theme. Subsequently he moderated his view, and at the hearing on April 5, 1943, before the House Banking and Currency Committee on the bill to exempt war loan accounts from FDIC assessments and from reserve requirements, Mr. Patman for the first time publicly, to my knowledge, accepted as justifiable a sufficient income for the banks from Government financing to sustain them, but served notice that when bank earnings from this source reached greater proportions both from new financing and refinancing than he would consider justified, he would advocate having the Reserve System absorb without interest issues that otherwise would yield returns to commercial banks.

It should be borne in mind that Mr. Patman is well-informed, persistent, and capable of leading a formidable group in Congress as well as of influencing public opinion on the outside. What seems to be his present attitude cannot be dismissed as belonging in the crank category. Despite my efforts to head him off, he persistently hammered away, at the April 5 hearing, on the point that the Reserve System could finance without interest the Government debt beyond what would net the banks a reasonable living. He asked whether I had "given consideration to any plan, or tried to devise or formulate any plan, that would enable the Government to do any part of its financing without the payment of interest".

He pointed out that if the Reserve Banks could buy up to \$5 billions, as authorized, of interest-bearing debt directly from the Treasury, there was no reason why it could not buy that much and more of non-interest-bearing debt. When I sought to draw him off into the question of why,

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logically, he did not propose to finance all the debt without interest, he replied:

"There is a good reason for that. I am opposed to that. I am in favor of selling all the bonds you can sell to the people that have the money to buy them, or the corporations. I am in favor of considering just as high a tax as possible to pay off as much of this debt as we can, but after we have sold all the bonds we can to people who have the actual money to buy them, and we have raised all the money through taxes that it is possible to raise, a lot of bonds will have to be sold at about 45 to 50 percent of the amount of money we use, and that will be obtained by letting the commercial banks create that money just by a flick of the pen, and we will be in this position of having a perpetual debt on our hands. If this debt gets to be \$200,000,000,000 or \$300,000,000,000, as many people think it will, the debt for interest alone will be from \$5,000,000,000 to \$7,500,000,000 a year just for interest. It occurs to me that this Congress will be falling down in its duty if it sits idly by and permits this money to be created in that way and obligates the people and the taxpayers to forever pay the interest. It just does not make sense to me."

I recurred to the point that bank earnings for the year 1942, despite the large increase in Government holdings, were less than in 1941, and that it did not make up for the shrink in bank loans. He apparently was satisfied for the time by this line of argument, but continued to press as to my attitude in case the picture changed. I stated that: "There may be a point where the earnings of the banking system are more than adequate to take care of their increasing expenses, together with a reasonable return on capital", but that the trend was the other way at the time and his argument, therefore, academic.

He insisted that at some point the bank earnings from Government debt would be excessive, and said he was "disappointed that Mr. Eccles refuses to give consideration to it; he insists on closing his eyes and not trying to solve the problem at all." He added that he could not understand why the Federal Reserve "officials" do not "give some consideration and try to save a large part of that interest."

I replied that, "When the problem of excess profits of the banks begins to appear, you will find me just as diligent about attempting to avoid profiteering on the part of the banks as we have been to prevent profiteering by anyone else."

He remarked that "you are not thinking about the taxpayers", and after referring to the fact that the capital stock of all banks amounted to \$3-1/2 billions (this would not include surplus and undivided profits), he said:

"Now, you already have the Government in this position, which I consider is a position that cannot be justified, of encouraging the sale of bonds to the banks to the extent that by the end of the next fiscal year these banks that have a capital stock investment of 3-1/2 billion dollars will be receiving from 1 to 2 billion dollars a year interest on the Government obligations they will then hold. Now that does not seem to make sense to me.

"So I am apprehensive that one of these days the banks will have so many Government bonds upon which they receive interest that there will be a clamor in this country, 'Why pay the banks 3-1/2 billion dollars a year interest when they only have 3-1/2 billion invested in capital stock; why not take all of the banks over and save that 3-1/2 billion a year interest?' I am in favor of the private banking system, of free enterprise, and I think the banks are doing something against themselves when they place themselves in that vulnerable position."

"What would you suggest," I asked, "to take the place of the interest that these banks now receive on Government securities?"

He replied, "I would permit them to receive a certain amount that is reasonable, but I would have the date fixed and, if that was not satisfactory, I would fix another date."

When I pointed out that the banks then held a large amount of short-term debt with low yield, Mr. Patman retorted, "You are talking about the short-term debt, but you know there will be a refinancing and these certificates will be refunded probably with long-term bonds drawing a much higher rate of interest."

The foregoing, from the printed hearings, reflects only highlights in an extensive catechism in which several committee members of both parties indicated a disposition to side with Mr. Patman. That the matter was prominently in his mind, was indicated again on February 9 of this year, when at a hearing on the Brown-Maybank Bill, he interjected the following (page 675):

"Well the banks are pretty well taken care of; they are pretty well provided for, and it won't be long before the banks will be in a very vulnerable position, when the point is reached, as it doubtless will be reached, that they will own so many Government securities that the interest on those Government securities will amount to as much as their entire capital stock is. And when they reach that point, they are in a very vulnerable position, and some fellow might get up over here on the floor of the House and say 'Why pay these fellows a billion and a half or two billion dollars of interest; why not buy them up and buy the stock, and save all this interest every year.'"

While Mr. Patman and his group probably could not get far at any time with their original program for financing all deficits without interest, their revised program, conceding the need to sustain the private credit system, but proposing to rely on the Reserve System to finance the debt without interest once that need has been met, presents issues which can hardly be ignored in the light of the current situation.

Mrs. Klotz: I want this article - my book 84
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

September 23, 1944

FROM Fred Smith *FS*

Some ideas on political strategy:

(1) Judging from Gallup's current analyses, I think that Dewey is talking his way out of the election, just as Willkie did. Polls made during the Willkie campaign indicated that he could have been elected at the time of the nomination. Up to that time, few people had heard him talk; they had only heard that he was a great talker and that his ideas were "sound," which means that they agree with one's own, whatever they may be. After the nomination, they began to listen to him. Every time he made a speech, he lost votes. Part of this, I think, was due to the fact that the people who wanted to vote for Willkie on general principles simply assumed that his opinions, motives, and intentions, were parallel to their own. Obviously, his opinions, motives and intentions couldn't parallel everybody's. Consequently, people became disillusioned as he differed with them.

Mr. Roosevelt, on the other hand, does not now run this risk to so great an extent, because he and his position are established. All he has to do is maintain his status quo.

(2) The issues about which Mr. Dewey is speaking, and the way he treats them, follows the usual Republican pattern of being unbelievable to the masses of the people. The public does not believe that we are going to have a dictatorship, that Roosevelt makes strikes, that the country is heading for disaster, or that we are worse off now than we would be under a "Republican Administration." It is my feeling that the only believable issue so far dragged out by the Republicans is the accusation that the Administration is tired, quarrelsome, and has lost its initiative.

I think this particular issue should be met by Mr. Roosevelt and by his Cabinet by an extraordinary show of initiative in the matter of preparing this country for the peace to come.

In other words, if the Administration could pick up some of the 1932 spirit, when the President said "The American people want action -- now," and if he could implement these sentiments with some evidence that plans (and the get-up-and-git necessary to make them work) exist to handle reconversion, demobilization and to take care of those who will be unemployed on V-E Day, then I believe he would not only get votes, but would gain strength and support (which he will badly need) for the steps which will have to be taken to reconstruct our own economy after the war.

(3) The public is likely to grow more domestic-minded as V-E Day approaches. The day a few million people are laid off, arguments about world peace, world organizations, etc. are going to run a poor second to argument about what Mr. Roosevelt is doing to prevent "all this unemployment."

If V-E Day should come before election, and a few hundred contracts should be canceled, the confusion resulting could be blown up by the Republicans to such proportions that the election might easily be lost. Certainly Dewey could say "What is Mr. Roosevelt doing about this? Has he a plan? Any kind of plan?" Then it would be necessary for the Administration to present a plan which at least sounded workable, and even so it would look like last-minute stuff.

(4) In making campaign speeches, I think Mr. Roosevelt should assume, as the Gallup Poll indicates, that most of the people are with him and not against him. I think it would be a mistake for him to fight too hard.

He should not overlook the fact that he is not campaigning and Dewey is -- yet the tide is running towards him. Ergo: Dewey is making votes for Roosevelt.

I think the best thing for F.D.R. to do would be to be completely constructive; to focus the public's mind on the post-war possibilities of the United States instead of the election or the claims of the Republicans. This strategy might upset Mr. Dewey and make him scream louder, fight harder, become even more unbelievable, and make F.D.R. votes even faster.

(5) If I were running Democratic campaign strategy, I am not sure I would recommend Mr. Roosevelt's making any campaign speeches until the very last minute -- Election Eve. Instead, I would have him release in press conferences, plans and information calculated to interest and excite people in America's post-war possibilities. He could create the impression that he is going to lead us into the reconstruction period with the same enthusiasm and interest as he had in 1932, and as he had in bringing the nation's strength to bear in winning the war.

Whatever statements were made about the international situation should be translated in terms of future benefit to the United States. In other words, since Roosevelt's importance to the international situation is so well known, I believe he doesn't need to waste very much time on it as far as getting votes is concerned: Everyone with an international consciousness is already sold on Roosevelt, as far as this is concerned. But the only thing that will sway the border states is a feeling of confidence that the President will meet and lick the domestic problems that will come after the war.

Furthermore, the President is unquestionably at his best and most popular when he is bolstering public confidence.

(6) The President could hit the Republican attitude that our economy will sort of "fall back into shape" if the Government keeps hands off. The people are not ready to believe that business is capable of repairing economic damage, any more than it was capable of ending the depression; hence, it might be a good idea for the President to give some idea of the extent to which our present economy is dislocated, and show that we must have a plan ready, and business and the Government and the people must all cooperate on a single plan if we are to prevent unnecessary unemployment immediately following V-E Day and V Day.

(7) I think it might be well if Roosevelt made a statement or a speech crystallizing a plan for the future.

The man in the street has no quick picture of what is to come after the war, or of the relative importance to himself of the various things he hears talked about. Hence, Roosevelt

- 4 -

might come out with a "seven point program" and a conviction that we should "take first things first." The seven-point program would run something like this:

- (1) The Government and industry must settle on a plan for contract termination and have the machinery set up to take care of it the day the war in Europe ends. I think this is pretty well done, but it would be reassuring to the public to know it.
- (2) The Government must give all possible aid to industry in speeding up the reconversion period. He could assure industry that the Government knows continued employment depends upon quick reconversion, and therefore the Government will cooperate in every possible way, and will remove every possible hurdle.
- (3) The Government must see to it that we maintain full employment.
- (4) Government must lend a hand to hasten reconstruction abroad so that their foreign markets will again be prosperous.
- (5) We must take definite steps to reestablish world trade on a higher plane than ever before, because we will need to export more goods than ever in order to maintain a prosperous economy and to use our vast production facilities.....
- (6) We must provide means for maintaining stable world economy, because we know that depressions anywhere in the world eventually hit us. It was to this end that we held the Bretton Woods Conference.
- (7) We must determine to maintain Peace by whatever means become necessary.

These may not be the right seven points -- but you can see what I am aiming at.

(8) I think Forrest Barnes and David Broekman should make a music drama glorifying the Roosevelt Administration and pointing up to the moral that we need the same kind of leadership in the reconstruction to come. I think this would be the most dramatic way of reminding the American people of what Roosevelt has done for them.

For Release

Sunday, Sept. 24, or Monday, Sept. 25, 1944

ROOSEVELT FOUND GAINING IN 27 STATES, DEWEY IN 14

President Continues To Hold Lead In Electoral Votes In New Gallup National Survey

By **GEORGE GALLUP**

Director, American Institute of Public Opinion

PRINCETON, N. J., Sept. 23.—With election day six weeks from this Tuesday, Franklin D. Roosevelt continues to hold a slight advantage over Thomas E. Dewey in terms of civilian popular votes, a new 48-state survey by the Institute indicates.

The President has gained in 27 states since August, while Dewey has gained in 14. This leaves the political situation as follows: Roosevelt leads Dewey in 28 states having a total of 284 electoral votes. (It



takes 266 to win.) Governor Dewey is leading in 17 states with a total of 208 electoral votes.

The remaining three states, with 39 electoral votes, are found "on the line," with Dewey and Roosevelt each polling 50 per cent of the vote.

In the Institute's August 23 report, Roosevelt had 286 electoral votes, Dewey 245.

Balloting in the present national survey, the second made by the Institute since the nominating conventions, was for the most part completed when Governor Dewey started his campaign tour to the West. The figures are therefore a reflection of the period of comparative inactivity before the Republican campaign launched into full swing.

Nor do the figures reflect President Roosevelt's first "political" speech of the campaign delivered Saturday night.

DEWEY'S LOSSES

In August Governor Dewey was leading in 20 states, as compared to 17 in today's survey. The change came about because New Jersey and Missouri, where Dewey had a slight lead in August, have dropped to the 50-50 line, while Oregon switched from Republican to Democratic.

In terms of popular vote percentage, however, the shifts within these states have been small, and it is entirely possible that vigorous campaigning by the Republican candidate will regain the lead for him in those states.

A fact to be borne in mind in studying the following state-by-state results is that all scientific polls are subject to a normal error of three to four percentage points. Therefore no state has been listed as "safe" today for any candidate unless he is found leading by 54 per cent or more.

Safe for Roosevelt Today (19 States)

Electoral Votes	F.D.R.	Dewey	Change in F.D.R. vote since Aug.
8 S. Car.	92%	8%	+3
9 Miss.	84	16	0
12 Ga.	81	19	-3
11 Ala.	78	22	-2
10 La.	77	23	+1
9 Ark.	74	26	-4



The results of the latest 48-state Gallup Poll (top map) show Roosevelt leading in 28 states with 284 electoral votes, and Dewey ahead in 17 states with 208 electoral votes. Three states are on the 50-50 line.

23 Texas	72	28	-3
8 Fla.	71	29	+3
14 N. Car.	68	32	+1
12 Tenn.	65	35	-2
11 Va.	64	36	0
4 Utah	57	43	0
4 Ariz.	57	43	-1
4 Mont.	56	44	-1
11 Ky.	55	45	+1
8 Wash.	55	45	+2
25 Cal.	55	45	+2
8 W. Va.	55	45	+2
3 Nev.	54	46	-2

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Leaning Toward Roosevelt Today (9 States)

4 N. Mex.	53	47	-3
4 R. I.	53	47	+2
16 Mass.	52	48	0
4 N. Ham.	52	48	+1
3 N. J.	52	48	0
3 Del.	52	48	+1
6 Ore.	51	49	+2
35 Penna.	51	49	-1
10 Okla.	51	49	0

90

On the Line (3 States)

Electoral Votes	F.D.R.	Dewey	Change in F.D.R. vote since Aug.
8 Conn.	50%	50%	-1
15 Mo.	50	50	+1
16 N. J.	50	50	+1

39

Safe for Dewey Today (12 States)

Electoral Votes	Dewey	F.D.R.	Change in F.D.R. vote since Aug.
6 Neb.	66%	34%	+1
8 Kan.	63	37	+3
4 S. Dak.	60	40	+3
4 N. Dak.	58	42	+4
6 Colo.	57	43	-2
10 Iowa	55	45	+1
13 Ind.	55	45	+2
19 Mich.	55	45	+2
3 Wyo.	55	45	0
3 Vt.	55	45	-1
5 Maine	54	46	-1
12 Wis.	54	46	+2

93

Leaning Toward Dewey Today (5 States)

25 Ohio	53	47	+1
28 Ill.	53	47	-1
4 Idaho	52	48	-1
11 Minn.	52	48	-1
47 N. Y.	51	49	+1

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All Institute surveys are sponsored and underwritten by 130 daily newspapers, some of which are Republican, some Democratic and others Independent.

Although Institute ballots are open for the inspection of political leaders of all parties, no survey work has ever been conducted by the Institute for any party or candidate.

Your State

Latest Gallup Poll figures show the presidential line-up in (Name of Your State) as follows:

TODAY'S SURVEY	
ROOSEVELT	00%
DEWEY	00%
AUGUST 23 SURVEY	
ROOSEVELT	00%
DEWEY	00%

115
90

Treasury Department
Division of Monetary Research

Date Sept. 26, 1944

To: Secretary Morgenthau

You will, I think, be interested
in this.

H.D.W.

grad...

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 23, 1944

TO Mr. White
 FROM E. M. Bernstein *Emb*
 Subject: Economists' Support for Fund and Bank

I had an extended discussion with Hansen, Ellis and Angell on what economists might do on the Fund and the Bank.

Hansen thinks that he can get a committee of leading economists to sponsor a brief statement in favor of the Fund and the Bank which would have the support of about 100 leading economists. The sponsoring committee would be

Haberler, Harris and Slichter of Harvard;
 Angell, Clark and Mitchell of Columbia;
 Viner and Simons of Chicago;
 Scharfman of Michigan;
 Grove of Wisconsin;
 Snavely of Virginia;
 Hoover of Duke;
 Ellis of California;
 Preston of Washington.

This group would invite 100 more economists to join in a brief statement in favor of the Fund and the Bank. Such a statement would undoubtedly receive wide publicity.

This group also proposes to prepare about six articles on the Fund and the Bank for the newspapers, each article one column in length. The series of six articles by leading economists would be offered free of charge to all newspapers. We might arrange to get such a series reprinted for direct distribution.

I will keep you informed of what happens on this.

CC:Mr. Luxford

September 23, 1944

MEMORANDUM FOR THE SECRETARY

For your information

You may be interested in the attached New York Times editorial commenting on Winthrop Aldrich's speech on the Bretton Woods proposals.

While the editorial is obviously sympathetic to the Aldrich proposals it ends on the following note:

"There would clearly be some embarrassment in setting aside now the plans agreed to at Bretton Woods even if they have the defects and dangers that Mr. Aldrich believes they have. It is by no means certain, either, that an Anglo-American agreement of the type he recommends could be brought about. But he has put forward a carefully reasoned argument and a constructive proposal that deserve serious open-minded study."

Coming from the New York Times this represents progress and clearly suggests that the Times may be adopting a more cautious and objective attitude.



MR. ALDRICH'S MONETARY PLAN

Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank, suggests as a substitute for the plans advanced at the Bretton Woods conference the negotiation of international agreements for the removal of trade barriers and the establishment of a stable dollar-sterling exchange rate. Whatever may be the final verdict upon the merits of his proposal, his analysis of the proposed International Fund and Bank is thoughtful and impressive, and his own positive proposals make it obvious that his viewpoint is far from that of an economic nationalist.

Mr. Aldrich points out that under the instructions from the President both the American delegation at Bretton Woods and the delegations of other countries were committed to a particular monetary plan in advance and were not free to work anew on the problem or to consider an alternative approach. The powers of the Fund "seem to be obscure and uncertain." Its objectives "lack the focus essential to its success." The United States, by far the largest contributor, will be called upon to supply "about 70 per cent" of the real lendable assets of the Fund. "Inasmuch as the Fund gives nations with relatively poor currencies access, on an automatic basis, to relatively good currencies, the good currencies may be pulled down to the level of the poor currencies." Mr. Aldrich cites the many liberal provisions for alterations in exchange rates, and fears that under them "exchange depreciation would undoubtedly become an accepted and normal procedure in international financial affairs." Proposals for exchange depreciation, indeed, "would be inevitable, since the plan attacks the symptoms rather than the basic causes of exchange stability." The effect of the Fund provisions, he fears also, would be to increase rather than reduce exchange controls. After an examination of the proposed International Bank, Mr. Aldrich concludes that there is no sound function it could undertake which could not be done better by our own existing Export-Import Bank.

Mr. Aldrich then comes to his alternative proposal. "The all-important economic problem of the post-war world is the removal of trade barriers."

He proposes that the United States, the United Kingdom and other members of the British Commonwealth enter into immediate conversations on such problems as tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements. If the proposed conference proved successful in achieving a joint agreement to shun totalitarian tactics in international trade and to adopt economic liberalism, the United States should offer to provide England "with a grant-in-aid sufficiently large to establish stability between the dollar and the pound. The sum needed may be a large one—but the problem is large and we must show courage in its solution."

Once the dollar-pound rate is stabilized, attention should be directed immediately to the stabilization of other currencies. "The prerequisites are internal political stability, a constructive solution of the problem of trade barriers, a reasonable measure of economic well-being and the absence of inflation." Implicit in all this, Mr. Aldrich concludes, is our responsibility to make our own currency in the post-war period one in which other nations can have confidence. This, as he shows, will not be easy, for it will involve the repeal of some unsound monetary legislation still on the books, and it will involve ultimately a balanced Federal budget.

There would clearly be some embarrassment in setting aside now the plans agreed to at Bretton Woods even if they have the defects and dangers that Mr. Aldrich believes they have. It is by no means certain, either, that an Anglo-American agreement of the type he recommends could be brought about. But he has put forward a carefully reasoned argument and a constructive proposal that deserve serious open-minded study.

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2024
94

Sept. 23, '44

~~PHILIP J. GOODHART~~
654 MADISON AVENUE
NEW YORK 21, N.Y.

Dear Henry,

I am enclosing some notes which may be of interest to you.

I am looking forward to seeing you on Wednesday morning. I hope that Mrs. Klotz won't forget to send me the sleeper.

Yours,
Arthur S.

The Situation In Europe In Twenty-Five Years

In planning the reconstruction of Europe at the end of this war it is essential to keep in mind what will be the situation of the various European countries in another twenty-five years. Such an estimate can at best be only a tentative one, but unless we approach the problem from this angle we will be in danger of assuming that the victorious nations will continue to be strong and that the losers will have been permanently weakened. One of the errors of the Paris peace conference in 1919 was that it was too much concerned with immediate matters, such as reparations, and not sufficiently with the long-term problems. It was hoped that the latter might be solved by the League of Nations, but this hope proved to be illusory.

The Position in 1970 if no alterations are made in German territory.

If no changes are made in her territory will Germany be stronger, relative to the other European countries, in 1970 than she was in 1939? We can only answer this question if we consider the position of each of her neighbors separately.

Great Britain

Great Britain's population in 1970 will probably be slightly smaller than it was in 1939. A radical decline in the birth-rate has been predicted, but the recent trend is more encouraging. From the financial standpoint Great Britain will be weaker as she can hardly recover her foreign assets in a single generation. On the other hand, her industries will be more efficient as necessary changes have been introduced in her factories. She will be better prepared from a

military standpoint as it is unlikely that she will disarm again. But in 1970 there will be one new element which will fundamentally alter Great Britain's strategic position for the worse. She will be far more vulnerable to attack owing to the development of new weapons of attack. The rocket bomb, which the Germans claim can be used at a range of 400 miles, could make life impossible in London or any of the other English cities. The ports on which the British fleet is based could be destroyed in a single night. No amount of military preparation could protect Great Britain against this danger. It must be concluded, therefore, that from a military standpoint Great Britain will be more vulnerable in 1970 than she was in 1939.

France

The French birth-rate was declining steadily before 1939. Although no accurate statistics have been published recently, it is clear that her population must have suffered a serious loss during the war years as over 1,000,000 prisoners have been held in Germany. It has been estimated that in 1970 France will have a population of about 35,000,000. French industries will probably recover within a few years, but the country may go through a difficult political period which may last for many years. France, also, is peculiarly vulnerable to such a weapon as the rocket bomb, as so much of her life is centralized in Paris. Therefore, whatever recovery she may make industrially, France will be weaker from the military standpoint in 1970 than she was in 1939 owing to the decrease in her man power and the change in her strategic position.

Poland

It is highly probable that the U.S.S.R. will extend her borders to the Curzon Line. Therefore, if no alteration is made in the Polish-German frontier, the Polish population must decrease from 30,000,000 to under 20,000,000. Moreover the Polish population must have been greatly reduced during the war years owing to death and deportations. In 1970 Poland will therefore be considerably weaker than she was in 1939.

Holland, Belgium, Denmark, Norway

It is probable that these four countries will have recovered completely by 1970. Strategically, however, their position will have deteriorated because, with the exception of Norway, their industries are highly concentrated. On the whole, however, it may be assumed that their position will be substantially unchanged.

Czechoslovakia

This is the only one of Germany's neighbors which will be far stronger in 1970 than she was in 1939 because she did not exist as a country in 1939. She will probably be as strong in 1970 as she was in 1938, as her population will not have declined (except for the Sudeten-Germans), and her industries will have recovered.

The U. S. S. R.

It is difficult to foretell the position of the U.S. S. R. in 1970, but it can be confidently assumed that both from the industrial and the population standpoint this will be stronger than it was in 1939. Whether this position will be as dominant as some persons suggest is, however, open to considerable doubt.

Germany

If Germany is left as she is at present she will be stronger in 1970 than she was in 1939. Her population will have increased because, until this year, her birth-rate has been steadily rising. It is true that she will have suffered greater casualties in this war than any other country except Russia, but only a limited number of these would fall within the 1970 army age group. Her industry, also, will have recovered because the destruction caused by war can be easily repaired within a few years.

The Score in 1970

<u>Weaker</u>	<u>Unchanged</u>	<u>Stronger</u>
Great Britain	Holland	Czechoslovakia
France	Belgium	U. S. S. R.
Poland	Denmark	Germany
	Norway	

The Future

If the above estimate is correct then one fact becomes evident: i. e., that if the U.S.S.R. and Germany were to combine in a course of action in 1970 they would be able to dominate Europe. This does not seem probable, or even possible, at the present time, but it must be remembered that the 1939 Russo-German pact came as a complete surprise. Even without a pact the U.S.S.R. could always threaten to enter into an agreement with Germany and thus keep Europe in a continual state of unrest.

On the other hand a weak Germany would leave Great Britain and France the dominant powers in Western Europe, while the U.S.S.R.

retained the controlling influence in Eastern Europe. Whether her exercise of this influence would be inimical to the interests of the United States, Great Britain and France is doubtful.

The U. S. S. R.

It is frequently stated that a strong Germany is necessary to act as a shield against Russia, but the greatest danger is that this shield might turn into a sword which would help the U.S.S.R. in an attack on Western Europe. But, even if this danger is disregarded, is such a shield necessary? The general view is that the Russian people are war-weary and are not likely to enter into a war of conquest either now or in 1970. They have little to gain and everything to lose by such a step. They do not need additional territory, and they are hardly likely to carry on a crusade for ideological reasons. The surest way of making the U.S.S.R. militant would be by threatening her with a strong Germany. It was fear of a strong Germany which probably caused Stalin to enter into the 1939 pact, and fear of a strong Germany in 1970 might have a similar result. It is therefore my belief that the U.S.S.R. will not be a menace either to the U.S.A., Great Britain, or France unless she is driven to such a course by fear of Germany. The idea that we need a strong Germany to guard us against Russia is therefore wrong on two grounds (a) such protection is unnecessary because it is highly unlikely that the U.S.S.R. will take such aggressive action, and (b) even if the U.S.S.R. should embark on such an unlikely course it is more probable that Germany would side with her than act against her.

Germany in 1970

A weak Germany will therefore materially lessen the risk of war in 1970. But how are we to achieve this?

- (1) It has been suggested that the experience of the present war will have been so terrible that the Germans will hesitate to embark on another one within living memory. I do not believe this because, for one thing, living memory may be short where war is concerned. A far stronger influence will be the natural desire to wipe out the disgrace of defeat, especially in a nation such as Germany which has been trained for generations along militaristic lines. I do not believe that the Germans are inherently wicked, but I also do not believe that a nation can forget its history. If I were a German I should wish for revenge against Great Britain, and I doubt whether the Germans, trained under Hitler, have a higher moral standard than I have. Therefore the hope that the German risk can be removed by education is not one on which reconstruction can safely be based.
- (2) It has been suggested that Germany can be immobilised by the destruction of her war factories, and by the maintenance of permanent supervision. This may be possible, but it will be exceedingly difficult to carry out in practice. Experience has shown that it would be necessary to maintain an army of inspectors continually in Germany, and as time passed this interference with the internal economy of a country would become more and more difficult to enforce. Moreover, as war becomes more scientific, there is always the danger that some new weapon may be secretly developed.

(3) The only practical method is therefore to reduce the German war potential by transferring to other countries the control of those regions where the materials of war are manufactured. It is said that such a step will embitter Germany, and that "permanent peace cannot be built on hatred." This is one of those dangerous catch-phrases, like "war never settles anything", which played so large a part in making this war possible. Whatever form the peace treaty may take, it is certain that it will embitter the Germans because there must be some territorial changes. Every one agrees that the Sudetenland must go to Czechoslovakia, and that Poland must have a corridor to the sea, but it was on these provisions that Hitler based his aggressions. There is an old saying that "if you shoot at a king you must be certain to kill him." This is equally true of Germany because if you decide to weaken her you must be certain to render her impotent. Half-way measures will only give us a half-way peace, and we will therefore be half-way to a new war.

The League of Nations or some similar organization.

It may be suggested that the above analysis fails to take into consideration the fact that a stronger League of Nations or some similar organization will be powerful enough to maintain the peace whatever the position of Germany may be. I am in favor of a world organization, but I do not believe that it will succeed unless we can create such a situation that the risk of a major war during its formative years is substantially eliminated. The confidence of the people of the world in such an organization must be gradually developed, but this can never take form if a resurgent Germany, even in the guise of a democracy, remains a threat to

international peace. What confidence would the people of Great Britain or of France have in a League if they were faced with the risk that a strong Germany might suddenly combine with a strong Russia? With the German threat removed there would be every chance that an international organization would prove effective, but if Europe remains under the threat of Germanic aggression then the old system of power politics must continue to exist.

Distribution of true
reading only by special
arrangement. (SECRETW)

September 23, 1944

5 p.m.

AMPOLAD

CASERTA

166

The following for Ackermann is WRB 49.

McClelland has repeated to Board his message to you No. 71 of September 15 with respect to Slovakian situation. McClelland's suggestion is concurred in here and we are writing the Apostolic Delegate in Washington suggesting that the Holy See might find it appropriate to reiterate to Dr. Tiso and his associates through Sidor or otherwise that this Government views most seriously and will take into account in the future any part which Dr. Tiso or his associates may play in the deportation and persecutions of the Jews in Slovakia.

Please advise the Board of the results of your conversations with Mr. Taylor promptly.

HULL

WRB:MMV:KG
9/22/44

SE

CE

PARAPHRASE OF TELEGRAM RECEIVED

FROM: Consulate General, Jerusalem
TO: Secretary of State, Washington
DATED: September 23, 1944
NUMBER: 129

SECRET

It is requested by Mellech Neustadt that the following message be transmitted through WRB to David Wertheim, Louis Segal, Peale Zion Organization, Jewish Workers Alliance. 45 East 17th Street, New York City is the address.

"Two sums have been received, one in the amount of 1961 pounds from Bank of Montreal and the other in the amount of 1728 pounds from Amalgamated Bank. Thanks very much. Immediate visit to Rumania considered important in order to strengthen our position there and with neighbors and also in order to assist neighboring countries. Could suitable recommendation be obtained that I be granted such possibility?

PINKERTON

DCR:CY

9-25-44

CABLE TO NORWEB, LISBON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Robert Pilpel from
M. A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE REGARDING PERLMAN'S REQUEST ONE TIME GRANT FOR GROUP
INTERNED ISLAND OF RAB WE AUTHORIZE \$10,000 THIS PURPOSE STOP
MUST POINT OUT HOWEVER IT WILL BE IMPOSSIBLE CONTINUE RELIEF
NON-SECTARIAN BASIS AND WOULD URGE PERLMAN WORK OUT WITH
PARTISAN RED CROSS PROCEDURE WHEREBY WE CAN HELP OUR PROTEGES
AND OTHERS MIGHT BRING HELP TO THEIR OWN PROPER PROTEGES STOP
WE APPROACHING YUGOSLAV RELIEF GROUP HERE AND PRESENTING PROBLEM
TO THEM STOP ADVISE PERLMAN WE COMMUNICATING JEWISH AGENCY
REGARDING CERTIFICATES FOR GROUP TO BE EVACUATED FROM YUGOSLAVIA
UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 96

3:40 p.m.
September 23, 1944

Miss Chauncey (for the Secretary Abrahamson, Cohn, DuBois, Friedman,
Hodel, Laughlin, Lesser, Mannon, McCermack, Cable Control Files

RDRURY 9/23/44

ONE-511**PLAIN****Listen****Undated****Rec'd September 23, 1944****4:42 p.m.****Secretary of State****Washington.****FOR LEAVITT FROM ROBERT PILPEL**

**JDC 78. W33 202. Our regular 89. Gustav and
Manfred Manasse now with children's group Portugal
strongly desire proceed United States rather than
Palestine. Please contact relative, Julius Manasse
651 or 615 West 115 Street, Apartment 22, New York.
Advice urgently.**

HORVER**LMS**

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 23, 1944
NUMBER: 3288

SECRET

FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Please transmit the following message to Isaac Sternbuch,
3 Teufener Strasse, St. Gallen, Switzerland, from the Vaad
Hahatzala Emergency Committee:

QUOTE Received report from Wolbe Stockholm Jewish Con-
centration Camp in Kretingen Lithuania. Suggest you
contact International Red Cross Geneva and urge immediate
dispatch food parcels to Kretingen. Weismandel requests
funds for rescue detail his plans to McClelland and Saly
Mayer secure their financial participation cable what
done. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 181.

HULL

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

With reference to your 6112 of September 16, your attention is again drawn to general Salvadoran declaration reported in paragraph six of your 3871 of June 17 and to explanations made in Department's 2173 of June 2 paragraph two, 2407 of July 13 paragraph six, 3180 of September 14 paragraph one and 3255 of September 21 paragraph four.

Accordingly, Salvadoran action in confirming documents of specific persons whose names were submitted to Salvador does not (repeat not) imply either the need for or the desirability of forwarding further specific names to Salvadoran government, and you are requested to proceed along lines of Department's 3255 of September 21 paragraph four and of previous communications herein referred.

The same considerations should also guide you in dealing with documents of other American republics which have notified Swiss authorities that persons in enemy territory subject to persecution to whom documents have been issued. In their names must be treated by the enemy as their nationals. In this connection, your attention is drawn to Department's 2490 of July 21 item six setting out QUOTE desirability of construing as liberally as possible, and of acting as speedily as possible upon any communications from any American republic touching upon the protection of persons from cruelty and persecution UNQUOTE and stating that QUOTE delays in action brought about my strict adherence to technicalities proper enough under ordinary circumstances merely result in these extraordinary times in an additional number of innocent people being ruthlessly done to death. UNQUOTE This passage, while primarily intended as suggestion for Swiss authorities, should likewise govern your own attitude.

THIS IS WRB CABLE TO BERN NO. 183

10:50 a.m.
September 23, 1944

BAkzin:ar 9/22/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: September 23, 1944
NUMBER: 3290

SECRET

TO MINISTER HARRISON AND MCCLELLAND.

With reference to your 6112 of September 16, your attention is again drawn to general Salvadoran declaration reported in paragraph six of your 3871 of June 17 and to explanations made in Department's 2173 of June 26 paragraph two, 2407 of July 13 paragraph six, 3180 of September 14 paragraph one and 3255 of September 21 paragraph four.

Accordingly, Salvadoran action in confirming documents of specific persons whose names were submitted to Salvador does not (repeat not) imply either the need for or the desirability of forwarding further specific names to Salvadoran government, and you are requested to proceed along lines of Department's 3255 of September 21 paragraph four and of previous communications herein referred.

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THIS IS WRB CABLE TO BERN NO. 183

HULL

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

Please deliver the following message to Saly Mayer from M.A.

Leavitt of the American Jewish Joint Distribution Committee:

QUOTE HAVE RECEIVED INFORMATION URGENT NECESSITY IMMEDIATE
FUNDS REQUIRED FOR RELIEF AND RESCUE NORTHERN ITALY STOP
KNOW YOU HAVE BEEN MAKING AVAILABLE THIS AREA BUT WOULD
URGE IN VIEW THIS NEW INFORMATION YOU MAKE EVERY EFFORT
ADDITIONAL AMOUNTS IMMEDIATELY THIS SECTION STOP SUGGEST
YOU DISCUSS THIS WITH MCCLELLAND AND TAKE ALL NECESSARY
STEPS BEST WISHES HAPPY NEW YEAR UNQUOTE

THIS IS WRB CABLE TO BERN NO. 184

3:40 p.m.
September 23, 1944

RDrury 9/23/44

PARAPHRASE OF TELGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: September 23, 1944
NUMBER: 6301

CONFIDENTIAL

McClelland sends the following message for WRR.

Clement and Krier would particularly appreciate (*)ive
September 8.

Recently Krier received an incomplete message from his
brother, the Luxembourg Minister of Labor, who is in London
at the present time. Message stated that fund announced by
the Friends of Luxembourg has been "forwarded" although
where is not clear. In view of the fact that up to September
22 no such sum has reached me here, I would welcome any
clarification on this whole question.

HARRISON

(*) Apparent omission. Request for verification has been made.

BAS-688

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

Bern

Dated September 25, 1944

Rec'd 9:48 a.m.

Secretary of State,
Washington.

6506, September 25, 11 a.m.

In line with ICRC'S food parcel program for political prisoners in concentration camps in Germany following request was received from ICRC on September 22.

A stock of food parcels originally sent by relief organizations in French North Africa on behalf of next of kin has been stored in Switzerland for many months. These parcels were originally intended for French prisoners of war from North Africa scattered throughout prison camps in Germany and particularly for French colonial prisoners of war in camps in former German occupied France who cannot now be practically reached.

Delegation of Red Cross societies of French Empire acting for "commis sariat for prisoners deportees and refugees" (celusse) has expressed its urgent wish to ICRC To use 40,000 of these parcels out of total of approximately 260,000 for French political internees in Germany under ICRC--WRB parcel program for this category of Nazi victims. But since these parcels were shipped to Switzerland in agreement with blockade authorities for prisoners of war special permission would be required as in the case of salvaged CRISTINA goods to use them for a different category of beneficiaries.

In view of fact that some time will elapse before WRB'S 285,000 parcels can reach camps in Germany and that even 15000 recently unloaded at Gothenburg cannot be dispatched immediately due to shipping difficulties ICRC would be very grateful if with support of WRB the necessary authorization could be secured to use forty thousand of these parcels. I warmly second ICRC'S request since these parcels could be forwarded to Germany at very short notice to take advantage of rapidly dwindling transport facilities.

Such parcels would naturally be under the terms agreed to and with ICRC guarantees as set forth in Legation's 4578 July 18 (1262 to London).

An early answer would be most appreciated.
Repeated to London.

HARRISON

DSH-837

Ankara

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

Dated September 23, 1944

Rec'd 5:52 p.m.

Secretary of State,
Washington.

1799, September 23, noon.

FROM AMBASSADOR STEINHARDT AND HIRSCHMANN FOR
PEHLE, WRB, ANKARA'S 160.

Reliable reports from Sofia indicate that: many Bulgarian Jews are returning to Sofia from outlying districts in order to take repossession of their homes. Part of blocked Jewish bank accounts are being released but difficulties still exist where real estate is concerned. A special Bulgarian Government committee is dealing with this phase of repossession. The Government declared recently that Jewish citizens are entitled to request the return of their homes without special authorization in so far as it is possible for them to establish their original ownership. As almost all of the Jewish apartments were taken over by Bulgarians it is proving difficult however to arrange to have them leave these apartments immediately.

The prospects for the restoration of Bulgarian Jews to their normal economic life are not encouraging at the moment as they are without resources and are faced with the competition of non-Jewish Bulgarians who are also endeavoring to reestablish their normal economic life and have the means therefor.

STEINHARDT

JMS
NPL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Moscow
DATED: September 23, 1944
NUMBER: 2276

CONFIDENTIAL

To Ambassador Harriman.

It is reported that many Jews, perhaps 60,000 persons, survive in Lodz, Poland. The Soviet authorities are undoubtedly aware of the danger that the Germans may attempt to exterminate these people before evacuating the city. In view, however, of this Government's deep concern for the safety of victims of enemy persecution, it would be appreciated if you would discuss this matter with appropriate officials of the Soviet Government.

HULL

COPY NO. 11NOT TO BE RETRANSMITTEDSECRETOPTEL No. 310

Information received up to 10 A.M. 23rd September 1944

1. NAVAL

BREST. Both town and harbour have suffered very heavy damage. No berths alongside usable and all unloading facilities destroyed. Main breakwater entrance partially blocked except for 400' gap. On 22nd a British Submarine probably sank a 3,000 ton ship Northern AEGEAN. On 4th. Another British Submarine sank a 4,000 ton ship off Southwest SUMATRA.

2. MILITARY

Western Front Situation at ARNHEM obscure. U.K. troops pushing North from NIJMEGEN have met strong resistance at ELST. Polish airborne troops dropped West and North of ELST, 21st are digging in on South bank of lower RHINE. North of lower RHINE our parachute troops hold a secure but contracted bridgehead West of ARNHEM. Armoured car patrols by-passing ELST have gained touch with the Poles and our troops West of ARNHEM. Base of corridor further extended either side of EINDHOVEN. On the East towards HELMOND and WEERT and on the West towards TILBURG. The enemy from time to time are breaking into the corridor. East and Southeast of AACHEN U.S. troops have continued mopping up in STOLBERG and in the HURTTGEN FOREST. South of METZ, against stiff resistance, they have advanced to within 6 miles of the town. Considerable progress near EPINAL and new bridgehead over MOSELLE established. This advance has eliminated the Salient projecting westwards to CHAUMONT.

Italy 21st. RIMINI captured and bridgehead over MARECCHIA established by Canadians. New Zealanders have advanced 4 miles North of RIMINI along RAVENNA Road. U.S. Forces have captured FIRENZUOLA and the FUTA PASS. Air support on whole front much hampered by weather.

Russia In ESTONIA Russians have captured TALLINN, TAPA, and PIEDE. In Western ROUMANIA they have taken ARAD.

3. AIR OPERATIONS

Western Front 21st. Later reports establish total casualties on airborne operations 38 not 50.

22nd. Fortresses and Liberators, (9 missing) escorted by fighters, (2 missing) dropped 1,520 tons KASSEL. Fuel supplies carried to FRANCE by 108 Liberators. Poor weather battle zone restricted offensive operations. Fortresses which delivered supplies WARSZAW 18th returned GREAT BRITAIN from ITALY.

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 311

Information received up to 10 a.m., 24th September, 1944.

1. NAVAL

On 20th one of H.M. Submarines torpedoed and probably sank one 7,000 ton ship and another 3,000 tons in escorted convoy south of BERGEN.

MEDITERRANEAN. Early yesterday off ALBANIA two of H.M. Destroyers engaged three ships; probably torpedo boats, which retired to CORFU. One was set on fire and possibly sunk. A Hospital Ship, 2,700 tons, mined yesterday while empty off ORTONA and taken in tow. Allied destroyers engaged batteries and coastal guns north of RIMINI 20th and silenced a battery. At MARSEILLE 16 alongside berths now available.

2. MILITARY

WESTERN EUROPE. U.K. Infantry have by-passed the strong German resistance north of NIMEGEM and have joined up with Poles on the southern bank of the Lower Rhine. They have probably now made contact with our airborne forces north of river. Heveadrop ferry destroyed by Germans. Base of corridor further widened eastwards by capture of WEERT. All resistance ceased BOULOGNE evening 23rd.

ITALY. To noon 23rd. Increased German resistance met by New Zealanders and Canadians in Adriatic sector. Little further progress. At one point German tanks counter-attacked our leading elements which has crossed MARECCHIA. Our own tanks experienced difficulty in crossing. U.S. troops have made slight progress astride the road to IMOLA. They have captured MONTE FAGGIOLA and are advancing on MONTE LA FINE, N.E. of FIRENZUOLA.

RUSSIA. In ESTONIA Russians have captured port of PARNU and town of VILJANDI. In LATVIA they have taken VALMIERA and RANKA railway station 80 miles east-north-east RIGA.

3. AIR OPERATIONS

WESTERN FRONT. 23rd. 581 aircraft (11 missing) were sent with reinforcements and supplies for Holland. 24 escorting fighters have not yet returned. Enemy casualties 27, 2, 6. 162 Liberators (1 missing) carried fuel to France. 320 A.E.A.F. bombers sent to attack railway centres Western Germany and Siegfried Line defences. No report yet. Escorted Bomber Command aircraft dropped 175 tons on coastal batteries WALEHEREN with good results and no losses.

23rd/24th. 922 aircraft despatched: NEUSS near DUSSELDORF 549 (7 missing). HANNDORF airfield near MUNSTER - 129 (1 missing). MUNSTER Aqueduct 125 (14 missing). BOCHUM and RHEINE 50 Mesquitoes. Bomber Support - 69. Preliminary reports: NEUSS - complete cloud, crews bombed on glow of markers or fires. Airfield - considerable cloud, results considered poor. Aqueduct - much cloud but clear below. Mesquitoes accurately marked target from below clouds and several crews bombed from below. Considerable fighting activity.

MEDITERRANEAN. 21st/22nd. 71 bombers (1 missing) dropped 146 tons on SALONIKA.

22nd. 365 escorted heavy bombers dropped 810 tons on industrial area and airfield MUNICH and 76 others dropped 166 on LARISSA railway centre GREECE. - 7 bombers, 3 fighters missing. 608 bombers and fighters (2 missing) attacked objectives Northern ITALY.

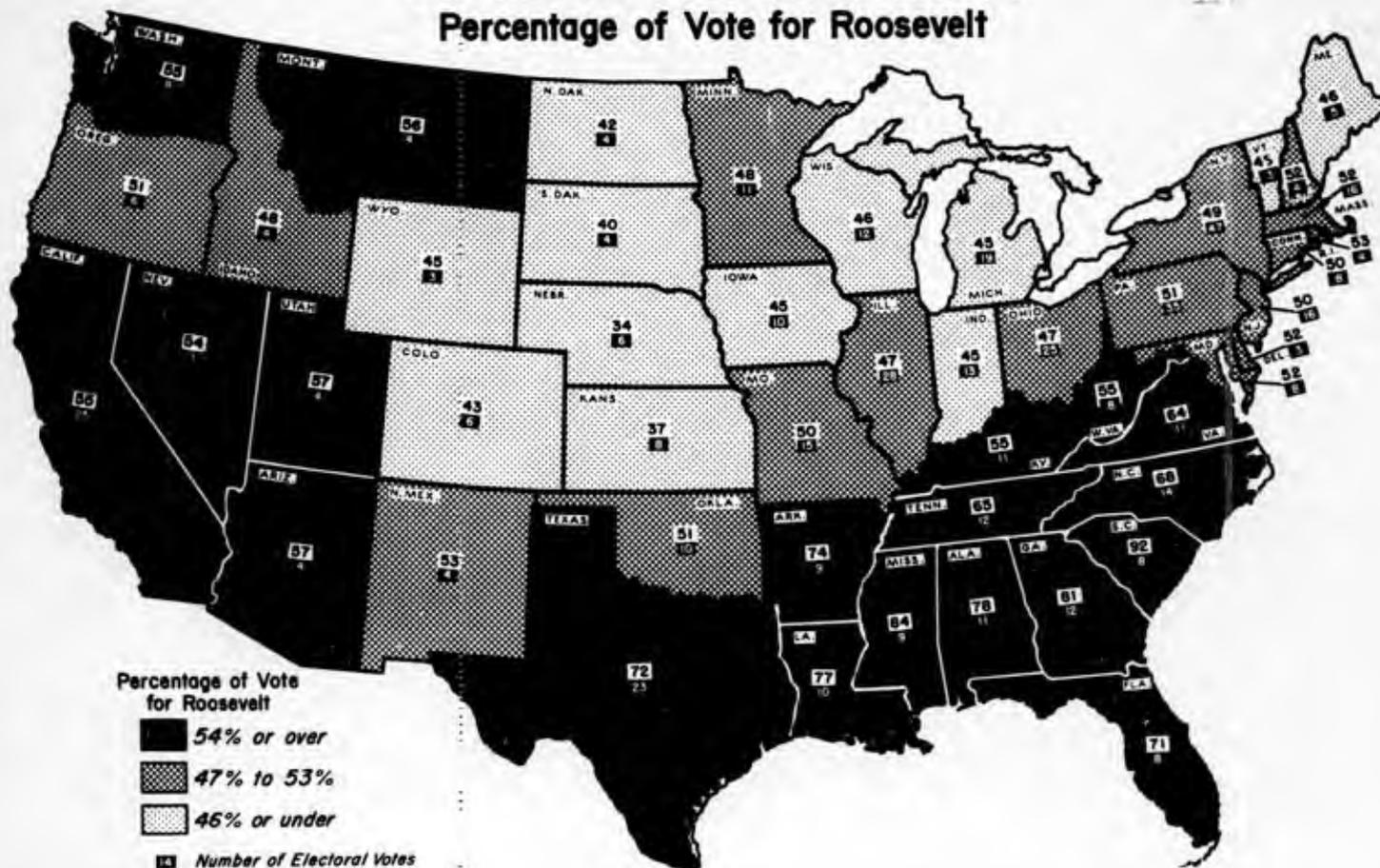
4. HOME SECURITY

Last night and early this morning 11 flying bombs plotted.

THE GALLUP POLL SEPT. 24, 1944

117

Percentage of Vote for Roosevelt



Percentage of Vote for Roosevelt

■ 54% or over

▨ 47% to 53%

▤ 46% or under

Ⓜ Number of Electoral Votes

State	Current Vote		State Electoral Vote		% Change since August 23		State	Current Vote		State Electoral Vote		% Change since August 23	
	For Roosevelt	For Dewey	For Roosevelt	For Dewey	+ For Roosevelt	+ For Dewey		For Roosevelt	For Dewey	For Roosevelt	For Dewey	+ For Roosevelt	+ For Dewey
Ala.	78%	22%	11			2%	Nebr.	34%	66%	11	6	1%	
Ariz.	57%	43%	4			1%	Nev.	54%	46%	3	6		2%
Ark.	74%	26%	9			4%	N.H.	52%	48%	4		1%	
Calif.	55%	45%	25		2%		N.J.	50%†	50%†		16	1%	
Colo.	43%	57%		6		2%	N.Mex.	53%	47%	4			3%
Conn.	50%†	50%†	8			1%	N.Y.	49%	51%		47	1%	
Del.	52%	48%	3			1%	N.C.	68%	32%	14		1%	
Fla.	71%	29%	8			3%	N.Dak.	42%	58%		4	4%	
Ga.	81%	19%		12		3%	Ohio.	47%	53%		25	1%	
Idaho.	48%	52%			4	1%	Okl.	51%	49%	10			
Ill.	47%	53%			28	1%	Oreg.	51%*	49%*		6*		2%*
Ind.	45%	55%			13	2%	Pa.	51%	49%	35			1%
Iowa.	45%	55%			10	1%	R.I.	53%	47%	4		2%	
Kans.	37%	63%			8	3%	S.C.	92%	8%	8		3%	
Ky.	55%	45%	11			1%	S.Dak.	40%	60%		4	3%	
La.	77%	23%	10			1%	Tenn.	65%	35%	12			2%
Me.	46%	54%		5		1%	Texas.	72%	28%	23			3%
Md.	52%	48%	8				Utah.	57%	43%	4			
Mass.	52%	48%	16				Vt.	45%	55%		3		1%
Mich.	45%	55%		19		2%	Va.	64%	36%	11			
Minn.	48%	52%		11		1%	Wash.	55%	45%	8		2%	
Miss.	84%	16%	9			1%	W.Va.	55%	45%	8		2%	
Mo.	50%†	50%†					Wis.	46%	54%		12	2%	
Mont.	56%	44%	4				Wyo.	45%	55%		3		
							Total			284†	208†		

† Electoral votes not counted, Conn. 8, Mo. 15, N.J. 16

* Change in column

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Delegation, Rome
TO: Secretary of State, Washington
DATED: September 24, 1944
NUMBER: 391

CONFIDENTIAL

The following is from Ackermann for WRB

McClelland's message in connection with the situation in Slovakia has been discussed with Taylor. Taylor will follow up with a call in person a message which he has sent to the Pope. As quickly as possible you will be sent further advice as to action taken.

The foregoing has been repeated for McClelland to Bern as No. 22 with the following addition: You are requested to transmit all messages to me AMPOLAD Caserta in code of the War Refugee Board in the future.

KIRK

DCR:GPW
9-26-44

AIR MAIL

EMBASSY OF THE

No. 892

UNITED STATES OF AMERICA

UNRECORDED

Lisbon, August 24, 1944.

Subject: Transmittng Publicity Regarding Joint
British American Declaration Concerning
Hungarian Jewish Refugees

The Honorable
The Secretary of State
Washington

Sir:

I have the honor to transmit herewith clippings from the "Jornal de Comercio" and the "Jornal de Noticias" as well as an item which appeared in the "Boletim Grafico" published by the Press Section of the Embassy on the subject of the joint declaration by the British and American Governments concerning the care of Jewish refugees from Hungary. This refers to the Department's unnumbered circular telegram of August 16.

It will be noted that the two items from the Portuguese Press were released by the UP and by Reuters respectively. This means that the Portuguese Press received adequate coverage at the time the "story broke" and it was therefore impossible for our own Press Section to do anything additional at the time. As far as we can find out, these were the only two newspapers that carried the item.

However, the Press Section of the Embassy is prepared to release a second story when there are new facts, and it is suggested that the time for such a release would be when the first refugees from Hungary reach Portugal.

It is assumed that the War Refugee Board will be interested in this despatch and the enclosed clippings and if the Department perceives no objection, it is requested that they be transmitted to the Board.

Respectfully yours,

For the Ambassador:

CHARLES E. DICKERSON, Jr.
First Secretary of Embassy.

Enclosures:
Three clippings as stated above.

CORRECTION**DSH****PLAIN****September 24, 1944**

In cable from Bern 6170, September 18-Budapest press of eighth delete serial number "6170" and insert "6171".

DIVISION OF COMMUNICATIONS AND RECORDS**CSB**

September 25, 1944

Yesterday morning, Sunday, I tried to speak to the President but he never called me back. I got Grace Tully about a quarter to ten, and told her how delighted we all were with the President's speech, and as Bob said, "The old Master was back again."

I suggested that the President instruct Steve Early to prepare a statement that Hull, Stimson and I could sign, showing that we had made certain recommendations to the President in regard to Germany, and naturally would abide by any decision the President made.

Grace called me back around four o'clock, and said she had seen the President, and the President said this was simply a newspaper story, and he didn't want to do anything about it. I prophesied that that was what he would do. Grace said the President was curious to know where it came from, so I said, "Well, you never can find out where those things come from."

September 25, 1944

After listening to the man who broadcasts for Thompson's Dairy at a quarter to eight this morning, I called up Mr. Hull at 8:30, and asked whether there wasn't something we could do to stop the talk on the German matter. He said that he was going to say at his press conference that he hadn't told anybody where he stood, and that all these stories were pure fiction. He said, "Why don't you have a press conference and say something?" and I said, "I don't have regular press conferences."

Hull said, "I understand somebody down the line in the Treasury has been talking to the press." I told him that I doubted that that was true.

I asked him whether he didn't think it would be a good idea to have a meeting of the Committee and out of that would come a joint statement. He didn't seem to think well of that. I don't know how it came up, but any way he suggested that I might speak to Stimson. Hull is always very quick to suggest that I do the job. I told him I had understood that the War Department had been talking to Walter Lippmann - Lord Cherwell told me that. I also said that I understood a copy of the memorandum from the President to Stimson, which Drew Pearson said had been circulated in the State Department with pencil notes, was seen in Crowley's office.

Hull wound up the conversation by saying he thought the President ought to get a dozen people together around the table and thrash this whole thing out, and I agreed that it would be helpful if he would, but he won't do it. That isn't the way he works. The unfortunate thing is that this will grow just the way the fight between Wallance and Jesse Jones did, and then somebody will get angry and say something unpleasant, and it all could be stopped if the President would insist on it.

September 25, 1944
9:45 a.m.

RE: PRESS CONFERENCE

Present: Mr. Gaston ✓
Mr. Smith ✓
Mr. Shaeffer ✓
Mr. White ✓
Mr. Perlmeter ✓
Mrs. Klotz

H.M.JR: I want to try an experiment on you fellows, especially the AP. Supposing you fellows were regular working press agents, this was a press conference, and you wanted to find out something about this story that is going around about the split in the Cabinet and all that. I am thinking of you (Perlmeter) particularly, because you have been over there. Once an AP man, always an AP man. Depending on how this went, I would decide whether I would see the press this afternoon.

MR. SHAEFFER: All I know about it, Mr. Secretary--

H.M.JR: Don't tell me what you know.

MR. SMITH: You are a reporter, see. This is a press conference. You are the UP.

MR. SHAEFFER: No, I am not. I want to be the AP.

H.M.JR: If you were at a press conference, what kind of questions would you ask me?

MR. SHAEFFER: Is there any truth to it, and what can you tell me about it?

H.M.JR: Any truth about what?

MR. SHAEFFER: Whether this plan of yours that you are alleged to have taken to the White House caused a split in the Cabinet.

- 2 -

H.M.JR: That is getting down to brass tacks. I would have to answer it this way. I am not going to go off the record, because the last time I did I had an unfortunate experience. You think over what you want me to say there. On the record all I can say is that I, along with State and War have been making certain studies, and we have made certain recommendations to the President. What my recommendations are, I can't say, because I never say. I mean, I never tell what I recommend to the President.

MR. PERLMETER: The next question, Mr. Secretary, will be, "Do you see eye to eye with State and War?"

H.M.JR: If I answered that, then the next question would be, "What was in the report?"

MR. PERLMETER: Not necessarily. There is one story in what your recommendations are. There is another story in whether or not there is an agreement on the recommendations.

H.M.JR: The answer to yours is, "I can't answer you because I have made this report and whatever I have done is the President's information."

MR. PERLMETER: That may be a perfectly logical answer, but the newspaper handling of that will be that you implied there was disagreement because you refused to deny there wasn't.

MR. SHAEFFER: I don't think so, Irv, because the Secretary for eleven years has been refusing to discuss anything that occurred between himself and the President.

MR. PERLMETER: If you will answer it that way, it is different. But the answer he gave me was that he couldn't answer the question about a disagreement without divulging the contents. But if he makes a categorical statement that it is White House business, that according to his past practice he can't discuss it, it is the only safe ground I know of.

MR. WHITE: Would he hesitate to discuss it if there was an agreement? He would say, "Certainly, there is an agreement." They know so much about it that I don't know

- 3 -

whether it is a question of whether you are chiefly considering what to be quoted on or chiefly considering what kind of an impression to give.

H.M.JR: I have run this all through my own mind, as to whether I can have a press conference or whether I can not. Do you see? It is obvious; I think I shouldn't have one. Hull is going to have one at twelve. I spoke to him this morning, and he is going to say that there is absolutely no basis nor any foundation for these stories which are circulating around because he hasn't told anybody what he thinks, so nobody knows. He said, "Why don't you have a press conference and say the same thing?"

MR. WHITE: I don't see how you could say there is no basis for it when you know there is a very real basis for Stimson's disagreeing with you. He has said so. He must have told others.

H.M.JR: No, the basis for what they are putting into my mouth--I mean, I listened to the quarter of eight broadcast, and this man went into a great discussion of what I am for and what I am against. The Tribune had an editorial, and so did the Times. Everybody is saying what I have said and what I haven't said.

MR. SHAEFFER: Did you hear Pearson?

H.M.JR: Yes. Well, Pearson puts it on the basis that Hull and his cookie-pushers are all against us.

MR. SHAEFFER: And they are the only ones, according to Pearson.

MR. WHITE: Dorothy Thompson mentioned it last night, too.

H.M.JR: What did she say?

MR. WHITE: She was pretty strong against your proposal.

MR. SMITH: Bill Shirer was on for it yesterday afternoon.

- 4 -

H.M.JR: Well, the point is, is there any use? I can't give the press any answer. Just to say to them, Irving, "I am sorry, gentlemen, what I give the President I can't discuss"--it is only going to make them sore, isn't it?

MR. PERLMETER: It certainly wouldn't satisfy them, but it would be the lesser of two evils than if you didn't have a press conference.

H.M.JR: I haven't had one in a couple of weeks. I don't have them regularly any more. I am not calling anything off. I haven't had one since the last time that fellow broke the confidence, which is a month ago.

MR. SHAEFFER: I think we have had one since.

MR. PERLMETER: Have you been here on press conference days?

H.M.JR: Yes.

MR. SMITH: May I make a suggestion?

H.M.JR: Yes.

MR. SMITH: My suggestion is that this thing is all going in your favor wonderfully at this particular point. It seems to have died down, with the exception of this talk about a Cabinet split, which, I think, would die of its own weight. The main discussion is whether we should have a hard peace or a soft peace, and you are the champion of the hard peace, which is wonderful, because everybody agrees. And consequently, I think that is the best thing that you could do, just sit on your hands and let them make you a great man.

The Times editorial this morning, which I read, doesn't say anything about the plan. Inferentially, I think it gives you a boost, because they say it has to be a hard peace, and it is too bad more hasn't been done about it, but you are the guy who is supposed to have gotten the work started

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on it; and if you can keep it on the level of a hard peace and a soft peace, you will, in the first place, create a lot of discussion right now, and right now a hard peace will win, thumbs down. Maybe later it won't.

H.M.JR: But take it from me, somebody in the Republican Party is going to pick this up as an illustration that Mr. Roosevelt is a bad administrator.

MR. SMITH: I think that is true, but they have been picking that up so often that it won't make any difference.

MR. WHITE: Dorothy Thompson more than intimated; she suggested something along the line that it was most unfortunate that the Administration wasn't better prepared and had waited until this late date, and that they are still uncertain. She harped on that particular point.

MR. SMITH: Of course, that would have come out anyway, Harry, at the time the decision had to be made. If there wasn't a plan at that time, it would have come out and made an awful mess.

H.M.JR: No, if we hadn't gone to England, and Harry hadn't given me the State Department document of June 30 and said he had held it up until he had had a chance to get my reaction to the thing--Harry hadn't been paying much attention to it up until that time, and when it came up, he said he couldn't say, because he didn't know where I stood.

Then we began to study the thing. If we hadn't, the thing would have just gone on, the Handbook would have gone in, and nobody would have been any the wiser. They would have gone ahead and carried out what was in that Handbook. There would be no question that they weren't ready. That is just the way the thing would have gone.

MR. WHITE: They have been working over a year on this thing.

July 31, 1944
 8x 759:245

- 6 -

H.M.JR: Am I right, Harry?

MR. WHITE: Yes, I think so. I don't know whether Russia would have objected.

H.M.JR: Russia never would have known.

MR. WHITE: Well, they certainly wouldn't have known, and been in a position to stop it.

H.M.JR: They wouldn't have known until they had gotten to Berlin. What do you think, Herbert?

MR. GASTON: I think it is fortunate that you haven't been holding regular press conferences because there is nothing you can do in a press conference except tell people that is presidential material and you can't talk about it. You can't get these boys in here to a press conference and tell them what your propositions are and that you are at issue with one man and not at issue with another man, and so forth. You just can't do it. When you start to talk about any feature of this thing you get involved in the whole business.

MR. SHAEFFER: You would have a hundred people here if you called a conference.

MR. WHITE: They sure would push you around. I don't think they would let you get away with that kind of an answer because they can ask you about too much--

MR. GASTON: If you even announce a conference it is a swindle, because you are not going to tell them what they came here to learn and they will just badger you.

MR. PERLMETER: Everything I said was based on the misunderstanding that you had been holding regular press conferences. If you haven't been, I can't see any choice but to stay out of it.

MR. GASTON: Of course, it is unfortunate that people are talking around town. Evidence is that that Hightower

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story came out in the State Department. But there is no reason why you can't wash that out with the press.

H.M.JR: Hull intimated that somebody down the line in the Treasury was doing the talking, and I question that very much.

MR. WHITE: When we do the talking we talk better than that. That disturbs me, that nobody is giving a good defence of our side. I was going to raise the question with you, aside from the press conference, whether you wouldn't give some of us fellows a release to talk to some of the press boys and present the real facts.

For example, Dorothy Thompson misrepresented your position and gave arguments which are specious but effective. I don't think the other fellows know the answers to them.

H.M.JR: That is the trouble, Harry. This has in the making another Wallace-Jones fight, and the thing could be stopped by the White House in its tracks. Somebody is going to get dirty about me and I am going to get sore and answer them, and the whole fat is in the fire.

MR. WHITE: I wasn't thinking so much of making it an issue between you and the others, but following Fred's line, the merits of the hard peace versus the soft peace, rather than any personalities. I don't think anyone is giving the recommendations which you made and just how you feel - what your proposal is - a fair reply.

For example, Dorothy Thompson said that there is a great deal to be said for internationalizing the Ruhr, implying that you didn't have any such intentions.

H.M.JR: Well, you see, I don't know - I understand that somebody in the War Department got this pretty straight and has been talking to Walter Lippmann.

MR. WHITE: Walter Lippmann was in to see me either Friday or Thursday and he already had a good deal of information and was discussing why he thought it would be a mistake

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to move to an agrarian or pastoral country. He must have got that from--

H.M.JR: Of course, the English are just flabbergasted. They can't understand this thing - that such a thing should break out. With them it is just unbelievable. All these leaks, you see--

MR. SMITH: They are great people to talk! Things leak out of Britain seven times as much as they do here.

H.M.JR: Not things like this.

MR. SMITH: Well, the story about Hitler and Himmler not having been on the criminal list is a British leak - in one of the major papers over there.

H.M.JR: But you don't read that Sir John Anderson wants one kind of a thing, and Eden wants another, and Churchill wants another.

MR. WHITE: Is it your judgment that this thing will die down?

MR. SMITH: It is my judgment that what they are trying to do is to keep the Cabinet split alive. That is where the gravy is as far as the Republicans and the newspaper stories are concerned. I think the thing to do, if we can do it, is keep this to a discussion of a hard and soft peace, and to hell with the Cabinet split.

H.M.JR: That is very easy. I agree with you. That is where I would like to see the discussion, but the Republicans aren't going to let it--

MR. SMITH: But if Hull in his conversation today will say that all three of you see eye to eye on the necessity for a hard peace, which by and large is true - at least it is true today, because the sentiment is so overwhelming for it - then if it gets down to details, where no two people agree on the specific intricate details of how to handle it--

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H.M.JR: I don't think I am going to have a press conference and have fifty people come in here and then say, "Boys, I am sorry but that is White House business and I can't talk."

MR. GASTON: No. That is just what you would have. The people here would appear to put the heat on you on this one question. If you can't say anything better than that, it is White House business, then it is no good.

H.M.JR: Have you (Shaeffer) been bothered much over the weekend?

MR. SHAEFFER: I have had two calls. One man from the UP asked me what I could do for them to cover up the terrible licking they got yesterday morning - your friend, Degges - the one that got this leak out of the Treasury about a year and a half ago.

H.M.JR: I should help him out!

MR. SMITH: They have called me and I have told them virtually that it is White House business, and I told Charlie to say the same thing, that there is nothing we can say about it.

H.M.JR: Let's just sit tight. Maybe the White House will get a little excited about it. Right now they "aint."

MR. WHITE: It certainly has thrown into the light the discussion of what kind of a peace, and that part is all to the good.

MR. SMITH: I think if you stack up the assets and liabilities of this thing over the next two months instead of today and tomorrow, that it is ninety percent to the good. I would have guessed differently if anybody had asked me ahead of time. I would have thought it was all wrong, that it would have been a very unfortunate thing.

H.M.JR: I think it has come out all wrong, so far.

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MR. SMITH: No, just the fact that it has boiled down to a hard and soft peace, I think is good.

H.M.JR: But it hasn't, Fred, if you listen to the radio. That is just the point. If it was that I would be tickled to death.

MR. SMITH: I listened to the radio all day yesterday. I thought that was what Pearson was saying and Bill Shirer was saying.

MRS. KLOTZ: I didn't get that impression at all from the stuff I read and heard. It was just a split in the Cabinet.

MR. SMITH: The spot news story is that, but I say I think it will die and it could be killed very quickly either by the White House or Hull this noon.

H.M.JR: Well, let's see what Hull does.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 25, 1944

TO Secretary Morgenthau
FROM Fred Smith *fs*

George Creel just called to talk to you. The operator put him on my wire. What he wants is to talk to you about your ideas on the dismemberment of Germany. He wants to write an article for *Colliers*. He says he is wholly in favor with the idea you are "quoted" as sponsoring. I assured him that you are not being quoted because it is the President's business, and this entire story came from some other source. I also assured him I would take it up with you and call him back.

He said that he was a friend of yours and that he wanted to handle the matter properly. He seemed to be in a great rush.

He can be reached at the *Collier* office, which is District 5505, in case, since he is a friend, you might want to call him; otherwise, I will call him with your decision.

September 25, 1944
10:00 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Sullivan
Mr. Smith
Mr. Pehle
Mr. White
Mr. Blough
Mr. Luxford
Mr. C. S. Bell
Mrs. Klotz

H.M.JR: John, I got a message from you through the Secret Service at twelve twenty-five on Thursday that you wanted to see me.

MR. SULLIVAN: No, sir. I hadn't called you at all; I called Fred Smith. I was out to lunch, and I got back and had a message that you had called for me, to call the Federal Reserve. I called over there, and you had left and gone back to the hotel.

H.M.JR: They said you had stayed over especially to see me.

MR. SULLIVAN: No.

H.M.JR: You didn't?

MR. SULLIVAN: No.

H.M.JR: I felt very badly. He said he had known it the night before and he only told me the next day at noon, and he said that you had stayed over just to see me.

MR. SULLIVAN: No, sir, that is not so.

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H.M.JR: What is the man's name?

MR. C. S. BELL: Tom Callaghan.

MR. SULLIVAN: No, I saw Callaghan in the elevator Wednesday afternoon. He said you were coming in, and I said that I knew you were. I went to that affair to hear you speak, but you apparently were the first speaker and left.

H.M.JR: Oh, no, I spoke just before the moving pictures.

MR. SULLIVAN: Well, the whole crowd was there, and they had other speakers while I was there.

H.M.JR: Sure.

MR. SULLIVAN: I am sorry I missed you.

H.M.JR: I just wanted to let you know. Evidently Callaghan got it all mixed up.

Herbert?

MR. GASTON: We had a detail to take care of the President of the Philippine Commonwealth at his request and approved by the White House.

H.M.JR: What else?

MR. GASTON: I haven't anything else.

MR. SULLIVAN: I found a situation in St. Louis where about fifty of our people were working in a room in the Federal Building which was accessible only by a freight elevator which had been breaking down. With your permission I am going to talk with Frank Walker about shifting some of the postal inspector's people around so we can get our people out of that hole.

H.M.JR: Let Charles Bell know about it.

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MR. SULLIVAN: Yes, I will.

H.M.JR: That is also his responsibility.

MR. SULLIVAN: The National Committee writes and wants to know for what length of time I will be available to go around making speeches during the campaign.

H.M.JR: What do you think, Herbert?

MR. GASTON: I don't think there is any reason why John shouldn't make some speeches.

H.M.JR: What would you talk about?

MR. SULLIVAN: The issues.

MR. WHITE: Talk about Fala.

H.M.JR: I meant, would you talk about the tax program?

MR. SULLIVAN: Oh, no, no indeed. I made a keynote at the Democratic State Convention in New Hampshire. I will send that to you, and you can get an idea.

H.M.JR: Sure, I think it would be good if you would speak.

MR. SULLIVAN: They said probably the last three or four weeks of the campaign--I will tell them I will be available.

MR. GASTON: Not as spokesman for the Treasury, but spokesman for the candidate.

MR. SULLIVAN: Oh, no, no, no.

That is all, sir.

MR. BLOUGH: Would you have a little time this week to get up to date on taxes?

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H.M.JR: Definitely. I will start in at three o'clock with you today.

MR. BLOUGH: I would a little rather not. We are having a meeting with people from the Federal Reserve and Budget, and so forth, this afternoon, and if it could be made tomorrow, it would be better. I can, of course, break away from that meeting, but it is pretty important. I will, if you wish, break in on the other meeting, but it is a pretty important meeting.

H.M.JR: No, no. I can say eleven o'clock tomorrow.

MR. BLOUGH: That would be fine.

H.M.JR: Supposing we start in, Roy, just you and I alone?

MR. BLOUGH: O.K.

H.M.JR: What else?

MR. BLOUGH: Well, anything else can wait until then.

H.M.JR: Fred?

MR. SMITH: Did you get your maps?

H.M.JR: Yes.

MR. SMITH: I have two more. One is the last complete poll before the election in 1940 built up the same way, which is the black for over fifty-three percent, cross-hatched for fifty-three to forty-seven, and white from there on down. And I also have one of the actual elections built up the same way. There aren't any border States in the election, but it keeps the pattern. We had one copy of each of those Saturday afternoon late, and I put those in the other package, I thought. He would rather have them. I will get you your copies early this morning. That was brought up to Sunday, if you notice. That is what held us up. Saturday morning the Sunday report came in, so

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that is current.

The other thing is that Vanderpoel sent a speech in on Saturday; he has everything in it that anybody wanted in it, and both Barth and I talked about it yesterday. It seems to us that it would be terribly dry, and we were going to propose to you that you make a much less formal speech to these people, but that we take this material that you want out on refunding and all that sort of business and make releases so you can have press conferences at the Federal Reserve Board or some place in each one of these towns and give out your release with all the data in it, and then your speech won't be quite so boresome, and you will have a crack at it and get the material out, too. That is the way we will work it.

I will check tomorrow for a date with Barth.

H.M.JR: O.K.

MR. PEHLE: I haven't anything.

I heard the Chicago meeting was a very great success.

H.M.JR: After that, I want Abrahamson to come in and tell me what happened.

MR. PEHLE: That is all.

MR. WHITE: With respect to the French negotiations, it is my understanding that negotiations have not been completed with respect to any specific list of goods to be given them. Now, there are two courses open: Either we can just keep holding off, notwithstanding the pressure that Charlie Taft, chiefly, is putting on us, or we can call a meeting and say that we would like to go over the specific list of requirements which the French have to ascertain which of them appeared to be susceptible of interpretation that it is to help the present war effort, and which are very clearly reconstruction, and cut out the latter. Either of those two courses would be feasible. Which would you prefer? I would suggest the second.

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H.M.JR: I will have to go into it further, Harry. When do they want a decision on the thing?

MR. WHITE: They called up several times in the last few days saying they just can't hold this thing off because they have made commitments to the French. I gather they have committed themselves to an embarrassing point, embarrassing for them, not for us.

I would suggest that either you or I call a meeting of them and see specifically what they want us to do, because we haven't gone into the specific requests or promises. We have no paper or date.

H.M.JR: I think I would make them put their evidence on the table, Harry, before I want to pass on it.

MR. WHITE: I will get in touch and see what they have done so when you go there tomorrow you will have everything they have.

H.M.JR: You see from the way Charles Taft went on the other day that things are going on that we were never told about.

As a result of Lord Cherwell being at the house last night--this is all very confidential--he cannot get them to give him the figures on the Army, and that there is great delay, and that therefore he thinks that inasmuch as I am going to be away until after the fourteenth, that he will go away now and make a trip in the interest of scientific things we are doing in this country, and will be back--

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MR. WHITE: Then we don't have to do anything?

H.M.JR: We will wait. But I told him we wanted everything on the table at the same time, and when he has it, he, you, and Keynes, and I will sit down together first.

He is very much annoyed with the British Army that they are so slow. He says they work things out to three decimal points and conjecture how much ammunition they will use and then multiply that by the number of soldiers, and he says, "Well, if this is based on a conjecture, how can it be so accurate?" He wants them to hurry it up, but they say no, that they have got to do it that way.

(Mr. D. W. Bell enters the conference.)

H.M.JR: Herbert, don't they make a record of every telephone conversation that goes out of this country-- doesn't Communications make that?

MR. GASTON: I don't know, I will find out. That would probably be Army.

H.M.JR: I thought the FCC.

MR. GASTON: I will find out.

MR. D. W. BELL: I think they listen.

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MR. GASTON: I will find out. Who probably has that record is Naval Censorship.

H.M.JR: Would you find out, because there are a couple of conversations I would like to get and I will tell you what they are. It goes through Tel. and Tel.'s office in New York.

MR. GASTON: It is Censorship, I think, and under Captain Fenn, of the Navy - the telegraphic censorship.

(Discussion off the record)

MR. WHITE: The President sent you a copy of the report - the first one of its character that I have seen - to the President on the status of the Lend-Lease to Russia, and he has a note on it, "What do you recommend we do?" On the basis of that report there is nothing we can suggest because we couldn't know anything of what is going on. They speak of decreases because of lack of shipping, and so forth. It is merely a report of activities. The only way we could get into it, if you wanted to - to find out whether it is going well - is by contacting the Russians.

H.M.JR: A little later in the morning, Harry - by eleven o'clock are you busy?

MR. WHITE: No. I will bring that in.

H.M.JR: Let's go into that whole business. There are a number of things I would like to go over with you. I mean this French thing and the Russian thing. Let's take time.

MR. WHITE: All right, sir - eleven o'clock.

MR. LUXFORD: I have nothing.

MR. C.S. BELL: Bill Taylor is returning to England and Sol Adler to Chungking. They are both Harry-White men.

H.M.JR: What does that make them?

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MR. WHITE: It makes me short.

H.M.JR: I would like to see them before they go.

MR. WHITE: They will go within a week or two. They are just getting papers ready.

MR. C.S. BELL: I am ready to go into the Dawson matter whenever you are.

H.M.JR: Mrs. Klotz, will you make a note of that?

MR. C.S. BELL: That is about all I have.

H.M.JR: Dan, I had two very good meetings at the Fed in Chicago and Boston. They seemed to like very much my coming there, particularly Boston. And I did stimulate a lot the getting out this business on October 7 about cashing bonds. They asked me a question to which I didn't know the answer: How many ten-dollar bonds are we selling to the soldiers? Could you get me that information?

MR. D.W. BELL: Yes, it will be good. I will get you something on it.

H.M.JR: The other point that somebody raised was would we let civilians buy them as presents for soldiers.

MR. D.W. BELL: We have not. We have confined it to the military posts because otherwise it gets us into difficulty.

H.M.JR: I told them I was sure you would object.

MR. WHITE: It seems like a good thing. A lot of people would spend their money that way rather than on useless gifts.

H.M.JR: The point is, they have been giving them a twenty-five dollar bond.

MR. SULLIVAN: You had some good stories after your speech in Chicago. Did you see them?

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H.M.JR: No, I didn't see a single reference to the speech I made for the Jewish Fund.

MR. SULLIVAN: That is why I was calling Fred Smith that morning. I have been reading the papers out there for two days trying to find out where and when you were speaking.

MR. SMITH: The Sun seems to have carried it and everybody else seems to have left it very much alone.

MR. SULLIVAN: I saw Bill Horne and he told me he had seen about an inch-and-a-half item in the Hearst paper.

H.M.JR: Hearst's Chicago Herald.

MR. PEHLE: Those are following the speech. I take it there wasn't much before, if anything.

MR. SMITH: I am talking about before.

H.M.JR: No, but there was very little afterwards.

MR. SULLIVAN: No, the story afterwards was on your press conference - the best story.

H.M.JR: Well, I think the people I went out there for were satisfied. But the Chicago Tribune left it alone, didn't they, Fred?

MR. SMITH: So far.

MR. D.W. BELL: That is good, isn't it?

H.M.JR: I picked up nothing. I mean, everything was in good order.

MR. D.W. BELL: Fine.

H.M.JR: That is all I have.

Was there a Cabinet Friday?

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MR. D.W. BELL: No.

In announcing the closing of the exchange for the October 1 series, I will keep it open three days, but keep it open for the rest of the week for a hundred thousand or less. Is that all right?

H.M.JR: Yes.

MR. D.W. BELL: The other thing is that we are getting a number of requests from people to go through the Bureau. Isn't it about time that we could open up that and possibly get some disabled soldiers ~~and~~ guides? That will be our biggest problem, getting guides. If we could get some disabled soldiers to serve as guides it might be a good thing. Even the soldiers would like to go through it. We have had many requests for that.

H.M.JR: I never closed it.

MR. D.W. BELL: I think the Secret Service closed it but they would be willing to open up now.

H.M.JR: They have even turned on the lights in London.

MR. SULLIVAN: I think you might find that there might be many boys at Walter Reed who have to be there merely for periodic treatments who would be interested in that kind of thing.

MR. D.W. BELL: They have to go through Civil Service, so we would have to take them from that.

H.M.JR: Anything else, Dan?

MR. D.W. BELL: That is all.

H.M.JR: All right.

MR. D.W. BELL: Ted Gamble's meeting is on this morning. I just came from there. There are about twenty-five people.

H.M.JR: I will see him later.



ASSISTANT SECRETARY

TREASURY DEPARTMENT
Washington.

September 25, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU
From: Assistant Secretary Sullivan

VHS

At the group meeting this morning, you inquired what type of talks I intended to make during the campaign. I attach a copy of the keynote speech I delivered to the Democratic State Convention on August 1. I expect that my campaign talks will be entirely on the issues in the campaign and will in no way deal with Treasury policy.

Attachment 1

FOR DEFENSE



BUY
UNITED STATES
SAVINGS
BONDS
AND STAMPS

(Keynote speech of John L. Sullivan, Assistant Secretary of the Treasury, at the Democratic State Convention, Concord, New Hampshire, Tuesday, August 1, 1944)

Mr. Chairman, ladies and gentlemen: It is difficult for me to describe to you my pleasure in coming back to my native New Hampshire to address the Democratic State Convention. I can recall two other occasions on which I spoke to this same group from this same platform. They occurred in 1934 and 1938 when I enjoyed the honor and privilege of being the democratic nominee for the governorship of this great State. The fact that I was unsuccessful in these two campaigns in no way mars the pleasure of my recollection. During those two campaigns I was afforded an opportunity of becoming acquainted with the men and women of New Hampshire, and the friendships and associations formed in those two campaigns more than compensated me for my disappointment in the results.

[Five years ago next Labor Day I journeyed to Washington on what I then believed to be a one year tour of duty. I was sworn into office on the third of September 1939. That happened to be the day that Britain and France declared war on Germany, and the greatest conflict the world has ever known commenced. I don't think I need to tell you there have been few idle moments in Washington since that day; but there never has been a time when I did not look forward to the day when I would return to New Hampshire for good.]*

It helps to get back once in awhile. I want you to know that I am proud to return to New Hampshire today as a man who, for almost five years, has enjoyed the rare privilege of working for and working with one of the greatest presidents this country, or any other country, has ever had — Franklin Delano Roosevelt.

I have been unusually fortunate in the type of work which I have been doing, for I have had an exceptional opportunity to witness the superb way in which the American people have met the Axis challenge of total warfare.

I have watched the cheerfulness and the willingness with which the American people have paid taxes in astronomical amounts. Up until 1940 this country had never collected in taxes as much as eight billion dollars in any one year, but during the year which closed on June 30 the total tax collections exceeded forty billion dollars. We have in this country today over fifty-five million people who are buying War Savings Bonds regularly; twenty-nine million of them, through the Payroll Allotment Plan, are setting aside a minimum of 10% of every wage and salary check fifty-two weeks in the year to purchase War Savings Bonds.

*Parts in brackets were deleted from broadcast to save time.

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Throughout the land the American people have accepted every restriction and irritation that has necessarily been imposed on them by the war. No one enjoys rationing, but the American people, realizing the necessity for it, have accepted it willingly, and, in the main, have played the game honestly. Men and women not of service age have entered all kinds of war work, they have enrolled in nurses training courses or first aid courses; they have worked half the night as airplane spotters and air raid wardens; they have managed and participated in salvage campaigns; and they have become blood donors. It is my considered opinion that never in the history of the world have the people of any country ever been so completely in partnership with their government in financing a war. It is my conviction that never in American history have the people participated so fully and so willingly in doing whatever needed to be done to prosecute a war.

It is an inspiration to watch 135 million American men and women on the march to total victory. I tell you the American people are doing a magnificent job, and I further tell you that the American people cannot be stopped. They are going to win this war. And this time, they are going to make sure that they win a just and enduring peace.

This Democratic State Convention of 1944 is not the ordinary convention that is held every two years. It is not even the usual convention that is held in presidential election years. Though we meet here as members of the Democratic party, there is not much partisanship to be found among us. We know too well the magnitude of the crisis that America faces today, and will continue to face until this war is won and peace has been secured. [We know full well that the only important issues in this campaign are issues which transcend any previously taken partisan position.] Because we Democrats have always insisted on pressing first things first, in this campaign we will emphasize those things with which all people are most concerned. . . Since these issues lie in the field of international relations, it is not unlikely that the opposition may charge us with trying to distract attention from the record of this administration in the last eleven and one-half years.

Nothing could be farther from the truth. Believe me, my friends, we need not fear the judgment of the people on that record. We Democrats have nothing to apologize for. Taking office at a time when the banks of this nation were closed, when industry was prostrate, when the people of this country were unemployed, distracted and hungry, the Roosevelt administration has led a parade of progress that has done more to improve the lot of the average man and woman than has ever been accomplished in any similar period in any country in the world.

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[Oh yes, there have been mistakes. Everything hasn't always been done just the way you and I would like to have had it done. But looking over this eleven and one-half years, considering what it has done for 135 million people, and comparing it with life in America as we knew it from 1921 through 1932, I say that purely on the record of domestic accomplishments this country should thank God that it has the opportunity to make use of Roosevelt for a fourth term rather than to go back to Harding, Coolidge, or Hoover, or to run the risk of electing a young man whom we know to be a protege of Herbert Hoover.]

Nevertheless, we may hear some criticism of the legislation Democratic congresses have enacted. Already the opposition has made the charge that this administration has demonstrated its incapacity to administer internal, domestic affairs. This propaganda is so widespread and so virulent that it would seem to indicate that the strategy of the coming campaign will be to oppose and ridicule everything the Democratic administration has done to help the people solve their internal problems. There's really nothing novel about this strategy. They've done it before, and the people of America, speaking in a voice that could not be misunderstood, told the opposition candidates that America was not interested in elevating to high position men who could offer only destructive criticism without suggesting alternative solutions. I suspect that in 1944 the American people's answer to a repetition of the charge that the Democrats don't know how to run the country is going to run something like this: "We have heard your same old sales talk. We have looked over all the tools you have in your workshop. We can find there no construction equipment. All we can see is an axe. It's easy enough to condemn a forest, but the American people are entitled to know which trees are to be cut down if you are permitted to wield the axe."

I wonder just what trees they would cut down. In the early days of the Roosevelt administration, in an attempt to save the banking structure of this country and to restore the confidence of depositors in their banking institutions, this administration enacted legislation that provided for the insurance of bank deposits. The Republican opposition fought this proposal with all of its resources. Since it became effective, bank failures have become almost unknown. I wonder if the Republican candidate would propose to repeal this legislation?

The Home Owners' Loan Corporation was created over the most violent Republican opposition. Some three million American families were able to prevent foreclosure and retain possession and ownership of their homes. I wonder if this is part of the evidence the opposition will use to substantiate its claims that Democrats don't know how to run the country? In the process of bailing out home owners, we rescued banks and trust companies, savings and loan associations, finance, mortgage and insurance companies. Of course, saving these institutions is not one of the things for which Republicans criticize us.

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We fought the slums; we electrified the farms. We rescued the land; we helped the small farmer. Through the CCC we rehabilitated unemployed boys whose lives were in jeopardy, and they reforested much of this nation. We built tremendous projects to harness the natural power of our land. We fed the poor and the unemployed. We set up Social Security. We inaugurated enlightened child labor laws, and minimum wage and maximum hour laws. We restored the confidence of the American investor by enacting the Securities Exchange Law which has virtually driven the crooked promoter and the crooked broker out of business. We have translated the gains of labor into the law of the land. We have restored the agriculture of this country.

I say to you that no Republican candidate for the Presidency, for the Senate, or for the House of Representatives can charge this administration with ineptness in the handling of domestic issues without telling the American people just which of these accomplishments I have enumerated he will seek to repeal if he is elected.

A little while ago I said that there were just two issues in this campaign. They are vital, not only to every man, woman and child in this country today, but to generations of children yet unborn. There are two things that the men and women of this country will pray for tonight. There are two things this administration is bending its every effort to accomplish. The first is the speediest possible victory in the war, and the second is the securing of a just and enduring peace. On those two issues this election will be decided, and upon the solution to these two problems will depend the future of America for a hundred years to come.

I wonder if there is any person within the sound of my voice who honestly believes that there was any man in America who so clearly foresaw the objectives of the Axis powers, or who was as roundly condemned as a war monger for attempting to prepare this country for its great emergency as Franklin Delano Roosevelt.

I would like to remind you that the majority of the Republican members of Congress fought almost every constructive move designed to prepare our country in case of war.

They fought and voted against the naval expansion bill in 1938.

They voted against a bill to increase our air force in March 1939 to a total of six thousand planes.

In June 1939 the Republicans in the House voted 144 to 8 to reduce the appropriation for the Army Air Corps.

In September 1939, after war had started in Europe, they voted in a ratio of 6 to 1 against the repeal of the Arms Embargo.

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In September 1940, after France had fallen and the blitzkrieg had begun, the Republicans in the House voted 111 to 52 against the Selective Service Act.

In February 1941 the Republicans in the House voted 135 to 24 against Lend Lease.

Now you and I know that the equipment, the munitions and supplies which have been sent through lend lease to our gallant allies, Russia, Britain and China, have saved the lives of untold thousands of American men. However, Congressmen were not the only Republicans with astigmatism. On January 15, 1941 at Philadelphia, Governor Dewey condemned lend lease because "it would bring an end to free government in the United States".

In August of 1941, four months before Pearl Harbor, the Republicans in the House voted 133 to 21 to disband that part of the armed forces built from selective service personnel. They fought every person who was courageous enough to recognize and acknowledge the danger that threatened the world and every measure to prepare this country to defend itself. And this same group who were worse than useless to America in the two years before Pearl Harbor now ask that we entrust to their fumbling hands the prosecution of this war.

On that day of infamy, December 7, 1941, this party opposition was swept away and the American people went to work. Since that day, the combined efforts of labor, capital and government have performed achievements unequalled in the history of the world.

We have increased our munitions output more than seven fold.

By the end of 1943 our fleet, in terms of tonnage, was three and one-half tons larger than it was on July 1, 1940. Today we have the largest navy in the world.

During 1944 we have delivered an average of six merchant ships a day. In 1939 our merchant fleet represented 15% of the world's merchant fleet. By the end of 1944 it will exceed the total of all the other merchant marine in the world.

Our output of military planes, measured in terms of air frame weight, quadrupled from 1940 to 1941; and tripled from 1941 to 1942; it increased two and one-half times from 1942 to 1943. The present Republican candidate for president sneered when President Roosevelt predicted we would manufacture 50,000 military planes per year. The record shows that we are now manufacturing more than 100,000 military planes per year.

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Today this country is producing as many planes, tanks, guns, shells and ships as all the rest of the world put together.

This miracle of planning, training and production was not performed by a forty-two year old youngster. It was accomplished by the American people united and inspired by the leadership of Franklin Delano Roosevelt.

Because the opposition is helpless in the face of such astounding achievements, and lacking in the audacity to question the great intelligence and superb strategy with which the high command is prosecuting this war, they resort to the amazing tactics of asking that the management of this war and the lives of the millions of fine American men and women now in uniform be entrusted to the untried and certainly inexperienced hands of the young Republican candidate for president. They do this on the ground that the man who prepared this country for war, and is prosecuting it so relentlessly and so successfully, is "a tired old man".

Well, he wasn't too old to foresee the importance of effective military cooperation with Russia. Certainly his vision was greater than Dewey's in those days when Dewey was condemning deals with Russia. I wonder just what our prospects would be in this war today but for the tremendous achievements of our gallant ally, Russia? I wonder just what our prospects of early victory would be if men of forty-two were in command of our army and navy and the tired old men of sixty-two were retired as the Republicans would like to retire Roosevelt.

I wonder what up-and-coming youngster of forty-two Governor Dewey intends to substitute for fifty-nine year old Admiral Nimitz?

I wonder what energetic, inexperienced man of forty-two Governor Dewey intends to substitute for sixty-two year old Admiral Halsey?.....

I wonder what neophyte Governor Dewey intends to substitute for another tired, old man, sixty-four year old General Douglas MacArthur?

Do you suppose Governor Dewey has some contemporary forty-two year older whom he will substitute for the sixty-six year old Admiral King?

How confident of speedy victory would you folks be today if some forty-two year older were to take the place of that tired, old man -- sixty-four year old General George C. Marshall.

We are winning the war with these tired, old men, and we're no more going to displace them than we are going to replace our sixty-two year old Commander-in-Chief, Franklin Delano Roosevelt.

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[I wonder where the Republican candidate got his idea that the world can best be run by youngsters? If his views are correct, there are a lot of people right here in this audience way past the retirement age. If his views are correct that management can be more safely entrusted to men in their early forties than in their early sixty's, then the State of New Hampshire is in pretty tough shape. I wonder if any of you can recall offhand a substantial business venture, a large industrial enterprise, a bank, a college, or a single institution in New Hampshire whose management is entrusted to men in their early forties? No, Governor Dewey, your theory belies a hundred and sixty-nine years of New Hampshire experience.]

Of equal importance with winning this war is winning the peace. On this most important problem that has ever faced the American people the Republican party, because of divergent views within its own ranks, can offer us but the vaguest of solutions. It is my belief that unless they can clarify their own views and give to the people of this country a clear cut statement of their foreign policy, they will be laughed out of the polls next November.

The American people don't shy away from war. But they do recoil from the stupidity of a bungling peace that begets more wars and breeds more misery.

We lost the last peace because of the shortsightedness of Republican opposition to the ideals and aims of that great President, Woodrow Wilson. We drew back into the shell of isolationism, and see where it has gotten us today. I submit to you that there is no kind of league or association of nations that we could have joined at the end of the last war that could have gotten the world into a worse mess than we are now in.

I have never believed that any association of the world's powers could absolutely guarantee peace. But I have always believed that the powers of the world can be, and some day will be, brought together in amity just as the forty-eight states of this country have been able to work out their problems peacefully together.

The American people will insist that when this war has ended we shall join with the other United Nations in the establishment of an international organization based on the principle of the sovereign equality of all peace-loving States, open to membership by all such States, large and small, for the prevention of aggression and the maintenance of international peace and security.

The American people will insist that we make all necessary and effective agreements and arrangements through which the nations would maintain adequate forces to meet the needs of preventing war, and of making impossible the preparation for war, and which would have such forces available for joint action when necessary.

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The Republican opposition, lacking a clear policy of its own, insists that this great task cannot be entrusted to a man of sixty-two.

When the happy day of peace conference comes, who do you think will represent Russia? Will it be the man who participated in the war conferences and who led his nation to victory, Joseph Stalin, or will it be a man in his early forties?

Who do you think will represent England? Will it be that veteran of the conferences held at Casa Blanca, Ottawa, Tehran, and Cairo -- Winston Churchill? Or will it be some inexperienced youngster?

Who will represent China? Will it be Chiang Kai-Shek? Or will it be some young figure new to diplomacy?

Just suppose for a moment that Governor Dewey were to be elected president. Can't you see the smiles come over the faces of those three famous, tired, old men as they sit down at the table to confer with the young man who had publicly announced that men of their age were unfitted for important assignments?

My friends, too much is at stake for us to indulge in experiments. We now have a President who is recognized throughout the world as one of the greatest friends and leaders humanity has ever known -- Franklin Delano Roosevelt. Let's not run the risk of throwing away the peace twice in a row by substituting an untried, inexperienced novice. How welcome such a change would be to Hitler and Hirohito.

And I beg you to elect to other offices men who will uphold the arm of our Commander-in-Chief. America paid a horrible price for electing in 1918 a Republican House to heckle and oppose Woodrow Wilson. Let's show the world we're really behind Roosevelt by electing Col. Powers, Joseph Betley, F. E. Normandin and Harry Carlson.

There are times in every political party when personal feelings may be indulged in, to the detriment of party harmony. There is too much at stake this year for us to indulge in such a luxury. This year liberty, freedom and an enduring peace demand that we all rally around. We need all our old leaders and our new ones. We need and we want the Fred Browns, the Murchies, the Keefes, the Neals, the Luciers. We need and we want the Murphys, the Earlys, the Rogers and the Leonards. I am confident that in this, the hour of the nation's need, all factions of the Democratic party will rally to the support of its leader.

We have already had right here in the Granite State two outstanding examples of Republican leaders setting aside their partisanship to come to the aid of their country. No finer contribution has been made to

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this war effort than that of a former Republican candidate for the Vice Presidency who entered a Democratic cabinet and, forgetting partisan politics, did everything in his power to carry out the objectives of his Commander-in-Chief. He built the American Navy into the greatest sea power in the world. All honor and glory to Frank Knox -- a true American.

A former Republican governor of New Hampshire, likewise realizing the peril of the nation, today represents this Democratic administration at the Court of St. James where he has proven to be a tremendous factor in the prosecution of the war and in improved relations between the British Empire and the United States. I say more power to a man who puts partisanship above politics as did John Winant.

I know that these two outstanding citizens of New Hampshire loved their country no more than the leaders and the rank and file of the Democratic party do. It is my hope and my conviction that personal feelings and petty partisan considerations this year will be forgotten in the overwhelming support of the one man this country and this world needs most -- Franklin Delano Roosevelt.

September 25, 1944
10:45 a.m.

REPORT ON CHICAGO SPEECH OF SEPTEMBER 21, 1944

Present: Mr. Pehle
Mr. Abrahamson
Mrs. Klotz

H.M.JR: Well, what about it?

MR. ABRAHAMSON: It was all right. Of course, the highlight was your speech, and I am sorry you left on the note of the lady who reminded you about your childhood friendships. There were more people that showed up who had known the Secretary in New York, or some place, when they were very young!

I was just saying to John, I have been passed around so much in these fund-raising meetings that I am very cynic, but that is without doubt the best meeting that I have ever known about. And that was the largest crowd that they have ever had for a meeting of that sort. I spent an hour with Joe Hyman the next morning and he felt that it was a very grand meeting. On the way out when we left the meeting, you remember, the movie went on and various people had spoken to me, thinking I was leaving. I told you then that they all thought it was a grand speech. The speech was re-broadcast and I am trying to get the transcription. It was re-broadcast the next morning. Then I came back. I had a long talk with Rabbi Heller of the United Palestine Appeal and told him why you left early. He said that you had explained it to him and he thought it was a grand speech.

I had a half a day in Chicago on the next day, just taking credit for it. For a meeting of that sort, it was very well planned and they got through a little after ten. Then we had a drink with Judge Schwarz and his wife, and Ham Loeb and his wife, and a couple of others, and talked.

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MR. PEHLE: Jim said you had a good cocktail party, too.

H.M.JR: I did everything I dislike doing.

MR.ABRAHAMSON: One would never guess!

H.M.JR: Mrs. Klotz knows how I dislike those things.

MR. ABRAHAMSON: I told John I was completely surprised at the way you did these things. At the cocktail party you also picked some of the right characters to talk to.

H.M.JR: Block, of Inland Steel.

MR. ABRAHAMSON: And Epstein and young Luchman, of Pepsodent; and that fellow you sat next to at dinner, Pearlstein, of Pabst Brewing.

We are getting a list of everybody who was there and their connections, and I am seeing Dave Niles this afternoon or tomorrow.

MRS. KLOTZ: Mr. Morgenthau - if there is anything he despises it is that.

MR. ABRAHAMSON: Let me tell you, if I may use the expression, he double-crossed me. There was this dinner meeting and we planted a question and I figured that no one would expect the Secretary to have an encyclopedic knowledge of everything that was happening at the War Refugee Board, so I checked with him and he didn't object. The question planted was, how did the War Refugee Board get started and what were some of the circumstances.

Well, Judge Schwarz was presiding and raised the question and the Secretary gets up and says, "Unlike 'Information Please,' this program is rehearsed. I have been bothered by the question all day and if it is all right with you, I am willing to answer any question - income tax, up or down," and of course it broke the ice completely and made the meeting very informal. And they asked three

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or four questions and I think I made a contribution of one word - Wallenberg. That is the only point. The people next to you remembered that and there were three or four questions.

And then there was a lovely personal touch. Jimmy Becker, with whom you had worked some twenty-five years ago in JDC, asked the first question, and the Secretary mentioned that fact. So I felt--

MRS. KLOTZ: Completely let down!

MR. ABRAHAMSON: I was glad. At those meetings, you see, what is likely to happen is that someone with a grievance gets up, and instead of asking a question, makes a speech and then asks, "Isn't that so?" at the end of it. I thought someone might talk about the Jewish Army or the Jewish homeland, or something like that.

H.M.JR: I would have had a good answer to that.

MR. ABRAHAMSON: And Joe, the Secret Service man, called the Secretary over after that. At the cocktail party there were twenty-five or thirty men. And then there was a dinner and there were actually, by count, over twenty-three hundred people at that dinner.

H.M.JR: Do they always have a little group in like that beforehand at these dinners?

MR. ABRAHAMSON: No, not always - frequently.

MR. PEHLE: Extra for you.

H.M.JR: It was very funny, they had these hundred or hundred and fifty people before.

MR. PEHLE: Before dinner, you mean?

H.M.JR: Yes. And different people asked different questions. So when they got to Rabbi Heller, Judge Schwarz says, "You have got three minutes" - just like that.

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Well, Heller didn't kind of like it, and I didn't blame him. I said to him, "You know, Rabbi, we all have to sing for our supper." So he said, "Well, you know the story about Chopin being invited for dinner."

Afterwards his hostess said, "Wouldn't you like to pay for it?" He said, "What, for such a miserable dinner!"

MR. ABRAHAMSON: I noticed that, and that is one reason I talked to Heller at some length afterwards.

H.M.JR: I took the trouble myself to explain I was sorry and I was leaving at five.

MR. ABRAHAMSON: They understood that, and after this movie, "G.I. Joe," a War Fund movie, the head of the Community and War Fund spoke, and then Rabbi Heller closed the meeting. And it served the purposes we had talked about from time to time, that it was UPA and JDC and UJA, and on top of that, the Community and War Fund. So every philanthropy was involved. Everybody was very excited.

H.M.JR: The only thing that happened was after you left me a very nice couple came up, related to Dr. Stephen Wise, and asked, "Where was the World Jewish Congress?"

Then you were no longer at my side. "Why weren't they mentioned? Didn't they do anything?" So I said, well, yes, they had. If they were omitted it was not through forethought. There must have been some reason. So finally this woman said, "I suppose because we are not part of the Drive. We raise our money independently."

MR. ABRAHAMSON: Not only that, but the World Jewish Congress now has a very troublesome application over at the President's War Refugee Control Board to raise money for rescue work which the United Palestine Appeal is opposing. So we have enough--

H.M.JR: But, as a matter of fact, why didn't we mention them? They did help us.

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MR. PEHLE: Maybe we should put them in there.

H.M.JR: We used them in Switzerland.

MRS. KLOTZ: Well, I raised that.

H.M.JR: They are a very nice, intelligent, middle-aged couple. They ran after me.

MRS. KLOTZ: When you were working with Barth on this speech and they mentioned various names, I wrote that up. And I was hushed up.

MR. PEHLE: I don't think we were here.

MRS. KLOTZ: You weren't here.

MR. PEHLE: It didn't occur to me, that is all.

At the next one we will have the World Jewish Congress.

MRS. KLOTZ: The Palestine was in.

H.M.JR: Excuse me. The first draft was JDC. I said, "Bring in the other things," and then they added the Jewish Agency as an afterthought.

MR. ABRAHAMSON: No, the Jewish Agency is in the first draft. The people who were really mad at me, when you get into this thing--my own agency, the National Refugee Service isn't mentioned at all, and the three beneficiaries are the National Jewish Service, the JDC, which we did mention generously, and the Jewish Agency, which gets the money from the United Palestine Appeal, which we mentioned.

H.M.JR: The only thing is--I am going out there--from the cables I have seen, I think the World Jewish Congress should have been mentioned.

MR. PEHLE: I think in retrospect that is true.

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H.M.JR: Just as we mentioned the Unitarians and the Friends.

MR. PEHLE: The World Jewish Congress has done more good than the Unitarians. You are right.

H.M.JR: This couple ran after me. This thing, I think, would please you, Mrs. Klotz; it is definitely a cross section of the community. They weren't all fur coats and pearl necklaces. There were lots of working people there. The way they got their tickets was based on former contributions.

MR. ABRAHAMSON: The guest list at the dinner included the boards of the charities and the Welfare Fund, and they included some community people, and the toastmaster--you have no idea of the rivalries that go on. The toastmaster happens to be a Zionist, the young fellow who introduced you, and that annoyed some of the non-Zionists. Everybody who has ever contributed ten dollars or more got a letter announcing the Secretary's coming, and an application to send in for tickets. There was only one mailing, and there were thirty-seven hundred tickets distributed.

MR. PEHLE: Very nice.

MR. ABRAHAMSON: It was an impressive crowd. It was jam packed on one level. And George Rabinoff, who is acting as the head of the Welfare Fund--Sam Goldsmith is the regular head; he is a major in the Army now--the next day we had lunch with some people, and Rabinoff said it was the best meeting he had ever known, and he has had experience.

H.M.JR: I enjoyed myself. It was hard work. Mrs. Klotz asked me. I really enjoyed myself, because I felt I was doing some good.

MR. PEHLE: I understood from what Jim told me that Mrs. Morgenthau found out that up at Oswego they hadn't heard much about your participation.

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H.M.JR: They didn't know who Mrs. Morgenthau was, or anything else.

MR. PEHLE: I am not surprised. They also don't know that the War Refugee Board has been involved in that.

H.M.JR: Yes, they do.

MR. PEHLE: You see, we have stayed out of that thing completely. Miss Laughlin has been up there. I have not been up there, and none of the other people from the Board have been up there, and the War Relocation and Interior--

H.M.JR: But the thing that is much more important-- and I hope you took care of it--up to the time I mentioned Roosevelt's name at the meeting, you wouldn't know the man was President of the United States.

MR. ABRAHAMSON: When you mentioned his name there was great applause. I talked to Joe Hyman about that.

H.M.JR: Why doesn't he mention Roosevelt?

MR. ABRAHAMSON: He will. But it was exactly at nine o'clock. Your speech lasted exactly fifteen minutes, from eight fifty-six, to nine-eleven.

MRS. KLOTZ: Now here at these Jewish meetings in Washington they start in talking about the President and end up talking about him, so they go from one extreme to the other.

H.M.JR: Well, this Hyman was out talking all the time. It would be very easy to bring in Roosevelt's name.

MR. PEHLE: Which side is he on?

MR. ABRAHAMSON: He, himself, is for Mr. Roosevelt. I think Mr. Baerwald might have some doubts about it. But I mentioned it to him, and he admitted I was right.

It was also interesting that both at the dinner and at the mass meeting there were some very nice things said about the War Refugee Board and Mr. Pehle.

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MRS. KLOTZ: Why didn't they broadcast it?

MR. ABRAHAMSON: It was too late to get the change.

H.M.JR: They went overboard on you in a big way.

MR. PEHLE: They did?

MR. ABRAHAMSON: You were even praised in Hebrew by Rabbi Heller. And Hyman devoted about three minutes of his speech to the Board and to you. So I thought it was a grand thing.

H.M.JR: I was delighted. Thank you, gentlemen.

MR. PEHLE: Well, thank you for going. I was delighted to hear it.

H.M.JR: Well it put the Board and the President on the basis I wanted to.

MR. PEHLE: Are you thinking, possibly, of doing the St. Louis job? I will--

H.M.JR: I don't know. They keep changing me around.

MR. PEHLE: If you will get the time schedule, I am sure something could be arranged.

H.M.JR: I am now supposed to be in Chicago on the 10th and New Orleans on the 12th. I would be free on the 11th.

MR. ABRAHAMSON: But you would be flying?

H.M.JR: Yes.

MR. PEHLE: You wouldn't worry about the weather holding you up?

H.M.JR: No, because wherever I am--these are noon day meetings, and I am not due in New Orleans until noon of the 12th, do you see?

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MR. PEHLE: Would you want a night meeting, or a noon meeting in St. Louis?

MRS. KLOTZ: I think a night meeting.

MR. ABRAHAMSON: Could we go ahead, then, and arrange for a night meeting, and then have either a lunch or a cocktail party to correspond to the cocktail party in--

H.M.JR: Yes, if you can duplicate that, it will be wonderful.

MR. ABRAHAMSON: All right.

September 25, 1944
2:45 p.m.

SURPLUS PROPERTY BILL

Present: Mr. C.S. Bell
Mr. Lynch

H.M.JR: Now what is the trouble in Procurement?

MR. BELL: I just talked to Fred Bailey. He says the bill is in the White House now with your veto message.

H.M.JR: My veto message!

MR. BELL: Yes, sir, the one that you sent over.

MR. LYNCH: That happened while you were away, Mr. Secretary.

H.M.JR: I don't know about that.

MR. LYNCH: You recall at our last conference you were very heartily in favor of vetoing the bill, and under regular practice of the Bureau of the Budget you submit that recommendation together with a draft of a message from the President, which we did. We submitted a proposed veto message and now that is before the President.

H.M.JR: I don't understand. Did the Bureau of the Budget accept the Treasury's veto message?

MR. LYNCH: Oh, no, they merely transmitted it to the President upon our responsibility.

H.M.JR: But you don't know what they recommended?

MR. LYNCH: They recommended approval of the bill.

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MR. BELL: And so did fourteen other agencies.

MR. LYNCH: How many, I don't know.

MR. BELL: Navy was hot and cold on it for several days, and they finally decided to go along. October 3 is the deadline on it.

MR. LYNCH: Our present trouble arises under one provision of the bill that we didn't discuss particularly when we talked about the bill with you, having to do with restrictions upon employees having anything to do with surplus property, and the effect of that provision is that any personnel employed in that capacity who had anything to do with approving any transaction in surplus property or recommending any transaction not only while he is employed, but for two years afterwards, can't act as attorney, agent, or counsel, or be employed as representative in connection with surplus property disposition.

Now, I used the words there of the Act. We think its effect may be this - and the people in Procurement Division, all the new people who have come in are seriously concerned about it because they think it might prevent them from going back to their companies and taking their regular positions if their positions have anything to do with the purchase of surplus property from the Procurement Division in ordinary course, for two years after leaving.

H.M.JR: So?

MR. BELL: All of the top men are practically on their way out, now; Atcheson, Duncan, all those new men that Olrich brought in, including Olrich.

H.M.JR: Why don't you give me the whole story. You give it to me bit by bit.

MR. BELL: I am filling in a little bit. That is about the whole story

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H.M.JR: Olrich and twelve men are about to resign?

MR. BELL: They feel they should to protect their own future interests, yes, sir. If the bill is signed they are caught in Procurement Division; they won't be able to go back to their own companies and be of any benefit to their own companies for a period of two years.

H.M.JR: Do we point that out in the veto message?

MR. LYNCH: No, because there were so many other things of wider public interest.

H.M.JR: What happens to the Procurement Division if Olrich and twelve men resign?

MR. BELL: Mr. Secretary, the whole thing, under the bill, would revert to a large Civil Service organization. You never would be able to interest merchandising men to come into Washington and take over any phase of Procurement under this bill. Isn't that about correct?

MR. LYNCH: I should say so, yes.

MR. BELL: And it would be considerably larger than it is now - possibly two or three times as large. The accounting work alone would be tremendous. You are dealing with two hundred thousand municipalities in the second priority group; you are dealing practically with all of the veterans, their wives and even their children. Isn't that right, Tom, in the final analysis?

H.M.JR: Is that pointed out in the veto message?

MR. BELL: Yes, sir. Here it is right now. (Hands Secretary attached copy of veto message)

H.M.JR: Well, supposing I call up Byrnes and tell him.

MR. LYNCH: I think we should mention the other alternative as far as this one section is concerned. Regardless of what happens to the bill, or if the bill should be

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approved, we are still anxious in seeing if we can't obtain a rational interpretation of Section 27. The only thing that would help us would be a form of opinion by the Attorney General interpreted as we think it is warranted in a way that would, in substance - to people who would leave the Government, really prohibit them going out and acting as special representatives and dealing in surplus property.

Now, I don't believe that we as a Department or public conscience would be against such a provision as that. I have discussed it with people at the Department of Justice and also with the Bureau of the Budget, and there is some reluctance on the part of the Attorney General to give opinions concerning employees - the effect of provisions of this sort on employees. But we are hopeful, if it need be, that the importance of the matter might be brought to the Attorney General's attention so that he will consider giving an opinion that might possibly allay the fears of so many of these people.

H.M.JR: Is that the only alternative?

MR. LYNCH: I think so.

H.M.JR: This comes under Byrnes, doesn't it?

MR. LYNCH: It comes under Byrnes, yes, Director of War Mobilization.

That is the thought, of course, that the bill will be approved by the President, and it is our thought, if we must face that perhaps immediately, simultaneously with this approval we could have an opinion from the Attorney General.

H.M.JR: Have these fellows resigned?

MR. BELL: No, sir.

MR. LYNCH: They submitted their resignations. The reason they have done that is that this provision is immediately effective. They don't know when it will be approved.

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H.M.JR: They will resign when?

MR. BELL: They would like them accepted in advance of the signing of the bill. Olrich indicated that he was sending his resignation to you. I don't know whether you have received it.

H.M.JR: I have just done my mail and I haven't seen it.

MR. LYNCH: Some sense could be made out of this provision here if they were in authority, but I wouldn't expect the men in the Procurement Division who have so much at stake to accept an opinion even from the General Counsel of the Treasury because we have nothing to do with the enforcement of such. It would only be the Department of Justice that would enterpret it finally.

MR. BELL: Isn't this true, that if we can get this opinion out of the Attorney General--

(The Secretary holds a telephone conversation with Justice Byrnes, as follows:)

September 25, 1944
2:54 p.m.

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HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Justice
Byrnes: Hello, Henry.

HMJr: How are you?

B: Fine.

HMJr: Jimmy, I don't know whether this surplus property bill has come to you yet or not

B: Uh -- the

HMJr: from the Bureau of the Budget.

B: Yes.

HMJr: Well, in it, I understand, we are the only Department that has been recommending a veto.

B: Yes.

HMJr: But we've got something new that came up this morning. Mr. Olich, who heads this, and twelve of the top men whom he brought in, have all handed in their resignations because there's a provision in the bill which says that they couldn't go to work for a concern which might sell something to the Government for two years afterwards... Hello?

B: Yes.

HMJr: And what we're trying to do, these men won't take anything less than an Attorney General's opinion and my man here, Lynch

B: Yes.

HMJr: one of our -- thinks he has a way of fixing this -- a suggestion if he could get it to your attention, if you thought well of it, if you'd ask the Attorney General for an opinion.

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B: All right.

HMJr: Uh

B: Tell him I'll be glad to.

HMJr: But you

B: I remember the thing but I didn't know that it would affect the whole group of fellows like that. But then these -- these gentlemen come from places -- from businesses that they think

HMJr: Might do business with the Government.

B: might do

HMJr: Yeah.

B: business with them and therefore precluded

HMJr: That's right.

B: Well, I'll get the -- I'll get hold of the darn thing and

HMJr: Could you set a time when you could give our people a few minutes?

B: Yes. If -- I'll get hold of the darn law here and

HMJr: He has it. Lynch could bring it right over. He's been studying it.

B: All right. Tell him to come over then.

HMJr: Well, he -- and Charles Bell, the Administrative Assistant would like to come with him.

B: All right.

HMJr: Do you want to see them now?

B: Yes.

HMJr: They'll walk right over.

B: Of course, I'm writing the -- the President's going to sign that bill.

HMJr: He's going to sign it?

B: Yes.

HMJr: Well, then there's all the more reason that they get

B: That's why I think you'd better be hurrying.

HMJr: Right.

B: All right.

HMJr: Thank you.

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H.M.JR: If you come right over, he will see you.
Can't do it any quicker than that. Do you have the law?

MR.LYNCH: Yes, the provisions.

To the House of Representatives:

I return herewith without my approval H. R. 5125 entitled "An Act to aid the reconversion from a war to a peace economy through the distribution of Government surplus property and to establish a Surplus Property Board to effectuate the same and for other purposes".

The bill provides for the disposal of surplus Government property and plants. Its declared objectives are to aid reconversion from a war to a peace economy and to facilitate the orderly disposal of surplus property.

If I could conclude that the provisions of the bill would permit even an approximation of those objectives, I would approve it. I have regretfully concluded, however, that the confused disposal methods and elaborate restrictions imposed by the bill, and the special benefits it affords to favored classes of our citizens, will retard rather than aid reconversion and are inconsistent with desirable standards of orderly and businesslike Government administration of public assets. It is particularly appalling that legislation such as this, which extends into peacetime when our Government structure will be relieved of the extraordinary burdens placed upon it by transient war conditions, should establish a pattern for the simplified, orderly and businesslike administration of Government affairs.

Adequate preparation for war and its successful conclusion will inevitably release vast stores of supplies and facilities as surplus property. The contingencies of war waged around the world do not permit mathematical precision in provision of supplies. Surplus war goods may comprise nearly all conceivable types of consumer goods, industrial supplies and equipment, and an unprecedented wartime addition to our national industrial plant. That property, bought with public funds, is a national asset belonging to all our citizens. Its release for peacetime use can and should represent good fortune and not a public burden. The fact that war has involuntarily placed the Government temporarily in the business of selling all classes of consumer and producer goods does not allow escape from the obligation of

conducting those operations in an orderly, businesslike and equitable manner, without special favor to any group, and with the single objective of attaining full production and employment under a strengthened system of private business enterprise at the earliest possible date.

The bill grants an elaborate series of special rights to acquire these public resources, to State and local governments, public and charitable institutions, war veterans, farmers, and small businessmen. The disposition of needed consumer goods in short supply during the peacetime transition period, and the utilization of additional productive equipment, would have to await the conclusion of an involved and inflexible series of special offers of the property to the various classes of preferred purchasers.

The establishment of policy and the conduct of operations would be diffused by the bill among several, and sometimes competing, Government agencies. The agencies conducting actual selling operations would be subject to the general supervision and policies of a newly-established 3-man Board without administrative responsibility vested clearly in any one of them, and the Board would in turn be subject to the supervision of the Director of War Mobilization. One Government agency, the Smaller War Plants Corporation, would compete as a purchaser of Government-owned surpluses, for distribution by it as it may see the needs of small business independently and possibly in conflict with marketing operations of other Government agencies selling the same type of goods. Final authority as to the disposal of cotton and woolen goods would rest not with the Board but with the War Food Administrator, and responsibility for policies governing the disposal of surplus agricultural commodities would be divided between the Board and the Administrator.

All Government-owned accumulations of an extensive list of minerals and

- 3 -

would be indiscriminately frozen by the bill into our existing war stockpile, subject only to release to meet estimated deficiencies in domestic industrial supplies for a six-months' period as determined by the War Production Board. These minerals and metals would be accumulated in stockpile without regard to military determination of the extent and character of desirable war reserves. I am advised that the stockpiling provisions of the bill cannot truly be judged as military in purpose, and I must conclude that they would serve only to withhold useful resources from our industrial economy in the interest of indirect Government subsidization of newly-mined metals and minerals.

Lands released from war use, not taken by States or local governments under their all-embracing prior rights of purchase, would have to be offered first in identical tracts to the former owner or, if deceased, to his wife or children, and then if suitable for agricultural use to any tenant of the former owner, at preferential prices; and next veterans and the wife and children of deceased veterans must be accorded preference in the purchase of property suitable for agricultural, residential or small business purposes. It requires no excessive imagination to envision the complexities, confusion and delay in tracing successive classes of beneficiaries and establishing their right to, or waiver of, priority benefits.

Viewing this bill in its total effects, our great national resources of surplus war property would be disposed of, not in the general public good in a manner designed to stimulate early return to full production and employment under our established system of private enterprise, but rather in the interest of special favor to privileged groups regardless of the effect upon our national economy and at the sacrifice of sound, efficient, and impartial Government administration. It would create confusion, duplication, conflict, and needless delays in Government operations. There would be no direct line of Government authority clearly known and open to all who wish to business with the Government.

- 4 -

The paramount requirement of a sound disposal program is the timely absorption into our civilian economy of this unprecedented mass of goods and equipment through recognized channels of orderly and efficient distribution with minimum disturbance of current peacetime production and trade. Marketing experts who have studied the problem believe that this objective can be attained only if room is left for selection of any of the channels of distribution, from manufacturer to retailer, appropriate to the kind and quantity of goods and current market and production conditions. But under the bill surplus property would have to be offered in each commercial area in the smallest commercial lots, with preferences accorded to small lot purchasers. Commercial lots, I am informed, may reach down to the level of quarter-dozen quantities of wearing apparel and common household articles. Another requirement is that veterans be given suitable preferences in the acquisition of surplus property useful in establishing their own small business, professional or agricultural enterprises. If this provision is to be meaningful, it would be difficult if not impossible of achievement through usual private avenues of distribution even at the retail level, and it might be viewed as requiring direct sales to consumers of individual pieces of property. Provision must also be made for sales in rural localities in quantities that will assure farmers and farm co-ops equal opportunities of purchase. If the Government must assure the attainment of these objectives through the means specified in this bill, then existing commercial channels of volume distribution must be by-passed, the disposition of surplus goods could not be synchronized with the distribution of new production giving new employment, and a vast and needless bureaucracy of Government employees would have to be maintained to effect direct sales at the lowest channels of distribution in all areas of the United States.

It is with great reluctance that I agree the earnest judgment of Congress in these things. I share the desire for early establishment of congressional authority to govern the disposition of surplus property and other matters.

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attending demobilization and transition from war to peace. But pending further consideration of this legislation, I feel confident that the management and disposal of surplus property can be continued temporarily in an orderly manner under the policies and procedures already established by executive action.

September 25, 1944
3:00 p.m.

NEGOTIATIONS WITH RUSSIA

Present: Mr. White

H.M.JR: Let's take up the Russian thing first and see what we have.

MR. WHITE: That is all we have. (Hands Secretary memo from Mr. Crowley to the President on Russian Lend-Lease dated September 19, 1944, attached.)

H.M.JR: What about this?

MR. WHITE: That is the report of the shipments that went in the months of July and August, and the explanation as to why they dropped off in August. Now, on the basis of that, I don't see that there is anything we can do. The only avenue, it seems to me, for a report or doing anything about it is if the Russians are dissatisfied, or if they are not getting what they ask for, or if they think the reasons which are advanced are not good. The only way we could find that out would be from the Russians. We will go over to Lend-Lease and tell them.

H.M.JR: There was a committee of McCloy and you.

MR. WHITE: I didn't call them because I didn't know what to ask them. We have no lever or crowbar to question it. They will look at the report and say, "Well, what can we do about this? It is done and is going forward quite properly."

H.M.JR: Yes, but this other thing which stopped it, this letter from the President-- (Indicates letter from the President to Departmental heads, dated September 19, 1944, attached.)

MR. WHITE: That didn't apply to that. That applied to the negotiations about so-called section three-C in which they want to give orders for industrial commodities.

- 2 -

H.M.JR: Oh, you have me confused; this is something I haven't seen before.

MR. WHITE: That came with this note from Mrs. McHugh to take up with McCloy and State. The President says, "Do you think this requires any action?"

H.M.JR: I haven't read that yet. Let's go back to what we had up at the other meeting. When I said Russian--

MR. WHITE: This is what you got up there, September 11. Isn't that what the President handed you?

H.M.JR: No.

MR. WHITE: Where did you get this, September 19-- I guess--no, it was sent to you by mail or something.

H.M.JR: There was another thing on this Russian business. Where is this book that I took up over there?

MR. WHITE: I don't have it.

62-772-27 That contained the statement that unless the President disapproves they are going ahead with the negotiations on that. You referred to the letter which was sent to all the Cabinet heads, and they said that did not apply to the negotiations with Russia. In fact, it originated because, I think, you gave this illustration, and you agreed with Freeman Matthews that the reason for the letter was that the Army was not giving some of the contracts for Russian goods, and they didn't want the Army to interfere in any way with the Lend-Lease arrangements or make any new decisions without the President's approval.

H.M.JR: But look, Harry, the President has this thing. He wrote a letter, and they sent this thing up, and there is a conflict there.

(Mrs. Klotz enters conference and hands Secretary book on Quebec Conference.)

H.M.JR: We have to get this thing straightened out for him. Did Matthews ever come over to copy this thing?

- 3 -

MR. WHITE: No.

H.M.JR: This is September 9. He says, "Will you talk with Secretary of State Stettinius and Secretary of War about this?"

Now, how do we get him off that hot spot?

MR. WHITE: I am quite familiar with that letter. Everyone is agreed, outside of here, that that letter was for the purpose of not permitting the Army to stop giving contracts which the Russians had asked for, not to interfere or make any new decisions without the President's approval. You remember, you said Harry Hopkins dictated that letter for that purpose. And they say that this letter cannot be interpreted to mean what I thought it meant when I saw it, that the Lend-Lease negotiations with the Russians should stop, those Lend-Lease negotiations with the Russians which have been going over a period of many months. You remember, we asked you about the exchange rate, and so forth, and we made the suggestion that maybe there ought not be any interest; those negotiations have been completed so far as the U. S. is concerned, and the documents are now in Moscow, have been there for several weeks awaiting signature. So the only step that could possibly be taken under that would be to stop those negotiations, and nobody seems to think that that was what was intended or that is what should be done.

H.M.JR: Well; a letter should be prepared for the President's signature to the Secretary of State, because he says here, "In your absence, inquiry has been made as to whether these discussions, particularly those with Soviet delegates, should be interrupted. Mr. Hopkins has informed the Department that until you inform us to the contrary we should continue these negotiations. Your letter of September 9 did not intend otherwise."

MR. WHITE: In other words, they are going ahead unless they hear from the President that they shouldn't go ahead, as I interpret that.

H.M.JR: Yes, but I mean the President should acknowledge this letter.

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MR. WHITE: We can draft a letter for him saying he did not mean this to apply to the negotiations which are now going forward with the Russians with respect to 3-C, or something like that.

H.M.JR: Yes.

MR. WHITE: That will give them formal approval for going ahead.

H.M.JR: Yes, that would close that out. But before that goes, don't you think this committee of yours should sort of initial these?

MR. WHITE: We will have them initial that letter, yes. That is easy.

H.M.JR: And that will close that out.

MR. WHITE: Unless you have reasons to think we shouldn't go ahead with that.

H.M.JR: Do you know any reason?

MR. WHITE: No, they have been discussing that for six months. I don't think it is a particularly good thing either way, but--

H.M.JR: That is that billion dollar loan, isn't it?

MR. WHITE: They don't specify any amount.

H.M.JR: Is there any reason for not wanting to do that?

MR. WHITE: No, I don't think so. It establishes the precedent of charging interest on that Lend-Lease stuff.

H.M.JR: That is number four on this thing.

MR. WHITE: Do you want to take this other note up separately? (Refers to letter from the President, dated September 19.)

H.M.JR: I haven't seen it before. Really, for the President to send me these things when I don't know anything about them--I don't know what they expect me to do.

MR. WHITE: We can't find out from Crowley without raising a kind of rumpus, and it may be perfectly all right. Now, the only thought I had in mind is, if either you or myself can get in touch with the Russian Ambassador.

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H.M.JR: No, I don't want to do that.

MR. WHITE: There isn't anything we can tell or know about it. I am trying to find out whether the statement they made was that the exports to Russia dropped sharply because they had only five ships when they should have had twenty-five ships. I know somebody in the Shipping Board and he is trying to find out for me. He might let me know.

H.M.JR: This is to me and Stettinius. (Refers to letter of September 19 from the President.)

Do I ask Stettinius what he is doing?

MR. WHITE: If so, you will have to tell him you don't know anything about it.

H.M.JR: I am going to ask him how he proposes to answer this memorandum. Could you do that for me?

MR. WHITE: I will be glad to. In other words, we have no information and if you don't want to get any outside of this channel, then that is the next thing to so.

H.M.JR: I don't want to.

MR. WHITE: That is the only thing we can do, then. It is quite possible the President never even read that report; he just saw something and turned it over.

H.M.JR: He saw it had something to do with Lend-Lease and doesn't want to be bothered with it.

MR. WHITE: That is probably it, because all that is is a report of what went and why it dropped.

Now, on the French, this is the agreement which is waiting to be negotiated.

On the other hand, State Department and McCloy are pushing us to have this agreement negotiated and be signed by the French and ourselves.

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This was the agreement which the State Department recommended they be given permission by the President to go ahead and have signed, and Hopkins endorsed it.

Now, this agreement - the key phrases which are different from the documents which were negotiated by the Treasury on July 15 - the way it was, it said, "...long-life industrial articles and materials for French production essential to the prosecution of the war in Europe." The key words which they have taken out are "in Europe" - "...or to the support and supply and protection of the Allied armed forces in the immediate period following the end of hostilities in Europe." They have taken the "in Europe" out, so it means that that could apply to the period up to the end of the war, and the way it now reads with respect to that one point is that the aid provided for in this agreement is no longer necessary in the prosecution of the war. Now, that includes the war with Japan.

The significance of the difference lies in this alternate policy. Under the agreement as they have it, they can continue to send certain categories of goods to France after the war in Europe is stopped, until the war with Japan is over, unless the President says no.

Now, the position that Hopkins and the State Department have taken has been that that makes it possible for the President to say yes or no. He can say, "I want to send this," or, "I don't want to send this," and they say that you ought to have that flexibility.

The position outlined in Bell's telegram, in which our boys concur, is that the President is not going to go over these things and say yes and no each time; and that, in effect, means you are giving the authority to the Lend-Lease people and to State, and under that authority they can give a lot of material and have already implied to Monnet they can get substantial amounts of reconstruction material. We feel there is no particular reason why you should give France reconstruction material after the war in Europe is over when they are not going to assist in any significant sense.

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H.M.JR: Let Mr. Hull get in touch with me himself. I am just going to sit tight and do nothing.

MR. WHITE: He will very shortly on this agreement.

H.M.JR: On this French thing I would just sit tight and do nothing.

MR. WHITE: I think the longer it goes the easier it will be to settle.

H.M.JR: They are very discourteous.

MR. WHITE: The longer it goes the less of a problem it becomes.

H.M.JR: I would sit tight. I am not going to bother. If Mr. Hull's attitude is that he doesn't want to see me on Tuesday, let him--

MR. WHITE: I know they will call me again. I will say I have taken it up with you and you have it under consideration.

H.M.JR: No, you can say--

MR. WHITE: "We don't see the need for any great urgency"?

H.M.JR: Yes, just say I have it under consideration.

MR. WHITE: Or I can stall first and say I am trying to take it up with you. We can stall it for a couple of weeks.

H.M.JR: No, just say it is on my desk.

MR. WHITE: Okay.

H.M.JR: Half of these memoranda the President keeps sending me - for instance, about Stettinius - you can't get hold of Stettinius.

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MR. WHITE: Now, the only other matter that you wanted to take up was the question of the loan.

H.M.JR: Oh, yes. I tell you, I have to do that when I am in a good humor and I am not in a good humor now.

MR. WHITE: I don't think the time is very propitious for this.

THE WHITE HOUSE
WASHINGTON

September 9, 1944

The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

There has been a good deal of discussion within the several Government Departments relative to our Lend Lease policy after the collapse of Germany.

It is my wish that no Department of the Government take unilateral action in regard to any matters that concern Lease Lend, because the implications of any such action are bound to affect other Departments of the Government and, indeed, our whole national policy. I am particularly anxious that any instructions which may have been issued, or are about to be issued regarding Lease Lend material or supplies to our allies after the collapse of Germany, be immediately cancelled and withdrawn.

I intend to give instructions to all Departments relative to the Lease Lend policy of this government at an early date.

Will you be sure, therefore, that your several bureaus and divisions are advised of my position at once?

I am sending identical letters to the Chief of Staff, the Chief of Naval Operations, the Secretary of State, the Administrator of the Foreign Economic Administration and the Administrator of the War Shipping Administration.

Sincerely yours,

Franklin D. Roosevelt

THE WHITE HOUSE
WASHINGTON

September 19, 1944

MEMORANDUM FOR:

HON. HENRY MORGENTHAU, JR.
HON. E. R. STETTINIUS, JR.

Do you think this requires any action?

F. D. R.

FOREIGN ECONOMIC ADMINISTRATION
Office of the Administrator
Washington 25, D. C.

September 11, 1944

M E M O R A N D U M

TO: The President
FROM: Leo T. Crowley
SUBJECT: The Soviet Supply Program

In accordance with your directive of October 2, 1942, to Mr. E. R. Stettinius, Jr., to the effect that you be advised monthly of the status of the Soviet Supply Program, I have prepared the attached brief statement of the major current factors as of today.

The regular monthly statistical report on the entire program for the period ended August 31, 1944 will follow in due course as soon as the information has been gathered and correlated.

LEO T. CROWLEY

THE SOVIET SUPPLY PROGRAMI. Fourth Protocol

Schedules of offerings were submitted in August by the United States. The Preamble was submitted on September 9, 1944. Considerable delay was encountered this year in the preparation of the offerings, due in part to the Soviet delay of one month in presenting them over the schedule of other years and the large number of requests for industrial equipment which have required lengthy studies.

Offerings from the United States total 7,400,000 short tons, from which the U.S.S.R. is requested to select a minimum of 5,700,000 short tons for which shipping is assured. The balance will be procured as a reserve in the event shipping in excess of minimum commitments materializes.

Soviet response to the offerings is anticipated. When negotiations as to the final form are completed, the document will be signed in Ottawa. This will complete the cycle of capitals; the first protocol having been signed in Moscow in 1941, the second in Washington in 1942 and the third in London in 1943.

II. Financial Discussions

Discussions begun in July have continued throughout August to lead to an Amendment to the Master Agreement of June 11, 1942. Representatives of the Foreign Economic Administration, and the Acting Executive of the Protocol Committee have joined the State Department representatives for the discussions.

.....While the Soviet delegates declare their acceptance in principle of the proposal to arrange for the ultimate payment by the U.S.S.R. for certain specified categories of supplies which may be on hand or under contract at the termination of hostilities against a common enemy, the discussions have been protracted on the terms of the credit arrangements, and are not yet completed.

III. Shipping

Clearances in August fell below the July tonnage, for only 558,000 long tons were shipped. The reduction was due to the

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fact that there were not sufficient available vessels to keep the Persian Gulf route full. Only five vessels sailed against a capacity of 25 or more.

In spite of reduced sailings in August, shipping for July and August exceeded minimum Protocol commitments by 39%. Estimates through January, 1945, indicate that the advanced rate should continue so that by February 1st, the program will still exceed minimum commitments by 37%.

Increased shipping has presented problems in procurement, especially of metals for bottom cargo. The Subcommittee on Supplies of your Protocol Committee has authorized procurement to the full offering of 7,400,000 short tons, as set forth in the Fourth Protocol. This procurement will be speeded to assure availabilities well in advance of the end of the Protocol Period on June 30, 1944, since indications are that the material can be shipped.

IV. Aircraft

Clearance of Aircraft in August was considerably reduced over July figures, for only 247 planes departed. All but one of these left via the Alaska-Siberian route and included 55 for the account of the United Kingdom and 192 for the account of the United States.

The primary cause of reduction in departures is the smaller Fourth Protocol program calling for delivery of 245 planes per month.

Navy planes are now moving well, 138 have been delivered at Elizabeth City, North Carolina, and 30 have left the United States for departure points. These planes are not included in the Army Air Force plane figures reported above.

September 11, 1944

S E C R E T

FEDERAL RESERVE BANK
OF NEW YORK

September 25, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended September 13, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

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

Enclosure

COPY

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

September 26, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 13, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(in Millions of Dollars)

Week Ended Sept. 13, 1944

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	D E B I T S				C R E D I T S						Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in £ Funds (d)
	Total Debits	Gov't Expendi- ture (a)	Official Reserves Account	Other Debits	Total Credits	Balance brought forward (c)	Reservings (Official) (b)	Transfer from Official Australian Account	Other Credits (g)	Net Incr. (+) or Decr. (-) in \$ Funds (d)			
Year Ended (a)													
First	1,793.2	605.8	88.9	1,158.5	1,328.2	1,328.1	32.0	3.9	436.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,301.0	1,792.2	3.4	505.4	2,389.6	1,193.7	274.0	16.7	795.6	- 13.2	38.9	8.8	- 30.1
Third	1,331.6	284.8	7.7	229.3	1,553.5	71.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	232.7	170.4	289.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,397.2	300.4	61.4	259.9	1,558.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September													
October													
November													
December													
1945													
January													
February													
March													
April													
May													
June													
July													
August													
Week Ended													
August 23, 1944	58.8	2.5	-	5.6	39.4	-	-	-	9.4	- 49.4	-	-	-
August 30, 1944	4.6	2.8	-	1.8	24.7	-	-	-	24.7	+ 20.1	-	-	-
September 6, 1944	10.3	5.7	-	4.6	5.0	-	-	0.5	4.5	- 5.3	-	-	-
September 13, 1944	6.0	0.6	-	5.4	3.8 (h)	-	-	-	3.8 (h)	- 2.2	-	-	-

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

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Hargenthan, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and regained the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$ 2.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

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

Week Ended Sept. 13, 1944

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (e)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (e)	
War Years (a)																
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	252.5	46.1	287.7	-	287.7	- 10.9
<u>1944</u>																
September																
October																
November																
December																
<u>1945</u>																
January																
February																
March																
April																
May																
June																
July																
August																
<u>Week Ended</u>																
August 23, 1944	2.5	-	2.5	7.3	-	-	-	7.3	+ 4.8	0.1	-	0.1	3.6	-	3.6	+ 3.5
August 30, 1944	13.8	-	13.8	9.4	-	-	-	9.4	- 4.4	1.4	-	1.4	0.1	-	0.1	- 1.3
September 6, 1944	2.2	-	2.2	29.0	-	-	-	29.0	+ 26.8	3.6	0.5	3.1	3.2	-	3.2	- 0.4
September 13, 1944	3.2(c)	0.1	3.1	5.3(c)	-	-	-	5.3(d)	+ 2.1	0.3	-	0.3	1.3	-	1.3	+ 1.0

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through) September 13, 1944	2.7 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 1.2 million deposited by War Supplies, Ltd. and \$ 1.5 million received from New York accounts of Canadian chartered banks.

UNITED STATES OF AMERICA

$\frac{7}{8}$ PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES G-1945

Dated and bearing interest from October 1, 1944

Due October 1, 1945

1944
Department Circular No. 752
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, September 25, 1944.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for certificates of indebtedness of the United States, designated $\frac{7}{8}$ percent Treasury Certificates of Indebtedness of Series G-1945, in exchange for Treasury Certificates of Indebtedness of Series F-1944, maturing October 1, 1944.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated October 1, 1944, and will bear interest from that date at the rate of $\frac{7}{8}$ percent per annum, payable semiannually on April 1 and October 1, 1945. They will mature October 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer certificates with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before October 2, 1944, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series F-1944, maturing October 1, 1944, which will be accepted at par, and should accompany the subscription.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register Sept. 25, 1944)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 25, 1944

TO Mr. White
FROM Mr. Taylor *WHS*

Subject: General Eisenhower's Proclamation to the German people.

1. On September 18, General Eisenhower issued a proclamation to the German people. This was reported in the New York Times of September 19 as per attachment.

2. I subsequently asked Mr. McCloy whether it would be possible to get a copy of this proclamation as issued. Mr. McCloy replied that the proclamation had never been issued as a written document. It was contained in a radio address to the German people. As soon as the full text was available in Washington, a copy of this would be made available to the Treasury.

3. Agreement with the British was still being sought in regard to Proclamation No. 1 to be posted in German territory and the latest message on this went forward to London on September 22. It appears that the London War Office and our War Department are now in substantial agreement as to what should be contained in this proclamation and that its final drafting by SHAEF will go forward immediately. A copy of this will also be made available to the Treasury.

ALLIES TELL REICH AMG WILL RULE IT

A. I. Fines

**Pledge Destruction of Nazism
and Elimination of Hitler's
Adherents From Office**

SEP 19 1944

By The Associated Press.

SUPREME HEADQUARTERS,
Allied Expeditionary Force, Sept. 18—An Allied Military Government under Gen. Dwight D. Eisenhower will be established in Germany as the invasion armies move in, a spokesman at Supreme Headquarters announced today in a broadcast beamed to the Reich.

The speaker said that General Eisenhower would exercise supreme legislative, judicial and executive authority through this Allied Military Government. The prime objectives, he said, will be to destroy nazism and remove from responsible positions all members of the Nazi party, Elite Guard or other organizations that have been active under Adolf Hitler.

TEXT OF ANNOUNCEMENT

The text of the broadcast follows:

1. Allied Military Government is established in the theatre under my command to exercise in occupied German territory the supreme legislative, judicial and executive authority vested in me

Continued on Page 7

TUESDAY, SEPTEMBER 19,

ALLIES TELL REICH AMG WILL RULE IT

Continued From Page 1

as Supreme Commander, Allied Expeditionary Force, and as Military Governor.

2. The immediate task of the Allied Military Government during the course of military operations will be to secure the lines of communication of the Allied armies and to suppress any activities in the occupied areas of Germany that would impair the speedy conclusion of the war.

3. Simultaneously, the Allied Military Government will begin the task of destroying National Socialism. It will remove from responsible posts all members of the Nazi party and of the SS [Elite Guard] and other who have played a leading part in the National Socialist regime. This process begins immediately on the arrival of the Allied armies in each area and the inauguration of the Allied Military Government.

4. The civilian population will as far as possible continue in the normal occupations. Detailed instructions to them will be issued by the Allied Military Government in each area.

Proclamations Already Posted

LONDON, Sept. 18 (UE)—A correspondent reported from Germany today that proclamations had been posted in at least two villages—Vicht and Mausbach, in the Stolberg area east of Aachen—announcing the abolition of the Nazi party and Nazi laws and warning that armed resistance by civilians would be punished by death.

Front dispatches have told of the posting of Supreme Headquarters announcements in such towns as Roetgen, Echternach and Vollandorf, which the Allies have occupied. It was assumed that today's brief announcement was being posted in those and other occupied towns and would be posted on the walls of others as the armies advanced.

Presumably, the AMG will operate in the British and American occupation zones agreed on by Prime Minister Churchill, President Roosevelt and Premier Stalin at the Teheran conference. Thus the AMG embarks on its first real test in a hostile territory. It has been tried in Sicily and in Italy, but the major part of its administrative tasks have been carried out since Italy signed the armistice that pledged her to aid the Allies.

BJR-399
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

La Paz

Dated September 25, 1944

Rec'd 12:52 a.m. 26th.

Secretary of State,

Washington.

1708, September 25, 1 p.m.

Andrade states that no persons bearing Bolivian documentation in which Government is interested in the sense intended Department's airgram 337, September 1, are known to be in German occupied territory. Andrade added that Bolivian Government continues to investigate situation. It is my personal opinion that there is and will be no future interest in this subject and that the Department can disregard any interest.

MCLAUGHLIN

WMB

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, London
DATED: September 25, 1944
NUMBER: 38

SECRET

Will you try to secure at once from SHAEF a complete lists of claimants to the nationality of US and of any of the other American republics found in Drancy, Compiègne, Vittel and Clermont internment camps and forward the names by nationality groups via airmail to the Department. Send such other data as may be secured concerning the individuals involved, including places and dates of their birth and the addresses to which they intended to go after leaving camps, by following mail.

Concerning Department's telegram 7614, September 18, for additional reference to the matter discussed, see Telegram 37 for Chapin from the Department.

..... HULL

SWI:EJD:FAH

PARAPHRASED

DCR:EMS

10-5-44

FNL-233
Distribution of time
reading only by special
arrangement. (SECRET W)

Lisbon

Dated September 25, 1944

Rec'd 4:33 p.m.

Secretary of State,

Washington.

2976, September 25, 11 a.m.

FOR EDWARD CANILL BOSTON FROM ELISABETH DEXTER

This is ²WRB 203 Unitarian 336.

Clara Quires and daughter Joaquim Blance wife and child and Jose Ferran de San Martin left September 23 on SS LOURINZO MARQUES for United States en route Mexico.

Suggest you consult nearest Mexican Consulate and Coeks regarding assistance Philadelphia and trip to Mexico. Please assist with necessary funds which we will repay from transportation funds on hand Lisbon. Funds for Quires probably on deposit Coeks. Send information re Quires to Ernesto Espino Avenida Alvarez Abrego 308 Mexico City.

NORWES

WRB

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

Reference your No. 3564, September 11.

(1) International Rescue and Relief Committee now remitting \$2,000 monthly for six months to Madame Ottesen-Jensen with understanding that part of the funds will be used for program outlined in your No. 2224 of June 20. See our WRB No. 64, of August 1, and our WRB No. 73 of August 12.

(2) Board has been unable as yet to arrange for private remittance from here for Czech group outlined in your No. 2239, June 21.

(3) Program outlined in your No. 2569 of July 11 has been covered by remittance of \$25,000 by Polish War Relief to "Polska Social Abjalpen for Flyktinger" as reported to you in our WRB No. 85 of September 12.

THIS IS WRB CABLE TO STOCKHOLM, NO. 88

2:30 p.m.
September 25, 1944

FHodel:hd 9/22/44

TO JOHNSON FOR OLSEN

Refer your cable No. 3732 September 19.

You are authorized to pay to the Swedish Orient
Line the charges for the BARDALAND amounting to \$14,860.40.

Inform us immediately if you do not have sufficient
funds on hand to cover this amount.

THIS IS WRB CABLE TO STOCKHOLM NO. 89

5:20 p.m.
September 25, 1944

DWhite:dm 9/25/44

KEM-324
 Distribution of true
 reading only by special
 arrangement. (SECRET W)

Stockholm

Dated September 25, 1944

Rec'd 7:50 p.m.

Secretary of State,
 Washington.

3864, September 25, 5 p.m.

FOR WRB

Following is third report of Evensen-Trammael group concerning rescue and relief operations in Norway during August, and is our No. 84.

To balance on hand of 232,000 Swedish kroner at end of July was added approximately 210,000 kroner equivalent of 50,000 additionally transferred from the United States during August. Approximately 100,000 kroner were expended for food and clothing supplies, which were sent to the Norwegian homefront, relatives of prisoners, persons working for the refugee transport organization, and to the students hiding in the forests. As of September 1 there was a balance on hand of 351,000 Swedish kroner. About 125,000 Norwegian kroner were sent into Norway for a variety of relief and rescue purposes, and 115,000 Norwegian kroner are still on hand.

Approximately 750 Norwegians escaped to Sweden during August, of which about 500 came through facilities financed by American labor relief.

JOHNSON

WRB

INCOMING TELEGRAM

KEM-368

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

Stockholm

Dated September 25, 1944

Rec'd 10:14 p.m.

Secretary of State,

Washington.

3866, September 25, 6 p.m.

The following telegram has been sent to London 1145, September 25, 6 p.m.

There is no representative of International Red Cross now in Sweden but Swedish Red Cross is satisfied that distribution of Polish relief for Pruskow (repeat Pruskow) will be handled without supplies falling into enemy hands. It states transportation will be through Swedish and German Red Cross but will be checked by International Red Cross and distribution subject to International Red Cross control. My 3866, September 25, 6 p.m. repeats this telegram to Department.

Unless Washington or London has an objection, Legation assumes that this will be satisfactory and is so advising Poles. British concur. London's 459, September 19, 7 p.m. to Legation and Department's 7605, September 18, to London.

JOHNSON

WMB NPL

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

Queen Wilhelmina Fund remitting additional \$25,000 for operations under license No. W-2229 and Belgian War Relief Society remitting additional \$25,000 for operations under license No. 2231. Remittances are being made through same channels as previous remittances.

THIS IS WRB CABLE TO BERN NO. 185

2:30 p.m.
September 25, 1944

FH:hd 9/23/44

CABLE TO MINISTER HARRISON AT BERN FOR McCLELLAND

In view of critical situation evidenced by your 6093 of September 15 and other reports, please endeavor to carry out instructions given in Department's 2668 of August 3, WRB's 108.

Referring to your 5619 of August 23, it is assumed that period of military service has been completed. Please report progress promptly.

THIS IS WRB BERN CABLE NO. 186

4:00 p.m.
September 25, 1944

LSLesser:tmh 9-21-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: 6305

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.
Following repeated to London.

You are informed that Legations cable of today's date
No 6306 refers to Department's cable of August 11, 1944, no.
2769.

HARRISON

DGR:VAG 9/25/44

CABLE FROM PEHLE, WAR REFUGEE BOARD FOR HIRBCHMANN, ANKARA, TURKEY.

Please refer to your 1767 of September 19.

In view of your analysis of the situation with respect to the rescue of refugees from Hungary by way of the Balkans and Turkey you are requested to return to the United States immediately for consultation.

With respect to your 1764 of September 19, I concur in your suggestion that no approach be made to the Turkish Government at this time concerning the SS TARI.

THIS IS WRB CABLE TO ANKARA NO. 113 .

11:20 a.m.
September 25, 1944

MSargoy:JWP:Dg 9/25/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 312

Information received up to 10 a.m., 25th September, 1944.

1. NAVAL

Convoy of 33 ships from the U.K. covered by ships of Home Fleet has arrived in North Russia without loss. HAVRE anchorage now clear of mines.

2. MILITARY

WESTERN EUROPE. In the bridgehead and corridor slight gains made but 1st Air Borne Division still isolated north of Lower RHINE. Germans have been attacking VEGHEL where from time to time they have cut our supply line. Our troops have made considerable progress northwards towards TURNHOUT. Otherwise little change.

ITALY. Continued strong resistance along 8th Army front. Our troops have nevertheless made progress and have advanced between one and two miles. SANTARCHANGELO has been captured. 5th Army has made considerable advances north eastwards towards FORLI and FAENZA and have gained positions about 20 miles south west of latter. They have pushed forward another two miles northeast of FI RENZUOLA and on the two roads immediately west of that place.

RUSSIA. In ESTONIA Russians captured Port BALTISKY on 24th and in LATVIA have taken RUJENE and SMILTENE, 25 miles due south VALKA.

3. AIR OPERATIONS

WESTERN FRONT. 23rd/24th. Tons dropped: NEUSS 2629, HANDORF airfield 124, and MUNSTER aqueduct 399,

24th. 112 heavy bombers (9 missing) dropped 448 tons CALAIS. 17 Dakotas from Belgian bases dropped supplies GRAVE area. 114 fighters claim seven locomotives and 52 motor vehicles in ARNHEM area. Coastal Command aircraft attacked shipping off NORWAY. Two trawler auxiliaries set on fire,

MEDITERRANEAN. 23rd. 206 escorted heavy bombers dropped 470 tons on bridges Northern Italy, while 130 others dropped 33 on synthetic oil refinery BRUX near PRAGUE. All returned safely. 642 medium bombers and fighters (3 missing) attacked communications and strong points northern ITALY. 27 medium bombers set on fire the ex-Italian Cruiser TARANTO in SPEZIA Harbour. Beaufighters destroyed a 800 ton ship off NAXOS.

4. HOME SECURITY

Two flying bomb periods around 10 p.m. and 5 a.m.