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September 29, 1944
9:15 a.m.

GERMAN ARMISTICE TERMS PUBLICITY

- Present: Mr. Gaston
- Dr. White
- Mr. Luxford
- Mr. Dubois
- Mrs. Klotz
- Mrs. McHugh

Prof. Goodhart

H.M.JR: Now, do you have the first Krock article?

MRS. McHUGH: Here it is.

H.M.JR: Where are the other things?

MRS. McHUGH: These are the Hightower and the Wall Street Journal articles, and this is Drew Pearson. (Hands clippings to the Secretary)

H.M.JR: Oh, good for you! Thank you. I'm very much obliged. I'll very likely be calling for you shortly.

(Mrs. McHugh leaves office)

H.M.JR: This is my impression after reading this article--and to make the record clear, at eight-fifteen I called up General Watson and said I had to see the President on a very urgent matter. I said, "Please give the President my message, I want to see him."

The point was, I wanted to make it that way. I have tried three times to speak to him on the telephone on this over a week. I know he doesn't like to get letters, and I am not particularly anxious to do it, but I want to draft a letter to him on this, and if he says, "Why didn't you tell this to me?", I'll say, "Well, I tried to see you and couldn't."

Now, if you people want to make a couple of notes as I go along, here is the record.

This is the time table. I am going to put aside the stuff--this has nothing to do with the thing that Pearson discovered--the President's message to Stimson on the Directive. I don't think that is pertinent, but I want to run over the thing as I see it.

On September 20 I saw Hull, and Hull had Doc Matthews, I had Doc White, and Stimson had McCloy. Now, Krock's first article appears on the 22nd, two days later, and it is entitled, "Why Secretary Morgenthau Goes to Quebec."

(Professor Goodhart enters conference)

I am just giving my opinion. There is no question that this article of Krock's, which was given to him by either War or State, did give aid and comfort to the enemy as shown by that statement of Goebbels' which I haven't got, but we'll get it.

(To Mrs. Klotz) Will you tell her there is a statement about me, comparing me with Clemenceau. She'll get it.

Now, the thing that has been bothering me is that up to this article of Krock's today nobody has mentioned the fact that this isn't a question to be debated; this is an accomplished fact, do you see? But I think that Krock has gotten worried--Goodhart doesn't agree with me--and I came to this conclusion during the night, that the man who gave this to Krock, aiding and comforting the enemy by stiffening them, is really responsible; and Krock wrote it after getting it from Mr. X.

I came to this conclusion during the night, that whoever this man is, this man knew that the thing had been finished, knew that Churchill and the President agreed to it, but notwithstanding that he was so opposed to the plan that he gets hold of Krock and gives him this thing two days after I have been in Hull's office, in order to undercut; and in doing that he strengthens the Germans' resistance. General Marshall told me yesterday that the German resistance was strengthened. They have all these loud-speakers on the

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line telling them to resign, and along comes this thing and stiffens the resistance against the American troops.

Now, during the debate they have tried to twist the thing that I was responsible for the stiffening on the part of the Germans. I have a right, at the President's request, to furnish him with a memorandum which becomes his property, and it doesn't aid and comfort the enemy up to the time it is made public. It is the person who made it public who was responsible.

I think that Krock, who is super-shrewd, for his own sake and for the sake of the person who told him, has written the article today making out that, one, through his publicity he got Churchill to change--through the publicity showing it made Goebbels uncertain. The conceit of the thing is unbelievable, but he is making a record for himself.

Goodhart said he had lunch at the Times the other day, and they are very proud of the fact that they got a full set of the papers of Dumbarton Oaks and printed them. He doesn't agree with me at all. He thinks they think this is wonderful.

Here is the story of Rustin's which ran on Dumbarton Oaks--a digest of the plans. They had the full thing before it ever appeared, showing that this isn't just an isolated case.

Now, the thing I had in my mind, I wanted to prepare a memorandum for the President in advance of his press conference today, and of course this thing in here, Harry, which smells a little bit like Hopkins--you know Hopkins' memorandum in which he wanted the President to say that the Committee was wound up and it would go back to State--that smells a little bit like Hopkins in here.

MR. LUXFORD: They are almost the same words.

DR. WHITE: I'll have to read it more carefully, because I was positive when I got to reading that Krock article that that was State--Hull or Matthews.

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MR. GASTON: I wonder if they didn't get that memorandum from Harry Hopkins?

DR. WHITE: Which one? You mean the single-page release?

MR. LUXFORD: Yes.

MR. GASTON: Yes.

DR. WHITE: I didn't recognize the similarity, but I read it only once. But I certainly recognize that there was information there that was divulged--from the discussion in Secretary Hull's office with Secretary Stimson present. There is nobody, Mr. Secretary, other than the British, and only Lord Cherwell, and even then he doesn't know it all, who would know that outside of the people who were there and yourself and myself.

H.M.JR: But you see, what they are beginning to tell Krock is that the export feature of the thing which the British will gain is so attractive to the British, the thing that Cherwell said he hoped we would play down.

Do you remember the question Stimson asked me, what came first, Roosevelt's promise to them of six billion dollars in Lend-Lease or the agreement to go along on the Ruhr and the Saar? I said, "Stimson, I know what you are getting at, and for your comfort and peace of mind, the English agreed first to the Ruhr and the Saar, and subsequently the President agreed to the Lend-Lease."

This thing is all going to come out, and I want to get this stuff to the President before he has his press conference. I mean, now they are taking the angle that of course what got the English was the attractiveness of getting the German export trade.

DR. WHITE: I think one important thing for the record, I would go ahead and do what you are contemplating doing, because to me as I reconstruct the picture I came out, as you did, that he got that from Stimson or Hull or both, because several of the reporters went to each place,

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and Krock being the chief man they must have had a talk in which they all pitched in what they knew and he was able to write the article. But it came from those sources. This information he got later, so I am convinced he did it.

I further believe that if this is of comfort and aid to the enemy, and it may be, I am very skeptical about that; but if it is--did you read this morning's Post?

H.M.JR: No.

DR. WHITE: Childs says very definitely that you were responsible for the stiffening of German resistance. If it is of comfort and aid to the enemy, then the responsibility lies exclusively with Krock. He should have foreseen that, in the first place; and it lies with Hull or Stimson, or both, or their lieutenants, because that is where the information came from. I think that goes without question.

After all that has been said and done, Mr. Secretary, I think that very little can be made of that now. I think you have to take whatever rap is coming during the next month on the Election. Publicly, I think that the President will do whatever he thinks is of interest to him politically.

H.M.JR: Granted, but look--

DR. WHITE: After the Election it will be a different story.

MR. LUXFORD: On one point there, I don't think you can pick the time at which you are going to answer this opposition. Look what they have done with public opinion in just one week of blasting at this plan. Give them another month and it will be as dead as a door-knob so far as trying to get public acceptance.

H.M.JR: Lux, I haven't quite gone over the whole thing yet. On the assumption that the President is going to handle this thing, I am going on the assumption that gradually the whole story is going to come out, that this is a finished document, do you see, and all of the nuances

and everything else with it, inch by inch, are going to come out.

Now, if all of it comes out, then the plan really may be hurt. I don't think putting me up as a whipping boy is going to hurt the plan. I have ninety letters, fifteen unfavorable and only three out of the ninety raising the Jewish issue. And those three are anonymous. That shows how the mail is.

But you see, if I can get this memorandum to the President--and they said he might send for me any minute now--I think he should send for Hull and Stimson and myself and he can whip us all three and say, "Now, you three, what has happened up there has got to stop." And I want to get over to the President--I asked him should I go and see Hull and Stimson on Tuesday the 20th and report to him. He said yes. And I want to get over to him that I went there and reported to these people, and from that time on the leaks began.

But he could, by being very severe if he wants to, pick on me in front of them--it is all right--and stop this thing from leaking any further.

MR. LUXFORD: I doubt it.

DR. WHITE: Most of the damage of the leak has been done, and now I can also see why the same fellows tried to put the blame for the leaks in the Treasury. They had us coming both ways.

MR. GASTON: They started at the very start and told the story that the leaks were coming out of the Treasury.

MR. LUXFORD: The radio said the first day this leaked--last Saturday--there was a radio announcement about four in the afternoon stating that it was learned from Treasury sources, and then giving the story which obviously showed it hadn't come from the Treasury. But that was right over the radio.

H.M.JR: Elmer Davis tells me yesterday that it's all over Washington that this comes from the Treasury.

H.M.JR: That is another reason I want to make a memorandum; maybe the President thinks it comes from the Treasury.

DR. WHITE: You see, the record on this, as far as you are concerned, is perfectly clear, that your recommendations on the basis of policy were made in a very confidential way, top secret way; that nothing came from here; that you only told the others when you had the President's permission; that the leak came from there.

I think, however, that the question of who bears the responsibility and the culpability for proposing the plan for allowing the leaks can best be attacked and postponed until after the election when the whole story can be made clear. In the meantime, what we have to do, it seems to me, is to go ahead as we are doing, defending a position, and you can make clear to the President whatever you want.

H.M.JR: But I'd like a little memorandum with a time-table to hand the President with these articles attached, see?

DR. WHITE: I think you have to supplement it unless the President knows that Krock is close to Hull.

H.M.JR: In this memorandum I had thought to say, "Mr. President, I am sure that you know who Krock's very good friend is in the State Department and in the War Department. If you don't, I'll be glad to furnish you that information orally."

I am not going to put it in writing, because you don't know who is going to see it.

DR. WHITE: But as I read that article this morning, Mr. Secretary, I became convinced that during such time as the thing can be made completely clear in an authoritative way you have got to take a lot of the licking.

H.M.JR: I agree with you, but if I can get this memorandum and get it to the President between now and his press time--I don't know that Hopkins has sold the President on this idea.

Now, one of the things, again quoting Goodhart, the very thing that Krock says I shouldn't take part--he says the very strength of the English Cabinet is the feeling of joint responsibility. Then why shouldn't it be a joint responsibility on this thing? Why should I be put off in a pocket completely by myself?

And, again, if you don't mind, he says how could Herbert Hoover and Charles Evans Hughes sit next to Daugherty on the oil scandal and keep their mouths shut. Are we going back to those days where I am going to sit in the Cabinet, and because Mr. Daugherty was a crook and I am a Cabinet Member and it is none of my business, am I going to sit in the Cabinet knowing that the American people and soldiers are being sold down the river on the entrance to Germany, and I am not going to express myself when the President asks me to?

DR. WHITE: You are a hundred percent right. There isn't the slightest doubt you will come out on top when the whole story can be told and the proper defense can be made.

H.M.JR: Harry, you are right, but let's give the President something which may influence him between now and four o'clock. There is the chance that if we can prepare a one-page memorandum showing him how a job has been done on him that he will get very angry and will not do what Krock prophesies.

Krock's greatest usefulness to me is his power of prophecy through his inside information. I simply want to get this to the President as a stop, look, and listen. Now, does the President want to do what Krock says he is going to do, or does he want to do what he thinks is going to be best for future generations?

DR. WHITE: In other words, is he going to be forced by a maneuver to change a policy which he decided upon on its merits--a maneuver by a press man?

MR. LUXFORD: That is another way of putting it. One of the things that is clear to me from Krock's articles--

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and I think he is right--is that they are very likely to change this Government's policy by virtue of the publicity they are giving this thing. I think we are at fault if we don't answer that, not on the plan, but on the premises.

H.M.JR: But change it for the worse, through Krock's publicity.

MR. LUXFORD: I mean, we must answer on the merits, because that publicity is only going to hurt us. I don't think we have a month's time.

MR. DUBOIS: We are in a very poor position. The Treasury plan is being misrepresented in the papers, you are being criticized, and yet you are in a position where you can't speak up. It is ridiculous.

H.M.JR: You saw Crider's story after meeting with me, didn't you?

DR. WHITE: No. He says that you feel it is the property of the President.

MR. LUXFORD: Yes, I saw that story.

DR. WHITE: You see, the situation is that you are the target for several reasons, some very broad, all of them potent. You are the target because Stimson is angry for reasons which we are all familiar with. Hull is extremely angry. And then you have the group who are against any such peace, and they are all joining hands and they are going to ride this horse very hard until such time as the story can be made authoritatively clear.

MR. GASTON: I don't think it is being made authoritative. What difference is that going to make?

MR. LUXFORD: Well, today the newspaper publicity is a fight against a straw man. They are not attacking the Morgenthau plan, they haven't even the Morgenthau plan before them. They are fighting a straw man which they are

calling the Morgenthau plan, and by the time you are ready to release the Morgenthau plan they will have defeated it by calling it the Morgenthau plan.

DR. WHITE: That isn't wholly accurate, Lux. They have the essentials of the plan. They go to a little extreme. They are not attacking a straw man, but there is nobody giving any adequate defense.

MR. GASTON: The thing they are attacking is the very thing that was agreed to at Quebec.

MR. LUXFORD: I think it is a straw man in the sense that they have missed the point of what the plan proposed.

DR. WHITE: I am not sure of that.

H.M.JR: I saw Crider day before yesterday. This is what he says: "Inquiries in the Treasury as to whether the situation might have been explained by the fact that Mr. Morgenthau was called to Quebec to discuss economic or financial matters other than those relating to the treatment of Germany have been pushed aside."

He asked me that question and said, "That will be a nice out for you, Mr. Morgenthau." I said, "I am not saying yes or no." That was the one question.

"It is understood that the Secretary has taken the position that he has played square with his fellow Cabinet Members at every stage of the committee's work. Moreover, the Treasury official.....does not discuss them until the President speaks or gives him clearance."

That is the truth.

DR. WHITE: I like your approach to the President on the grounds that what is being done is a job on his policy and not on you. It is not a question of your saying that you have got to be protected by him, but rather that his policy--

H.M.JR: In all the messages I have sent him, I have never raised the question of what is being done to me; it is always to him.

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MR. GASTON: It may have been successfully done, too, Harry.

MR. LUXFORD: That is what I suspect.

MR. GASTON: They may have succeeded in causing him to switch, you see. Even an agreement at Quebec isn't necessarily finally binding. They are working here and abroad to upset it.

DR. WHITE: And they will have an easy time with Churchill, because he will upset the thing very easily, particularly when he says, "Your public is not in favor of it."

MR. LUXFORD: I think Hopkins is definitely headed in that direction.

MR. DUBOIS: Shouldn't we also give the President some constructive suggestions as to what he might do, particularly what he might say to the press?

DR. WHITE: That press release, it seems to me, would have hit that on the head, if he would give out that statement.

MR. GASTON: You mean what?

DR. WHITE: The revised one, with the press release. That would do a great deal of good and would provide the opportunity for further discussion, and would also provide the opportunity for justifying the Treasury completely in taking its action, because then we can tell the public in a hundred different ways that that is the document that emerged, because the Secretary interfered. And you ought to see the document when he got it that was going into effect! That would provide the opportunity without raising all those questions.

H.M. JR: I thought of that, too. Have we got Document No. 1--the interim Directive?

DR. WHITE: No, but I have asked Taylor to be sure and get it in England. We should never be that degree of

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honest! I insisted on having that thing copied that night and I was over-ruled. We should never be that honest again. It was "Top Secret" and you are not supposed to copy any "Top Secret" documents--and we don't for ninety-five percent of them.

MR. GASTON: Some of those copies that I read in that file were not "Top Secret."

DR. WHITE: Oh, well, we leave the "Top Secret" out in the copies!

(Mrs. McHugh enters office temporarily)

H.M.JR: Mrs. McHugh, I would like to have the suggestions for the President's press conference which Dr. White took over to Mr. Hopkins.

DR. WHITE: Well, we'll get that copy. There is no question of that, but Taylor will have to get it in England, because I don't think we can get it here.

H.M.JR: I thought we had it.

DR. WHITE: You may have it, but the only copy that they let us look at--

H.M.JR: I think I have it. There is a whole flock of stuff--one day in here I think McCloy gave it to me. I am fairly sure that I have it.

DR. WHITE: You don't have the Handbook, but you didn't leave the Directive?

H.M.JR: I haven't the Handbook, but I have that so-called Interim Directive.

MRS. KLOTZ: I think that is the thing I have.

(Mrs. Klotz leaves office temporarily)

DR. WHITE: But we don't need that because we have the excerpts which are better, or as good. And we have got more excerpts than we gave the President, because we reduced the number that we had.

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H.M.JR: Where is that Handbook?

DR. WHITE: The President has it. He wrote on it, "I want this sent back to me personally." I don't know whether he has it, because when we saw it with that note on it, we borrowed it from the Army. The Army has another copy. There will be copies in England, I am positive about that.

H.M.JR: It is so much easier in England; you only go to jail for two years in England!

DR. WHITE: That would be an excellent step, if we could get that thing published.

H.M.JR: You mean the two? Yes, but we can't do that today.

Well, now, how about you people putting down something for me on a sheet of paper which would lead up to this suggestion which we drew up for the President's press conference--why the President should continue this committee? I think it is a sign of weakness for him to give it up.

MR. DUBOIS: If there is no chance he could issue the other statement, could we try our hand at another statement that possibly he could give out today?

H.M.JR: The sky is the limit. The point is that on the theory he will or won't see me, I'll get this into his hands before lunch.

DR. WHITE: You will give it to him orally?

H.M.JR: Both. But I want to give him the back history. And we'll fix this thing up here, do you see? Here is September 20. September 21 was written one day later.

DR. GOODHART: On the Dumbarton Oaks thing, I'd rather not be personally quoted there, but I think it is so obvious that it was Eden that it is funny.

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MR. GASTON: Ed Locke, of Time, called me last night and was very anxious to see you to give you an opportunity to say something on your side of this matter. He has an appointment to see Stimson at ten-thirty this morning.

H.M.JR: You can tell the s.o.b. for me that the time to see me is before the horse is stolen out of the barn!

MR. GASTON: Before the lead article is printed stating a lot of things that aren't so.

H.M.JR: Sure.

DR. WHITE: It isn't that they stated a lot of things that aren't so--

MR. GASTON: That's right, Harry.

DR. WHITE: The major criticism that you can direct against them--

MR. GASTON: It is an editorial attack.

DR. WHITE: It is almost equivalent--from General Marshall's point of view it would be just the same as discussing a plan whether Germany should be invaded from the north or the south that they happened to get ahold of from the Army before the decision is made. Here is a plan for long-term treatment of Germany which in their opinion would affect Germany's resistance.

MR. GASTON: One thing we have to remember is that this thing was widely discussed around town before the Secretary ever went to Quebec, before he ever had this meeting with Hull and Stimson.

DR. GOODHART: I agree with you, the more accurate this report, the worse it is.

(Mrs. Klotz returns to office with file of Quebec papers)

DR. WHITE: I am sure we don't have it, Mr. Secretary. There were a number of those drafts which we drafted ourselves.

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MRS. KLOTZ: This book was given to us by the War Department.

H.M.JR: The War Department draft immediately following cessation.

MR. DUBOIS: That is a later draft. The one they actually cabled to the field was some time ago.

DR. WHITE: I am positive it is not in this book.

H.M.JR: Anyway, you people have the same book as this, haven't you?

MR. LUXFORD: Yes.

DR. WHITE: If we could work with those before you we would give it right back--the sequence of stories.

H.M.JR: Yes, I just fixed it for you; but this is my only set. (Hands file to Dr. White)

Before you go, Arthur, do you want to say something. You have listened to this discussion very patiently.

DR. GOODHART: I agree, first of all, I think it is worth recalling that there has been a leak before, and that was very serious, over the Dumbarton Oaks conference, and that international affairs are going to be difficult to run if every time a plan is announced before you discuss it.

Then on the next, I agree entirely with Dr. White that as long as you can't answer it completely it is much wiser not to say anything at all until the election is over--you won't be in a position to say anything, and I don't think that--I am not saying anything about you are going to lose, because people are going to think about this, anyhow, and a snap judgment by the public isn't going to affect them, because you can come out much more strongly later on. What I would do would be--anyhow, so far all they have been talking about is details. They have been talking about whether they are going to close a mine, or something like that. It seems to me that you

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have won your fight to a great extent already, because you have forced everybody to say that they are in favor of a strong peace. And the real fight in the end is going to be whether you have a strong peace or a weak peace, and all these other things are more a matter of detail.

I think, therefore, the best thing is your statement in the Times yesterday, which is admirable--this is up to the President and you won't say anything.

DR. WHITE: I didn't mean to say that we shouldn't say anything. I'd like to have you agree with me, but I believe we should continue along the lines we are, of defending the issue. But so far as the personal story of the matter and indicating to the public where the leak came and the responsibility and taking the view which is not only defensible--but I think something else, Secretary Morgenthau would be derelict in his duty if he sees being developed a policy which he feels is bad or wrong and does not speak out. I think there is no greater nonsense than the assumption that this is not his business as a Cabinet Member. But that can be handled after the election and you will emerge from it better.

But I think we have to go ahead and try to defend the issue without trying to defend Secretary Morgenthau's role in that. Let's save that for later when the whole story is written.

MR. LUXFORD: I'd put it this way, if you can sell this issue to the public you will have Secretary Morgenthau emerge with a higher position, no matter what you say. That is, his status will emerge from having supported the right position of a problem and the tactics will disappear.

But you can't, I believe, go by default for another month on defending the issue. I think we have to continue the policy we have on winning this issue on its merits.

MR. GASTON: You can't argue the issue without telling what our position has been.

DR. WHITE: But that is different from saying that Admiral Land has agreed.

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MR. LUXFORD: We mean, don't inject the issue of Morgenthau versus Stimson, and begin to pull that out. Don't pull out that line, even. Fight the issue on its merits. We are not discussing who leaked what or what was the result of that leak. All we are talking about is on the merits--is this a good proposal.

DR. WHITE: That's right. Let's fight the issues now and the role that each individual played in that.

MR. GASTON: Are you going to tell what the proposal is?

DR. WHITE: In the main, it is already out. And it is going to be more out after--

MR. LUXFORD: It is out and defenseless.

H.M.JR: I tell you, gentlemen, just don't worry about this. This isn't the first time that I have been the whipping boy for the President, and I have taken it on taxes again and again, as you people know. At the time it seemed very important, but nothing is as important as this, and I have told the President and Mr. Hull that I am going to do this thing and this is more important to me as a citizen than it is as Secretary of the Treasury.

So don't worry; I can take it. I have demonstrated over eleven years I can take it. I have not yet had any indication from the President that he has changed. I don't agree with you people that he is going to change. I don't think he is going to change one iota.

DR. WHITE: I think it is important, as you said, to let him know that you did not promote or foster the leaks.

H.M.JR: So that out of pique he doesn't sort of slap me on the wrist. And don't forget, if Mr. Hull is angry about many things that he wasn't consulted about--that Churchill-Roosevelt statement in regard to Italy--he read about that in the paper.

DR. WHITE: He mustn't get the idea that you, because of your victory, were boasting; and that is what they will

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try to give him, and that is why he must know that the leaks did not come from here.

MRS. KLOTZ: He ought to know by this time that you don't operate like that.

H.M.JR: Do you remember one time there was something he personally got on the telephone and I had to check every single telephone call in my office? I mean, it was a question of himself and his son and myself. He checked every call between the White House and the Treasury, himself--took the time to do it. I happened to be right; his son happened to have been telling an untruth.

Anyway, had you finished, Arthur?

DR. GOODHART: Yes.

H.M.JR: All we can do, I think, between now and this afternoon is try to influence him in regard to his press conference. That is all we can try to do. Then as to strategy for the balance between now and the 7th of November, I'd like to sit down and talk to you gentlemen again. That is another story.

DR. WHITE: You didn't promise the fellow from OWI I would see him this morning?

H.M.JR: Tomorrow will be just as good. The fellow's name is Elmer Davis. He used to be on the radio!

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In The Nation

Why Secretary Morgenthau Went to Quebec

By ARTHUR KROCK

WASHINGTON, Sept. 21—A number of inquiries have come to this department, of which the following is typical:

Both Foreign Minister Eden and Foreign Under-Secretary Cadogan were summoned to Quebec for conference, but the Secretary of the Treasury, and not the Secretary of State, was the only Cabinet member summoned from Washington. Does this mean that Mr. Morgenthau has become the President's adviser on foreign affairs instead of Mr. Hull?

In a general sense the answer is "no," but in a limited way it appears to be "yes." This is only with respect to one sector of foreign policy: The post-war treatment of Germany. Mr. Morgenthau has become the central civilian government official concerned with this matter, and he seems to have persuaded the President that the policies he proposes during the occupation of Germany are more in line with Mr. Roosevelt's ideas than those of some other advisers and that the Treasury Secretary can be relied on to press them firmly in the event of disputes.

As in so many other difficult areas of policy, the President, on the private testimony of associates, hesitated until just before Quebec to make a choice of guiding principles for occupied Germany and then demanded a new set to be ready in forty-eight hours. This is why, according to these witnesses, the Quebec conference assembled with our post-war German program so new that the British were obliged to reopen review of the subject by their Foreign Office.

The President some weeks ago appointed to formulate a blueprint a Cabinet committee composed of Secretaries Hull, Morgenthau and Stimson. In this Mr. Morgenthau, following his visit to the Normandy front, took the lead, partly because of the burdens of other matters on his Cabinet colleagues, partly because he did not like suggested programs he had seen and an invasion manual prepared by the Army.

The Summons to Quebec

Mr. Roosevelt, to whom Mr. Morgenthau's views were vigorously trans-

mitted, found them to his liking. When, therefore, the plans at Quebec depended on an understanding between the United States and Great Britain (which presumably Russia has approved) with reference to the treatment of German nationals after the war and during the occupation, the President sent for the Cabinet member who had pretty much taken over the problem.

This is the explanation, given by those who should know, of the presence of the Secretary of the Treasury with Mr. Eden and Sir Alexander Cadogan and the absence of the Secretary of State. The Quebec conference dealt largely with military matters, war and post-war, but the line to be followed by our civilian representatives in Germany must be integrated with military measures for some years to come.

In a way the discussion in Washington over these measures is a very mild descendant of that which arose over our North African policy for a few months after the invasion. General Eisenhower, finding that General Giraud could not maintain the order which the safety of his military operations required, accepted the aid of the late Admiral Darlan. On the latter's advice, General Eisenhower installed in civil posts some Vichy Frenchmen who were anathema to the de Gaulle group and to the most vocal anti-Fascist groups in the United States.

Defense of Policy

A blast of criticism, which is still blowing in some degree, assailed that policy, and fear was expressed that it forecast "soft treatment" and even exculpation of European fascists after the war was won. To this the official response was that the policy had saved a great many American lives in North Africa and preserved order at General Eisenhower's back—the only way, it was asserted, this could have been achieved. The President and Mr. Hull also denounced the suggestion that they are disposed to be lenient with fascists during or after the war. And it was argued that a policy which was invoked during the perilous military stage of invasion had to be prompted by considerations which could be disregarded after victory and therefore was not part of a permanent pattern.

This last attitude was the guiding principle of the Army invasion manual in France which is said to have reached the Secretary of the Treasury. Composed in the absence of a firm political line, and addressed to military problems only, it nevertheless stirred up

many of those who have never accepted the necessity of General Eisenhower's invasion policy in North Africa and who fear that the national traitor of good-nature may operate to make it too easy for the conquered German people. Secretary Morgenthau never was known as a critic of the North African policy. But he seems to think that the Germans may not be taught their merited lesson unless he and others of like mind watch for and stamp out anything which may stimulate a psychology of leniency.

In an orderly administration the State and War Departments would be the central figures in this problem, particularly since neither Secretary Stimson nor Secretary Hull can even faintly be suspected of any inclination to be easy with the Germans. And in that type of administration the Cabinet Minister for Foreign Affairs would have conferred at Quebec with his opposite number, Mr. Eden. But the United States Government these days is much too personal to be thus systematized.

SEP 24 1944

Presidential Peace Cabinet Reported Split Over Germany

Stimson Held Strongly Against Morgenthau's Plan to Strip Nation of Industry; Hull Goot

By JOHN M. HIGHTOWER,
Associated Press Staff Writer.

President Roosevelt's cabinet committee on German peace policy has split wide open, it was learned last night, over a plan sponsored by Secretary of the Treasury Morgenthau for destroying Germany as a modern industrial state and converting it into an agricultural country of small farms.

The Morgenthau plan, drawn up after the Secretary's recent return from European battlefronts and England, is reported to have had the general approval of the President since before his Quebec Conference with Prime Minister Churchill. It has failed to win support, however, from Secretary of State Hull and is violently opposed by Secretary of War Stimson.

Secretaries Hull, Stimson and Morgenthau form the Cabinet Committee.

For the time being, the dispute over the Morgenthau plan has snarled up Treasury, War and State Department work on detailed arrangements for postwar control of Germany that three-power planning by this country, Britain and Russia on long-range German policy also has virtually stalled. This planning, carried on through the European Advisory Commission, had been proceeding along lines other than those advocated by Secretary Morgenthau, so far as American leaders were concerned.

Mr. Roosevelt presented the Morgenthau plan to Prime Minister Churchill at Quebec. Secretary Morgenthau and British Foreign Secretary Anthony Eden were present while Secretaries Stimson and Hull were not.

Secretary Morgenthau came away from the conference with the impression that Mr. Churchill found his proposals acceptable, especially since Foreign Secretary Eden is reported to have held somewhat similar views.

What Premier Stalin plans with respect to Germany apparently still is not known here. Mr. Morgenthau based his plan of three assumptions with respect to Russia: (A) Russia wants East Prussia and most of Silesia to go to Poland to offset

Poland's loss of eastern territory to the Soviet Union; (B) Russia wants German labor battalions to work on the Soviet Union reconstruction; (C) With her own huge needs for manpower, Russia is not interested in prolonged military occupation of Germany and would be willing to have Britain, the United States and other Allied countries do the job.

Secretary Hull is known to be determined that whatever plan is decided on finally here must be agreeable to Russia. He feels that it is essential to have British-American-Soviet co-operation in immediate postwar Europe as a basis for long-range co-operation in a world security organization.

Plan Outlined.

Secretary Morgenthau's plan as understood by those who have followed its development from the first to provide:

1. Removal from Germany to devastated countries of what ever industrial machinery those countries want; destruction of the rest of Germany's industry.
2. Permanent closing of whatever mines remain in the territory of the postwar German state.
3. Cession of the Saar and Western German industrial areas to France as well as cession to Poland of Eastern German areas which Russia might want handled that way.
4. Dissolution of large German landholdings into small farms which would enable the 40 to 50 million people remaining in Germany to exist largely on an agricultural basis.
5. Refusal by other countries to extend any assistance, economic or otherwise, to the people of Germany so that they would have to make their own way as best they could out of the wreckage of their war on Europe.
6. Prolonged control of Germany

by an Allied or United Nations military commission.

7. No outright reparations—since a German agricultural state with little or no commerce would not be able to pay them—although distribution of German machinery might be considered as reparations in some respects.

Criticisms Cited.

The principal criticisms which have been leveled against this plan by War and State Department planners is that it will not work because Germany occupies a key position in European economy due to her industrial capacity to produce needed goods and because of the markets she affords other European countries.

Until Secretary Morgenthau dropped his proposals in the hopper and won presidential support for them it had been tentatively planned that that Germany would be permitted to function as an industrial state after surrender, but under Allied military and economic controls that would deny her any opportunity to become a great war-making state.

To date the Morgenthau plan has served chiefly as a basis for hot arguments in the secret sessions of War, State, Treasury and other Government agency experts charged with evolving practical controls for the Reich of the future. It has been instrumental also in bringing about modifications of the basic handbook being prepared by the Government for the guidance of military administrators in postwar Germany.

Postwar Germany is defined by these experts as the German state which will come into existence sometime after the armistice. The first period of German occupation already is beginning with the advance of Allied armies onto German soil. It was with this period in mind that Gen. Dwight D. Eisenhower as Allied supreme commander on Friday announced the directives for control of Germany by Allied combat commanders.

Eisenhower Would Direct.

It now is expected here that Gen. Eisenhower will serve as American military chief in the Reich until the second period of occupation sets in after the war, but whether that period will be one of three-way occupation under a three-power commission as originally planned or whether it will follow the Morgenthau plan more closely, evidently now remains to be determined.

Mr. Morgenthau always has been regarded by his associates as an advocate of ruthless handling of Germany after the war. His interest in detailed planning, however, is reported to stem from his trip to England and France a month and a half ago.

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At that time he became convinced that total victory in Europe probably would be achieved relatively soon and the need for decisions on German policy was urgent. Among top British officials he found three broad theories of what ought to be done. One school, reportedly including Foreign Secretary Eden, favored ruthless handling; a second, with an eye to Germany's future place in possible European power politics, favored an easy peace to result in a reconstructed but controlled German state; the third sought some compromise between these two extremes.

Had Regulations Changed.

In London also Secretary Morgenthau came on the draft of a booklet designed to instruct Allied Military Government officers in handling German affairs once the Reich is completely occupied. One paragraph of this booklet prescribed a daily food allowance for the Germans with a calory value higher than that allowed for the friendly peoples of liberated countries.

On returning to Washington, the

Treasury Secretary reported this fact to Mr. Roosevelt who thereupon wrote Secretary Stimson directing that the handbook be written to incorporate provisions for a tough handling of Germany. He also created the Cabinet Committee.

Those familiar with the work of the committee say that thus far its work has shown no ground for a meeting of minds between Secretaries Stimson and Morgenthau as to the policy to be followed, beyond the fact that both agree, as does Mr. Hull, that, by whatever means, Germany must be rendered unable to make war in future.

SEP 25 1944

Showdown on Hard Peace for Germany May Come This Week

By JOHN M. HIGHTOWER,
Associated Press Staff Writer

A furious debate over how to write a hard peace for Germany shook the State, War and Treasury Departments today. The issue may be forced to a showdown this week.

The argument, revolving essentially around what to do with German industry, stems from a split in President Roosevelt's cabinet committee on German peace policy. Secretary of the Treasury Morgenthau is adamantly backing a plan to give away or destroy Germany's industrial machinery, while Secretary of War Stimson is understood to be firmly opposed.

The third member of the committee, Secretary of State Hull, is reported extremely cool toward the Morgenthau proposals, but the Treasury head apparently has considerable support for his ideas from President Roosevelt, who discussed them at Quebec with Prime Minister Churchill.

Pressure for Speed.

There is pressure for speed in arriving at some decision on which a positive American approach to the problem of Germany's future can be based. This arises from the fact the fate of Germany actually is an Allied problem and whatever policy is finally applied will have to be worked out jointly with Great Britain and Russia and in some consultation with other European countries, notably France.

Mr. Morgenthau's plan was tossed into the hopper last month after he returned from Europe and his discussions with British government officials in London.

There he is reported to have found Foreign Secretary Anthony Eden on the side of a ruthless handling of Germany after the war. Mr. Morgenthau, charging that the War and State Departments were planning a "soft" peace, drew up a detailed program for control of Germany.

Plan Confuses Experts.

Under this program, Germany would be stripped of her industries and reduced from a modern industrial state to a country of small farms. Areas such as Silesia on the east and the Saar on the west would be given to neighboring nations and any mines which remained in nominal German territory would be plugged up to prevent the Reich from again becoming a great war-making state.

The emergence of this plan and its reported White House backing threw State and War Department experts, who had been working out measures on a different policy line, into confusion.

Their basic assumption appears to have been that while Germany would be reduced in territory by grants to Poland and France she would remain an industrial nation. They proposed to control her industry and prevent its being used for future aggression by a system of bottleneck controls.

Would Watch Strategic Materials.

According to the bottleneck theory, the United Nations, or a commission acting in their name, would retain firm grasp on such strategic war-making materials going into Germany as oil, steel and nitrates.

Some have assailed Mr. Morgenthau's plan, in several hot sessions of representatives of the three departments, as impractical in that it would not permit Germany to exist as a normal element of Europe's economic system. They have claimed that the plan eventually would break down under economic pressures arising from the fact that 40 or 50 million people remaining in Germany would have to produce something to sell and would provide rich markets for outside exploitation.

Interest in Russia's Role.

Mr. Morgenthau's own experts, on the other hand, have contended that the German people have brutally mistreated other nations of Europe and deserve no consideration for themselves, that they should be denied relief and rehabilitation and should be prevented from ever rebuilding an industrial state.

Among many officials not directly concerned in the argument considerable interest has been aroused in one aspect of Mr. Morgenthau's planning—the assumption that Soviet Russia is not directly interested in long-range occupation of Germany and may want to hand that job over to the United Nations group in which Russia would take only a small part.

The Russians are said to want from Germany territory to compensate Poland for areas which Poland will have to give up to the Soviet Union, and also to want manpower in labor battalions which Moscow plans to use in the reconstruction of devastated Russian territories.

Experts Told To 'Harden' Nazi Peace

By John M. Hightower
Associated Press Staff Writer

Treasury economic experts under direct orders of Secretary Morgenthau were reported yesterday to be seeking basic changes, pointed toward a hard peace, in instructions to be given Allied military administrators on the handling of German civil affairs.

That immediate development served to a point up a deeper, more basic split among American policy makers, revealed by the Associated Press last night, on just how rocky a road to lay out for the aggressor nation.

The military instructions are to be set forth in a handbook, which eventually will require British agreements and about which the Russians will be kept informed, in order to make uniform the control over all sections of the defeated Reich.

Primarily for AMG

The handbook is designed primarily for Allied Military Government or other officers charged with handling civil affairs either in the whole nation after a general surrender or in rear noncombat areas if it is conquered piecemeal.

In Italy and in other areas where AMG or similar agencies have functioned heretofore, the basic purpose has been to keep the population quiet and safeguard the movement of supplies and troops.

Morgenthau is reported to fear that application of this policy in Germany would mean reconstruction of a large part of the Reich's destroyed industries and transportation facilities. Morgenthau has argued that any such reconstruction, where it was not directly essential to the armies, would be a grave mistake. Instead, he has demanded Allied administrators be instructed to take no measures either to reconstruct any part of Germany or to rehabilitate the German people with food, clothing, or similar relief supplies.

Is First Testing Ground

The handbook is the first testing ground of Morgenthau's recently developed plan, reported to have at least a measure of approval from President Roosevelt, for imposing on Germany a ruthless peace designed to end the existence of the enemy nation as a modern industrial state and turn it into an agricultural country.

Morgenthau's plan has caused a split in President Roosevelt's Cabinet committee on German peace policy and the split has extended into the groups of experts who are seeking to work out future German controls in detail. The Treasury economic experts, who have consulted heretofore only on technical aspects of economic policy, have forged to the front, with the claimed support of the President, urging their chief's ideas on broader policy questions.

Little Progress Made

So far, it is understood, the discussions have resulted in little or no progress. The War and State Department experts, reflecting the attitudes of Secretaries Stimson and Hull, have been reluctant to accept proposals based on Morgenthau's plan.

The program of the War and State Departments calls for basic rehabilitation for the people of Germany and assumes that eventually some industry will develop.

The question of how to control Germany's industrial future and prevent the German people from producing a new world war is in fact a critical issue not only among the State, Treasury and War Department experts but also among the Allies.

Hull Voices Hope Of Speedy Action on Nazi Peace Terms

9/5/44
Washington Star
By JOHN M. HIGHTOWER,
Associated Press Staff Writer.

Secretary of State Hull said today he hoped that high Allied officials, including officials of the United States Government, would be able to come to agreement soon on peace terms for a defeated Germany.

He made the comment in response to a request for a statement on an Associated Press report that President Roosevelt's cabinet committee on German peace policy was split over a proposal by Secretary of the Treasury Morgenthau that Germany be converted into an agricultural nation.

Mr. Hull is understood to be cool to the Morgenthau plan and Secretary of War Stimson, the third member of the committee, to be strongly opposed to it.

The Morgenthau plan would strip Germany of much industrial territory and destroy or give away the rest of its industries.

Authorizes Quotation.
Mr. Hull authorized the following quotation:

"The whole question of dealing with the postwar German situation has been receiving attention by each of the governments most interested, and that includes this Government and the State Department. "It would serve no purpose to say more at this time except that the higher officials of the governments concerned will reach mutual understandings, I hope, at an early stage. It is very necessary that we wait until we know the true conclusions they reach."

Mr. Hull made no other comment but it was notable that he studiously avoided in his prepared statement any denial of the fact that he

~~cabinet split~~ has developed and is still wide open.

Mr. Morgenthau is reported to have considerable support for his ideas from President Roosevelt, who discussed them at Quebec with Prime Minister Churchill.

Pressure for Speed.

There is pressure for speed in arriving at some decision on which a positive American approach to the problem of Germany's future can be based. This arises from the fact the fate of Germany actually is an Allied problem and whatever policy is finally applied will have to be worked out jointly with Great Britain and Russia and in some consultation with other European countries, notably France.

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The Russians are said to want from Germany territory to compensate Poland for areas which Poland will have to give up to the Soviet Union, and also to want manpower in labor battalions which Moscow plans to use in the reconstruction of devastated Russian territories.

World Security Plan Likely to Be Delayed For Year After War

By JOHN M. HIGHTOWER,
Associated Press Staff Writer

American officials are reported to have revised sharply their estimates of how long it will take to get a world security organization into operation. Their confidence in ultimate success remains, but they see it now as a slow, uphill job.

This is due to the amount of time required for representatives of the United States, Britain and Russia to get together on an organization blueprint in the talks at Dumbarton Oaks.

Latest word is that at least one important question—what happens if one of the big powers is accused of aggression—will have to go unanswered for the time being.

(One postwar agreement was disclosed last night in a British-United States announcement that they will continue after the war the blacklisting of firms found to have been pro-Axis. This is designed to prevent such firms in neutral countries like Spain, Sweden and Argentina from sharing in trade at the expense of business interests which have gone along with the United Nations.)

Another Meeting Possible.

If many points should remain unsolved after the imminent conclusion of the Russo-Anglo-American talks, a second Dumbarton Oaks meeting might have to be held.

Even without such a contingency, however, the present session was scheduled to last three weeks and has now run into its sixth.

Consequently officials no longer expect a world security system to snowball into existence. They anticipate a slow and tedious process of consultation and agreement that may mean an interim of more than a year between the ending of the war in Europe and the formation of machinery to maintain peace.

There is increasing emphasis among high authorities, therefore, on the idea that the prevailing ground of Allied co-operation in peacetime will be postwar Europe, and much of this co-operation will have to take place before there is any certain assurance, in the form of treaties and agreements, that a world security organization can be made to function.

Land Enters Peace Debate.

It is against this background that one aspect of the current controversy over German peace policy is being studied here. The conviction of American diplomatic officials is that whatever policy is finally decided upon it must be mutually acceptable to the United States, Britain and Russia if long-range Allied co-operation for peace is to have more than a theoretical chance.

Chairman Emory S. Land of the Maritime Commission got into the American debate on how to treat Germany by proposing yesterday that prewar foreign trade of Japan and Germany be distributed among the United Nations.

"I see no impossibility in giving postwar nations of our enemies who have proved they don't know how to keep the peace," Admiral Land told a House subcommittee.

Denial of world commerce to the enemy states would mean their end as modern industrial nations, Admiral Land made clear, and in advocating such a course he apparently ranged himself alongside Secretary of the Treasury Morgenthau in favoring the return of Germany specifically to an agricultural state.

Secretary of State Hull gave virtual official confirmation yesterday of an Associated Press story of Saturday night disclosing a cabinet split on German peace policy. Mr. Hull was asked at his news conference for comment on published reports that Secretary of War Stimson and he opposed Secretary Morgenthau's plan to break up German industry.

In reply he disclosed that it is a subject of wide open discussion not only among officials here but also among American, British and Russian leaders.

"The whole question of dealing with the postwar German situation has been receiving attention by each of the governments most interested," Mr. Hull said, "and that includes this Government and the State Department."

"I would serve no purpose," he said more at this time except that the higher officials of the governments concerned will reach mutual understandings, I hope, at an early stage."

Post-War Germany

Treasury Plan Calls for Dismemberment, Ban on Most Heavy Industry

Morgenthau-Sponsored Policy One of Several Proposals Now Under Consideration

It Meets Official Opposition

BY ALFRED F. FLYNN

Staff Correspondent of The Wall Street Journal

WASHINGTON — A proposal that Germany be dismembered and stripped of her industrial might has been prepared by the Treasury Department.

It is one of a number of exploratory plans developed within the Government to make certain that after this war Germany does not stand as a threat to world peace. While these proposals agree on this general objective, they show official thinking divided on how far the Allies will have to go to achieve it.

Here are the highlights of the Treasury plan which was prepared under the direction of Secretary Morgenthau and is said to have reached the Cabinet level of discussions:

Germany would be split into northern and southern states, with a portion of her lands on the east and west going to Poland and France.

She would lose the bulk of her heavy industry. Steel mills, chemical and synthetic fuel plants would be transferred to nations she invaded. The Ruhr Valley would be operated under an Allied commission.

Education would be supervised by the Allied powers. The lower schools would be closed until new text books could be prepared. Universities, with the exception of medical departments, would be closed indefinitely.

Plan Would Take Many Years

The Treasury plan is designed to bring about fundamental changes not only in physical Germany, but in the German way of living and thinking. To effectuate it would require two or more generations in time and close political and economic supervision from an Allied Government organization over this period.

This is regarded as one of the more drastic plans for post-war Germany. It has run into considerable opposition from advocates of proposals which are designed to achieve the objective of making Germany incapable of waging war by less severe means.

Under the Treasury plan, East Prussia and the Polish corridor area would be turned over to Poland. To France would go that part of Germany which lies west of the Rhine River. The remainder of Germany would then be split into two major states—a northern state and a southern state. There would be other, but less important geographic changes.

States Would Be Separated

There would be no federation of states. Each part would be a distinct entity. Officials who support the Treasury plan say this would be necessary to prevent the parts from growing back together. To make certain that trade did not promote a political tie, provision might be made for a customs union between Austria and the southern state. The theory is that resulting trade would tend to pull the southern state's economy farther away from that of the northern state.

There is considerable opposition to the partitioning proposal. It is based largely on the argument that the various parts of Germany are interdependent and their separation would mean economic chaos, with the prospect the states would become a burden to the world.

On the industrial side, the Treasury plan would change Germany's whole economic system; the chief source of livelihood would be agriculture.

The German steel plants would be stripped to a fraction of their present or pre-war capacity. The excess facilities would be moved to Russia and France, as a sort of war-damage payment. The chemical industry also would be dismembered. The synthetic motor fuel industry would be removed completely. The theory here is that it is essentially a war industry. Germany would be permitted to buy what fuels she needs for normal uses from producing countries.

Power System Has Been Damaged

The electric power industry would be subject to very little direct action. The Treasury's thought is that facilities would shrink when heavy industry was reduced, to fit the lower requirements and would not remain a threat. Also, much of Germany's power system has been damaged by bombing. Some of it would not be rebuilt.

As the plan would work out, Germany would be left with little more than a civilian goods industry—textiles and food processing, for example—to support her agricultural economy.

Supporters of the Treasury plan agree it would not be adequate to support the German population, except on a starvation economy. They say it would encourage more than 30 million persons to move to other

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portions of the world and that this, in itself, would be a major contribution to future peace.

Competing proposals for post-war treatment of Germany would allow her to keep a much greater portion of her industry. They would take out portions of the chemical industry and do away with the synthetic fuel industry, without which Germany could not have waged the present war. Much of the electric power generating equipment would be located outside the country so it could be cut off if Germany threatened war.

Schools Would Be Closed Temporarily

The Treasury plans for education are based on the belief that the schools must be cleared of the Nazi doctrine if Germany is to be led away from its war-like ways. Schools would be closed until new textbooks which would omit the Nazi doctrine could be prepared. Universities would be closed indefinitely, largely on the basis that the first students ready for higher education have the Nazi ideology well established in their minds. This is also thought to be true of the professors. Medical colleges might be permitted to continue, so that there would be no shortage of doctors.

The Treasury plan, while worked out in constant consultation with the State Department, does not represent this Government's position. An official policy with regard to post-war Germany has yet to be determined.

Then, when the United States plans are made, they will have to be taken up with the British and the Russians. These two countries will have some very specific ideas of their own as to what should be done with Germany.

Washington Merry-Go-Round

By Dreio Pearson

WAR DEPARTMENT and State Department officials are still quaking in their boots after President Roosevelt blew up last month over their failure to achieve any clear plan for civil administration in Germany.

With the armistice due any time, joint British and American army units spent most of the summer writing and rewriting a handbook to place before civil administrators to be assigned to Germany. The fourth draft of this handbook arrived here from London late in August for comment from the War, State, and Treasury Departments. It turned out to be a completely negative set of instructions, with no clear and workable recommendations concerning labor problems, food problems, industrial problems.

And there was absolutely no instruction for the handling of Nazis in key posts. Civil administrators studying the book were given no reason to believe that the British and American Governments even desired to oust Nazis from important posts in Germany.

The galley profs came in with instructions that recommended changes should be cabled back to London in about twenty-four hours.

In disgust, Treasury Secretary Henry Morgenthau and Harry White, director of the Treasury's monetary research division, took the proofs to the White House, tossed them on the President's desk and asked him to look them over.

The President, already peeved because he had not been con-

sulted about the appointment of Robert Murphy as political adviser to General Eisenhower, read through six pages of the handbook, then threw it down indignantly.

"Feed the Germans!" he said. "I'll give them three bowls of soup a day, with nothing in them. Control inflation! Let them have all the inflation they want. I should worry Control Industry. There's not going to be any industry in Germany to control."

Blistering Letter To Stimson

HE TURNED to Morgenthau and demanded that, within two days, Morgenthau, Secretary of War Stimson and Secretary of State Hull prepare for him a detailed plan for the civil administration of Germany. Then he wrote Stimson a two-page letter, blistering the proposed handbook.

So irked was he that he dispensed with the usual "Dear Henry" salutation, heading his letter instead "To the Secretary of War." First sentence was, "This is a very bad job." There followed long quotes from the handbook galley proofs, passages which FDR picked at random as especially weak or stupid.

Copies of this letter went to Hull and Morgenthau. Hull's copy was routed out through the various offices concerned in the State Department, finally getting back with pencilled notations opposite the various quotations. State Department officials were unable to understand, it seems, what was wrong with the draft

and wrote in the margin such comments as "What's wrong with this?" or "This looks okay to me."

FDR's demand for a definite policy on Germany was made on Thursday afternoon, August 31. The deadline was the next Saturday, and resulted in a flurry of memos and a good deal of overtime work at the State Department.

No final plan was reached, but enough was put together for the President to put before the full Cabinet for discussion the next week. By the time he left for Quebec, he himself had some very clear ideas on this policy, even though it was not yet fully formulated.

One beneficial result of the President's anger was the dumping into State Department wastebaskets of half a dozen directives being prepared to outline civil administration in Japan after the war. These were just as insipid as the handbook for German administration.

Capital Chaff

THE ARMY QUARTERMASTER is now considering banishment of its concentrated food tablets given GI's as emergency rations, particularly dextrose tablets. Writes one GI: "We can give the French almost anything but they won't accept those dextrose tablets. From foxhole to foxhole, diseased dextrose tablets fairly litter the earth. We have been hungry enough to munch on the boxes but never the tablets." . . .

United States District Judge "Jefty" O'Connor of Los Angeles has urged that we preserve the official records of Nazi-Jap atrocities, lest the next generation forget. The original documents from the war guilt trials should be preserved in the Congressional Library for future students, urges Judge O'Connor.

Democratic Congressmen are

The Washington Post

SEP 21 1944

fuming over the fact that, while the Rotary, Kiwanis and other so-called nonpolitical clubs are warning their speakers not to talk politics, Miss Vivien ("Tax-Me-Not") Kellems has been speaking to various of these clubs, spreading violent anti-Roosevelt propaganda. . . Before the Los Angeles Rotary clubs recently, the vivacious Vivien launched her sharpest barb at Attorney-General Francis Biddle. Apparently she didn't know that it was Biddle who overruled his subordinates regarding prosecution of Miss Kellums for communicating with a Nazi agent in Argentina.

Canine "Short Snorter"

GENERAL MARK CLARK recently has his cocker spaniel "Pal" sent to him in an airplane across the Atlantic. As a result, officers at Clark's headquarters in Italy decided that "Pal" should be a member of the Short Snorters Club, to join which one must cross the Atlantic by plane. So they presented "Pal" with a little leather bill case attached to his collar and containing a Snorter dollar bill. In one hour's time, "Pal" came back with 14 signatures on his membership bill.

September 29, 1944
10:27 a.m.

HMJr: Hello.

Operator: Mr. Hopkins.

HMJr: Hello.

Harry
Hopkins: Hello, Henry.

HMJr: Harry, I suppose that they told you -- the
War Department -- that they got a clearance
from Hull yesterday.

H: Yeah.

HMJr: Last night they

H: Well, now, I'm

HMJr: Hello?

H: I'm trying to get a clearance from London.

HMJr: I -- you haven't got that yet?

H: No, and the President said that's the one
thing he must have.

HMJr: I see.

H: And I hope to get that by tonight or tomorrow
at the latest.

HMJr: Yeah.

H: But I can't get it this morning.

HMJr: Yeah. Did you see the Krock article today?

H: No.

HMJr: You haven't seen it?

H: No.

HMJr: You'd better send for it.

H: All right. In the Times?

HMJr: Yeah.

H: Yeah.

HMJr: And

H: About this business?

HMJr: Yeah. I'm trying to get it to the President so that he'll read it before he has his Press.

H: Well, has he done it?

HMJr: Well, I

H: I'll tell you how to do it, if you

HMJr: Yeah. How?

H: Call Anna. Anna.

HMJr: Yeah.

H: And tell her to take it in and show it to him right now. He's shaving.

HMJr: Oh.

H: That ought to be a good time for it. Let her read it to him.

HMJr: I see.

H: Tell her to read it out loud to him.

HMJr: Do you think so?

H: Yeah. Well, sure, if you want him to get it before his press conference, that's what you'd better do.

HMJr: All right.

H: All right, Henry.

HMJr: Thank you.

H: Good bye, old boy.

The New York Times.

SEP 29 1945

In The Nation
S. I. FuchsA Good Example of the Value
of PublicitySEP 29 1945
By ARTHUR KROCK

WASHINGTON, Sept. 28—Familiar signs point to the abandonment by the President of Secretary Morgenthau's Carthaginian post-war plan for Germany, which was briefly in the ascendant here and got much encouragement at Quebec.

The usual "high administration sources" are passing out word that Mr. Roosevelt does not favor the plan, after all, and that he never really was ready to adopt its basic philosophy. From these same inspired sources come statements that arrangements for post-war Germany are again being handled in an orderly manner: The State Department dominant in the political sector, the War Department in the military, and the Treasury confining itself to its proper concerns instead of trying to take over the whole problem.

Some very careful and well-informed reporters have ample evidence that this attitude is an about-face by the President, however, and if his position is as now stated by spokesmen with good credentials the change can largely be attributed to publicity.

Secretary Hull's objection to the plan, and his disapproval of the assumption of management of the whole matter by Mr. Morgenthau and the Treasury, were well known to many in the government. And Secretary Stimson had made plain to a number of influential persons his resentment and disapproval of, and positive alarm over, the turn the situation was taking with the encouragement of the President. But not until it was published that Mr. Morgenthau had become the administration authority, and had been permitted to press ideas at Quebec while Messrs. Hull and Stimson were

left at home, and not until the details of these ideas were published also, did the domestic reaction begin that apparently affected the President's attitude.

Part of this upsurge was based on the obvious use German propaganda would make of a fixed Allied program to transform Germany from an industrial to an agricultural country. It was clear that Dr. Goebbels would ask why Germans should not die to the last man to resist a conquest after which (he would say) no German could hope to enjoy even the driest fruits of incessant labor.

Spiking the Guns

The German propaganda machine took this line very promptly, but the publicity by which Mr. Morgenthau's activity and the details of his plan were revealed also carried the news that the administration was violently split. This fact undoubtedly made its way into Germany and rendered it more difficult for Dr. Goebbels to persuade the people the plan was fait accompli. Such is the information from the underground. Therefore it can be said that, if the project was unwise and an impediment to the promptest possible conquest of Germany—as most comment holds—the publicity by which it was made generally known, and by which also the powerful opposition to it in Washington was made known, not only brought about abandonment of the plan but spiked the propaganda guns of Dr. Goebbels.

The President is expected to issue a statement assuring the German people as well as opponents of the Morgenthau plan among the Allies that it is not to be high policy, and announcing that the State and War Departments will retain their proper responsibilities. This expectation was fortified by the proclamation issued today by General Eisenhower in which he said that the forces under his command have entered Germany "as conquerors but not as oppressors."

Bait for Britain

Yet there is a belief in high adminis-

tration circles that Mr. Morgenthau received encouragement at Quebec as well as in Washington before he departed for the conference. This correspondent was informed today that the British lent an interested ear to descriptions of the beneficial effects on their hard-pressed economy if Germany were turned into an agricultural nation. The British lend-lease debit account with us is now about \$6 or \$7 billions, which would be a large item on their post-war ledger, growing larger and more difficult to liquidate the longer the duration of the war. If German industry were to be dismantled, allocation of the machinery, stockpiles, etc., to other countries might well include the United Kingdom, cutting down its need for importing such costly gear until its industries have been restored and converted to peacetime manufacture. The subtraction of Germany from world markets—by destroying its industry and making it agricultural—would also increase the export markets of other nations, among which the United Kingdom would surely acquire a goodly share.

These "advantages" of the Morgenthau plan would help to improve the financial position and prospects of the United Kingdom, it could be urged by an advocate of that plan. At any rate, some of the British at Quebec are said to have been impressed by such representations, and consequently by the plan from which the benefits would flow.

Whatever the facts as to this publicity and the return of common sense which it evoked have apparently solved the Cabinet crisis, restored order in the administration in handling the German problem, and produced reconsideration by the President of wiser measures. If he would now undertake to remove the phrase "unconditional surrender" from the political atmosphere which envelops it and define it as the military matter it really is, another of Dr. Goebbels' guns would be spiked.

September 29, 1944

I went over about 10:30 and saw Anna Boettiger, and I gave her all of my clippings on the German Plan, and asked her to particularly show the President the one of Krock's today. She had read the first one, so she said, "Oh, the President knows all about this." So I said, "Please take it in and show it to him." I said, "I think he ought to get Hull, Stimson and me together in the room and read the law to all of us, and tell us to stop talking." I said, "The first thing you know they are going to spread it that the President has signed an agreement with Churchill on this thing. It is bad politically and it is bad by the inference on the Jewish angle." I said, "I will stay here outside the President's door in case he should want to see me.

She came out in a couple of minutes, and put her hand on my arm and sort of gently but forcibly started to move me away, and she said that the President didn't want to see me, and she kept moving me towards the elevator. She said, "All I know is that the President said he definitely doesn't want to see you." She said, "I am confident the President has made up his mind as to what he is going to do, but he didn't tell me what it is.

Then I dropped in to see Hopkins and told him I had taken his advice, but the President said we were both wrong. Hopkins for the first time read Krock's article, and he thought it was very vicious. Nobody hates Roosevelt as much as Krock does, and I pointed out to him that the next story would be that Roosevelt bribed Churchill with \$6 B. Lend-Lease to be favorable to what we wanted to do in the Ruhr and Sahr, and Hopkins said, "He practically says that in this article."

I told Hopkins that the President ought to get the three of us together, and he agreed that he should.

Hopkins said that he had gotten hold of General McGrady, and told him we wanted to hold off doing anything on Lend-Lease.

Then Hopkins said, "What do you think about Patterson's going to Europe. He said that he had talked to the President about it, and he seemed to like the idea. I told him I had

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Patterson over for lunch one day last week, and was surprised to find out he knew nothing about it, and I said that I had asked him if he would be interested, and he said he would consider it very seriously.

Hopkins said that he was convinced that if this matter had been left to Hull and me, we would have had no trouble but that Stimson, being opposed to it, had made trouble. He didn't imply that Stimson had talked to the newspaper men at all.

September 29, 1944

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Shaeffer *CS*
SUBJECT: President's Press Conference, Friday,
September 29, 1944 - 10:30 A.M.

ALLEGED CABINET BREACH -- President Roosevelt, at his regular press conference, denied flatly that there had been a breach in his three man cabinet caused by your plan. The denial came about indirectly, after the President had made public a letter to Leo Crowley containing major policies to be effected in postwar Germany.

"Is this supposed to heal the differences in your three man cabinet committee, Mr. President," he was asked. "There is no truth in reports of a split in my little cabinet", Mr. Roosevelt replied. "All stories to the contrary are essentially untrue in all details", he concluded.

Mr. Roosevelt added that the major policies set forth in the attached letter had been approved "all the way down the line" by State, War and Treasury.

GERMAN MARK -- President Roosevelt was asked to comment on a recent report that the German mark would be valued at 10%. He replied he believed this was an old story, that he did not know about it, but suggested that the query be addressed to the Treasury Department.

PRESIDENT ROOSEVELT DESCRIBED AS ESSENTIALLY UNTRUE REPORTS THAT
THERE HAD BEEN A SPLIT WITHIN HIS CABINET ON PLANS FOR POSTWAR
TREATMENT OF GERMANY.

9/29--GE1139A

**PRESIDENT ROOSEVELT DENOUNCED ARGENTINA FOR SUBMITTING TO "INCREAS-
ING NAZI INFLUENCE" AND SEEKING TO "UNDERMINE" THE SAFETY OF THE
AMERICAN REPUBLICS BY SPREADING THE WORD THAT THE ALLIES ARE DIVIDED
IN THEIR ATTITUDES TOWARD ARGENTINA.**

9/29--GE1134A

ADD ROOSEVELT

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THE PRESIDENT WAS ASKED WHETHER HIS POLICY DIRECTIVE SETTLED A REPORTED SPLIT AMONG HIS THREE-MEMBER CABINET COMMITTEE ON POSTWAR PEACE POLICY. HE ANSWERED BY SAYING THIS WAS IN THE CATEGORY OF NEWSPAPER STORIES.

ASKED WHETHER THIS MEANT THERE WAS NO DISPUTE, HE SAID YES. HE ADDED THAT EVERY STORY THAT HAD COME OUT ABOUT THIS SITUATION HAD BEEN ESSENTIALLY UNTRUE IN THE BASIC FACTS.

ASKED WHETHER THE POLICY WAS EVOLVED AT QUEBEC, HE SAID NO. ASKED IF THE POLICY HAD BEEN DETERMINED BY THE SPECIAL CABINET COMMITTEE, HE SAID IT HAD BEEN APPROVED ALL DOWN THE LINE BY THE STATE, WAR AND TREASURY DEPARTMENTS.

ON THE QUESTION OF POSTWAR GERMANY, THE PRESIDENT SAID THERE WAS A GOOD DEAL OF NATURAL CONFUSION ABOUT THIS BECAUSE THIS COULD BE APPROACHED FROM TWO POINTS: WILL THIS POSTWAR PERIOD BEGIN THE DAY GERMANY FOLDS UP, OR SHALL IT BE CONSIDERED AS A LONG RANGE THING?

9/29--GE1149A

ADD ROOSEVELT

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● HE ALSO RELEASED DURING HIS NEWS CONFERENCE A SUMMARY OF A POLICY TO BE FOLLOWED BY THE FEA "WHEN THE MILITARY RESISTANCE OF NAZI GERMANY IS OVERCOME." IT SPECIFIED THAT ECONOMIC STUDIES SHOULD BE ACCELERATED UNDER THE GUIDANCE OF THE STATE DEPARTMENT SO THAT THIS GOVERNMENT CAN PARTICIPATE WITH THE UNITED NATIONS "IN SEEING TO IT THAT GERMANY DOES NOT BECOME A MENACE AGAIN TO SUCCEEDING GENERATIONS."

THESE STUDIES, HE SAID IN A LETTER TO FEA ADMINISTRATOR CROWLEY SHOULD BE DIRECTED TOWARD CONTROL OF THE GERMAN "POWER AND CAPACITY TO MAKE WAR IN THE FUTURE."

MR. ROOSEVELT TOLD CROWLEY IT WAS "IN THE NATIONAL INTEREST OF THE U. S., AS WELL AS THE JOINT INTEREST OF THE U. S. AND OTHER PEACE-LOVING NATIONS, THAT THE DESTRUCTION AND DEVASTATION OF WAR BE REPAIRED AND THAT THE FOUNDATIONS FOR A SECURE PEACE BE LAID.

○ HIS POLICY DIRECTIVE TO CROWLEY COVERED EIGHT POINTS -- EXPORT CONTROL, STRATEGIC AND CRITICAL RAW MATERIALS, PRECLUSIVE BUYING, ECONOMIC WARFARE, LEND-LEASE, SURPLUS PROPERTY, CONTROL OF THE WAR-MAKING POWER OF GERMANY, AND RECONSTRUCTION AND FUTURE FOREIGN TRADE.

9/29--GE1147A

ADD ROOSEVELT-ARGENTINA

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THE PRESIDENT ISSUED A STRONGLY WORDED STATEMENT SAYING THAT THIS GOVERNMENT FELT "INCREASING CONCERN" OVER DEVELOPMENTS IN ARGENTINA DURING RECENT MONTHS.

IT IS "PARADOXICAL," HE SAID, THAT NAZI INFLUENCE IN ARGENTINA IS INCREASING AT A TIME WHEN GERMANY IS MOVING NEARER TO ACTUAL DEFEAT IN EUROPE. IT ALSO IS PARADOXICAL, HE SAID, THAT A "VAST MAJORITY" OF THE PEOPLE OF ARGENTINA STILL ARE STEADFASTLY FAITHFUL TO THEIR IDEALS OF DEMOCRACY.

HE ACCUSED THE ARGENTINE GOVERNMENT OF HAVING "REPUDIATED" SOLEMN PLEDGES TO THE OTHER AMERICAN REPUBLICS, AND SAID THAT UNLESS WE NOW DEVELOP RESPECT FOR SUCH PLEDGES, THERE CAN BE "LITTLE HOPE" FOR INTERNATIONAL SECURITY.

9/29--GE1142A

The President has addressed the following letter to
Honorable Leo T. Crowley, Administrator of the Foreign Economic
Administration:

"In accordance with our discussions, the following are
the major policies which should be put into effect by the Foreign
Economic Administration within the scope of its present functions
and responsibilities when the military resistance of Nazi Germany
is overcome:

1. Export Control. With a view to encouraging pri-
vate trade without interfering with the successful prosecution
of the war against Japan, the FEA should relax controls over
exports to the fullest extent compatible with our continuing war
objectives, particularly that of defeating Japan as quickly and
effectively as possible.

International trade on as full and free a basis as
possible is necessary not only as a sound economic foundation
for the future peace, but it is also necessary in order that we
may have fuller production and employment at home. Private in-
dustry and private trade can, I am sure, produce a high level of
international trade, and the Government should assist to the
extent necessary to achieve this objective by returning interna-
tional commerce to private lanes as rapidly as possible.

2. Strategic and Critical Raw Materials. In view of
the curtailment which is to be made in our war production after
the German phase of the war, the Foreign Economic Administration
should consult with the appropriate supply agencies with a view
to making an appropriate cut in its foreign procurement program
for strategic and critical materials needed in the prosecution
of the war.

The adjustment to this reduced program should be made
in such a way as to prevent undue and unnecessary financial
losses to American taxpayers, to best preserve our foreign rela-
tions and to strengthen the foundation for a high level of
international trade in the future.

3. Preclusive Buying. The Foreign Economic Adminis-
tration has been buying abroad materials needed by the Axis
to produce munitions and other war materials in order to prevent our
enemies from getting them. I understand that the peak of this
program is already passed as a result of the victories which have
been won by the United Nations. The Foreign Economic Administra-
tion should continue to take all necessary steps to prevent Japan
from getting strategic and critical materials for the Japanese
war program, but it should limit its preclusive purchasing program
to achieving that end, observing, of course, any existing commit-
ments.

4. Economic Warfare. The Foreign Economic Administra-
tion's studies of the enemy's war potential and other phases of
economic warfare should be reduced and focused on the war against
Japan. This work should be carried on as it has in the past, in
close integration with our armed forces.

5. Lend-Lease. Lend-Lease supplies should continue to
be furnished in whatever amounts are necessary for the most effective
prosecution of the war. We have waged war on a combined basis with
our Allies with a success which is being amply demonstrated every
day on the battlefields of Europe and the Far East. Until the com-
plete defeat of both Japan and Germany, the flow of Lend-Lease aid
should be continued in the amounts necessary to enable the combined
strength of all the United Nations to defeat our common enemies as

quickly as possible and with the least loss of life. The amount and nature of the aid necessary after the defeat of Germany is closely tied up with the strategic plans for the Pacific war, and the programs for reconstruction and for reconversion of industry to civilian needs which we and our Allies work out on a basis of mutual understanding. The Foreign Economic Administration should aid in carrying out this policy to the fullest extent.

6. Surplus Property. As you have done in the past, you should continue to take every reasonable measure to see to it that no unnecessary surpluses develop out of procurement by the Foreign Economic Administration for Lend-Lease, UNRRA or other purposes. In connection with procurement or production for Lend-Lease or relief and rehabilitation purposes, you should continue to investigate and take up supplies of other Government agencies which are or may be surplus.

7. Control of the War-Making Power of Germany. You have been making studies from the economic standpoint of what should be done after the surrender of Germany to control its power and capacity to make war in the future. This work must be accelerated, and under the guidance of the Department of State you should furnish assistance in work and when requested to do so in personnel by making available specialists to work with the military authorities, the Foreign Service, and such other American agencies and officials as participate with the United Nations in seeing to it that Germany does not become a menace again to succeeding generations.

8. Reconstruction and Future Foreign Trade. It is in the national interest of the United States, as well as the joint interest of the United States and the other peace-loving nations, that the destruction and devastation of war be repaired and that the foundations for a secure peace be laid. I understand that you are also preparing to submit for my consideration major proposals along these lines. In varying degrees every workman, every farmer and every industry in the United States has a stake in the production and flow of manufactured goods, agricultural products and other supplies to all the other countries of the world. To produce the largest amount of useful goods and services at home, we should export and import as much as possible.

Any marked improvement in the economic well-being of the United States will not only improve the economic well-being of the other peace-loving peoples of the world, but will also aid materially in the building of a durable peace.

With this objective in mind, you should continue to take such action as is necessary or desirable in accordance with the powers delegated to the Foreign Economic Administration and in conformity with the foreign policy of the United States as defined by the Secretary of State."

September 29, 1944
12:52 p.m.

HMJr: Yeah.

Operator: Mr. McCloy is at lunch. I left a message that you returned his call.

HMJr: Oh. Is that what they said?

Operator: That's right. He called about twelve-thirty.

HMJr: Well, you remind me when I come up from lunch.

Operator: All right.

2:08 p.m.

John
McCloy: have been pressured by all the King's horses and all the King's men to get Ed Foley released from Italy for a job with Hinckley. You know what he's doing in Italy.

HMJr: No, I -- who, Hinckley?

M: No, Foley.

HMJr: (Laughs).

M: Well, Hinckley is doing contract settlement work.

HMJr: Yeah.

M: And he wants Foley for his General Counsel, and I told him that they couldn't have him until I at least checked in with the theatre to see what the situation was there.

HMJr: Yeah.

M: The President has been pressing us awfully hard in Italy. I think a little unwisely they have sort of stressed some of the so-called hardships of Italy

HMJr: Yeah.

M: and haven't stressed what we've done for Italy.

HMJr: Yeah.

M: Which is at the rate of something over a hundred million dollars of the American taxpayers' money. But that hasn't come out; you'd think we're starving them to death.

HMJr: Well, aren't you?

M: No, we're not. We're feeding them two and a half times better than they were being fed when the Germans were there.

HMJr: Yeah.

M: The figures are really amazing but there's sort of a story that they're having a hard time and we'll give them a great deal of relief....

HMJr: Everybody that comes back says they're starving.

M: Well, they're -- they're not starv -- they're not starving in relation to what they -- they had before we went in. They have greatly improved. Now, the figures are rather extraordinary.

HMJr: Well, they're half-starving.

M: No, I'd say ninety-nine percent starving.

HMJr: (Laughs)

M: You know these -- some of these fellows go over there -- they've never been in Naples before and they never saw any poverty before, but here these -- see these Italians were fighting us a little while ago

HMJr: Yeah.

M: and had a -- about as disreputable a war record as anybody and it's a great phenomenon we turn around and spend that much money to -- to feed them, and liberate their country besides and set up a new Democratic Government for them. It seems to me that's the note we ought to take -- what we're doing for them rather than to talk about how some of the people don't have the right clothing in the streets. However, that's beside the point. At any rate, we're getting a great

M:
Cont'd. deal of pressure on that whole Italian scene,
and of course one of the elements of it is the
fiscal

HMJr: Yeah.

M: situation. Now, the theatre replied today
that, "Well, if you think it's very important --
this new job that he's got -- why, we can release
him provided you can give us somebody else."

HMJr: Who -- who said this?

M: This ^{is} the theatre -- Devers or whoever is down
there now.

HMJr: You ought to have television because I'm really
laughing at you.

M: Why? Why, you

HMJr: (Laughs) Well, anyway, go ahead.

M: Okay.

HMJr: Don't

M: Don't I

HMJr: Don't take me too seriously.

M: All right.

HMJr: All right.

M: All right.

HMJr: Relax a little bit. Relax.

M: We'll start again. All right.

HMJr: All right.

M: Now, I'm going to -- can you give me another
man for Italy?

HMJr: You mean can I give you another man in place of
Ed Foley?

M: Yes. If I let Ed Foley go, somebody that knows something about fiscal and monetary matters and

HMJr: Well, we're

M: to take his place.

HMJr: Yeah, we're starving over here too.

M: You are?

HMJr: Yeah.

M: Well, that's too bad.

HMJr: Yeah.

M: I feel sorry for you.

HMJr: I mean for men.

M: Yeah, I know you are. You've been very generous. There's no question about that.

HMJr: Yeah.

M: But I -- do you know what -- what do you think about it? Do you think I ought to let Foley go?

HMJr: Listen

M: I've got more damn pressure over that fellow than anybody I ever had

HMJr: Listen

M: anything to do with.

HMJr: I wrote -- Foley wrote me a letter which he sent over to me about a month ago.

M: Yes.

HMJr: And -- in which I answered him about -- that -- that I had nothing to do with his staying in the Army

M: Yes.

HMJr: or leaving the Army or what he had to do in the Army.

M: Yes.

HMJr: It was purely a military matter governed by military necessities.

M: Yes.

HMJr: And frankly, Jack, I'm not going to get in on it.

M: Uh huh.

HMJr: And

M: Well, I -- yeah, I -- he was hell-bent to get into the Army.

HMJr: Well, that's -- and in this letter he more or less implied that I sort of dragooned him into the thing, and I

M: Oh.

HMJr: And I reminded him that for several reasons at that time he was very anxious to get in.

M: Oh, yes.

HMJr: Do you remember?

M: Oh, I remember it very well.

HMJr: Yes.

M: Very well.

HMJr: And I

M: Now, the dragooning is all the other way.

HMJr: It's a dragoonette.

M: Yes, that's right. That's

HMJr: Isn't that the female?

M: That's right. That's right.

HMJr: Isn't that the female of a dragoon?

M: That's it. That's what I was -- I didn't dare speak of that point but that's -- you've got it.

HMJr: Yes.

M: Yeah.

HMJr: Well, I -- I'm afraid I'm going to not be helpful.

M: Yeah.

HMJr: I'm going to stay strictly on the sidelines.

M: Yeah.

HMJr: And watch the play.

M: Yeah.

HMJr: And it's wholly up to the Army. But as to giving you a man

M: Yes.

HMJr: any men that we have at this time -- well, we're short....

M: Yeah.

HMJr: And it would go to the -- oh, I call it the European Theatre -- I don't know whether you call it General Eisenhower's Theatre.

M: Yes.

HMJr: But

M: That's -- that's Western European. Yeah.

HMJr: What?

M: That's the European Theatre.

HMJr: Well, we're extremely short and we have nobody that we could give you in place of Foley.

M: Uh huh. Okay.

HMJr: But as to the other, seriously

M: Yes.

HMJr: you have to -- there's no pressure from the Treasury, is there?

M: Oh, no, not a bit. Not a bit.

HMJr: Well

M: Not a bit, but from every other place in town.

HMJr: Well, the White House isn't interested.

M: Yes, yes, they're giving me hell.

HMJr: About Foley?

M: For Foley, yes.

HMJr: Who in the White House is interested in Foley?

M: Well, Pa Watson called me up and -- and -- and Grace Tully called me up and Jimmy Byrnes then called me up. Jimmy was all right. When I told him what the story was, he said, "Well, you decide it as you think best, but"

HMJr: That's what I'm saying.

M: Yeah.

HMJr: But we have no substitutes now.

M: Uh huh. Well, that's the -- if I had a substitute I'd let him go, and maybe I can find one, but I -- I -- you see, for that sort of a job, I really have to have somebody who -- who knows all your business.

HMJr: Yeah.

M: It doesn't do to just pick up a -- a banker and send him over there. I've got to send somebody that knows money.

HMJr: Yeah.

M: And -- well, I'll solve it the best I can. The -- oh, but that -- really the most -- you haven't any idea of how many different corners and angles that's coming from.

HMJr: Well

M: Well

HMJr:I'll be

M: did you see the -- have you seen -- have you seen our movie yet?

HMJr: Oh, I'm awfully glad you spoke of it. I saw it last night and I think it's swell.

M: Okay.

HMJr: I think it's swell.

M: Good. See -- mind you that was done eight months ago, or six months ago. I mean the story on it was done six months ago.

HMJr: Who did that?

M: Well, the -- what's-his-name -- Osborne

HMJr: Oh.

M: and the Morale Services people. What it is -- it's based on -- the thing is -- just between you and me, it's based on a pamphlet which we wrote over here eight months ago to hand to soldiers who were going into Germany. All the sub-titles are from that little booklet.

HMJr: It's a swell job.

M: Yeah.

HMJr: I don't know whether you know Arthur Goodhart. Do you know him?

M: No, I don't know him.

HMJr: Yes, you do. Of Oxford.

M: Arthur Goodhart.

HMJr: Professor Goodhart.

M: No, I don't know him.

HMJr: Yes, you do. He's the

M: I don't move in those academic

HMJr: Yes, you do. He's the editor of English Law Journal.

M: I still don't know him.

HMJr: Well, anyway, he was with me last night.

M: Yes.

HMJr: He's a cousin of mine.

M: Yes.

HMJr: He thought it was wonderful.

M: Yeah. I'm going to show you -- the thing is made up -- made up from this pamphlet which I wrote.

HMJr: Really?

M: Yeah.

HMJr: I'd like to see it.

M: And I'd like to show you -- show that to you.

HMJr: All right.

M: It's still -- but that was -- that was canned six months ago.

HMJr: Right.

M: And is now -- I guess it's been distributed already in Germany. But it's -- it's just the note of that picture.

HMJr: Yes.

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M: The picture is simply the -- the picturization of that pamphlet. I think it's pretty good.

HMJr: Yeah.

M: Now

HMJr: Why don't you

M: I also sent you over this morning a copy of the orders which have been issued over there on fraternization which I think you'll like.

HMJr: Good.

M: And you send it -- I told you to send it back to me as it's the only copy I've got.

HMJr: All right. I was just doing my mail now.

M: Okay. Fine. All right.

HMJr: Thank you.

M: Bye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
September 29, 1944

TO Mrs. Klotz
FROM Secretary Morgenthau

I am now going to make some notes which I thought up during the night of what I want to say at the Newspaper Guild Dinner Monday night.

1. Let it be said on behalf of Nathan Robertson that he wrote some of the very best stories on the Tax Bill that were ever written in Washington.

2. Let it be said that he slants his stories, but he slants them straight, straight in the interests of the common man.

3. Let it be said that his absence from Washington undoubtedly will cost the taxpayer several billions of dollars. And I wouldn't be surprised if a good newspaper reporter made an investigation that he would find out that the Washington Tax Bar was behind the move to get Nathan Robertson out of town and into Harvard University. I hope that Nathan Robertson will come back soon and help us close the remaining loopholes in the tax bill which we have been unable to close so far.

Mrs. Klotz, please have this written out so that I can see it. My thought is that I want to have something like this to read before I speak and then I'll speak without notes.

A DINNER IN HONOR OF

NATHAN ROBERTSON

given by

THE WASHINGTON NEWSPAPER GUILD

Head Table:

Mr. and Mrs. Nathan Robertson	Senator Joseph C O'Mahoney
Mrs. Thomas Robertson	Hon. Oscar Chapman
Miss Dorothy Rockwell	Hon. Archibald MacLeish
Hon. Henry Morgenthau	Hon. Hugo Black
	Hon. Thurman Arnold

Table No. 1

Mr. Jonathan Daniels
 Mr. Randolph Paul
 Mr. Blair Bolles and guest
 Hon. and Mrs. John Rogge
 Mr. and Mrs. Joseph Short
 Mr. and Mrs. Joseph Rovner

Table No. 2

Mr. Lowell Mellett
 Mr. Lee Miller
 Mr. Duncan Wikman and guest
 Mr. Charles Malcolmson
 Mr. John O'Donnell
 Mr. Richard Strout
 Mr. and Mrs. Jack Reid

Table No. 3

Mr. and Mrs. Chas. Michie
 Mr. Tom Stokes
 Mr. Robert Nathan
 Mrs. James A Wechsler
 Mr. Carroll Kilpatrick
 Mr. William McCleery
 Miss Elizabeth Donahue

Table No. 4

Mr. Chas. O. Gridley
 Mr. Radford Mobley
 Mr. Harold Young
 Mr. Bascom Timmons
 Mr. Geo. Polk
 Rep. and Mrs. Clinton P Anderson
 Mr. Milton Plumb

Table No. 5

Miss Helen Fuller
 Mr. Chas. Aldridge
 Mr. and Mrs. Clifford Durr
 Mr. and Mrs. David Loth
 Mr. Matthew Gordon
 Mr. Emanuel Friedman

Table No. 6

Mr. Herbert Little
 Mr. Archie Robinson
 Mr. Joseph Gambatese
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 Major A H Raskin
 Mr. Maury Maverick
 Mr. Henry Lieberman
 Capt. Louis P Ade

Table No. 7

Mr. and Mrs. John O'Brien
 Mr. and Mrs. Hugh Morrow
 Mr. Paul Ward
 Mr. Bert Andrews
 Mr. Carl Levin
 Mr. J L Myler

Table No. 8

Mr. John Herling
 Mr. Richard Hinklehauser
 Mr. Ernest Johnson
 Mr. Bulkley Griffin
 Miss Urcel Daniel
 Mr. Arthur Riordan
 Mr. and Mrs. Arnold Serwer

Table No. 9

Mr. and Mrs. Joseph Loftus
 Mr. and Mrs. Allan Barth
 Mr. and Mrs. William Smith
 Mr. and Mrs. Ben W Gilbert

Table No. 10

Mr. D Harold Oliver and guest
 Mr. Douglas Connell
 Mr. Jerry Kluttz
 Miss Una Franklin
 Mr. Harry E Kessegue and guest
 Mr. Truman Falt

Table no. 12

Mr. and Mrs. Paul Sifton
 Mr. John Edelman and guest
 Lt. and Mrs. Barney Taylor
 Mrs. Gordon Cole
 Mr. Oliver Pilot

Table No. 15

Mr. Joseph Van Denburg jr. and guest
 Mr. George Copeland
 Mr. Chalmers Roberts and guest
 Mr. George Daly and 2 guests

Table No. 11

Mr. William Rodgers
 Mr. and Mrs. David Karr
 Mr. G Warren Morgan
 Mr. Josse Laventhal
 Miss Glorci Lubar and guest
 Miss Elizabeth Oswald and 2 guests

Table No. 13

Mr. and Mrs. Edwin Lahey
 Mr. and Mrs. Lee Pressman
 Mr. and Mrs. John Moutoux
 Miss Mollie Lynch
 Mr. Len De Caux

Table No. 14

Mr. and Mrs. John Anderson
 Mrs. Henry Klein
 Mrs. Frieda Lyman
 Miss Annabella Kaplan
 Mr. Crogg Frankel
 Lieut. John Limbert
 Miss Peggy Dudley

~~TO:~~

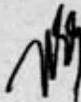
9-29-43

The Secretary

Henry Pringle has just spent a half hour with me and has left. He says he has too much on his hands to take on any regular job, even of an advisory character. Besides his magazine work he is undertaking a history of the war for Knopf, which will run to several volumes and require several years of work. He has a grant from Guggenheim Foundation.

He is still in process of moving today and he hoped under the circumstances you would excuse him.

He'll be glad to come in at any time to talk about any specific matter on which he might help us.



FROM: MR. GASTON

Mr. Frederik Smith, Assistant to Secretary Morgenthau since May, 1943, has resigned to accept a position with the Blue Network as Director of Advertising and Promotion, it was announced today.

Secretary Morgenthau said Mr. Smith will return to the Department for service during the Sixth War Loan, scheduled to start in November, and will assist in a consultive capacity "whenever I need him."

Before his appointment as Assistant to the Secretary, Mr. Smith for several months gave technical assistance to the War Finance Division. He came to the Treasury from the advertising firm of Young & Rubicam, Incorporated, New York City, where he was head of the agency's public relations division.

Mr. Smith will assume his position with the Blue Network immediately.

oOo

O.K. 10m 2

Second Birth Draft
9-29-44
War Finance Speech 45
Secy. Morgenthau
Atlantic City

You may not be aware of it but this meeting today is a kind of birthday celebration -- a very important birthday in my calendar. Just about ten years ago the first United States Savings Bonds -- they used to be called Baby Bonds in those days -- were sold to the American public. And in just a few months -- next March to be precise -- the youngest of these Bonds will reach its maturity and be presented to the Treasury of the United States for redemption.

A birthday is a family affair. And I am especially happy to be able to celebrate this birthday with members of the immediate family that made savings bonds the most popular and most widely held form of investment ever conceived in the United States. I think you can be very proud of your adopted child. When the history of this war comes to be written I think, indeed, that the savings bond program will have a highly honored place in it and that the job which you have done so generously and so effectively will be recorded as one of the major contributions to our victory.

I should like to go back with you for a few minutes to those early days, a decade ago, when War Bonds were Baby Bonds. They were conceived then with a very definite purpose in view. That purpose was, in a phrase, to democratize public finance in the United States.

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We in the Treasury wanted to give the average American a direct personal stake in the maintenance of sound Federal finances. We wanted to bring the Treasury, through the Federal Reserve System, into direct contact with all the banks of the country. The public debt, we felt, should go through something of the same sort of mutualization that had enriched and expanded the life insurance industry in this country. Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocket-book from pressure blocs and special interest groups. In short, we wanted the ownership of America to be in the hands of the American people.

We had made only a start in this direction, you will remember, when war broke out in Europe and threatened the security of the United States. But the foundation had been laid for real popular participation in an American preparedness program. Savings bonds became known as Defense Bonds. And, as you all know, they played an important part in making the Nation ready for the great crisis which came upon us at the end of 1941. They served not only as a vital factor in financing the rearmament of our fighting forces but, what seems to me even more important, they gave to the average citizen a sense of the war's meaning of the urgent nature of the national danger.

When the crisis struck, the machinery was ready and in operation for the people's financing of the war. It was at this point that you took over. Defense Bonds became War Bonds. And through your efforts they have been put into the hands of 80 million individual Americans. I congratulate you on the accomplishment. Think of it! Out of every 13 men, women, children and babies in the United States, eight have purchased bonds of their Government. Today there are approximately 23 billion dollars of Series E Bonds -- the people's Bond -- outstanding, all held by individual investors.

Now let us look at the role which these War Bonds have played in the war finance program as a whole and in the maintenance of essential economic stability in the United States both during the war and in the difficult reconversion period which will come with peace.

It has been the task of the Treasury Department to finance the costliest war in history. Since Pearl Harbor, the war has cost about 201 billion dollars. During this same period, non-war expenditures have been kept down to 15 billion dollars, making a total government outlay of 216 billion dollars.

Well, 81 billion dollars, or 37 percent, of this staggering sum has come from revenue -- in other words, from taxes.

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During the fiscal year just ended expenditures were just over 95 billions and net receipts slightly exceeded 44 billions, or 46 percent. In short, our 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.

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 need for greatly increased government revenues, the American people have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer.

But after these record collections there remained 51 billion dollars in the last fiscal year, 135 billion in the last three years, that had to be raised in some other manner.

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

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strengthen, rather than weaken, the national economy.

It would have been relatively easy to finance the rising debt through the banks. But in order to avoid inflation, it was essential that as large a proportion as possible of the increased debt be borrowed outside of the banking system, after allowing for the increase in money supply necessary to finance the wartime expansion of the economy.

We proposed to do this by offering a variety of securities designed to meet each type of investment need. The Series E Savings Bonds, non-neogitable and payable on demand 60 days after issue date, were tailored to meet the need of the average American citizen able to set aside modest savings for investment purposes. By their nature they are guaranteed against fluctuation in market value. Their investment yield if held to maturity, 219 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-neptiable 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.

er they awoke to find that their loss had been the gain of

the speculators and the wealthy who then owned their Bonds at prices which brought them truly handsome yields on the safest securities in the world.

Second, 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.

Third, War Bonds will constitute an invaluable backlog of purchasing power in the postwar decade. Only a part, and I believe the smaller part, of this purchasing power will come from cashing the bonds themselves. The most important part will come from the greater spending of current incomes growing out of the sense of security afforded to individuals by their war bond holdings. Thus we shall be in a strong position to ward off the sort of deflation which struck this Nation so disastrously in 1920 and 1921.

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.

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 added 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 virile 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

overnment in borrowing costs.

The average cost of money to the Treasury since Pearl Harbor has been one and three-quarters percent. This contrasts with an average of four and a quarter percent paid for money during World War I. On the basis of the 150 billion dollar increase in the debt to the present time, the resulting saving to the Government amounts to almost 4 billion dollars annually.

The saving in interest has been a real social gain, since it has been achieved by sparing the holders of a large proportion of the debt the risks incident to fluctuations in interest rates. I believe these risks are exaggerated; but whatever they may be, the Government is in a better position to bear them than the bondholders, whether individual or corporate. There is no reason why gambling on the long-term rate of interest should be a necessary part of lending money to the Government. The day is past when the United States Government need ask its citizens to insure it against changes in the rate of interest.

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 further savings, probably well in excess of a half 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.

Our fiscal policy -- paying through taxes 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 consisted of direct controls, including rationing, price ceilings, allocations and so forth.

As a result of this policy of stabilization, a saving of 70 billion dollars has been effected in Government expenditures through June of this year.

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But the greatest and most important saving has been that among the people themselves. It has come about through an intelligent deferment of satisfactions. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced _____ percent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. 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 a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a post-war

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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 post-war world, we need have no fear of the future.

The aspect of the War Bond program which gives me the greatest pride is the fact that, throughout, it has been conducted on a genuinely voluntary, democratic basis. From the beginning, we were resolved to avoid certain high-pressure sales tactics which, unavoidably, attended the fund-raising of World War I. It was determined that there should be no compulsion, no hysteria, no slacker lists and no invidious comparisons between those who bought Bonds and those who did not. There was to be room in this program for the individual with special burdens and responsibilities who could contribute only in very small amounts -- and even for the individual with special burdens and responsibilities who could contribute only in very small amounts -- and even for the individual who could not share at all. I think you know, and the whole Nation knows, how scrupulously this policy has been observed.

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There was a good reason for it. In the early days of 1941, when I first asked Congress for authorization to borrow from the general public through a Defense Savings Bond campaign, I said this: "There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes from doing their daily job faithfully and well. Every day, letters come to me from people who ask, 'What can I do to help?' Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency. It is the purpose of the Treasury to raise money for national defense by methods which strengthen the national morale."

The desire of the people "to help," the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that failed to support us -- the voice of the President of the

United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real battle had to be fought and won in the field -- fought and won by sustained, unstinting, tireless service. You have given that service. You have given it with a resourcefulness and enthusiasm and good cheer that have overridden every difficulty. You have given it at real sacrifice of time and comfort and self-interest. I think that the job that you have done is beyond my praise. I know that the richest regard you can receive for it is the knowledge that it has been done supremely well, that it has played an indispensable part in our forward march to victory. Still, I should like, on behalf of the Treasury Department to say one simple word to you -- Thanks. I shall venture nothing more than this. But know that this one word is echoed, and will be reechoed, by every one of your fellow-Americans.

When you enlisted in this program, you enlisted for the duration. The term of your service has not yet reached its end. The truth is that the toughest part of your job still lies ahead.

Let us look at the future realistically. The war news of late has been extremely good. The enemy in Europe is on the run. How soon he will collapse, none of us can tell. But even when that great day comes, there will still be a hard and costly victory to be won in Asia. Our military and naval authorities made the grim assertion just recently that it will take us at least a year and a half, possibly two years, to defeat Japan after Germany is beaten. And we shall be able to do it in that time only if we put every bit of our strength into the effort. The enemy has short, interior lines of communication, while we must move men and materials across the vast distances of the Pacific before we can bring our power to bear. The costs of this kind of warfare will certainly be very high, higher even than they were in Europe.

You cannot rest on your laurels. The Sixth War Loan campaign lies immediately ahead. Its challenge must be confronted just as resolutely as in the past. And I tell you frankly that even on the most optimistic assumption there will have to be a Seventh Loan. Your job is to make the people of America understand that there can be no let-down on the Home Front now, that the time has not yet come to relax or celebrate. One thing a champion learns in his climb to the top is to bear down as victory nears. This is the time to bear down with all your strength. I know that America can count upon you to see your job through to its end.

September 29, 1944

Dear Mr. Ransom:

Your letter of September 29th to Secretary Morgenthau came after he had left the office for a few days. He will return on Monday and I shall see that your letter is brought to his attention promptly.

Yours sincerely,

(Signed) H.S. Klotz

H. S. Klotz
Private Secretary

Hon. Ronald Ransom,
Acting Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE VICE CHAIRMAN

September 29, 1944

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

My dear Mr. Secretary:

Mr. Bell has asked me to meet with you on October 4 at 11:00 a.m. for the purpose of discussing a proposal to increase the weekly Treasury bill offering. Both Mr. Eccles and Mr. Sproul will be away at that time and the Executive Committee of the Federal Open Market Committee had designated me as Acting Chairman for the period of their absence and requested that I, together with technical advisers of the Committee, be available for consultation with you at any time.

Treasury proposals to increase the bill offering have been discussed at a number of meetings of the Executive Committee, which has taken the position that there should be no further increase in the weekly offering. This position was reviewed quite thoroughly at the meeting of the Federal Open Market Committee on September 21, the attendance at which included the Presidents of all the Reserve Banks. The discussion disclosed unanimous agreement and the position of the Executive Committee was approved. The reasons are stated in a memorandum of September 13, which was furnished to Mr. Bell, but I assume that because of the heavy demands upon you there has not been an opportunity for you to look at it. I am therefore attaching a copy and would greatly appreciate it if you would read it before our meeting on October 4, as it represents the position which I shall present, together with the alternatives that might be considered in the event that you feel that it is necessary to raise additional funds before the next drive.

I am sending a copy of this letter with its enclosure to Mr. Bell.

Very truly yours,


Ronald Ransom,
Acting Chairman.

Enclosure

cc: Honorable D. W. Bell,
Under Secretary of the Treasury.

C O P Y

September 13, 1944

Honorable Daniel W. Bell,
Under Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Dan:

The Executive Committee of the Federal Open Market Committee has considered further the question of increasing the weekly offering of Treasury bills and presents its recommendations in the enclosed memorandum. Representatives of the Executive Committee would be glad to meet with you and discuss the matter further if you wish. If you disagree with the memorandum and want to issue additional bills, we would like to have an opportunity to discuss the matter further before you make a definite decision.

Sincerely yours,

M. S. Eccles, Chairman,
Federal Open Market Committee.

Enclosure

STRICTLY CONFIDENTIAL

September 13, 1944

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

The Executive Committee of the Federal Open Market Committee has considered further the question of increasing the weekly offering of Treasury bills, which was the subject of the memorandum of July 31. The Committee recommends that the Treasury make no increase in the weekly offering before the end of the Sixth War Loan, unless the timing of the Sixth War Loan makes necessary the building up of the Treasury balance prior to the date of payment for securities offered in the drive. In making this recommendation, the Committee has taken into account the following considerations:

1. Under present conditions, any increased amount of outstanding bills would need to be purchased by the Federal Reserve. In the opinion of the Committee, there should be no increase to raise funds when the market for notes and bonds is strong, but increases should be postponed until bills are needed to supply reserves and to maintain the pattern of rates. Otherwise, part of the reserves created by Federal Reserve purchases of bills would go to banks that already had sufficient reserves, with the result that these banks would be enabled to hold the large amount of securities that they purchased during the Fifth War Loan and would be encouraged to expand credit further by purchasing additional amounts. The existing difficulty in maintaining the pattern of rates would thereby be increased, and the continued strength in the note and bond market might encourage banks to purchase an even larger amount of securities during the Sixth War Loan than they purchased during the Fifth War Loan.

2. Banks hold sufficient securities to meet their needs for reserves without strain on the pattern of rates. Between September 6 and November 15, the Federal Reserve will need to supply 2.4 billion dollars of reserves, comprising 1.1 billion to meet increased reserve requirements, 1.1 billion to meet an increase in money in circulation, and about 200 million to meet a gold outflow. Weekly reporting member banks on September 6 still held 629 million dollars more of bills than they held on June 7, just before the beginning of the Fifth War Loan. Between June 7 and the peak in their holdings, reporting member banks increased their holdings of certificates by 2.3 billion dollars, their holdings of notes by about 400 million, and their holdings of bonds by 1.3 billion, a total of 4.0 billion. Since the peak, they have reduced their holdings of certificates by 134 million dollars, their holdings of notes by 97 million, and their holdings of bonds by 12 million, a total of 243 million. They still hold, therefore, 3.8 billion dollars more of certificates, notes, and bonds than they held before the beginning of the Fifth War Loan. It is apparent, therefore, that banks can readily meet their reserve needs by selling only part of these acquisitions. It is the opinion of the Committee that they should be required to do so rather than supplied with reserves by an increase in

STRICTLY CONFIDENTIAL

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September 13, 1944

the bill offering, which as pointed out above would increase the reserves of banks that did not need them. Such a policy would reduce the demand for notes and bonds and permit them to recede in price from the advanced levels reached following the Fifth War Loan. This development is desirable if excessive speculation is to be discouraged during the Sixth War Loan. Since bank earnings are now at very high levels, there is no need from this point of view of maintaining their present holdings.

3. In maintaining the pattern of rates, Federal Reserve holdings of notes and bonds have declined by about 300 million dollars since early in July. Unless notes and bonds are restored to the Federal Reserve to replace the notes and bonds that have recently been sold, the Federal Reserve will find it increasingly difficult, if not impossible, to maintain the present pattern of rates.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 29, 1944

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TO Secretary Morgenthau

FROM Mr. White

Subject: Meeting of the International Economic Council on Germany.

1. The International Economic Council, which is an association of business men interested in foreign trade and associated international economic problems, recently held a meeting on post-war economic policy with respect to Germany.

2. Represented at the meeting were officials of the Departments of State, Commerce, War, Navy, Foreign Economic Administration, as well as important representatives of foreign governments, including Great Britain, Australia, Brazil and China. Among those present for the Navy Department was Captain James D. Mooney, former President of General Motors Overseas Operations (who was decorated by the German Government during the 1930's). Both Eric Johnston, President of the Chamber of Commerce of the United States and Edward R. Stettinius, Jr., Under Secretary of State, sent messages which were read to the meeting.

3. Moulton in addressing the meeting emphasized the necessity of "allowing the enemy nations to build up prosperous economies without placing them in a position where they can again embark on schemes of world conquest".

4. We have been unable to learn of any Treasury official who attended this meeting notwithstanding the statement that officials of the Treasury attended the meeting.

September 22nd, 1944

BROOKINGS PRESIDENT WARNS AGAINST
CRIPPLING AXIS NATIONS ECONOMICALLY

IEC Creates Capital "Sounding Board" for Members
of Business, Government and Overseas Governments

The United Nations can best serve their own long-range interests by stripping Germany and Japan of conquered lands without throttling them economically, Dr. Harold G. Moulton, economist, author and President of The Brookings Institution said in an address in Washington, D.C. this week.

Dr. Moulton, co-author of a recent book on the subject of controlling the Axis powers, told the International Economic Council at a luncheon at the Washington Hotel that destruction of the economic life of Germany and Japan would mean unemployment, political upheaval and the strengthening of a spirit of revenge in these countries.

The speaker declared it will not be feasible to occupy the defeated nations with military forces for indefinite periods, and suggested instead a system for detecting and putting down efforts to rearm and controlling industries.

Other speakers at the luncheon were Hugh Wilson, former Assistant Secretary of State and Ambassador to Germany, Representative Louis C. Rabaut (Michigan), Chairman of the House subcommittee on appropriations for the Departments of State, Commerce, and Justice, and Joseph A. Jones, Director of the Council, who presided.

The meeting was limited to 100 officials of the United States Government Departments of State, Commerce, Treasury, and the Foreign Economic Administration, and diplomatic representatives of the United Nations and members of international business organizations. It was the first in a series of Fall and Winter programs, the objectives of which, as described by Mr. Jones, are to:

1. Promote public appreciation of the need for continuing economic cooperation between nations as the basis for future peace; and public acceptance of the importance of increasing reciprocal trade between the United States and the rest of the world.
2. Provide a "sounding board" over which the representatives of industry, government and other governments may speak to one another and exchange views on the best means of achieving increased two-way trade.
3. Encourage a friendly understanding and relationship between members of industry, government and other governments - a Know-Your-Neighbor spirit between members of the three groups."

Ambassadors, Ministers, and First Secretaries of many of the United Nations attended. Delegations were sent by the Embassies and Legations of Australia, Brazil, Costa Rica, China, Great Britain, Ireland, New Zealand, Nicaragua and Panama. State, Commerce, Treasury, Foreign Economic Administration, War and Navy were among the United States Departments represented. Captain James D. Mooney, former President of General Motors Overseas Operations, was among those from the Navy Department.

After reading messages from Eric Johnston, President of the Chamber of Commerce of the United States, and Edward R. Stettinius, Jr., Under Secretary of State, Congressman Rabaut remarked: "The last time Secretary Hull appeared before our Committee in Congress, one of my colleagues asked him to name his biggest problem. Without hesitating, the Secretary replied that the problem which most concerned him and the members of his Department was that of having at all times an informed public opinion on matters of international policy.

"The efforts of the International Economic Council during the past year or more in helping to create an informed public opinion, particularly on matters of international trade, are indeed valuable in helping to meet that problem of which Mr. Hull spoke. This further achievement of bringing together business and government groups to sit down in a friendly atmosphere to discuss matters of mutual interest is also worthy of commendation." Mr. Rabaut further declared that none of the nations-- 27 of them - with which the United States has trade agreements is at war against the United States, and complimented members of the Council for their efforts in support of the trade agreements program.

Page Three --

In introducing the Congressman, the Director of the Council referred to him as the man who "next to Cordell Hull is the greatest friend foreign traders have in this country today. He has untiringly fought for a strengthening of the American Foreign Service and has consistently supported reciprocal trade agreements legislation and other measures designed to increase international trade."

Dr. Moulton pointed out that the victors of the World War had to rebuild Europe's economic system when conditions got so bad they had an adverse effect on their own international trade. He said Japan's conquered territories were military rather than economic assets, and that when she loses these she still can develop a thriving, peaceful economy which will be a benefit instead of a liability to world trade.

He stressed the importance of allowing the enemy nations to build up prosperous economies without placing them in a position where they can again embark on schemes of world conquest.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept.29, 1944

TO Secretary Morgenthau

FROM Mr. White

Subject: State Department Report on Reparations, Restitution and Property Rights in Germany.

This report, which you went through on the plane to England, was dated July 31. On August 4, there was another meeting of the Interdepartmental Committee and as a result of that, this report went through a slight revision and was issued again as of August 7. A copy of the August 7 report is being sent to us by the State Department.

In early August, this revision was submitted through the Joint Chiefs of Staff to the War and Navy Departments for their concurrence. Such concurrence has never been given because, in the meantime, the Cabinet Committee was formed and virtually all matters referring to Germany have been in abeyance. The State Department has been utilizing the time in getting up information and statistics in regard to reparations and a Mr. Rosenman is rewriting the larger informal report upon which the document under reference was based.

The document has never been transmitted to Ambassador Winant formally, although, of course, a copy of it has been sent to him informally for his information. The report has not been submitted to EAC for circulation.

SECRET

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ECEFP D-31/44
July 31, 1944

SECRET

SUMMARY: REPORT ON REPARATION, RESTITUTION, AND
PROPERTY RIGHTS - GERMANY

*Prepared by
Admiral
W. S. ...
Send
reparations
to the court*

I. Interest of the United States in German Reparation.

The problem of German reparation is immediately related to the broader question of a general peace settlement, through which the United Nations hope to attain certain political, economic, and security objectives. While not in itself a major means of achieving these objectives, a reparation program can, depending upon its nature, greatly help or hinder their attainment. This Government has approached the problem of German reparation with a view to reaching a solution which would facilitate the attainment of these objectives. The "direct" interest of the United States in German reparation, i.e. in the amount of reparation which this country may receive, is small. The claims of other nations which have suffered severely from German aggression are direct and substantial. The main concern of this Government with respect to German reparation is that the program aid in the attainment of (or interfere as little as possible with) its ultimate political and security objectives.

Broadly stated, the general economic and political objectives of this Government are as follows:

1. The preservation of peace by a system of collective security and disarmament of the aggressors.
2. The early return to a multilateral system of international trade and finance through the removal of excessive barriers to the movement of goods and funds.
3. The rapid reconstruction and rehabilitation of war-torn areas.
4. With respect to Germany: 1/

a) The

1/ Based on General Objectives of United States Economic Policy with Respect to Germany. (ECEFP D-22/44)

-2-

- a) The control of German economic war potential. This, however, is not assumed to imply a large-scale and permanent impairment of all German industry.
- b) Redress of the balance of the European economy.
- c) The eventual integration of Germany into the world economy.
- d) The establishment of democratic institutions, including a free trade union movement.

II. Need for Special Arrangements for the Immediate Post-Surrender Period.

It is unlikely that agreed decisions regarding all of the basic policy questions can be reached during the immediate post-surrender period. It is essential, however, that a program of restitution and reparation transfers be initiated promptly, both in order to hasten European reconstruction and to avert an undue imposition of European requirements upon the American economy while the war against Japan is still in progress.

In order to bridge this gap, immediate discussions looking toward agreement among the claimant states or, in any event, among the United States, United Kingdom, and Union of Soviet Socialist Republics should be inaugurated. Preliminary agreement must promptly be reached on

1. certain minimum basic principles;
2. an interim reparation organization and the relation of this organization to the machinery of Allied economic control of Germany;
3. the development in advance of the military collapse of Germany of an ad hoc program for reparation deliveries which will meet the immediate needs of claimant countries. Such an advance program is essential to the orderly reconversion of industry and labor to post-war production.

The purpose of such an interim arrangement would be to initiate and develop a large program of restitution and reparation transfers even before the terms of a final agreement had been settled.

A temporary

Regraded Unclassified

A temporary arrangement of the kind contemplated would remain in effect until a more comprehensive program, based on a final agreement, could be inaugurated.

III. Résumé of Recommendations on the Final Reparation Agreement

The essential elements of the program recommended in the Reparation Report may be summarized as follows:

1. Time Period.

The reparation period should begin as soon as the United Nations have the power to impose economic controls on Germany. It should be limited to a minimum of about five years from its inception but perhaps may have to be extended to ten. Both political and economic considerations emphasize the need for a short reparation period.

The urgent needs of the devastated areas for relief and rehabilitation and the desirability of restoring normally functioning economies in these areas as rapidly as possible demand quick and decisive action. Moreover, unless the United Nations stand ready to exploit fully the opportunity for cooperative action during the early period after the surrender of Germany, it may prove difficult to accomplish the aims of the program.

The one-way movement of goods and services which takes place under reparation is artificial and necessarily different from normal trade. The longer it continues the longer is deferred the full resumption of regular multilateral trade and the desired integration of Germany into the world economy.

From the political point of view, it must be remembered that the humiliation and cost of reparation will almost inevitably be associated in the mind of the German public with the regime in power at the time. For this reason, long-continued reparation would prejudice the establishment of democratic government in Germany and, indirectly, the maintenance of peace.

The collection of substantial reparation from Germany will probably be impossible without fairly

extensive

extensive controls over the German economy. Since this Government has taken the position that enduring controls of this nature are undesirable 1/ the length of the reparation period will need to be correspondingly limited.

It is realized, however, that the countries which have been devastated by Germany will probably demand a much longer reparation period. While the long-range objectives of this Government make a five-year period preferable to a longer one, it is conceded that an extension of the period may be necessary. In no event should reparation deliveries continue beyond ten years. In case a period in excess of five years is adopted, deliveries should taper off toward the end of the extended period.

2. Amount of Reparation

In view of the numerous uncertainties surrounding the post-war situation of Germany, no useful purpose would be served in attempting to estimate at this time the amount of reparation Germany will be able to pay. These uncertainties relate especially to the amount of damage to physical plant in Germany, the degree of disorganization or disruption of the country's working force, the nature and extent of economic disarmament, and territorial adjustment.

This much may be stated with confidence, however:

- a) Barring dismemberment or extremes of devastation, Germany will be capable of paying, in absolute terms, a very substantial amount of reparation. This has been made manifest by the proportion of national income devoted by Germany (as well as by other countries) to war purposes.
- b) Large as it may be in absolute terms, the amount recoverable from Germany will, in

all

1/ See ECEFP D-22/44, cited, p. 2.

-5-

all probability, be but a small fraction of the total admissible claims, and a much smaller fraction still of the total direct and indirect damage caused by Germany to the claimant countries. It would be highly misleading and dangerous to let the notion gain currency that Germany can be forced to make good all or even a large part of the damage she has wrought.

- c) Reparation deliveries by Germany will be limited both in character and amount by the goods and services the claimant countries are willing and able to take.

Certain general principles regarding the amount of reparation are recommended as follows:

(1) As between the amount, on the one hand, and the time limit on the period of reparation on the other, the time limit should be the governing factor. This means that instead of beginning with the assessment of a definite amount of reparation and adjusting the time period accordingly, the maximum time limit should be defined from the outset and the greatest possible amount of reparation should be collected during that period.

Provision should be made for extending the time period in the event the Allied authorities believe the reparation program is being sabotaged. Conversely, in the event the reparation period is determined to be more than five years, it may be desirable to hold out to the Germans the possibility of reducing the duration of the period by fulfilling their obligations energetically. The decision as to the duration of reparation should be made known to Germany at an appropriate time in the light of political developments.

(2) During the period of reparation the German people should be permitted to retain such part of their production as may be required to maintain a minimum prescribed standard of living. It is

clear

-5a-

clear that the execution of such a program will require effective controls over the economic life of the country, perhaps similar to the wartime controls now in force.

During the control period Germany's production will consist of that required:

- a) to maintain the prescribed minimum standard of living.
- b) to furnish such exports as may be necessary to pay for essential German imports.
- c) to furnish reparation.

The composition of German output and the reparation schedule should be so fixed as to utilize all German production above that required for (a) and (b) above.

All foreign exchange proceeds of exports should be utilized by the Allied control authorities to pay for necessary German imports and, if there is any surplus, to provide cash reparation. Imports should be restricted to the amounts necessary to effectuate the above types of German production.

3. Form of Reparation Payments.

The bearing of form of payment on the long-range political and security objectives of this Government is regarded as an important consideration. The most important question that arises in this connection is whether payment should be made predominately in kind or in cash. It is agreed that a policy of requiring payments in kind with allowance for cash payments only in exceptional cases should be adopted.

A. Reparation in Kind.

Payments in kind can be made from the following sources:

- a) Stocks of goods 1/;
- b) Existing capital equipment 1/;
- c) Current production of goods and services;
- d) Direct labor services.

Stocks of raw materials and food above certain minima for German use will, no doubt, be taken immediately from Germany and transferred to the most needy surrounding countries. In regard to other classes of goods to be included in payments in kind, deliveries should consist of the widest possible range of goods needed by the claimant countries. Reparation in kind should include machinery, electrical equipment, and any other types of manufactured goods that Germany is fitted to produce and the claimant countries are willing to accept, as well as coal, fertilizers, chemicals, et cetera. Only in this way can Germany make its maximum contribution to the European recovery.

One major question, however, remains to be answered: To what extent should reparation come out of existing stocks of goods and capital equipment and to what extent out of current production?

This question involves consideration of the following factors:

(1) To

1/ Other than those subject to restitution which would not be credited against reparation.

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(1) To what extent should deliveries be made out of existing stocks of goods and capital equipment for the purpose of satisfying immediate post-surrender needs in the claimant countries?

Deliveries of this nature will necessarily be most important in the early years of the reparation period. The policy of making early deliveries to the claimant countries from existing goods and equipment is desirable because such a policy would make the maximum contribution to reconstruction in Europe at the time when the need is most urgent. This will also help to redress the economic balance in Europe by shifting machinery and equipment from Germany to the surrounding countries. The transfer of equipment, particularly of equipment for capital goods industries, should be subject to the condition that the ability of such equipment to contribute to the net reconstruction of Europe is not thereby seriously impaired.

This policy of taking reparation deliveries in the form of existing goods and equipment might be objected to on the ground that it will have the effect of reducing German productive capacity and will result in a reduction of reparation deliveries below the maximum obtainable over the total reparation period. It is believed that the long-range security objectives and the contribution to immediate reconstruction in the claimant countries outweigh this objection. It is recognized, however, that the great bulk of reparation deliveries over the entire period must come from current production since the reparation which could be derived from the transfer of capital equipment would, in any case, be relatively small compared to that available from current production.

(2) To what extent should German industry be rebuilt and operated for the purpose of maximizing current production for reparation deliveries?

It should be the policy of this Government to maximize reparation deliveries in so far as this is possible without extensive rebuilding of German plant and equipment. This kind of

capital

-8-

capital formation should be kept to a minimum in Germany and should be permitted to the maximum extent in the claimant countries. In general, Germany should be permitted only so much capital expenditure as may be necessary to maintain reparation schedules and the prescribed standard of living. It would be undesirable to leave Germany at the end of the reparation period with plant and equipment much newer and more modern than that of her European neighbors.

Qualifications to this principle would arise in instances such as the following:

- a) In case of extreme devastation of German industry it would be necessary to allow some rebuilding before substantial reparation could be delivered.
- b) A limited quantity of capital equipment of a "bottleneck" nature will have to be provided so as to permit German production to get under way.

It is clear that decisions in regard to capital formation in Germany will depend not only on the extent of destruction but also on the types of plant and equipment destroyed in both Germany and the surrounding countries.

B. Reparation in Cash

Cash payments depend on the commercial policy and the readiness to import of Germany's potential customers. A program of heavy reliance on cash payments is accordingly vulnerable to the same difficulties that plagued the reparation program of the twenties. It will be possible to make use of cash reparation to the extent that a commercial cash market exists for German exports and to the extent that the control authorities decide in exceptional cases to permit such exports to exceed those required to pay for necessary imports. The gold and net foreign exchange assets available to Germany after the restitution program has been completed will be limited.

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In a five-year reparation period there will be relatively little need for cash payment. Cash payment, however, can serve a useful purpose in taking care of exceptional cases and in lending flexibility to the reparation program provided the total volume is kept down to a relatively small figure.

If the period is extended to ten years, it may be desirable to increase the proportion of cash payment in the latter half of the period. With reconstruction substantially complete, the claimant countries will be less needful of German goods. As German resources are released from satisfying the wants of surrounding countries, they can be turned increasingly to the production of export goods for other markets on a commercial basis, thus creating foreign exchange for reparation purposes and beginning the process of reintegrating Germany into the world economy.

Reparation whether paid in kind or in foreign exchange should be strictly related to the export surplus of goods and services actually obtained from Germany. Any significant accumulation of external indebtedness by Germany during the period of reparation transfers is contrary to the objectives of this Government. This precludes both commercialization of reparation through the floatation of new German securities abroad and any other substantial extensions of credit to Germany.

Commercialization or other borrowing would in effect mean the financing of German reparation payments primarily by the United States and Great Britain. The continuance over a long period of years of payments by Germany may well become an internal political issue and thus create repercussions which would interfere with the long-range political and security objectives of this Government. Moreover, at present Germany's credit worthiness is virtually nil. An estimation of Germany's

future

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future credit worthiness cannot well be made until such time as the essential changes in her political and economic structure have begun.

4. Apportionment of Reparation.

It is recommended that the principal basis for the apportionment of reparation among claimant states should be the amount of damage to and loss of non-military property caused by or incident to hostilities.

This basis of admissible claims does not necessarily favor property owners over other classes of claimants such, for example, as those suffering personal injury since reparation payments will be made to governments, not to individuals. Governments may dispose of the proceeds of reparation and make such compensation to their injured nationals as they see fit.

A precise audit of property loss will be impossible. The total of admissible claims will have to be reached on the basis of reasonable estimates as determined by the appropriate Allied authorities.

It is recognized that the relative impact of property losses on different countries may not be accurately reflected by even the most careful computations. The hardships imposed depend on the circumstances surrounding the loss and on the wealth of the country concerned.

As a supplementary basis for the apportionment of reparation it is recommended that occupation costs levied by Germany also be allowed as an admissible claim but at a lower weighting than property losses. Occupation costs for this purpose should include clearing balances built up in Germany during the period of occupation. Some occupied countries have suffered relatively little physical damage but have undergone many other types of injury at the hands of the Nazis. It is felt that it will be difficult to deny the claims of such countries for some compensation.

In recommending the foregoing two bases for reparation claims, it is intended that all other claims should be excluded.

5. Restitution

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5. Restitution and Replacement

The principal recommendations with respect to this subject may be summarized briefly as follows:

a) In principle there should be an unlimited obligation on Germany to restore identifiable looted property, even though in practice official efforts to locate such property will have to be confined to a limited number of categories.

b) Restitution should be restricted to identifiable property in existence prior to German occupation. Looted property should be restored to the existing governments of the territories where the property had its situs and not to the former owners individually.

c) Looted property should be returned in the condition in which it is found. The return of such property should not count as a credit against Germany's reparation obligation nor should it be deducted from the reparation claim of the recipient.

d) All property transferred to Germany during the period of German occupation (except for current output) should be presumed to have been transferred under duress and accordingly treated as looted property.

e) The right to restitution is not absolute. The Allied authorities should have the discretionary right to prevent or postpone restitution of vital equipment (such as, e.g., rolling stock) whenever such equipment is deemed essential to assist the revival of a seriously disorganized country.

f) It has been suggested that, in addition to restitution and reparation, countries having suffered property losses be entitled to "replacement", meaning the receipt of an equivalent piece of property for property lost or destroyed. It is believed that the "replacement" category would be a source of confusion and that it would serve no purpose that could not be served equally well by reparation in kind. It is, therefore, recommended that no claims for replacement be allowed except in the cases of (1) gold and (2) works of art and other cultural treasures, these exceptions being justified by the peculiar importance attached to these categories of goods.

g) Replacement

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g) Replacement of gold means that stocks of monetary gold found by the Allied authorities in Germany should be prorated in proportion to gold losses among the Allied countries whose gold stocks were looted. In no case, however, should there be transferred to any country gold in excess of its losses.

6. Labor Services (Tentative)

No final conclusion has been reached on this subject and it is receiving further study. In principle it is agreed that under appropriate conditions and to a limited extent labor services can be a proper and useful form of reparation. The chief problems relate to the method of selection of the laborers, their treatment and length of service, and the valuation of their services.

One suggestion receiving consideration is that there be two classes of laborers, one to consist of extreme Nazis such as members of the Gestapo, S.S., etc., and the other to be recruited, on a voluntary basis if possible, from the general German public. It is contemplated that the former class would receive semi-punitive treatment while the latter would be protected by more or less normal labor standards.

7. Reparation Commission

It is believed that questions of policy such as those discussed in this summary are outside the proper scope of a Reparation Commission. The Commission should be an administrative body whose function, broadly speaking, would be the supervision and management of the program of reparation and restitution. Within the broad limits of policy laid down by the Allied governments, it would be granted wide discretionary powers to determine the amounts of reparation to be paid periodically, to schedule deliveries in kind, to make adjustments in the schedules of payments, to determine whether Germany is complying with the provisions of the reparation settlement, etc.

The Reparation Commission should act in cooperation with the supreme Allied control authorities in Germany, which authorities should have the power to review and veto any of the Commission's acts.

The Commission should consist of representatives of all claimant states, but equal plural votes should be provided for the United States, the United Kingdom and the Union of Soviet Socialist Republics.

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IV. Resumé of Recommendations with Respect to Subjects Closely Related to Reparation

1. Treatment of Property

a) Germany Property Abroad

Each member of the United Nations should reserve the right to retain and dispose of all German property and rights within its territories, and to use the proceeds to pay off reparation claims, and possibly pre-war debts owed by Germany or its nationals to the country in question or to its nationals. The value of property so retained or disposed of, regardless of the claims which it goes to satisfy, should be counted as payment against the reparation claim of the holding country. Germany can be left to compensate its nationals for property so retained.

The problem of obtaining control over German property in neutral countries is a much more difficult one, since from a strictly juridical point of view there is no way of compelling the neutrals to transfer ownership. The matter thus becomes one for treatment on the political level.

b) Allied Property in Germany

The German Government should be required to return to the owners Allied property in Germany or an equivalent in value where such property was sequestered by German authorities or seized in any other manner. Where the property consists of liquid funds, such return should not carry with it the right to transfer the funds out of the country except in accordance with the exchange regulations established by the Allied authorities.

Countries should have the right to present reparation claims for damage to or destruction of property in Germany belonging to them or their nationals.

2. Pre-War Debts and Claims

American citizens have outstanding substantial amounts of pre-war claims against both the German Government and German nationals. These claims consist of short-term, long-term, and commercial obligations. While the problem has

not

not been thoroughly investigated, it is believed both politically impossible and economically undesirable to leave American creditors of Germany entirely to their own devices in protecting their interests. The matter should receive further study.

It is recommended, however, in view of the urgent need of reparation for reconstruction purposes, that pre-war debts and claims receive a priority below that of reparation.

3. Compensation for Injuries to Persecuted German Minority Groups

It is considered appropriate for several reasons that the German Government be required in some way to compensate the minority groups persecuted by it. The moral basis for such compensation is self-evident. Moreover, it is now recognized that minority baiting and persecution is a potent weapon in the hands of totalitarian demagogues both for gaining political power at home and for spreading anti-democratic doctrines abroad. Finally, it is felt that since Germany was responsible for a situation in which many thousands of former German nationals needed to be rehabilitated or resettled, she should contribute to the solution of that problem and not be permitted to leave the entire burden to the outside world.

The restitution of property located in Germany is, on a number of grounds, regarded as an unsatisfactory answer to the problem:

- a) Most of the individuals involved are either dead or outside the country and many would not find it worthwhile to return in order to regain their property;
- b) Large-scale transfers of funds abroad in full satisfaction of these claims would be out of the question;
- c) The full return of property to members of these groups at a time when the general German public was passing through a period of great difficulty would tend to create strong social tension in Germany.
- d) Lack of proof by claimants, and the varying circumstances under which property was lost or sold, would make the administrative problem of restitution extremely difficult.

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A twofold contribution by Germany is, accordingly, recommended:

(1) Resettlement Aid, i.e. payments in cash or in kind, to an international agency, to aid in the settlement of individuals belonging to persecuted minority groups. Such payments would be akin to reparation, but their amounts would be related to the needs of the resettlement schemes rather than to the property losses of the individuals concerned.

(2) Indemnity for Property Losses. In addition to the foregoing payments, Germany should also be obliged in lieu of restitution, to provide an indemnity, up to some moderate maximum per person, to individuals who have suffered property losses since the inception of the Nazi regime through discriminatory measures. Transfers of such indemnities abroad should be subject to the availability of foreign exchange but should receive a priority equal to that of other reparation payments.

The foregoing recommendations apply to German nationals, or former nationals, situated outside Germany 1/ who have been subjected to discriminatory laws by reason of their racial, religious or political status.

While the racial and religious categories are susceptible of fairly precise definition and do not involve unmanageable numbers, a moment's reflection will show that the political category offers formidable difficulties in both respects. In spite of this fact, it is considered both impolitic and unjustifiable to deny compensation to those Germans who have suffered loss because of their political opposition to Nazism while granting it to persons discriminated against on other grounds. The problem of defining the political category so as to keep within reasonable bounds the number included is now receiving further attention.

1/ and to stateless persons resident in Germany on or before September 1, 1939.

Treasury Department
Division of Monetary Research

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Date Sept. 29, 1949

To: Secretary Morgenthau

I have bracketed the chief phrase that was left out of the Proclamation as drafted by Eisenhower and underlined the phrases in Eisenhower's final Proclamation which were not in his original draft.

H.D.W.

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 29, 1944

TO Secretary Morgenthau
FROM Mr. White

This is the first paragraph in the proclamation that General Eisenhower was to have issued and to which we objected:

"The Allied Forces serving under my command have now entered Germany. We come as conquerors; but not as oppressors. In the areas of Germany occupied by the forces under my command, [as in other countries liberated from the horrors of Nazi tyranny] we shall overthrow the Nazi rule, dissolve the Nazi Party and abolish the cruel, oppressive and discriminatory laws and institutions which the party has created. Party leaders, the Gestapo and others suspected of crimes and atrocities will be tried and, if guilty, punished."

This is the paragraph that we wished to substitute:

"The Allied Forces serving under my command have now entered Germany. We come as victors to insure that Germany shall never again plunge the world into war. The German people must never again become the carriers of death, horror and wanton destruction. As conquerors, our aim is not oppression but the obliteration of every vestige of Nazism and militarism from Germany. The cruel and barbaric laws and institutions of Nazism will be abolished. Party leaders, the Gestapo and those guilty of crimes and atrocities will be punished."

This is what finally appeared, according to the New York Times this morning:

"1. The Allied forces serving under my command have now entered Germany. We come as conquerors, but not as oppressors. In the area of Germany occupied by the forces under my command we shall obliterate Nazism and German militarism. We shall overthrow the

- 2 -

Nazi rule, dissolve the Nazi party and abolish the cruel, oppressive and discriminatory laws and institutions which the party has created. We shall eradicate that German militarism which has so often disrupted the peace of the world. Military and party leaders, the Gestapo and others suspected of crimes and atrocities will be tried and, if guilty, punished as they deserve."

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October 4, 1944 -

○ Photostats to D. W. Bell
Charles Bell
Harry White

September 29, 1944.

MEMORANDUM FOR THE SECRETARY OF WAR:

It is desirable that civilian experts be recruited for the American section of the Allied Control Commission for Germany. For such recruiting, I suggest that the Army call upon the State Department for civilians for political work; upon the Foreign Economic Administration for civilians for economic work; and upon the Treasury for experts in finance and exchange.

"F.D.R."

(FDR)

LC:em

Copies to:
Secretary of State
Secretary of the Treasury ✓
Foreign Economic Administrator

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THE ASSISTANT SECRETARY OF WAR
WASHINGTON



29 September 1944

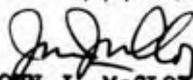
Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

I think you would be interested in the enclosed statement on Policy on Relations Between Allied Occupying Forces and Inhabitants of Germany prepared in Supreme Headquarters, Allied Expeditionary Forces.

After you have read it, will you be good enough to return it to me as it is my file copy.

Sincerely,


JOHN J. McCLOY

Inc.
SECRET C.C.S. Memo 239, 22 September 1944

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READ 22

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COPY NO. 74

C.C.S. Memo 239

22 September 1944

COMBINED CHIEFS OF STAFF

MEMORANDUM FOR INFORMATION NO. 239

POLICY ON RELATIONS BETWEEN ALLIED OCCUPYING FORCES
AND INHABITANTS OF GERMANY

Note by the Secretaries

The attached directive, which has been issued by the Supreme Commander, Allied Expeditionary Force to the Allied forces under his command, is circulated for information.

A. J. McFARLAND,
A. T. CORNWALL-JONES,
Combined Secretariat.

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SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCES

APPENDIX 'A'

TO LETTER, 12 SEPTEMBER 1944 *

POLICY ON RELATIONS BETWEEN ALLIED OCCUPYING
FORCES AND INHABITANTS OF GERMANY

1. GERMAN ATTITUDE AND PROPAGANDA

a. The German mental attitude during the previous occupation of Germany ranged from hatred, through friendliness, to fawning subservience. In the coming occupation, all attitudes of mind may be encountered, differing with persons and localities, and changing from time to time. However, because of this war's greater air-bombing damage and possibly ground combat within Germany, and because of the intense Nazi indoctrination, German hatred may be far deeper and more universal than in 1918. Also, the whole country will be occupied, as compared to only a small fraction in 1918.

b. The German conception of themselves as a "Master Race" has been too deeply implanted to be eradicated outright; many Germans will accept defeat as only a temporary phase of a continuing struggle, and strong efforts will no doubt be directed towards regaining a commanding position in Europe. Plans for underground continuation of the struggle are believed to exist.

c. Aside from initial resistance by any German military forces not immediately under control, the occupying forces must be prepared for civil disorders, including sniping and assaults on individuals, sabotage, provoked riots, perhaps even organized raids. Hidden arms will undoubtedly be available.

d. Later there is likely to be deliberate, studied and continuous effort by the Germans to influence the sympathies

* Not received
by Secretariat

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and thoughts of the occupying forces, with a view to minimizing the consequences of defeat and preparing the way for a resurgence of German power. Propaganda in widely differing forms may be expected. It will probably endeavor to weaken the Allied solidarity; to undermine the Allied determination to exercise supervision and enforce the surrender terms; to induce a reduction in the occupying forces; and to lower Allied morale and military effectiveness.

e. While open propaganda through press and radio will probably be ineffective because of Allied supervision, it is expected that word-of-mouth propaganda, under the direction of underground agencies, will be attempted unceasingly by the population wherever it contacts Allied personnel. Its methods will include attempts at fraternization by civilians (especially by children, women, and old men); attempts at "soldier-to-soldier" fraternization; and social, official, and religious contacts. The propaganda may include appeals to generosity and spirit of fair play; appeals to pity for victims of devastation; appeals to racial and cultural similarities between Germans and Anglo-Saxons; organization of sympathy for an allegedly misled and oppressed people and its starving children; sowing of discord between British and American forces and between them and the Russians; and attempts to prove that Nazism was an alien idea implanted against the general will in the cultured and unaggressive minds of Germans. The propaganda will be universal, insidious, and dangerous, and will require extensive means to avoid and combat it.

2. GENERAL CONDUCT

a. Allied personnel will so conduct themselves in their relations with the inhabitants of Germany as to command respect for themselves and for the countries which they represent.

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b. The Germans, as a nation, hold the armed forces and all things military in deep respect. A high standard of conduct and discipline must therefore be maintained by Allied personnel.

c. Acts of violence committed when not in the lawful course of military duty are forbidden, as are acts of pillage and oppression. If such transgressions occur, offenders will be severely punished.

3. DRINKING

Strict measures to control the consumption of liquor by Allied personnel will be exercised by commanders. Cases of drunkenness will be firmly dealt with.

4. NON-FRATERNIZATION

Definition: "Non-Fraternization" is the avoidance of mingling with Germans upon terms of friendliness, familiarity or intimacy, whether individually or in groups, in official or unofficial dealings. However, non-fraternization does not demand rough, undignified or aggressive conduct, nor the insolent overbearance which has characterized Nazi leadership.

5. GENERAL POLICY OF NON-FRATERNIZATION

a. There will be no fraternization between Allied personnel and the German officials or population.

b. This policy of non-fraternization is necessary in order to emphasize the relationship between the occupation forces and themselves and to circumvent their efforts to defeat the objects of our occupation. They must learn this time that their support and tolerance of militaristic leaders, their acceptance and furtherance of racial hatreds and persecutions, and their aggressions in Europe have brought them to complete defeat, and have caused the other people of the world to look upon them with distrust.

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6. ATTITUDE TOWARD GERMANS IN OFFICIAL CONTACTS

a. Allied personnel dealing with Germans on official business will be just, but firm. They will adopt an attitude of stern courtesy. They will make it clear by words and attitude that immediate compliance with orders and instructions will be required and enforced. In official, as in personal matters, there must be no fraternization. The definition laid down in para. 4 above, applies to both.

b. Contacts on official matters with Germans, both military and civilian, will be restricted to the minimum necessary to insure adequate supervision of execution of the surrender terms and other official business. There will be no entertaining, "official" or otherwise.

c. Germans holding or appointed to official positions, such as police, administrative or military positions, will be made to understand that they hold office by consent of Allied authorities, and only so long as they conform to Allied instructions and requirements.

7. ADMINISTRATIVE MEASURES IMPLEMENTING "NON-FRATERNIZATION"

The policy of non-fraternization will be implemented by the adoption of the following measures:

a. Segregation in Quarters

The billeting of officers or men in the homes of the population is forbidden. Separate quarters for troops will be obtained by the use of permanent barracks, schools, and other public buildings, by requisition of hotels, private buildings and houses, or by the use of hutted or tented camps. Permanent quarters will be so located as to minimize contact with the German population.

b. Marriage

Marriage with Germans or personnel of other enemy countries is prohibited.

c. Religious Services

Whenever possible, church services conducted by Allied chaplains will be provided. When this is not possible,

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attendance at German churches will be permitted; in such cases, separate seating will be provided for the troops.

d. Restrictions on Contacts

The following must be prohibited: Visiting German homes, drinking with Germans; shaking hands with them; playing games or sports with them; giving or accepting gifts; attending German dances or other social events; accompanying Germans on the street, in theaters, taverns, hotels, or elsewhere (except on official business); discussions and arguments with Germans, especially on politics or the future of Germany.

e. Execution and Enforcement

Commanders will take energetic action to implement and execute the policies and instructions contained in this section. Uniform enforcement of non-fraternization is especially important throughout the zones of the Allied armies.

8. ORIENTATION OF TROOPS

Prior to their arrival in Germany, Commanders will take all practicable measures to inform their troops as to:

a. The mission of the occupying forces, their attitude towards the German people, and the standard of conduct required of them.

b. The characteristics of the German people, their probable attitude towards the forces of occupation, and the types of propaganda which they are liable to employ. Emphasis should be laid upon the necessity for non-fraternization and the means by which this policy is to be effected.

9. TRAINING AND RECREATION

a. Policy. The policy of segregation from the civilian population is a difficult one to maintain, entailing as it does considerable sacrifice upon the part of our troops of

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many of the amenities to which they are accustomed. Every endeavor must be made by commanders to provide a full and varied program of training, education, and recreation with which to occupy the time of the troops, interspersed by as frequent periods of leave as are permitted by operational conditions.

b. Military Training

Military training must continue as vigorously as practicable and consistent with maintenance of morale. The highest state of discipline and smartness must be attained.

c. Education

General educational work should be undertaken, to cover subjects of general culture and military or civilian utility (arts, sciences, handicrafts, etc).

d. Recreation

(1) Recreation under control of Allied forces will be strongly encouraged. All facilities practicable will be provided.

(2) Forms and means of such recreation may well include:

Military competitions and shows.

Athletic sports, including tournaments.

Entertainments:

Motion pictures and theater, the latter including both professional and military amateur talent.

Restaurants, cafes, cafeterias, canteens and beer gardens.

Service clubs, with facilities for reading, writing; games, radio, refreshments, dancing, entertainments, etc.

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Development of other forms of entertainment, including as many bands as can be made available.

(3) Facilities

Commanders are authorized to take over suitable local entertainment facilities wholly or partly and to prescribe, in accordance with the circumstances of each case:

- (a) Allied attendance at separate hours.
- (b) Exclusive Allied use.

(4) Recreation Centers

Recreation centers ("leave centers"), well organized, staffed and equipped, should be established; preferably outside of Germany, where the men will have greater freedom from restraints imposed by non-fraternization. Planning therefor should be initiated shortly after the surrender in order that the centers may be ready early.

e. Leaves

Initially, the situation will not permit a liberal leave policy. Leaves for over 48 hours' duration will normally be for destinations outside of Germany. Neither then nor later will leaves be granted if they entail staying at private houses, hotels, or other establishments controlled by Germans. However, with arrangements for recreation centers and improvement of the military situation, it is expected that the leave policy will be liberalized as soon as practicable. Leaves, however, will still be primarily for destinations outside of Germany, to leave centers or to home countries.

f. Womens Services

It is desirable that, as early as the situation permits, the Womens Services, whether belonging to the forces, or a voluntary character (Red Cross, Y.W.C.A., etc) should be

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included in the occupying forces, and in relatively large numbers.

10. APPLICATION TO ALL ALLIED PERSONNEL

The provisions of this memorandum will apply to all personnel of the Allied Expeditionary Forces, including Army, Navy, Air Forces, and all civilians under military control.

SECRET

SEP 29 1944

My dear Eleanor:

Thank you very much for your letter of September 22 transmitting the memorandum on German cartels prepared by Mr. Pajus. I found his recommendations of special interest at this time in relation to the general problem of Germany in the post-war period, and I have turned over the material to my staff for study and incorporation in their programs. They will no doubt contact Mr. Pajus soon.

Affectionately,

(Signed) Henry

Secretary of the Treasury.

Mrs. Franklin D. Roosevelt,

The White House.

In Secretary's handwriting:

P.S.: Have you seen "Time" magazine? Believe it or not I have your ear. What do you know about that?

HG:sp 9/29/44

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VAL-KILL COTTAGES
HYDE PARK, DUTCHESS COUNTY
NEW YORK

September 22, 1944

Dear Henry:

I thought these notes might be of interest to you. Mr. Pajus is a Frenchman who has worked for sometime for the economic division of O.E.P. He is a student of cartels apparently, from way back and has been much excited because he does not think enough attention is being paid to them. Whether this is true or not, I do not know.

He and his secretary, Miss Till, seem to have a great deal of information. If from this memo you get anything useful, I know he would be overjoyed to talk to anyone who showed the slightest interest.

Affectionately,

Franklin D. Roosevelt

The Secretary of the Treasury
Washington, D.C.

BOARD OF ECONOMIC WARFARE

EP-260

MEMORANDUM

TO: Mr. Frank Coe
Assistant Administrator

FROM: Jean Pajus
Economic Organization, O.E.P.

SUBJECT: A Policy Toward German Cartels

DATE: 9/14/44

Dr. E. Henry Thompson

Prior to the outbreak of war, international cartels in which the major nations participated, controlled a number of vitally important commodities, iron and steel goods, electrical products, airplane parts, business machines, wires and cables, copper, chemicals and drugs, and a host of other commodities. This control was exercised through agreement between members regulating the markets by fixing prices, dividing territories, and restricting production.

Patents and Trademarks were often used as devices to eliminate competition from outsiders. Patents belonging to members of a cartel or their subsidiaries were protected and combined. Trademarks contributed their share in the strengthening of cartel agreements. This is particularly true as regards pharmaceuticals in Latin America.

Unlike the Western European and American cartels, in the last quarter of a century the German cartels have centered their activities upon the revival of military strength of Germany. Likewise, they have contributed greatly to the weakening of the economies in countries which were likely to oppose the German national policy; thus, for instance, Germany was instrumental in increasing its own production of steel at the expense of France's steel production. In the case of ball bearings, the production of France was set at 25% of that of Germany. Similarly the German cartels prevented full use of tungsten alloy steels in the United States.

With the advent of the Nazi regime the economic power of the German cartels became a tremendous political weapon. All German-controlled enterprises made extensive use of their power to influence their customers in commercial as well as political policies. The result was that the German Government, through the German cartels, acquired large assets and made ample use of them in its political propaganda against the democratic nations. This has been particularly noticeable in Latin America.

German Cartels Acting Through Neutrals

The war has caused the suspension of some international agreements to which German firms were a party. In many cases, however, the cartels continue to operate as effectively as before. Neutral countries, such as

Switzerland, Sweden, and Argentina, have been the points of contact for those firms which view the war as a mere interlude and scheme of continuous international control of their commodities. For instance, I. G. Farben's share in Electroclor -- an Argentina company formerly owned jointly by British, American, and Belgian interests -- has been preserved intact for the duration and I.G. Farben was expressly promised the return of its former participation at the conclusion of hostilities.

Activities of German Cartels in German-Occupied Europe

Since the conquest of Europe the German cartels have sought, under the guise of every known legal device, to gain greater and permanent control over the non-German European industry. The effective control of Europe's industry has been centralized in the hands of a few German companies. Typical illustrations are:

1. The acquisition of heavy and light industry by the Goering combine in Central Europe and the Balkans.
2. The acquisition of Europe's oil industry by the Kontinentale Oel Co.
3. The acquisition of the chemical industry in France.

The method by which the French chemical industry was acquired by I.G. Farben is particularly revealing. An agreement entered into between the latter and Etablissements Kuhlmann, allowed the latter the production of low grade chemicals and dyes only. The entire industry was centralized in three firms, which included Kuhlmann, and were combined under the name of Francolor. I.G. Farben acquired 51% shares of Francolor in return for 2% of its own stock.

The Technique of Camouflage of German Cartels

The German cartels have been successful in devising means of protecting their interests by establishing companies in neutral territories. Here, again, I.G. Farben has been singularly adept in the use of the technique of camouflage. For instance, a small and insignificant bank was acquired in neutral Switzerland to which I.G. Farben transferred nominal title to a number of I. G. Farben firms located abroad. Another holding company, I.G. Chemie, Basle, was established, whose ownership was placed with several Swiss dummy companies. By virtue of this so-called neutral ownership of I.G. Chemie, the latter is in a position to claim ownership and control of the tremendous I.G. interests in the United States. Similar techniques were used by I.G. Farben for the protection of its interests in Canada, Britain, and other countries.

It is also known that German capital, as well as patents, licenses, processes, etc., were transferred from Germany to neutral countries.

With the war approaching its end, both German and Allied cartel representatives are ready with their post-war plans. In Germany 90% of the domestic cartels were abolished because they impeded the German effort, but international German cartels were left intact. In Great Britain, Sir Edgar Jones -- through the War Trade Alliance -- has perfected a plan, as early as 1941, for the successful control of the post-war world business, through a series of international cartels. These cartels were to embrace the steel production, iron ore, manganese, tungsten, chrome, zinc, nickel, vanadium, molybdenum, etc. Sir Edgar's plans have found an able champion in the person of Lord McGowan, president of Imperial Chemical Industries. Lord McGowan's ideas, as they were propounded during the debate in the House of Lords July 5-6, 1944, were characterized by the U. S. Embassy in London as follows:

"This amounts to a restatement of the considerations and objectives which led to the Dusseldorf Conference of Industrialists, the conference between the Reichsgruppe Industrie and the Federation of British Industries held on March 15-16, 1939. It is also a statement that international arrangements similar to those sought at that conference will be necessary after the war, and that the British Government will have to give even more extensive support and assistance than it did if such an objective is to be achieved."

The President's letter to Mr. Hull, September 8, 1944, provides an effective answer to the British and German attempts to reconstruct the international cartels after the war. In it the President states that ". . . The defeat of the Nazi armies will have to be followed by the eradication of those weapons of economic warfare". Proceeding on the assumption that the President's policy on cartels is to be predicated upon the following objectives:

1. Security for all Nations.
2. The strengthening of the economies of Germany's neighbors.
3. Protection of the interests of consumers, the following policy toward German cartels is indicated:

Recommendation I.

1. A Cartel Commission should be established within the International Commission to control the German cartels; the membership of this Commission should comprise representatives of the smaller allied nations and the personnel should be recruited from the ranks of businesses and professions not connected with any cartels whatsoever.
 - a. In the future all agreements should be submitted to this Commission for analysis and approval.

Recommendation II.

Immediately after the occupation of Germany, all available files of German companies which have entered into international agreements should be seized and impounded wherever found and their contents submitted for analysis in order to determine the true nature of the cartel agreements.

1. All the assets of these companies at home and abroad should be assessed, analyzed, and reported.
2. In case files have been taken out of Germany to neutral or other countries, secure directives from the officers to their representatives or agents abroad requiring the return of all records belonging to the companies in Germany.
3. The German patents, licenses, and processes which have been transferred to neutral or other countries should be returned to Germany.
4. As a guarantee of complete compliance with these directives the shares of the officers in their companies or any other properties belonging to them should be held in escrow. In case of failure to comply with the Allied directives the properties of officers responsible will be forfeited. In addition, German firms which refuse to comply with the Allied directives should be blacklisted and their international trademarks confiscated.

Recommendation III.

All private agreements pertaining to limitation of production, sales quotas, allocation of territories, licensing agreements pertaining to patents or other cartel devices should be made public and declared null and void.

Recommendation IV.

Public utilities, such as water, gas, or electricity, should be supervised by the Allied Security Commission.

Recommendation V.

Steel, coal, potash, non-ferrous metals, the chemical industries, the electrical machinery industry, and power, should be controlled by the International Security Commission, which will determine the quantity of the products in each category.

- a. The reorganization of companies placed under the control of the International Security Commission should be accomplished on the basis of semi-public companies, except insofar as some of them are already nationalized.
- b. All the interests of former Nazi sympathizers or those who have rendered active help to the Nazis should be confiscated and placed at the disposal of the International Security Commission.
- c. All multiple-vote shares and all bearer shares should be abandoned; and all shares should be registered.
- d. All holding companies should be abolished.
- e. Labor and consumers should be represented in each industry and should have a voice in the price control.

Recommendation VI.

All foreign subsidiaries of German cartels located in Allied countries should be liquidated and their benefits placed to the account of reparations; the patents, licenses and processes held by the German subsidiaries in Allied Nations should be licensed to the Allied Nations.

Recommendation VII.

The guiding principle of the Cartel Commission should be to make available to the world at large the fruits of research of German cartels, and especially to encourage the individual development of Germany's smaller neighbors.

- a. The German industries should be decentralized and some parts transferred to Germany's neighbors on account of reparations. This should be accomplished after an exhaustive analysis of Germany's post-war needs; the policy to be worked out jointly with the Reparations Commission.
- b. Encouragement should be given to the development of industries in Europe which have been held back by agreements with the German cartels.
- c. Patents belonging to German cartels should be licensed to the Allied Nations; technical know-how should be placed at the disposal of Allied Nations.
- d. The duration of future patents should be shortened.

Recommendation VIII.

The free industries of Germany not under the direct control of the International Security Commission should be regulated by the State in the interest of international security, under the guidance of the International Security Commission.

Recommendation IX.

The interests of consumers should be enhanced by an extensive campaign of education and by the encouragement of the establishment of

- a. Cooperatives
- b. Consumers' Leagues

Recommendation X.

The International Security Commission will take an active interest in the public control of prices.

Recommendation XI.

The International Security Commission will supervise all public as well as self-financed investments.

Recommendation XII.

In order to implement the President's directive on German cartels, overtures should be made to all Allied and neutral Governments with a view to securing general consent to call for a registration of all companies suspected of harboring German interests.

Mr. Frank Coe

Jean Pajus

8/2/44

*Henry Augustin
with notes*

A Policy Towards Germany's Ball Bearing Industry

In war and in peace ball bearings constitute a primary necessity in the functioning of planes, tanks, trucks, guns, instruments, shipping, railway transportation, machine tools, the steel industry, the mining industry, and agricultural machinery. Both modern warfare and modern economy demand a continuous and adequate supply of ball bearings, since they cannot be stored for any appreciable length of time.

Germany's ball bearing industry can be controlled strategically and economically with the least effort and with a maximum effect. This single control will allow a very effective supervision of Germany's post-war military potential.

Germany's ball bearing industry, known the world over as V.K.F., was, prior to the war, a component part of the Swedish SKF ball bearing trust and constituted 50% of the total production of SKF. The Swedish trust comprised 80% of the European ball bearing industry.

Post-war Europe should not be left at the mercy of the German-Swedish combine, which in the past has largely favored Germany's interest, to the disadvantage of other nations. The breaking up of the German-Swedish control of ball bearings should prove of great help in the rehabilitation of post-war Europe and should also militate in favor of lower prices to the consumers.

Recommendation I.

It is recommended that following the military occupation of Germany, all documents belonging to either VKF or SKF be seized and their contents analyzed in order to determine the respective interests of Germany and Sweden in the SKF ball bearing trust.

Recommendation II.

All shares of VKF to be called in and placed at the disposal of the Security Commission in order to re-enforce the Allied control of Germany's industrial war potential and also as an effective guarantee against any attempt on the part of the German interests to again form the European ball bearing cartel.

Recommendation III.

The owners of VEF shares to be compensated by the German Government according to the principle of equal terms for all claimants.

Recommendation IV.

The shares of the French ball bearing industry, now being held by the German interests, to be transferred to the French Government on account of reparations, with the proviso that the connections between C.A.M. and SKF Sweden be severed completely. The French Government will agree that the ball bearing industry in France will not enter into any cartel agreement with any foreign company.

Recommendation V.

The ball bearing industry, located at Furstein, Czechoslovakia, to be transferred to the Czechoslovakian Government, with the same provisos as those applying to the French industry.

Recommendation VI.

The ball bearing plant located at Steyr, forming a part of the Goering combine, to be transferred to the Czechoslovak Government on account of reparations.

Recommendation VII.

The Security Commission will administer the German ball bearing industry, not primarily for profits, but according to the principles of international security. Final disposition of the property to be decided by mutual agreement of all nations concerned with post-war security

- a) Former SKF representatives will be expressly excluded from any connection with the administration or supervision of the German ball bearing industry.

Recommendation VIII.

Statistics of production and of sales, according to types and groups of consumers, should be published monthly.

3-- Mr. Coe

Recommendation IX.

All agreements entered into between the German ball bearing industry and foreign producers to be made public and voided.

Recommendation X.

Patents belonging to SKF to be licensed to all nations; technical know-how to be placed at the disposal of the Allied Nations.

Recommendation XI.

Production of ball bearings and ball bearing machinery to be centered at Schweinfurt.

Recommendation XII.

The Security Commission will determine Germany's peace-time requirements of ball bearings.

Recommendation XIII.

The German ball bearing industry shall not in the future enter into any agreements restrictive in character with any foreign ball bearing or machine tools producers.

Recommendation XIV.

The connections of the former Swedish SKF officials of the SKF company and the German ball bearing industry are to be completely severed.

JP:mo
9/1/44

MEMORANDUM FOR THE SECRETARY.

September 29, 1944.

A sharp falling off in letters in connection with the German situation took place this morning. Up to noon, only 7 communications in all had been received -- 5 favorable, 2 unfavorable.

In addition, 1 favorable editorial and 1 unfavorable editorial arrived without letter or anything but the indication that this represented the senders' point of view.

Yesterday afternoon, after the report went down, 9 more favorable, 3 more unfavorable, and 1 indefinite response to the statement were received.

~~Unfavorable communications in both these groups are attached.~~

J. G. Forbush

AM

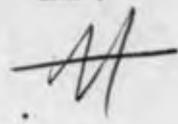
MEMORANDUM FOR THE SECRETARY

September 29, 1944.

My count to date is as follows:

Favorable.....	89
Unfavorable....	20
Impossible to determine whether they are pro or con.....	3
Copies of clippings, etc., with no letter.....	4

J. S. Forbush



MEMORANDUM FOR THE SECRETARY.

September 29, 1944.

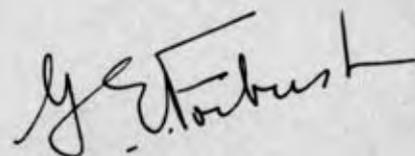
Mail Report

The so-called Morgenthau plan for converting Germany into an agricultural nation lifted the mail out of its summer doldrums with a sudden sharp spurt. With more than 80 comments already received, the total will pass the hundred mark, and while some of these communications are brief statements, many are long, carefully written letters showing a great deal of thought on the subject. The ratio of favorable to unfavorable has been consistently 6 to 1. An interesting side-light is that a great number of those in favor of the plan state that they are German by birth or direct descent. Many letters go even farther than the Secretary in urging drastic measures to be taken against the German nation.

Though not of great importance numerically, there was quite a flare-up about the debt forgiveness celebration suggested by Professor Frank G. Dickinson. No letters were in favor of it, and there were a number of strong objections, particularly from elderly persons afraid that they would be deprived of the funds invested in bonds toward their future support.

Other bond mail ran much as usual. Complaints on delays continued to be few, though bonds submitted for redemption rose from 35 last week to 53 this week. Only 3 or 4 replies to the redemption slip were received.

The light tax mail included 16 requests for refunds. There was a definite increase in the number of inquiries about the availability of surplus property, most of the letters being transmitted by Members of Congress.



Favorable Comments on Statement Concerning
Postwar Plans for Germany

Robert Heckert, Westinghouse Radio Stations, Inc., Philadelphia, Pennsylvania. I had occasion this past week to mention you in my news commentary broadcast in connection with a discussion of the Quebec conference. Certain aspects of your program for Germany struck my attention forcibly. For years I have studied the German problem, both while at home, and in Germany itself. I have known the Germany of the Weimar Republic, and the Germany under Hitler. About a year ago I put down on paper what I thought would be a wise program for Germany, and I sent a copy of it to the President, and to the State Department. * * * The important points in my program from the standpoint of your interest are points 6 to 10 inclusive. * * * A dismemberment of Germany that leaves the Prussian structure intact will be useless. You have got to dismantle Prussia itself, and the Prussian bureaucratic structure, but the way to do that is to federalize Germany, and change the capital from Berlin to some other town outside of original Prussia. You will have to rely heavily on what is left of the old trade union blood to rebuild German democracy. They have the strongest democratic tradition in Germany. Build up a cooperating team of the trade union element with the farm cooperative element -- a union of farm and work bench. That, I think, is the best hope for the future in Europe.
* * *

James Bruce, New York City. * * * I am just 100% in accord with what you have had to say regarding the treatment of Germany. After the last war, and I was at the front continuously for almost a year, having started in the Second Division, there wasn't anyone from a private to a General that didn't think that Germany should be garrisoned and kept from making war again. They were dealt with much too easily, and on top of that, as you know, the bankers of this country, England, Switzerland and Sweden loaned Germany practically the entire working capital that the Nation had

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and which they used in one form or another to rebuild their armaments. We certainly must not let this happen again, and the only way to prevent it is a plan which means a complete dismemberment of Germany industrially and splitting them into smaller states, each one of which would only consist of a farming community. We should, of course, make every effort to maintain a very strong France, and do what we can to help England to help themselves, particularly towards strengthening their position in the Far East. * * * I hope that you will maintain your position and will not let anyone dissuade you from it as it is most sensible.

A. E. Browning, Barbizon-Plaza Hotel, New York City. May I join my congratulations to those of many others on your having found the only solution of dealing with the Germans after the war. Turn them into agriculturists only, and make them live on the products of their land. No imports, no exports, no matter how poor the results. And may I add -- let the United Nations decree that if anyone of any Nation approaches them to do this type of business, "he shall be imprisoned for 10 years". Surely there are enough other nations for us and our Allies to do business with, to allow us to ostracize Germany and Japan for many years. * * *

R. B. Mateer, Philadelphia, Pennsylvania. For the first time since you assumed office many of us are in accord with you on the way Germany should be handled. Hope you can and will sell your ideas to those who believe they are heading up the United Nations. Partition Germany and strip Germany of industry and deny her all arms and all armed forces. Stand pat!

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Mrs. T. Schleh, Chicago, Illinois. I want to send you a few words of encouragement - stick to your plans about Germany. They are absolutely right! I am an American of Czech extraction. I was born at Prague at a time when it had been a province of Austria, by a decree of Ferd, Hapsburg in 1624. Since then, Austria's official language was the German. We had to learn it in the schools and mastered it as our own mother tongue. The knowledge enabled us to study easier the German lust for other people's land and properties. * * * You are absolutely right; the interest of the United States, this hemisphere, mankind, call for destruction of German industry; but do not forget to take the business too from their claws, chiefly their department stores -- they always had been the hot-beds of poisonous propaganda. * * * In the meantime, sail on! Do not forget that humanity with all its fears and all the hopes of future years is hanging upon America's Democracy.

A. E. Pfahler, Chestnut Hill, Philadelphia. I heartily approve your suggested plan for dealing with Germany after the war. Since it is, in some of its aspects, a similar one to that proposed by the Nazis for dealing with the conquered nations of Europe, whom they sought to reduce to the estate of subject races, it quite likely is a program which will have the same effect upon the German race. That is certainly to be desired. The fear that if Germany's productive plant is ceded to the French, Poles and Czechs, etc., the world will be the poorer is to my mind a fallacious one. Those nations are equally alert mentally and will soon make good any loss which might temporarily occur.

Edmund Kabman, The Atlantic Refining Company, Philadelphia, Pennsylvania. Your postwar plan for Germany's des-industrialization is highly commendable. Let

those who have any fears about loss of trade on that account, whether they be nations or individuals, Europeans or transoceanic, remember the constant menace and dangers that inevitably go with German trade.

John Howes Burton, New York City. I have been very deeply impressed by the article which appeared on the front page of The New York Times. I lived in Germany as a boy. I learned German before I spoke English. As a matter of fact, I learned to think in German, and there is no question in my mind, with my knowledge of the average German, that you are 100% correct in the argument that you have presented, that Germany should be converted into small agricultural holdings. * * * I am perfectly positive that 90% of all women in the Rhine district of Germany all worked in the fields all the time. At that time in Germany, the peasants on the Rhine were spoken of as "cannon fodder". A nation has to be kept occupied somehow and do something; otherwise they will get into mischief. If your plan is carried out, and you convert the present Germany into small agricultural holdings, in my opinion you are making the greatest hit to assure peace for the future that has ever happened. I am so anxious to have you accomplish this result, that frankly, I would be very glad to come to Washington and present my arguments before any committee. * * * I am sure that if your plan, Sir, succeeds, you will be doing the best thing that you have ever done to assure future peace. You cannot fight a war with farm products. The theory opposed to your suggestion would probably bring out the question that Germany must pay reparations, and that if they were not a farming community, they would have more opportunity to make money to pay reparations. In my opinion, Mr. Morgenthau, reparations are not going to pay for the dead. * * * You cannot fight a war if you have no war industries, and if Germany has nothing but agricultural industries, you are not going to have another war. * * *

P. Randolph Harris, Attorney and Counsellor at Law, New York City. According to the New York Times, you transmitted to representatives of the British Government at the recent Quebec conference the views of the Administration with regard to the treatment to be accorded to Germany after her unconditional surrender. I venture to express the hope that the views so transmitted by you were sufficiently realistic to remove the threats to the peace of the world which for nearly 100 years have originated in Germany. * * * I suggest that the simplest way to deal with the impending problem is to destroy the capacity of Germany to make war. That capacity is based upon her manufacturing facilities. If those facilities be destroyed, and their resurrection be prevented, Germany cannot again plunge the world into war. I hope therefore that the conquest of Germany will be accompanied and followed by the destruction of every manufacturing plant which contributed towards her total war effort. * * * It may be said that the adoption of such a program would reduce the German people to an agricultural economy. This is probably true, but I do not shed any tears at the thought of the German people being reduced to living on farms. * * * The dreamers suggest that the Allied nations should "re-educate" Germany. This assumes that the leopard, with some outside assistance, can change his spots. It disregards the obvious fact that the only language which the German understands is that of the club. * * *

Blanche G. Williams, Miami, Florida. Our entire family and many friends were amazed and overjoyed to hear that someone has finally come out in favor of converting conquered Germany into an agrarian state. Dismantlement and removal of all heavy industry in 1918 would have prevented this war. It would seem not only logical but also mandatory to do it now, after Germany has upset the world's peace and equilibrium for the second time in a fourth century. * * * No "ism" could, with agriculture as the basis of its economy, threaten the

security of any other state, regardless of the number or ardour of its adherents. Keep plugging your idea - we think it is swell.

George L. Glaser, Springfield, Massachusetts. With extreme gratitude I did read this morning your suggested treatment of Germany after Victory. Do the other gentlemen, who oppose your plan, wish to reward the Germans for their unspeakable crimes? Anything more than permitting them to remain on the surface of this earth seems like treason on the American soldier. Germany does not need any industry, but I am for providing a plan for their surplus population to emigrate by lend-lease controlled and supervised routes to all nations on this earth. Germany can't support more than about 36 millions in a decent way, or they become a steady threat to civilization. I most sincerely wish for the success of your fine plan.

Lawrence Langner, New York City. I wonder if you have been giving some thought as to how German industry can be prevented from dominating after the war by means of inventions, and preparing for another war. I have prepared a plan by which I believe this could be prevented from happening in the future, and by which Allied Nations would control all German inventions. I am enclosing copy of this plan herewith.

Daniel B. Cope, Chicago, Illinois. * * * I have four sons serving in the service, and I am like you -- keep our flag, or some flag, flying on Germany and we know whose flag will fly over Japan. Each country should be stripped of everything they have in the way of building war materials. Please do not get offended at the two bits cut out from the Sunday Chicago Times. May God be with both of us until the conflict ends.

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Vladimir G. Simkhovitch, Robbinston, Maine. The radio was just reporting your plan for Germany. You are absolutely right. It is the only way to win the peace, and whoever does not follow your idea has not, I fear, an adequate grasp of the situation. Industrial Germany will seriously complicate and endanger the situation. * * * I know Germany well, and I doubt whether we, as conquerors, can re-educate Germany. It is not within our power, but it is within our power to change Germany - so let us do it.

Herman Greenberg, Brooklyn, New York. Yours is the most reasonable solution to dealing with a chronic individual, criminal nation. What's done with a confirmed criminal whose shrewd villainies through the years accumulated and interlocked business dealings? Surely not to help him maintain them for further destruction. Such an individual (even a nation) is fittingly stripped of his loot and placed on a farm under strict watch. * * * Germany is such a nation and must be restored to earth lest she buries more millions of good humans below it. * * *

Baruchius Lipschutz, New York City. I just read in the newspapers about your interesting plans about Germany. I include hereby an article I wrote on August 15 to the newspaper P.M., five weeks before anything was known about your plans. * * * Nothing until now has been said about the danger of the German population superiority after this war. * * * When your plans should get through, we will get a wholesale German immigration to other countries. I believe this to be harmless and opportune. With a weak and unindustrious motherland behind, they will be harmless. * * * I know very well the German mind, and if the Germans outside of Germany do not get any more in view of articles "Made in Germany", they will get estranged from their country, and the spirit of

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"Germany ueber alles" will be a dead duck. The Germans nearly won this war by being bold; it is only by being bold that we will win the peace. * * *

C. F. Farnham, Lorain, Ohio. The best war news that I have read in a long time is clipping "A" which I enclose. I hope it is not a dream from which I will awaken and find it false. (Clipping concerns the Secretary's postwar plans for Germany.)

Evan W. Morris, Alliance, Ohio. It was with the utmost admiration I read of your proposal for an agricultural Germany. * * * I write only to say I feel there are many like myself who hope and pray that an intelligent and realistic approach, such as yours, may ultimately prevail. Among the many fine features of your plan, the fact that no agricultural people have ever waged an aggressive war, should alone prove to your associates how right you are. * * *

Re-directing German drive and energy could be a good thing for the whole world. Permitting it to again "get up a full head of steam within the narrow boiler," i.e. Germany, will only bring again the catastrophe the world cannot and must not afford. My interest is, as yours, solely American. As far as I am able to read, you have freed yourself of prejudice to a remarkable degree, which I much admire. As the hopes of many of our people rest with your clear and intelligent attack on the selection of method of dealing with Germany, may God grant you the strength and will to be fully successful.

Mrs. Willie Conyers Cook, Hotel Georgian Terrace, Atlanta, Georgia. Having just read your article as to what disposition to make of Germany, I can't resist a note of applause! Since November 1943 I've written a number of letters -- Byrd, November 13, 1943; Roosevelt, December 19, 1943; Churchill, August 14, 1944 -- urging them to break up Germany. I was a

year in Germany, France, Italy, etc., hearing with disapproval, giving up the "occupied territory" to Germany. They will reorganize on a shoestring, so WHY send our boys to saturate their soil with their blood for naught. * * * Others advocate making money - again endangering our boys' souls - a crime in itself. Your solution should be urged by all lovers of humanity. Please do not give in to a grasping clique.
* * *

E. C. Cunningham, Research Engineer, West Bend, Wis. I just want to say that I think your idea of handling Germany after the war is the only sensible one; if anything, it should be much more drastic. The surest way to have peace in the future, as far as Germany is concerned, is to have no Germany after the war. Grind Germany into the ground - the whole damned works.
* * * Those who whine that we can't afford to lose Germany's contributions to science and culture haven't sense enough to know that for every dollar's worth of good developed by Germany, they have cost hundreds of dollars' worth of destruction alone. Germany is no bargain in any sense. Those who complain that we can't afford to lose Germany's markets are thinking only of the immediate dollar, the same as they did previous to these two last wars. They are already willing to sell out the next generation for 5¢ on the dollar. This is probably our last chance to take care of Germany the way she should be taken care of, because in another 25 years we won't have the raw materials to fight with, nor the sense to store them up. I hope that you push your scheme for all you can.
* * *

Andrew Zelinsky, McKeesport, Pennsylvania. Your plan for Germany's peace terms is good from among all the rest, but mine, I demand the complete destruction of the German people. * * *

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Mrs. Russell Chadwell, Kokomo, Indiana. After radio comment concerning your proposal of dealing with Germany and the people, I am in accord with you 100%. In justice to all those who have died at the hands of these Frankensteinish robots of world destructivism, Germany should be forever dissolved as a nation and a race. Let the country of Germany be divided among the survivors of her victims. * * * If there is any justice left in this world, they must pay in their own coin for the monstrous mass murders and desolation of humanity. Our men have given their lives in defense of our country, and to all the leaders of society rests the responsibility of making that supreme sacrifice justified.

Pfc. D. J. Doblin, Fort Jackson, South Carolina. If occupying troops move out of Germany before we're sure of that country's intentions, it might be well to burn coal seams; existing shafts, plus new ventilation, would keep up the fires. Troops would stay until fires were well along. Before destruction, mining might be intensified. Before leaving oil pools in dangerous hands, we might do similarly.

B. C. Rodes, Washington, D. C. Please accept my sincere congratulations for your courageous plan to bring Germany to an accounting for the cruelties and crimes that they have committed against the peoples of Europe, and to prevent them from undertaking a new war within the foreseeable future. I pray that God give you strength to carry out your plan and prevent another world cataclysm. Many of our people here, and unfortunately many in high Government posts, do not seem to realize what Germany has done to the peoples of Europe in the past 10 years or so, not to mention what the Germans have done in Europe in the past 1,000 years. They are not aware, or if they are aware, they do not care apparently that the Germans were set out deliberately not only to conquer other people and other people's lands, but to destroy, burn, kill, murder and

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hang the other peoples of Europe in a premeditated, deliberate, and preconceived plan. * * * A great many of our people seem to ignore, or if they know, to forget that it was not the Nazis alone that perpetrated all these crimes, but the whole German race -- all the German people in concerted action. Who did all the fighting, killing, destroying, murdering, burning, torturing, and hanging? Were they not Germans? Did they not celebrate for weeks the destruction of Poland, France, and the other unfortunate peoples of Europe, and boasted to the world that it was "German arms" that did it? * * * Why delude ourselves about the truth? Has it not been the German philosophy of life for nearly 100 years to conquer by brutal force in a destiny of world supremacy and world conquest? Was it not this philosophy that created Nazism with all its sadism, brutality, barbarism by which they planned to destroy other peoples and to conquer the World? Do we want the people of Europe to be completely destroyed in the next war, which the Germans will surely attempt, if we permit them? Do we want our children and their children to die fighting the German monster again? Please, I beg you, and I would like to beg every American if my voice could carry far enough, not to delude ourselves about the Germans. Let us face realities. Let us do the realistic thing to secure our protection. Let us destroy the German state. Let us measure out real, true, and commensurate punishment to the Germans for the cruelties and crimes according to the law of God and man. Let us make it impossible for the German beast to start another war. Only your plans, as reported recently, could accomplish that. * *

Mrs. Right, Peru, Indiana. Your proposition to make Germany a small farm land is good, but much better to wipe out the whole Nazi nest. To be sure, we will have peace, and all sacrifices are not in vain when Germany is divided like once Poland was, between the neighbor lands. Only so can completely disappear the brutal Nazis. * * * Our President's speech was terrific. He alone is the right man for America's V in any respect. Long live our smart President Roosevelt!

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J. J. Dessert, Atlanta, Georgia. Your plan for the handling of Germany after the war is splendid. It is the first concrete example that the leaders of this nation are thinking of peace instead of dollars. Your plan would eliminate reparations in dollars, but would repair Europe in machinery and materials. No one need tell you that an agricultural nation cannot have purchasing power. * ** Keep up the good work. I hope you win. We are fortunate to have a nation wherein we can write so freely to our leaders.

D. F. Savery, Kansas City, Kansas. Please be harsh. The Nazis and Japs asked for and intended to do the same thing to everyone. Give each family 40 acres, but let them find their own mules. Allow no toys like machines or factories so they can think things over while the apples grow for our Veterans to sell when the war is over.

A Citizen - Kalamazoo, Michigan. Please keep up your fight to give Germany all that is coming to her. I certainly do favor your ideas for depriving the Nazis of all steel mills and all factories which might again make any kind of war on us. Down with the Nazis and down with every German factory, one and all the Devil's workshop. They must be put out of business!

C. H. Wagner, San Antonio, Texas. See in paper where you have competition on what to do about Germany. Well my father came from Germany 90-odd years ago when Germany was a Germany. * * * In my mind there are as many Hitlers in Germany as they have population. I have a son who has been in the Pacific Ocean since May 14, 1941. He, my other 3 boys, and myself are for America and all our Allies 100% strong. 100% against Germany and Japan cut-throats, and both should be wiped off of the map and done away with for now and forever. Had the Allies listened to Marshall Foch 25 years ago, we would not have this bloodshed now, and if we do not

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do away with them for good, we will have the same stunt again in 20 years. * * * I am only a Texan and not a pussyfoot but a Texas Longhorn with the spirit of our old pioneers. A free country, free speech, and any person or country that is always making trouble, do away with them. Our country sends habitual criminals to the penitentiary - then why not hang habitual murderers? Use this letter if you see fit and then send it on to Hitler as I would like for him to know how a decent person of German extraction feels towards him and all his people. With kindest wishes and to your satisfactory success to put the end to the old trouble maker forever.

Mrs. Adolf Horomanski, Paterson, New Jersey. * * * I heartily approve of your plan, and I am dismayed to find that the other leaders do not agree with you. By not showing a united front to the enemy, they are playing right into Germany's hands. My husband and I left Poland 39 years ago to come to America to work and raise our family in peace. You know how the Polish nation has suffered for centuries from German aggression. Here we suffer again -- my six sons are all in the Army and our home is broken up. Why? Because German industrial might and the Prussian military group that trains the army was not destroyed after the last war. I cannot understand why so many American leaders lean over backward in their effort to be fair to the Germans. They deserve the same leniency they showed to the conquered nations of Europe. We can imagine the peace terms they would give to us if they won the war. I hope you will be firm in your stand, and that the others will come to agreement with you.

Edward Grossman, Brookline, Massachusetts. Your plan for the treatment of Germany was of very great interest. Naturally the writer approves of it, since he advocated almost similar treatment for Germany in his submission in a contest. The writer's submission did not win a

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prize. There are one or two other points that may be of interest to you. If you care to have the contest entry sent you for reference, it will be done. * * *

R. T. Lipscombe, Sr., Richmond, Virginia. I have read with interest your farm plan for Germany. Herewith is a farm plan that I am sure could be applied economically in any country, especially our own, and save the taxpayers fabulous sums of money.

E. S. Fisher, Indianapolis, Indiana. I am for your plan "tooth and toe-nail" -- your plan for the treatment of Germany and the Germans when she and they have been defeated on their own "holy" ground. This is from a retired business man, born and raised a Democrat in Mr. Hull's own state, and of the same age as Mr. Hull, but from one who became an independent in 1896, and voted for McKinley, then voted for Wilson, and was rather pleased when Mr. Roosevelt was elected in 1932. * * * I am in favor of many of Mr. Roosevelt's objectives but opposed to many of his devious plans of obtaining or bringing them about. I have said all this to show that a man of such opinions can and does agree with your plan, which I believe has the approval of Mr. Roosevelt. * * * Put Germany on the basis on which she planned to put France and Russia. If there ever is another war of conquest, civilization will be wiped out. Let us take no more chances with the Germans and the Prussian Junkers.

Warren A. Seavey, Harvard Law School, Cambridge, Mass. May I congratulate you upon your reported views as to the treatment of Germany and its reduction to a primarily agricultural community. With this I agree, and thousands of those who have studied the problem also agree. There is but one serious argument to the contrary which is that Germany does not have sufficient arable land to support a purely agricultural economy. May I suggest

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that your position would be made stronger if a demonstration of this possibility can be made. In common with a group of considerable numbers in this vicinity, I would be glad to forward your point of view, but we would welcome advice as to a dispassionate source of information upon the purely economic side.

John Wilcox, Philadelphia, Pennsylvania. I want to let you know that I am back of you 100% in your plan for de-militarization and de-industrialization of Germany and hope you stand pat on those convictions as a means of making Germany impotent forever. The same applies for the Japanese. Isn't it possible that you could bring more of the people of this country into accord with this line of thinking through a series of broadcasts? * * *

T. W. Phillips, Jr., T. W. Phillips Gas & Oil Company, Butler, Pennsylvania. Your suggestion that Germany be turned into a 100% agricultural nation meets with my thorough approval. Anything less probably would subject the next generation to another war, more terrible, if possible, than the present one. Sensible and peace-loving Germans would absolutely approve of such a postwar condition without reservation; if not, they are neither sensible nor peace-loving, and do not have the best interest of themselves and their neighbors at heart. It was very much of a disappointment to me to learn from yesterday's paper that my former colleague, Secretary Hull, and also Secretary Stimson are very much opposed to this solution. Even if divesting Germany of its manufacturing industries would upset the world economy seriously (which I doubt), it would be a mere bagatelle compared with the political, economic, industrial and moral upheaval that would accompany another world war or even the serious threat of another world war. I hope the paper was correct in indicating that the President of the United States and the Prime Minister of Great Britain are in favor of de-industrializing Germany. * * *

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Peter H. McCarthy, Dubuque, Iowa. Note your terms of dealing with Germany. I must say that I agree with you just 100% plus, and I can make a few more suggestions for good measure. * * * Germany is said to be the size of Texas, and Texas has 245 counties. Cut Germany up into 245 counties - the smaller the better. Plank 5 is o.k. Don't give Germany any assistance whatsoever in building up their own country. They made their bed now let them lie in it. Destroy Germany industrially forever. Make them rebuild countries which they laid waste. Stand your ground as you have the only lasting solution.

N. C. Starkey, Norfolk, Virginia. I was greatly moved by the announced split in Washington about what should be Germany's fate commercially. I believe the man in the rank that's doing the fighting is the proper person to determine this fact, with the mothers who reared the sons who died in battle, because the last Victory 25 years ago became a farce in view of the fact that the peace was made on terms created by those who never had on a uniform or fired a shot. I say let GI Joe make the terms -- he's carrying the load.

Mrs. Elgin Moncure Styll, Richmond, Virginia. "Out of the mouth of babes and sucklings comes wisdom". I am now 75, but my mind is very active, and I try to keep up with "things". The enclosed came out in our paper. I approve everything you have suggested, but you have not gone far enough. The German nation should be destroyed as a nation. The German language should be forbidden. When you destroy a people's language, you then destroy the nation. This is the only hope for a lasting peace. Please see that this is done. You can "down" American money grabbers who want the "trade".

F. L. Boynton, Leesville, Louisiana. After reading in the paper your plan to put the brakes on Germany, I felt compelled to write you this letter. I heartily

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agree with you. I am in favor of anything that will turn the trick, and I can guarantee the majority of the people feel the same way. What most are afraid of is that all this will be done in vain; that some silly, idealistic scheme to teach them Democracy, or Republicanism, or something else will be tried. Personally I am not an extremist -- I just face the facts, and rather than have this happen every 25 years, I would favor lining up the whole bunch lock, stock, and barrel and shooting them. * * * I am glad to hear that our President is siding with you on this matter. I have already lost my only brother on the Reuben James, and my only son is in the South Pacific in the Seabees. * * * Give the President my regards and assure him I will be 100% behind him election day.

Maurice C. Hill, Treasurer, Willard Hawes & Company, Importers & Commission Merchants, New York City. I have read something of the plan which you have submitted for the control of Germany after the war. If after the last war such steps were taken, it is not likely that we would have been experiencing this present holocaust. Although the last war and this war have both turned out very tragically for me, I have no feeling of revenge against the Germans, but I unequivocally agree with your plan and hope you will not let anything deter you from urging it to the utmost.

Lieutenant Paul Boxell, Arlington, Virginia. * * * If this clipping correctly represents your views (Evening Star, September 25), I am confident there are millions throughout this nation who, like myself, agree wholeheartedly with you. We are for you, we urge you to stick to your guns; for only in victory for your plan do we see victory worth the blood we are pouring into this war. If we permit ourselves to be duped into letting the German people arm again, we shall have only ourselves to blame when our children become sacrificial lambs to our own stupidity.

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May Cline, Phillipsburg, New Jersey. * * * I am one-half German. * * * I know the race! It is a fierce blood! No price is too high for a desired objective. Germans have a bunch of fine traits, so far as stability is concerned. And they have a strong sense of rhythm. But they want to demand, and they like to bribe and are full of a smooth deceit. They are a hammer and tongs race. The English are far more just. English people have principles. The Germans are emotional, and "want" and "want". * * * The Germans, proud of their power, want world-expansion. They love their home and don't leave it, but add to it. It is a fertile and lovely homeland. (A German is domestic and a good gardener.) So, the German doesn't go out adventurously and shed blood, but subtly adds his neighbor's estates, and goods, and enslaves his neighbor. * * * Don't be too mild with men who intend and have laid plans (in blue print) to make our bald Eagle scream. * * * Do not weaken! The German is a fearful enemy. Don't underestimate! The German mentally is A-1. * * *

Major Frank Pease, Coral Gables, Florida. Back in 1934 it was my great pleasure to receive your kind letter concerning my anti-Nazi document sent you, and as first published by the Dickstein Committee, and later reprinted by me as a study for wide international circulation. The enclosed manuscript, "Germania Deserta", is, so to say, a follow-up. * * * It was written a few days after Pearl Harbor; laid aside for a couple of years, and just now dug out and brought up-to-date. In it are confirmations or substantiations of what I understand is your own position regarding a practical and permanent peace settlement -- settlement of the "German Problem" as such. This is to say, Germany's de-industrialization. * * * It is quite obvious that anything like a permanent settlement, not overlooking our proper retribution for Germany's crimes, is something which has got to be "fought" for. And this is why I venture to send you this document. * * * Again

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with all thanks for your every attention and courtesy, and with best wishes for your success towards Germany's de-industrialization.

A War Plant Worker - Peoria, Illinois. After reading of your "German Peace Policy" plans in today's paper I think it is very good. "Grandma" Hull should wake up and get behind you. This also goes for Mr. Stimson. We cannot lay it on too strong when it comes "Peace Time". Japs and Germans alike. They should not be allowed anything like a soft peace. They do not deserve a place in the family of Nations.

L. Lester Rona, New York City. (Telegram) Your reported stand on Germany's complete de-industrialization appears only practical solution. Whether right or wrong we cannot take chances. Our dead cry out for the safety of next generations. Respectfully suggest you do not deviate from your position.

Herbert van Kaan, New York City. I do hope it will interest you to read the enclosed clipping from the Central European Observer giving some very good arguments in support of the plan proposed by you to strip Germany of her industry, especially the part that suggests to the Allies to capture Germany's several billion dollars worth of export trade as their part of the reparations Germany could and would never pay. In addition I think we should never again permit Germany to have any merchant fleet whatsoever. * * * I would even propose to bar any German to leave his country. Their presence within the borders of countries formerly ravaged by her would most likely result only in disturbances, since it is hardly likely that any of her former neighbors would calmly see German salesmen trying to drum up business for Germany again, and likewise German tourists would not only be similarly unwelcome but even suspicious in view of her tourist invasion of many countries. * * * If the Allies would like to save some of Germany's

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heavy industries for the purpose of reparations in kind, such industries should be located exclusively in the Ruhr and Saar territories taken out of Germany's economic system and placed under Allied control permanently as a workshop on reparation account, since it may be possible that Russia, which can, due to her economic system, absorb any quantities of reparations and will need hundreds of billions worth of goods to restore her devastated regions, may insist to receive such reparations besides German machinery and labor battalions.
* * *

H. B. Charmbury, Assistant Professor, Department of Fuel Technology, The Pennsylvania State College, State College, Pennsylvania. I have read with great interest a newspaper account of your plan, as a member of the President's Cabinet Committee, on a German peace policy.
* * * It was quite surprising to learn that in such a plan there was no provision made for the Allied countries to control the very root of the German industry even though your plan does call for the destruction of its present industry. Therefore, I would like to suggest for your consideration the following, not necessarily as I have stated it, but at least in principal: That an allied scientific committee be appointed to keep in direct contact with and govern all long-range scientific research and development work within the remaining German state. Such a proposal would enable the Allies to detect in its first phase any long-range plan that Germany may institute to cause the recurrence of another war, especially since it is a known and accepted fact that Germany had to rely on its scientific achievements since World War I in order to even consider becoming engaged in another world conflict. * * *

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E. Maude Buchere, Glens Falls, New York. Our family which consists of four adults, have read from time to time your publicly expressed views in regard to our affairs with Germany after the war. We think you have been consistent, reasonable and just in your statements, and feel you present the most rational and sensible attitude to assume in dealing with such a race of people as the German people have allowed themselves to become. * * * The German people have shown themselves to be neither willing or capable of living harmoniously in a world family of people - and until they can show such a desire and ability, we must keep the tools of destruction entirely out of their hands. We trust you will continue to take the stand you have presented and that you will make every effort to put it into effect. It is unfortunate that the laymen do not have more opportunity to make their opinions public, but all can support those who do voice a sound and consistent stand to take. Thanking you for this opportunity to express our appreciation.

Dr. I. R. LeSage, Huntington, West Virginia. I wish to add my hearty commendation of your plan for the treatment of postwar Germany. Anyone who should desire to subtract one jot or tittle from your proposition ought to be subjected to some of the brutality our fighting men and the subjugated peoples have had to endure. Do not retract an iota from your position.

.....

Joseph W. Carroll, Carroll, McCall, Plough & Carroll, Attorneys and Counsellors at Law, New Orleans, Louisiana. I have read in this morning's paper a reference to a proposed "handbook", issued, or to be issued, by economic experts under direct orders of the Secretary of the Treasury, regarding the handling of "German civic affairs" addressed to Allied military administrators. The intimation, if not the text, points to a "hard peace" -- with which I have no quarrel now -- if ever. May I have a copy of the handbook when issued?

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Edward B. Benjamin, Greensboro, North Carolina. I am sure many millions of other Americans feel as I do that your so-called "Treasury Proposal" for handling Germany is highly sound and desirable. I hope you will stick to your guns and put your plan over. All good wishes.

Mrs. Burgess E. Drane, Washington, D. C. I favor a plan of splitting up Germany into separate portions; a 10, 15, or 20 year occupation of Germany to see they don't start to get ready for another war. I don't want our children to have to fight another war in about 20 years. Germany won the last peace, we must not let her win this. Richard Harkness' explanation of your plan for treatment of Germany sounded good. Keep to it.

Emanuel Tyone, Boston, Massachusetts. The writer, who was Secretary in the Wilson pre-nomination and election of 1912, and a friend of your dear father, is anxious to advise on important pre-election facts. Mr. Dewey was 15 or 16 years at time of that tragedy when President Wilson was defeated by the Republican party on the League of Nations, and only by a scant 6 votes in the Senate which rejected, and Senators Lodge, Borah and Hiram Johnson assailed its principles which was to do America's part in the League. * * * Germany was beaten and hands in chains, or hand-cuffed, as it were, and again I say the Republican party cannot be trusted. Honestly, the United States is the fault of this war because Germany could not start any wars if unable to manufacture warfare implements. I am sure a great many men, like the writer who is 70 years old, know what I am writing, and as a patriot am sure my words can be broadcast with great help for a human cause. President Roosevelt will live long in history for his honesty and charity for the masses.

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Many Treaties Blackfeet, Los Angeles, California.
Friend: Your plan for cutting Germany up into small farming communities is the solution for preventing future wars by Germany. I think Germany should be dealt with most severely, once and for all. The world would not suffer if Germany got a big dose of what the Romans gave "Carthage". I do not see why we should be so solicitous about the future welfare of an arrogant and bestial Germany. To leave intact a Germany of 80 millions is to invite another war - policing or no policing. The war plants of Germany should be leveled to the ground. Yours for stern terms.

Zdena Trinka, Lidgerwood, North Dakota. The enclosed copies of letters I have mailed to Mr. Hull and Secretary of War, Mr. Stimson, are self-explanatory. They are the last persons one would have thought would oppose your plan for Germany after the war. * * * To you, Mr. Morgenthau, goes the deep admiration of myself and the man and woman in the street who are today discussing your plan of an agricultural Germany, a Germany deprived of its industries, and no reparations. A plan, whether it succeeds or not, will win you a place in American history for its thorough Americanism in trying to prevent another war which the enemy brags it is even now planning by going underground in various European countries to prey on peaceful nations from its dugouts in the interim until Germany can fight again. * * *

Edward Davis, Retired Col. U.S.A., Evanston, Illinois. You are a Cornell man and so am I. According to the press you advocate arrangements regarding Germany's future status which seem to be quite in accord with my own conclusions, the latter being the result of my long practical experience with the Germans in Germany as Military Intelligence representative operating both into Germany from the outside and later from the inside. * * * As to the efficiency of my above operations you

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may, if you wish, ask General March, late Chief of Staff under whom I worked directly. Your representations, as mentioned in the press are absolutely correct. I have studied German conditions continuously since World War I. We can obtain a durable peace now if we are intelligent enough to do so. If I can do anything to back up your plans let me know.

Dr. Walter H. Colburn, New York City. Your seven-point settlement of Germany expresses my sentiments to a dot. I hope you stick to it. For over a year I have said this was the only way to get rid of the plunderers and murderers!

John C. Allen, Kearny, New Jersey. As a plain American citizen I want to congratulate you regarding your very wise plan for the postwar treatment of Germany. I was for years in Latin America where there are many Germans of the intelligent and official class and the best and most effective method to cut their world-wide ambitions is to put them on small farms without the right to leave Germany as their presence in any part of the Globe would be an added menace to world peace. Everybody seems to be earnestly in favor of your idea except Dewey Republicans.

Wolfram Hill, St. Paul, Minnesota. As one who was born and educated in Germany, I wish to commend you on the effective plan which you propose for the treatment of the Nazi Reich, after, I hope, large sections of it have been permanently detached. I am in a position to realize that your plan is not only just, but if peace for at least a hundred years is desired, it ought to be carried out to the letter. At its worst, our plan is merely an application of Nazi justice which these gangsters have imposed upon innocent people.

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Anonymous - Washington, D. C. I hope you stick to your guns and win out on the German question - "Treatment After the War" - as yours is the ONLY plan whereby we can keep Germany from starting another World War of complete annihilation of civilization, in another generation! This soft peace that Hull, etc., want is much too human and soft; as the Germans do not profit by kindness and softness, they only sneer at our backs and build war materials. I cannot understand why our top men in power do not remember that our kindness and generosity and faith in the Germans only helped them prepare for this war, and it will help them again, as kindness, helpfulness and pity will give them courage-- that is, it will only help them to kill us later. * * *

Thomas M. Boulware, Allendale, South Carolina. I should like to do anything I can in the way of giving you some slight assistance in your effort to prevent another war by changing Germany from an industrial into an agricultural nation. I should like to see every German, Japanese and half-breed sterilized, but as those who do not think would not agree to this, I think your plan is the best that could be put across and is an absolute necessity. If you could hold off a decision for a short while, until the returning corpses and living human wrecks make the people realize what is happening in the world, then the Cabinet and the Congress will learn from the people that the next war must be prevented. I am not a politician, but I am a prominent man, having been President of the State Bar Association, etc., and could exercise some influence in this state in forming public opinion. Awaiting any opportunity for service.

Charles Saunders, Sr., Philadelphia, Pennsylvania. We, the people, have but a faint idea of your plans for converting Germany into an agricultural country, but you can rest assured that if this is to be principally, though not wholly the German economy after the war, that such a plan will have the hearty approval of the people. Everyone with whom I talk voices the opinion that she

must forever be rendered impotent to again make war. I personally feel that just as sure as we allow her to resume any heavy industry, just that sure are we of again helping toward another war. * * *

Harry A. Ives, Brooklyn, New York. I read with great interest an outline of your plan to administer Germany after the war; it is the only one that I have heard of that shows statesmanship, moderation, and vision. It should be a matter of the deepest concern to every American that proper measures are taken to prevent future wars, and I commend you most heartily for your foresight and plain common sense.

Ernest Briars, Rochester, New York. I am with you fully in your desire for a tough peace, even if an enrolled Republican. What kind of people are they in the State Department? Evidently, Facists to a large extent. They have continually babied Franco, the butcher; have seemingly never read of the torture chambers of the Gestapo, etc. Else they delight in human misery. Stimson, too, must be a doddering idiot to think we should let these German devils off lightly.

Franklin S. Clark, Attorney at Law, Fayetteville, North Carolina. You are right, except that your plan for Germany is too easy. The German people need a beating and a punishment from which they can never recover. * * * The public is back of you. Stick to it!

Mrs. Mary Ficker, Bronx, New York City. I am taking the liberty of writing to you to tell you I and many mothers in my city are very much in favor of your plan for Germany after we win the war. I wish you all the luck in the world, and that it does not get the same setback that President Wilson's League of Nations got, for Germany must be punished and now is the time to do it.

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Julius Herz, New York City. May I congratulate you on your plan for the future treatment of Germany? This is indeed the best way to prevent World War III; to prevent other nations from seeking an alliance with Germany; to eliminate German (and Japanese) competition in the world market; to give more employment to our workers, thereby preventing a further trend to the Left; to preserve our Democratic way of life. Perhaps I am allowed to make the following supplementary suggestions -- etc., etc. * * *

S. Arthur Knapp, Reserve Officers' Association, Lake Charles, Louisiana. I just want to tell you how very much all of our thinking people appreciate your plan of handling Germany after the war, as outlined in the New Orleans Times Picayune of September 24, 1944. If the politicians had let General Pershing alone he would have settled this whole matter in World War I, and unless we settle on a basis that Germany will thoroughly understand this time, we will just be inviting them to whip us next time. I am not sure that there should be any Germany, but if there is, there should never be a factory of any kind. They should have no sea coast, no shipping -- each one should have a hoe and shovel and as they are nothing but a bunch of potato eaters anyway, they should "root hog or die".

Mrs. Vera A. Dunn, Tulsa, Oklahoma. The attached editorial (From The Tulsa Tribune - highly praising the Morgenthau Plan) expresses the overwhelming opinion of the American people, and any Government of the people, by the people, and for the people should give it profound consideration. Militarily, Germany must never be allowed to rise again.

Allston D. Calhoun, Jr., Greenwood, S.C. I have been following in the papers your stand for a hard peace with Germany and I am taking the liberty to write you

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that Germany as a nation should be destroyed insofar as her ability ever to wage war again is concerned. Whatever means are used in making this a certainty are immaterial as compared with the necessity of making Germany forever impotent. Two years ago I became tired of hearing people say that the Nazis were responsible for this war. To refute this I sat down and wrote the enclosed pamphlet to show that the Germans have been at the same old game for many centuries, and that the term "Nazism" is nothing more than a new name for the same old brutal German aggression. * * * As a newspaper promoter who has travelled throughout the nation and who knows the sentiment of the people, I can tell you that nothing is going to cement the fruition of the fourth term with more certainty than the knowledge by the people that this Administration will carry the winning of the war through with a dissolution of the German nation as such. This sentiment is as strong with loyal Americans of German descent as it is with those of English, French and the like. Assuring you of the full appreciation of every peace-loving American for your efforts.

Unfavorable Comments on Statement Concerning
Postwar Plans for Germany

Joseph Kaskel, Madison, New Hampshire. The New York Times of today reports that, in antagonism to the Secretary of State and the Secretary of the War Department, you favor the plan to destroy Germany's industry, to close her mines, and to reduce the German nation to a purely agricultural standard of life. May I respectfully submit that this plan is unfeasible, inconsistent with the principles for which our sons are fighting on the battlefield, and destructive to the hope of humanity for a lasting peace. I most earnestly beseech you to reconsider your opinion. * * * On July 1 you stated in Bretton Woods: "We know now that the thread of economic life in every nation is inseparably woven into a fabric of world economy. Let any thread become frayed and the entire fabric is weakened. No nation, however great and strong, can remain immune." If "prosperity is indivisible", the destruction of Germany's prosperity would be of disastrous consequences to the prosperity of all the world. Germany, more than any other country, except for Britain, is connected to nearly all the countries of the world by the tie of trade. * * * Germany has been one of the three greatest importers of the world, following our country by a margin of not more than 10% on the average. On the European continent she took part in foreign trade to the extent of 20%. She was the greatest buyer of the surpluses in food and raw materials from Southeastern Europe, and took a substantial part of the agricultural surpluses of South America. Both areas would be at a loss to find substitute markets. * * * Also, Germany's contribution to the development of technology and production should not lightly be forsaken with a view to our task to raise the low standards of living conditions to which two-thirds of mankind are still subjected. * * * The plan is also inconsistent with #4 of the Atlantic Charter which promised access, on equal terms, to trade and to the raw materials of the world which are needed for economic prosperity to all, victor or vanquished. * * * (A long, detailed and interesting analysis follows.)

W. L. Woods, New Orleans, Louisiana. Have just read your suggestions regarding the treatment of Germany after the war, and I believe that instead of your laying the seed for another war, you are laying goose eggs. Don't you realize that your method would create more Hitlers, and besides, it might be that behind your idea is the hope that England will get the most of Germany. I am a little older than you (72) and can well remember that England and Germany, controlled for hundreds of years by Royalty relatives, have never been able to get along together and have always been at each others throat. No, I don't want the seeds nor eggs laid for another sending of our boys to fight Europe's wars which Roosevelt promised would never happen. Your idea is crazy. * * *

A Friend - Colerain, North Carolina. It is necessary to prevent postwar Germany from manufacturing war material, but it is not necessary to destroy her industry to accomplish that fact. It can be accomplished just as effectively with less drastic means.

Anonymous - Chicago, Illinois. So you want Germany completely destroyed after this war. "Try it". How could the poor German people prevent this war? No more than the poor Americans could prevent Roosevelt getting us into this war. It is a close question, who is the lowest - Roosevelt or Hitler. Etc., etc.

Herbert Harvey, Suffern, New York. Following is wire sent to President Roosevelt dealing with the subject opened in the newspapers of plan for dealing with Germany: Plan for decentralization of Germany would actually work if it included village estate technique and productive homestead techniques worked out in detail here but little known among professional economists. Morgenthau plan as published can't work. Opportunity exists within general framework of Morgenthau scheme

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for specific plan pointing to broad social therapy, not mere revenge. * * * No doubt the press information was incomplete, but I ventured to act on the basis of it. * * *

Paul V. Beck, Tulsa, Oklahoma. The newspapers are now carrying the disagreement on the peace plans in which Secretary Morgenthau takes the extreme position that Germany should be converted into a rural area and her mines closed and kept closed by military power. * * * Such a peace as you suggest, Mr. Morgenthau, will starve millions of German people, as well as many of the other people of Europe who get some of their coal from German mines. * * * It sounds fine now to demand the "hard" peace, but such a peace will only lead to a worse war. Russia will be demanding more than England will want to give and will welcome the help of Germany. If we attempt to make the Continent of Europe another India, we shall fail as Europe is not like India. German people are not going to be willing slaves. Wars will continue as long as any nation dictates an unjust treaty. Hate will give way to pity and finally to another war.

Katherine D. Lovell, Bremerton, Washington. * * * I think Nazism should be abolished as our Armies enter, of course, as is being done. I also favor prosecution of war criminals. Some other plans I hear voiced I believe would be most unwise for the future peace of the world. One of these is the partition of Germany. I include in that phrase either breaking Germany up into small states again or giving part of her territory to neighboring states. Breaking Germany up into small states would not only be economically unsound but would plant a seed of unrest. The various parts would attempt to come together again until they at last would succeed, probably at the cost of another war. To take away from Germany any part that is historically and intrinsically German would be most unwise. * * * I believe the main constructive point to be considered, and it is a large order, is to help the Germans establish a healthy economic life. * * * For the future of the world, it is vital that

Germany as well as every other country have economic health and stability. * * * The proposal that Germany's industry be moved to neighboring states and that Germany be forced into being an agricultural state amazes me. It seems scandalously opportunistic, masking as a sane preventive to future wars. The economic dislocation in Germany would be terrific; the vocational re-training program, on a vast scale; the bitterness and resentment of the Germans, so deep that it would probably thwart our plans for peace; and the loss of skilled workers in Europe which will need all the skilled workers it can get for years, would be great. The opportunity for industrial victors such as Great Britain and the United States to sell agricultural Germany their products and the gain to covetous nations from German machinery would undoubtedly be looked upon in the future as masked self-aggrandizement and would serve the victors as poorly as such a policy usually does. I hope whatever we do, we don't do that! * * * It is no argument for us to use that the Nazis were inhuman or unwise. We should not try to justify any of our plans on the basis that it is merely better than that of the Nazis. We want to plan for years to come, to eliminate as many causes of future wars as possible. I hope you will do all in your power to promote a sane program for Germany.

Stanley U. Robinson, Jr., Attorney at Law, Columbus, Ohio. Your plans for postwar Germany were briefly reported in our Columbus papers recently, and as a citizen and a father who is interested in the future of his country and of his children, I would like to take the liberty of presenting my views to you. I believe you start making your plans on the theory that Germany has done a terrible wrong. With this I will agree. Whether or not others have been equally guilty is a debatable question, but that fact does not, in my mind, make Germany's wrong any less real. I feel that you might well have a bitter hatred in your heart for Germany because of the way she has treated your

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race. I will not attempt to defend such conduct, nor have I any patience with anyone who does defend it. * * * But if peace terms are made unendurable, I fear that Germany's will to continue resisting now will be strengthened and that future war with Germany will be almost a certainty. This, I certainly feel should be avoided. I believe that if German industry is destroyed and German mines are closed, the world will lose by the loss of production of economic goods. Frankly, I think such a procedure is pure waste -- like plowing under the little pigs. If Germany can work most efficiently as an industrial nation, the world will benefit, if Germany is allowed to continue its industries under "proper supervision". * * * I see no particular harm from breaking up the large landholdings into small farms if efficiency is not lost. But, by the way, what machinery can Germany use to operate its farms if all its existing machinery is sent to devastated countries and Germany is not allowed to produce more machinery? * * * Now I come to the part of your plan that made my hair stand on end. "Refusal by other countries to extend any assistance, economic or otherwise, to the people of Germany". Please! Are you going to let a nation starve before your eyes because it has been guilty of brutality? What could be more brutal than that? Certainly, we should not tolerate any nation re-arming Germany for another war, but to refuse bread to the populace that fell under the spell of an evil man and an evil situation is to perpetrate an atrocity that makes the German atrocities pale into insignificance. * * *

Arthur H. James, Jr., Bristol, Tennessee. In ancient times it was customary, when some member of a family or tribe committed a crime, to punish the whole family or tribe. But all growth toward the ideals of justice abandon this stupid "wholesale" method of condemnation by simply prosecuting the individual guilty of infraction. * * * How then does it become American practice to stand under present circumstances in a different type of judgment against other nations? For example,

on what grounds do you reserve the right (according to A.P. reports) to dictate, in the name of American and/or Allied justice to remove from Germany industrial machinery to other devastated countries such as they want, and destroy the rest; to close permanently the mines left in the German postwar state; and to dissolve large German landholdings into small farms, and so dictate the way the remainder of the people there shall live? Winston Churchill, who, according to the report, "seems agreeable" with such a proposal, was one of the loudest voices, following the last war crying for the Allies to feed the Germans and care for them, and it is quite conceivable that had we listened to such instructions this whole mess could have been avoided. Can we not learn something from our past? May the God of truth see fit to grant you, dear Sir, a vision of the way of peace that is quite separate from the indulgences you suffer in the heinous playing of power politics, and may you have the courage of such convictions in these dark hours of modern civilization.
* * *

Cora E. Leshar, Woman's Christian Temperance Union of Lebanon County, Palmyra, Pennsylvania. Did not the too restrictive Peace Treaty after the last World War aid to bring upon the world the Second World War? Are all men not born with certain inalienable rights? Does not the Creator bestow one, two, or more talents upon His created beings? Why are some ordained to be doctors, some musicians, some skilled in finance, some in law, some in inventions? Who are we that we should deny the exercise and use of talents to the Germans? The Germans have violated God's Laws, resulting in terrific losses and suffering, but even this action by the Germans does not justify our doing wrong in preventing them in exercise of God's gifts. * * * Punish the leaders, yes, but help the deluded German back to a normal life where his talents, under proper supervision, may be used for constructive use for the benefits of all society. * * *

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General Comments

Pvt. K. P. Horst, 606th Tank Destroyer Battalion, Camp Gruber, Oklahoma. I would like to find out why a G.I. cannot buy vehicle from the Ordnance when they are going to sell them out to a dealer. I really do not think it is fair at all because they make a good profit on them and here we are fighting our country and can't even buy one. The reason I am writing about this is I would like to buy a motorcycle and they say we can't buy them. The only way to get one is through a dealer and they say the ceiling price will be \$2.75, but they can do repairs on them and still get more than that from other people. I really think that a G.I. should have first choice of buying them if he has the cash, of course, if they should have to buy them on time I don't approve of it. * * * The other day we took some jeeps to Chaffee and there I talked to the man in charge and he said it was all up to the treasury department so that is why I am sending this letter to you and am hoping it will get to the right party. * * *

J. M. Juran, Arlington, Virginia. Having just gone through the procedure of getting a duplicate salary check issued to replace a lost check, I make the constructive suggestion that the Treasury Department overhaul its regulations on this point as a means of eliminating one source of needless employee irritation. On June 23, 1944, I mailed to my bank a salary check (\$258.74), plus a small travel expense check -- both checks having been rendered non-negotiable through restrictive endorsement. * * * To get a duplicate check issued I had to execute a form requiring seven signatures, as follows: Myself, warranting various things to be true; Two Sureties; Three witnesses to the above three signatures; and One Notary to certify that the Sureties were good. I had no difficulty finding sureties, but had a great deal of difficulty finding a Notary who would execute the certificate that the Sureties were good. This I accomplished finally by finding a

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Notary who, in effect, chose the officials whom she would be willing to certify as good Sureties. I then secured the signatures of these officials as Sureties. Actually, the Government was overwhelmingly protected against loss. (a) The checks were no longer negotiable and could not be the basis of a claim against the United States; (b) The Government has over \$1,000 of my money in the Retirement Fund. * * * The Government also has over \$1,000 of my money in accumulated Annual Leave. From the time of discovering the loss until the issuance of duplicate check consumed about 11 weeks. As it happened, I was inconvenienced but not burdened by this incident. However, it is clear to me, and this is the reason for this letter, that most Government people in this situation do not come off with mere inconvenience. Ordinary Government clerks have not the stature to secure the necessary Sureties and Notary to execute the Treasury Form. They are forced instead to purchase a commercial indemnity bond at a cost of about \$10. The frequency with which this actually happens would make poor reading in the public press. * * * In addition, the resultant time interval may necessitate borrowing from friends or from loan sharks. I suggest that a solution lies in the use of the principle of "calculated risk". It should be permissible for some official much less occupied with policy problems than yourself to exercise judgment according to the facts or circumstances of each case. Obviously, neither a Government administrator nor a Government clerk will risk his tenure, his reputation, and a criminal prosecution for a half month's salary. And if by a combination of probabilities the Government takes a loss occasionally it can readily pay such a loss from what it saves in existing paper work on the overwhelming majority of cases. * * *

Senator J. H. Bankhead sends the following letter he has received from P. O. Davis, Director, Extension Service, Alabama Polytechnic Institute, Auburn, Alabama:
"Recently County Agent N. M. Woodham of Geneva, Alabama

wrote: 'I have talked with farmers concerning purchasing Army Salvage Trucks for use on their farms. Permits are issued by the County AAA Committee. The one receiving the permit is required to carry it to an automobile dealer who accompanies the farmer to the sale. The farmer picks out the truck before the sale. The dealer purchases it for him. * * * Emmett T. Hughes purchased a truck last week, giving a check to the Government for the truck. At the same time they figured out the dealer's commission, and the dealer was paid \$101.00. * * * The farmers of Geneva County resent paying some dealer \$100.00 or more for a couple hours' work. The farmers believe that they could place a bid on a truck with the Government as easily as they could place a bid with the dealer. * * * ' The problem at present is due to the decision of the Treasury Department to dispose of these trucks through dealers, and not let farmers buy them direct. Mr. Jones of the AAA tells me that after a farmer locates a truck at Camp Rucker, for example, he must go to a dealer, who, in turn, must call the Atlantic Procurement Office to ascertain if the truck is still available. This involves, of course, cost of telephone. Through this process the purchase is finally made as reported by Mr. Woodham. The rules are written so that a dealer who does even the smallest amount of repair work to the truck can charge up to 15% commission for his service. * * * I believe that trucks are about the only Army equipment now being disposed of. I am writing you about it in hopes that you'll ask reconsideration of this policy decision because much other property is to be disposed of later. My belief is that this policy will lose the Government money by restricting the procedure in disposing of the property. I'm told that when listing is made, if no dealer calls for it, they then start dickering with somebody for sale at a price below that listed. * * * "

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Ethel Dell, "Earlham", Barnwood Avenue, Gloucester, England. In Friday 25th issue of the "New Chronicle", W. A. J. Cummings quotes from a speech of yours the following words: "But for the spirit they have shown, Britain today would not be marching forward with the Allied Nations". But for Pearl Harbour you and your Nation would not have thought it necessary to join us, and but for Britain, Nazism would have engulfed the world. Your remark, and similar ones from others, are not calculated to cement the friendship between Britains and Americans.

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Unfavorable Comments on Bonds

Senator Edwin C. Johnson (Colorado), writes as follows:
"Please note the attached letter which I have received from Fred W. Stover, President of the Poudre Valley National Bank, Fort Collins, Colorado, with respect to the dilemma of a wife of a man overseas who direly needs money, yet cannot make use of \$4,100 in Series E Savings Bonds standing in her husband's name, although she holds his Power of Attorney. The situation as outlined imposes great hardship on the dependents of a man in our Armed Forces at the battlefront, and a more workable plan should be devised to meet such emergencies.
* * * "

The following is taken from the letter addressed to Senator Johnson by Mr. Stover: " * * * A young woman now living in this city, the wife of a man in overseas military service, has \$4,100 of Series E Savings Bonds standing in her husband's name. She has recently given birth to a child, who is an incubator baby, and the expense of caring for this child far exceeds her Government allotment or her ability to provide for the care of the infant. She has a Power of Attorney from her husband, executed on the form provided by the Government, which gives her the right to do everything imaginable which her husband could do if personally present, but the Federal Reserve Bank refuses to recognize this Power of Attorney to allow her to cash Series E Bonds. A special form describing the particular bond in detail has to be executed by her husband to get these bonds cashed, and so far as we are advised, when the check is issued, it will also be issued in the name of the husband. This would necessitate sending form to the husband overseas, getting it back, and sending it to the Federal Reserve Bank each time. When the check is issued, she probably could endorse it by using her Power of Attorney, although I wouldn't want to depend too much on that. The Federal Reserve Bank branch at Denver advises us that this is according to the order

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of the Treasury Department and is based on the possibility that some of the loan sharks are advancing money on these bonds, holding the same as collateral and taking a Power of Attorney from the owner. We believe that it was generally understood by all soldiers going overseas that this Power of Attorney would meet the exigencies that might happen while they are gone, including cashing in their bonds, and if this is not the case, then these men in the armed services have been deceived. * * * "

R. W. Voris, Deputy Manager, War Finance Committee, Scranton, Pennsylvania. Would you be kind enough to have one of your assistants advise us to whom we can write to get some information for the soldier boys and discharged soldiers who drop in here and inform us that they are due various amounts of Treasury Bonds paid for by deduction from their pay, and for which they have written various places and can't get an answer, or any satisfaction whatsoever. In fact, this office has written to some of the centers designated on reports and each time have shown certain amount of Treasury issues (usually E Bonds) due both soldiers at present in the Army and those who have been discharged for physical reasons, and we have never received a reply. Some of these letters have been written nearly six months ago. * * * Sure would appreciate such information, as in many instances there seems to be considerable disappointment and disgust with their inability to get any information whatsoever.
* * *

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J. Arthur Krauss, The Lane Company, Inc., Altavista, Virginia. Since 1939 I have been purchasing the "E" Bonds for my children, wife, and self in the amount of \$32,850.00. Since I have been forced to purchase a home, it will be necessary for me to raise approximately \$6,000 cash within the next ten days, and unless I can arrange to borrow the money otherwise, I will be forced to sell enough of these bonds to raise the required amount. I purchased these bonds with the idea of holding them until they matured and intend to buy them in as large amounts as possible as long as they are available. In view of this, I dislike very much to be forced to sell any that we now own. While I understand that these bonds cannot be used for collateral, isn't there some special manner that I could use enough of them as collateral to borrow the \$6,000? The need for this money is only temporary, but if I cash any of the bonds in, they cannot be replaced on the basis they were purchased -- that is, the time they were purchased. I have put a good part of my net earnings into these bonds as I consider them a wonderful investment, especially to build up a cash income during the years to come. * * *

A. F. Taner, St. Paul, Minnesota. I have been buying bonds with every spare dollar I could earn. I was told more than once that some day the bonds would not be any good. I could never see it that way and I still keep on buying them. But here is a newspaper clipping (re. Dickinson plan) that bothers me. I am 62 years of age, and I will not be able to work much longer, and if anything happens to these bonds, well, it will just knock me out as they represent all my savings, so I could have some money when I can't work any more. Is it possible that anything could happen to these bonds? I thank you.

- 42 -

John Reilly, Belleville, New Jersey. I resigned my position with the Federal Telephone and Radio Corporation, 1226 Broad Street, Newark, New Jersey, July 29, 1944. I paid in full for several \$25 Bonds and have not received them. I have written them and got no answer. Soon I will be leaving for Hawaii. I will not buy any more bonds and the Sixth Bond Drive is coming along. Why can't I get my bonds?

- 43 -

Favorable Comments on Taxation

Edwin Kempton, Counsellor at Law, Summit, New Jersey. Yesterday I received check 4897346 of the Treasury for \$54.16, dated September 11, 1944, with a printed memorandum of the Collector that it represented "a refund of income tax paid during 1943 which is in excess of the amount due", as shown on my return, as re-estimated. I doubt if I am entitled to all of the amount for the following reasons. * * * In helping my wife with her March 15, 1944, return I made an error against her of \$33.13. This represents a payment in cash by her accompanying her declaration of estimated income dated September 9, 1943, which I failed to include in her return. * * * I wrote respecting this to the Collector at Newark on April 11, 1944, asking if this could be deducted from the later installments of the 1944 tax, and received an answer from him that it could not, and that the adjustment would "be refunded in due course of business". No refund has been received therefor. Will you kindly inform me whether the mix-up in the two cases will be settled to your satisfaction by my sending to you my check for \$19.60 and turning over the \$33.13 to my wife?

CONFIDENTIAL

For security reasons the text of this message must be closely guarded.

FMH-680
This telegram must be paraphrased before being communicated to anyone other than a Government agency. (SECRET O)

Chungking

Dated September 29, 1944

Rec'd 3:07 p.m.



Secretary of State,
Washington.

1527, September 29, 4 p.m.

FOR SECRETARY OF THE TREASURY FROM FRIED

One. Central government receipts and expenditures during 1944 now expected to total about CN dollars 130-135 billion as compared with Nadlier budget estimates of about 70-75 billion and actual total of 60 in 1943. In January-June 1944 actual receipts 67 billion of which 50 billion loans and 14 billion taxes. Chief categories of expenditures were military (47 billion) and reconstruction (8 billion).

Two. Reported that budget being tentatively drawn up for 1945 totals CN dollars 130 billion.

Three. Rechenof Bank of China has been made director of new department of international supplies under military council. Nominally directly responsible to GMO, expects actually will report to Ministry of War. Given rank of Lieutenant General for purpose. Department will consist of six divisions: Lend Lease; Canadian

mutual

-2- #1527, September 29, 4 p.m. from Chungking

mutual aid; purchases with British sterling loans; purchases in United States without standing credit and cash; diversion of supplies; miscellaneous. Appointment said to be requested by GMO; will continue work on China defense supplies. Still not clear what relation with Central Trust here and Universal Trading NY will be.

Four. K P Chen hopes to leave early in October for trade conference. Says appointment to delegation made by GMO.

GAUSS

WFS

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Reference Department's No. 6904 of August 28, 1944, transmitting message from Paul Baerwald of JDC to Sir Herbert Emerson. JDC advises no reply has been received to date. Will you please discuss with Sir Herbert indicating that WRB strongly supports JDC request.

THIS IS WRB CABLE TO LONDON NO. 6

10:30 a.m.
September 29, 1944

VH:had 9/28/44

CABLE TO LONDON FOR WINANT AND MANN.

Please refer to Your No. 7473 of September 11, and to Department's No. 7485 of September 14.

The following cable dated September 22 (Bern - No. 6276) has been received from McClelland:

"

Here quote full text of No. 6276 from Bern.

"

The following reply has been sent to McClelland as No. _____ of _____:

"

Here quote full text of cable to McClelland.

"

In view of McClelland's cable, we do not (repeat not) intend to take any further action in connection with the vague intimation of the German Foreign Office that the emigration of some 2,000 Hungarian Jews holding Palestine certificates might be more favorably considered if their destination were to be American or British territory.

As you will note, however, we have indicated to McClelland that he should continue to do everything possible to effect the emigration of those Jews from Hungary into "non-Arab" territory for whom arrangements have already been made. Since these arrangements presumably have been communicated to the Germans some time ago, it is not known whether any success can be achieved. However, we will continue to make every effort to that end:

For your convenience and for the information of appropriate officials of the British Government and of the Intergovernmental Committee, following is a summary of arrangements already made by this government for the emigration of Jews from Hungary to the United States and other territory:

(1) On August 21 the Legation in Bern was authorized to issue visas under liberal conditions to approximately 4,000 children arriving in Switzerland from Hungary. This authorization was issued in such manner as to insure the validity of the visas until transportation to the United States is available. The Legation was instructed at the same time to advise the Swiss authorities of the authorization to issue visas, and to make all appropriate efforts to arrange for the release from Hungary of children eligible for such visas.

-2-

(2) On August 1 the Legation in Bern was authorized to issue, under certain conditions, new American immigration visas to any person in enemy-controlled areas who held an American visa or for whom a visa was authorized after July 1, 1941. The Legation was instructed to

- (a) advise the Swiss authorities of this authorization;
- (b) request the Swiss Government to advise enemy governments of Switzerland's willingness to permit the entry, with or without transit visas, of all persons to whom immigration visas were issued on or subsequent to July 1, 1941; and
- (c) advise the Swiss authorities that such persons entering Switzerland would be adequately maintained until eligibility for new visas was determined, and that all persons found ineligible would promptly be evacuated from Switzerland.

The same authorization and instructions were sent to Sweden, Turkey, Spain and Portugal.

(3) On August 24 the Legation in Bern was directed to request Swiss authorities to advise enemy governments, particularly Germany and Hungary, that American Consular Officers in neutral countries had been authorized to issue immigration visas to

- (a) the alien husband, wife, parent and unmarried minor children of an American citizen; and
- (b) wife and unmarried minor children of an alien, resident in the United States

who has been in an area controlled by Germany or any of her allies, provided any such person(s) presents himself to an American Consular Officer and is found not to be disqualified for a visa. At the same time, the Legation in Bern was requested to secure the agreement of Switzerland to advise enemy governments of its willingness to permit the entry into Switzerland of persons falling within the categories indicated above, and to assure the Swiss officials that persons so admitted will be adequately maintained pending determination of eligibility for such visas, and those found unqualified will be evacuated promptly. Similar instructions were sent ~~to~~ on the same date to Sweden, Turkey, Spain and Portugal.

(4) Assurances have been obtained from the governments of Ireland and various Latin American Republics that they will receive at least 2,000 children. In addition, Mexico has assured this government of its willingness to give emergency shelter to an unspecified number of refugees from enemy territory for the duration of the war. Among the neutrals, the governments of Spain and Sweden have agreed to admit children, numerous adults, and persons to whom American Visas were issued or authorized after July 1, 1941. Spain alone has authorized 2,000 visas.

- 3 -

In view of the foregoing, it is apparent that adequate assurances have already been afforded the Germans to test the sincerity of the intimation that refugees might be permitted to leave Hungary if they go to the United States and not to Palestine. Accordingly, it seems more practicable to continue our efforts to effect evacuation under these existing authorizations than to pursue further the somewhat nebulous statement of the German Foreign Office referred to in your No. 7473.

It will be appreciated if you will express our views on this matter to the appropriate officials of the British Government and the Intergovernmental Committee.

THIS IS WRB CABLE NO. 7.

2:30 p.m.
September 29, 1944

JBFriedman:dg 9/27/44

KD-693
Distribution of true
reading only by special
arrangement. (SECRET W)

London
Dated September 29, 1944
Rec'd 3:45 p.m.

Secretary of State,

Washington.

8133, September 29, 5 p.m.

FOR PEHLE WAR REFUGEE BOARD FROM MANN.

In conversations with members of Polish Government and groups interested in rescue work they report that they have reliable information from the Polish underground to the effect that the Germans are increasing their extermination activities in all Polish concentration camps.

They urge that the WRB again explore with the Army the possibility of bombing the extermination chambers and German barracks at largest Polish concentration camps which, they state, are sufficiently detached from the concentration camps to permit precision bombing. I assume the Army authorities have maps of such camps. However, the above mentioned persons have promised to furnish me with recent maps which I shall transmit to Washington by airmail. I have pointed out that this has been before the Board before and found impractical. However, at their insistence I am reporteng their views.

They also urge again that another warning to those guilty of these atrocities be made. They have reiterated that they are able to furnish the names of persons guilty of atrocities and that the OWI might care to use such names in its broadcasts. In this connection see my letter of September 19.

WINANT

JT

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Tangier
DATED: September 29, 1944
NUMBER: 144

CONFIDENTIAL

Information contained in your A-199 of September 12 is thoroughly appreciated. For your information, the following has been cabled to Amlegation Bern:

QUOTE Amembassy Madrid advised that Spanish visas have been granted to 500 Jewish children and 70 accompanying adults in Hungary, but that their departure is being held up by refusal of German authorities to grant transit visas. It is reported that pending departure these persons have been placed under Intercross supervision. Please verify this report and, unless confirmed, request Intercross to undertake such supervision of these beneficiaries of Spanish visas, to prevent their deportation or persecution.

You may also inform Intercross that another fifteen hundred Spanish visas have been authorized for Jews in Hungary. To ensure their safety, Intercross representation in Hungary is requested, likewise to assume supervision of the beneficiaries of these additional visas as soon as feasible. UNQUOTE

HULL

FME-774

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

Stockholm

Dated September 29, 1944

Rec'd 6:20 p.m.

Secretary of State,

Washington.

3955, September 29, 5 p.m.

Every effort will be made to enter into any practicable arrangements that will mitigate circumstances described in WRB 86 (Department's 1883, September 20, 6 p.m.). Following may assist Board in obtaining insight into problem as we have encountered it here. This is our 87 for WRB.

Tremendous difficulties and hazards of taking any helpful action in Lithuania perhaps is best suggested by fact that in course of Olsen's rescue operations which ha (*) Lithuanians here, 4 boats and almost 250 lives were lost. These operations have recently become so dangerous and appropriate communication with other side so erratic that it was decided to stop operations this week. No a single Jew has been rescued. Lithuanian refugees arriving here say Jews are too terrified to move from present hideouts, either because they fear German trap, are afraid of almost certainty of being spotted by Gestapo and shot or are very much afraid of undertaking the dangerous escape. A Lithuanian Catholic Priest, one of the refugees brought here through these rescue operations, states quite a large number of Jews were able to get into Lithuanian territory occupied by the Russians and are said to be treated extremely well. Many others in some cases entire families, are being hidden by Lithuanian farmers. He states many Jews have been given false birth certificates by Catholic Priests. According to him, there were only about 500 Jews in Kretingen on July 1 of this year and he does not believe there are any more than that now unless there has been heavy demand for conscript labor in that area.

Operations in Estonia and Latvia were also stopped this week and the ~~HEHE~~ boats ordered to be delivered to Olsen here.

JOHNSON

MJF

(*) apparent omission repeat requested

MB-774
Distribution of true
reading only by special
arrangement. (SECRET W)

CORRECTED COPY

Stockholm

Dated September 29, 1944

Rec'd 6:20 p.m.

Secretary of State,
Washington.

3955, September 29, 5 p.m. (SECTION ONE OF TWO)

Every effort will be made to enter into any practicable arrangements that will mitigate circumstances described in WRB 86 (Department's 1883, September 20, 6 p.m.). Following may assist Board in obtaining insight into problems as we have encountered it here. This is our 87 for WRB.

Tremendous difficulties and hazards of taking any helpful action in Lithuania perhaps is best suggested by fact that in course of Olsen's rescue operation which have brought less than 150 Lithuanians here, 4 boats and almost 250 lives were lost. These operations have recently become so dangerous and appropriated communication with other side so erratic that it was decided to stop operations this week. Not a single Jew has been rescued. Lithuanian refugees arriving here say Jews are too terrified to move from present hideouts, either because they fear German trap, are afraid of almost certainty of being spotted by Gestapo and shot or are very much afraid of undertaking the dangerous escape. A Lithuanian Catholic Priest, one of the refugees brought here through these rescue operations, states quite a large number of Jews were able to get into Lithuanian territory occupied by the Russians and are said to be treated extremely well. Many others in some cases entire families, are being hidden by Lithuanian farmers. He states many Jews have been given false birth certificates by Catholic Priests. According to him, were only about 500 Jews in Krotingen on July 1 of this year and he does not believe there are any more than that now unless there has been heavy demand for conscript labor in that area.

Operations in Estonia and Latvia were also stopped this week and the boats ordered to be delivered to Olsen here.

JOHNSON

This was originally stencilled as a complete message instead of Section One.

MJF

FME-773
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated September 29, 1944
Rec'd 6:25 p.m.

Secretary of State,
Washington.

3955, September 29, 5 p.m. (SECTION TWO)
was due in part to the military situation in that
area as well as to the difficulties of controlling the
types of people who were to be brought out. There are
literally hundreds of thousands of people on the Baltic
coastal areas, of all political followings, making every
panic stricken effort to escape. The last boat sent to
Estonia was almost capsized by scores of people swimming
around in the sea trying to climb aboard. Somewhat over
three hundred were rescued from Latvia and approximately
250 from Estonia. Here again, however, it was not
possible to bring out a single Jew. A full report of
all these rescue operations will be forwarded in the
near future.

All available channels will, as they have in the
past, be used to forestall further massacres in east
Prussia and Poland, although we are extremely pessimistic
that much can be accomplished since the contacts we have
had in the past are not able to exert any influence
upon the severe military control presently being maintained
by the Germans over such matters. Threats of reprisals
are meaningless to this group and it may be assumed that
should any proposals ultimately be forthcoming through
Kleist or other intermediaries for the Germans, such
proposals will undoubtedly involve totally unacceptable
military implications. We are pushing these negotiations
as strongly as possible nevertheless, simply to stall
for time.

END OF MESSAGE.

JOHNSON

JMS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
To: Secretary of State, Washington
DATED: September 29, 1944
NUMBER: 3959

SECRET

According to the agent of British Secret Service handling matters in connection with Norway, he has been informed by Dr. Malm, new director of Norwegian Legation's "Sambandskenteret" that the Government of Sweden will not allow Quisling refugees to come into Sweden from Norway after October 1. In addition, Dr. Malm stated that the Swedes are going to install two new refugee reception camps near the frontier of Sweden and Norway.

In an effort to decide whether they shall be rejected and handed over to the Swedish police or accepted as loyal Norwegians, the cases of all refugees who have been found by preliminary investigation to be of questionable character will be reviewed by a committee made up of Dr. Malm and two other members of the Norwegian Legation.

Our informant was advised by Dr. Malm that he calculated that in order to evade compulsory labor conscription in Norway, 3,000 young men had gone into hiding. Around 1,200 had entered Sweden of this total. A certain number found it possible to obtain work on farms, among those remaining in Norway. It is known, however, that a sizable part of these refugees were ranging the Buskerod territory. They have set up an organization which operates independently, raiding towns to secure food and even stealing 200,000 kroner in cash from a bank recently.

JOHNSON

DCR:GPW 9/30/44

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

September 29, 1944

8 p.m.

AMLEGATION

BERN.

3361

Favorable action on request set forth your 6306, September 23, has been recommended to London, with request that London communicate direct with Bern in regard thereto.

HULL
(EDK)

Approved by:

wrb - Miss Hodel
FEA - Mr. Klaer

SWP:EDK:VIC 9/27/44

EH

PARAPHRASE OF TELEGRAMS RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: September 29, 1944
NUMBER: 6471

CONFIDENTIAL

Reference is made herein to Legation's airmail 9250 of September 15 and its September 19 cable No. 6195.

We are in receipt of a note dated September 27 from the Swiss which states that Swiss Legation Berlin reports that on September 13 Sethe of the German Foreign Office declared deportation of Vittel internees, which occurred in spite of his May 11 assurances, were due doubtless to action on our initiative by subordinate officials. A representative of German security office was sent by Sethe to Bergen-Belsen where it was ascertained that Jews in question had never reached camp there. Another representative of German security office was instructed by Sethe to undertake inquiry at German Paris Embassy concerning deportees' fate. Owing to recent developments in France however this representative was unable to conduct effective investigation. Only fact he was able to establish was that all Jews deported from Vittel had been transferred either to Compiègne or Drancy and on basis of Gestapo information is convinced that departure of these Jews from France never took place. Accordingly Sethe assumes that Allies liberated persons concerned simultaneously with other detainees at Compiègne and Drancy.

Inquiry is made by the Swiss as to whether Allied authorities in France have any trace of Jews in question and whether information concerning fate of Vittel deportees could possibly be obtained through such authorities.

Likewise, any information which Department may be able to obtain regarding identity of persons liberated from camps in France, including individuals claiming Latin American nationality, would be gratefully received by War Refugee Board representative and this Legation.

HARRISON

DCR:EBH 9/30/44

LFG-606

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

Bern

Dated September 29, 1944

Rec'd 10:58 a.m.

Secretary of State,
Washington.

6471, September 29, 10 a.m.

FOR WRB FROM MCCLELLAND

Department's 3180, September 14 and 3207 September 16.

We are proceeding in consultation with certain private individuals and organizations here in Switzerland with the assembling of as complete lists as possible of persons to whom Latin-American documents have been issued particularly those thought not to be in physical possession of such papers. Special effort is being made to compile list of such persons now in camp of Bergen Belsen in hope that this will enable Switzerland as protecting power to obtain access to this camp and exercise more satisfactory protection of these internees than has been possible to date.

In lists already received accurate information regarding present whereabouts many document holders is lacking last known address often being several years old (an internment camp in France for instance). Only indication given is frequently that individuals in question were deported from Drancy Frankfort Cracow et cetera, at some previous date.

In the interest of translating such lists into more effective protection it is strongly recommended that an exchange of even 100 document holders be arranged as soon as possible in order that German interest in these people as exchangeable may be kept alive.

HARRISON

WFS

FME-891
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated September 29, 1944

Rec'd 3:53 a.m., 30th

Secretary of State,

Washington.

1853, September 29, midnight

FOR THE WRB FROM THE AMBASSADOR AND HIRSCHMANN.

ANKARA 162.

The following information has reached us from reliable sources
in Sovia:

One. Klarman, representative of the emergency committee and Pomeranz representative of several Palestinian organizations who proceeded to Sofia ostensibly as newspaper correspondents have conferred there with high Bulgarian officials with a view to stimulating immediate emigration from Bulgaria to Palestine claiming the same to be part of the Board's rescue program. These efforts to stimulate emigration from Bulgaria to Palestine, notwithstanding the discontinuance of anti-Jewish measures, appear to have as their principal objective immigration for Palestine.

Two. The same representatives are also reported to have requested high Bulgarian officials to release all Jewish young men of military age from the obligation to join the Bulgarian armed forces so that they may proceed instead to Palestine. This latter request has been refused by the Bulgarian authorities.

These moves by irresponsible Palestinian representative are presumably at variance with the policy of the War Refugee Board to aid in bringing about the reinstatement of the Bulgarian Jews who now enjoy full rights and commensurate obligations as Bulgarian citizens.

STEINHARDT

JMS WMB

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 317

Information received up to 10 a.m., 29th September, 1944.

1. NAVAL

Estimated 75 days required before BREST can be used for limited unloading cargo and troops.

2. MILITARY

WESTERN EUROPE. Second Army have made slight gains on the flanks of their salient. German resistance strong in most places, especially the north, and several enemy air attacks made on bridges at NIJMEGEN. Good progress made towards HERTOGENBOSCH. Canadians attacking CALAIS have also met stiff opposition but in hard fighting have captured the Citadel and made considerable haul of prisoners.

ITALY. Bad weather prevails with consequent slowing up of operations. Forward troops of 8th Army are along the FIUMCINO River and in one place north of SAVIGNANO have forced a crossing. Fierce German counter-attacks forced us to yield slightly in SAVIGNANO area. 5th Army have advanced about 3,000 yards north of CASTEL DE RIO on the IMOLA Road and have captured MONTE CANDA, MONTE OGGIOLI and MONTE BASTIONE, three important features astride FLORENCE-BOLOGNA road.

3. AIR OPERATIONS

EASTERN FRONT. 27th/28th. KAISERSLAUTERN. 945 tons dropped, nearly all incendiary. Marking reported accurate and attack well concentrated. Reconnaissance one hour later reported mass of fires. Fighter opposition negligible.

28th. In poor visibility 266 Bomber Command aircraft bombed defensive positions CALAIS and CAPE GRIS NEZ - 1120 tons. 972 escorted U.S. heavy bombers bombed MAGDEBURG - 698 tons, KASSEL armoured vehicle works - 432, MERSEBURG synthetic oil plant - 690. Results reported moderate. 49 bombers, 16 fighters missing. 36 German aircraft destroyed. 67 medium bombers attacked road and railway crossings EMMERICH. 360 aircraft carried supplies to HOLLAND and evacuated wounded. Mosquitoes sank a small warship off Southern NORWAY.

28th/29th. Aircraft despatched: BRUNSWICK and two railway centres Germany - 53 Mosquitoes. Bomber support, etc. - 75. One aircraft missing.

MEDITERRANEAN. 26th/27th. 84 heavy bombers bombed a railway viaduct 40 miles N.N.W. SARAJEVO. Beaufighters destroyed three JU 52 and one Dornier north of CRETE.

27th. 261 light bombers and fighters operated in close support of the army in Italy.

4. HOME SECURITY

Between 5 a.m. and 6 a.m. 29th 8 flying bombs plotted.

SECRETMEMORANDUM FOR THE SECRETARY

SEP 30 1944

FOR YOUR INFORMATION

Pursuant to your arrangements, Messrs. White and Luxford talked to Elmer Davis yesterday afternoon regarding the "Morgenthau Plan" for Germany. Also present at the discussion were Edward Klauber, Associate Director of OWI, Edward W. Barrett, Director of Overseas Branch, and Wallace Carroll, Deputy Director of Overseas Branch in Charge of Western Europe.

Davis opened the discussion by inviting us to state the case for the "Morgenthau Plan". He made it clear that everything said would be entirely "off the record."

Mr. White outlined briefly how Treasury had become interested in problems of post-War Germany as a result of its responsibilities in the field of reparations, your discovery of the contents of the Army handbook and your discussions in London. He then reviewed the plan in detail and the reasons for its adoption.

Davis and his associates were visibly impressed by this explanation of the plan. He stated that he was sorry he had not fully understood it before, because he would have had a different attitude on the manner in which the President had handled the matter at his press conference. He and his associates felt that German propaganda would make the most out of the alleged harshness of the plan as publicly reported. They said that it would be exploited on the German home front and that ultimately its effect might be felt on the battle front. None of them believed that it could have had its effect on the fighting front yet since, in their opinion, propaganda did not work with that speed. Rather, it took a much longer period of time to manifest its effects.

Davis said that he thought that it would be highly desirable if the truth about the "Morgenthau Plan" was made known to the public and to Germany. He said he was strongly tempted to write a note to the President that afternoon and urge this course. White queried whether this would have a reassuring effect on the German populace since Goebbels would play up the harsh features and emphasize

SECRET

- 2 -

that the Allies intended to make Germany into a nation of farmers. Davis said that in his opinion this would not lack appeal for the ordinary German. He quoted from Mein Kampf to show that Hitler had promised to take the German worker out of the factory and give him his own small tract of land. He felt that we could use this effectively. Moreover, he felt that the backbone of the German propaganda line was that we proposed to starve 30,000,000 Germans, and if this could be repudiated as a policy and the plan explained we would have the basis for strong counter-propaganda.

We spent almost two hours with the group. It was my definite impression when we left that Davis was in agreement with our plan and that probably his assistants also shared this view. There can be no doubt but what the conference was extremely valuable.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 30, 1944

TO Secretary Morgenthau
FROM Mr. Gaston

I talked to George Fielding Eliot this morning about the attached article. He seemed greatly pleased and asked me to thank you for your interest in the article and your thoughtfulness in having me call him. I told him that in view of all that had been printed on the subject I felt free to tell him that he had appraised correctly the real significance of your proposals. He asked me whether I thought that the discussion of the "Morgenthau Plan" would have any real influence on prolonging German resistance. I told him I didn't see how it could have much effect. He said that was his opinion notwithstanding what Marquis Childs and others were writing. If we come across any bits of evidence to support this view, he would like to have them.

SEP 25 1944

German Industry's Destruction Called Only Way to Clinch Peace

Robot Bomb Cited as Proof Nation Can't Be Trusted With Modern Tools; Supervision Is Termed Inadequate, Since It Might Become Lax

By Major George Fielding Eliot

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If the policy of the United Nations toward the future of Germany now swings in the drastic direction of the complete destruction of German heavy industry and the reduction of Germany to an agricultural economy, the Germans have only themselves to thank for it.

It may well be doubted whether, up to the launching of the robot-bomb offensive against the people of England, such a program would have received very wide popular support either in Great Britain or the United States. The general sentiment, to judge from the press and from the utterances of leaders of public thought, ran generally toward giving the Germans a chance to get back on their feet, supported by the belief that a prosperous German industrial economy was an essential part of the general economy of Europe.

Might Build Worse Weapons

But the Germans have been at great pains to demonstrate to the world that they cannot be trusted with the tools of modern industry; that they are capable of producing obscene, inhuman devices and launching them into the midst of great cities for no better purpose than the mad-dog destruction of the lives of human beings. If they can do such a thing when they are already defeated, when they have no hope of winning but are concerned only with killing as many British men, women and children as they can contrive to reach while they still possess the means of murder, then what will they do, what can they be expected to do if they are given a chance to recover and to work out new and more terrible devices which can suddenly be launched upon their neighbors—or indeed upon any nation in the world, for there is probably no limitation of range which science cannot now overcome.

It is inevitable that thinking men, concerned with a peaceful future for that vast majority of the human race which passionately desires a peaceful future, should reason that the only way to be safe from the German mentality is to deprive that mentality of the means for translating its evil predilections into action.

Mere supervision of German industry may not be sufficient. No matter how complete a system of control and inspection might be worked out it would be subject to the wear and tear of time. Men's minds turn very readily away from the thoughts and passions of war to the happy pursuits of peace. The Germans, for their part, know very well how to put on what General Stueelpnagel brazenly calls "a campaign of pity." Whatever the new system might be, it would presently be subjected to a series of strains—little strains at first, an inch here and half an inch there gained by some particular German interest and surrounded with plausible argument. As the years passed the system might slowly relax—supported, no doubt, by "humanitarian" idiots in this country and even after a while in Britain as the memories of the blitz and the buzz-bomb faded into the shadows of an evil past. Those who tried to argue against each encroachment might, after a bit, come to be called "alarmists." And then, in the fullness of time, German science, backed by German industry, might hurl the bolts of a new war suddenly upon an unready world.

Perhaps this sounds a little on the fantastic side just now. But remember the brave words that were spoken when Germany went down in blood and fire last June after four years of struggle and remember what happened afterward. Can it be a cause for wonder if there are those who are unwilling to run such a risk again? Can we be sure—with the evidence of the robot bomb actually before us, with the terrible photographs of the senseless, savage devastation and slaughter in London appearing daily in our illustrated press—can we be sure that any world in which Germans possess the tools to make such weapons can be a secure and happy world?

Would Remove Basis of Power

There is a great and essential difference between taking the tools away or saying to the Germans, keep the tools but use them only under guard for purposes which we approve. The latter method depends on the continued vigilance, throughout the coming years, of the guard we keep over Germany, subject as that will be to all sorts of political and psychological stress. The former method is definitive, and we can do it now while our purpose is still firm. Once the Germans are deprived of their industrial plant they cannot rebuild it unless we deliberately present them with the means to do so. And without their plant, their research laboratories, their system of technical education, they cannot make war. The foundation of their power will have been swept away.

If the minds of peoples normally of liberal and generous character, whose first impulse toward a fallen foe is to extend the hand of fellowship and reconciliation, now turn to such a course as this against defeated Germany it will be because the Germans themselves have convinced us all that there is no other way to deal with them, no other way by which we can live in the same world with them and enjoy the pursuit of happiness and the fruits of human progress.

House 179

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

September 27, 1944

TO Mrs. Klotz.

FROM Secretary Morgenthau.

Please get copies of George Fielding Eliot's column the last couple of days. I understand he is talking favorably about our plans for Germany.

attached

Finished

SEP 27 1944

Arnhem Battle Called No Proof Nazis Can Hold Out Until Winter

Desperate Resistance There Termed Only Part of 'Big Picture,' Which Shows Foe's Defenses Strained All Along His Western Front

By Major George Fielding Eliot
Copyright, 1944, New York Tribune Inc.

The official "blackout" on news of the progress of the fighting in Holland should under no circumstances be interpreted as an attempt to cover up an Allied disaster. Its purpose seems to be to cover a period of what might be called "replanning"—an adjustment of Allied moves to take care of a changing tactical situation. That this tactical situation is not so favorable as might have been hoped for is already clear enough, but there is no reason to suppose that General Eisenhower lacks the resources to deal with it adequately.

The maximum success which could have been expected when the Allied air-borne army was dropped in the Eindhoven-Nijmegen-Arnhem area was to seize the crossings of all the Dutch water lines—the Maas, the Waal and the Neder Rhine—and thus prepare and hold open a gateway by which the British 2d Army could pour across these water lines into the flat plains of northern Germany, outflanking the defenders of the Siegfried line. This objective has, so far, been achieved only in part.

British Established at Eindhoven

The British 2d Army is firmly established in the Eindhoven area, where it is widening its positions to the northeast, east and west. Two crossings of the Maas, at Grave and Mook, are in our hands, and the Maas has been reached on a front of some twenty miles. American air-borne troops are participating in these operations, and the Americans hold Nijmegen, where they have the highway bridge over the Waal, the most formidable of the three water barriers, intact.

The Germans have attacked the narrow supply corridor from Eindhoven to Nijmegen several times, both from the east and from the west. The main attack from the east was made Saturday by troops which had been ferried across the Rhine and concentrated in the forest called the Reichswald, about eight miles southeast of Nijmegen. This attack was beaten off, and it appears to have been the German main effort, for since then Allied forces have been gaining ground steadily east of the road and are reported to have crossed the German frontier at two places and to be penetrating into the Reichswald. This looks very much like the pursuit of a beaten enemy force.

The principal source of danger to the supply corridor now appears to be coming from the west, as German troops in the Dutch coastal areas endeavor to escape. These apparently include at least parts of the German forces that escaped from France northward along the coastal corridor which the Germans held open for a time before the British thrust to Ostend closed it. Our old acquaintances of Normandy, the 9th and 10th Panzer Divisions (both SS units), have been identified, also the 59th and 245th Infantry Divisions, formerly stationed on the Dutch coast, and the 107th Panzer and 719th Infantry Divisions, formerly part of the German 15th Army. These troops and perhaps others appear to be persistently hammering at the British bolt position along the highway between Eindhoven and Nijmegen.

But their attacks do not appear to have been co-ordinated with the attacks on the east, perhaps luckily for us, and the Germans west of the road are now threatened by the increasing pressure of the Canadian 1st Army from the south, which is across the Antwerp-Turnhout Canal in at least one place. A Canadian advance to Tilburg and S'Hertogenbosch would almost certainly put the German troops in this area in a desperate position.

But north of Nijmegen the tactical situation, as last seen before the blackout on news descended, is less favorable. Desperate German resistance has slowed down the Allied attempts to get help through to the air-borne forces which are encircled north of the Neder Rhine at a point about three miles west of Arnhem. These forces do not, apparently, control the northern end of the highway bridge in Arnhem itself (a detachment there seems to have been eliminated by German attacks) nor even the railway bridge west of the town, though the situation of that bridge is uncertain. German troops from the Russian front are reported to be fighting in this area. There is every evidence that the German high command has given orders that the crossing of the Neder Rhine at Arnhem be held at all costs.

Relief Possibilities Limited

The relief of these trapped air-borne troops against this sort of opposition requires that a broad and secure corridor of advance be opened up to and across the Waal. This is being done; we seem already firmly set on the Maas and are improving our situation between the Maas and the Waal. Meanwhile, there are only two ways of helping the air-borne troops in the Arnhem area—by air-borne aid and by infiltration. Both are being tried, but the combined possibilities of both methods are limited, and may be insufficient. If so, the men who are fighting at Arnhem will at least, by their sacrifice, have contributed materially to a very considerable Allied success which has brought our forces closer to a break through

of the main German defensive position in the west—the line of the Rhine—than at any other point, and which will certainly be the springboard for further Allied advances.

Meanwhile, it is a good idea—to use an Army phrase—to keep on looking at "the big picture." The enemy is at full strain all along his western defense zone. He is putting in everything he has, every man he can scrape up. General Eisenhower still disposes of reserve striking power in considerable force. His problems are those of transport, supply—and therefore of time. A tactical reverse at any one point may cost us time, but it cannot cost us victory. The Germans are trying desperately to drag out the war into the winter months; they have not yet succeeded even in that, and there is little reason to suppose, from the situation as it now exists, that they are going to be allowed to do so.

Raid on Philippines Indicate Foe Can't Prevent an Invasion

Greatly Increased Range of U. S. Carrier Planes and Timidity of Japanese Fleet May Add Up to Early Acceleration of the Pacific War

By Major George Fielding Eliot
Copyright, 1944, New York Tribune Inc.

The heavy attacks of Admiral Halsey's 3d Fleet against the Japanese air forces and shipping in the Philippines—attacks which the Japanese say still are continuing—appear to have scored a most notable success.

Not only have 357 Japanese aircraft been destroyed and forty-eight damaged, but forty ships and six small craft have been sunk and thirty-five ships, eleven small craft and two floating drydocks damaged and extensive injury has been inflicted on Japanese military and naval installations on the ground; all at a cost of eleven American aircraft and fifteen lives.

The effect of this success has been to break the Japanese air power in the northern Philippines and to compel the Japanese to withdraw their naval forces from Philippine anchorages—presumably because they now lack the air force with which to protect their warships from our attacks.

Thus the Japanese are prevented from using the Philippine archipelago as a station on their air and sea highways to the southward; they cannot send reinforcements by air to their beleaguered garrisons in the Palau and in the Halmahera group, nor to Celebes, which is also under heavy air attack from General MacArthur's forces.

The only way the Japanese can restore this situation—which if continued must prove disastrous to them—is to get strong reinforcements to the Philippines by sea; which means that they must run the risk of fighting Halsey's fleet before they can get there. Once more the main battle force of the imperial Japanese Navy is challenged. It was challenged when we went into the Marianas; it sent out a part of its strength, suffered a sharp setback, lost its carrier-based aircraft and at least some of its carriers, and ran away before it could be brought to serious battle, leaving the garrisons on Guam and Saipan to their fate.

Will History Repeat?

Is the same thing going to happen now, not only to the Japanese garrisons in the Palau, Halmahera and Celebes, but to those in the Philippines?

It is much too early to say definitely that this is going to be the case. But it is perfectly clear that we have full and unquestioned ability to strike from the sea wherever we wish to do so, even at the largest of island outposts of Japan. There was a school of thought which held that it was all very well to deal with little islands by carrier-based attack, when we could produce such a swift and overwhelming concentration against a restricted area that nothing could withstand it; but that it would be quite another matter to attack a great semi-continental area like Luzon, where the Japanese have had plenty of time to prepare dispersal fields and to concentrate air

power in considerable force. But Halsey's men have proven that this, too, is now well within the range of our abilities.

In fact, the Japanese do not seem to be safe anywhere within the greatly increased range of our carrier-borne planes. We achieved what appears to be complete surprise in the strikes in the Manila area, and even returned to the scene after the first successful strike for another punishing blow. It is clear that our fleet is ranging unchecked in the waters of the Philippine Sea, and that it is not only ready to deal with any Japanese naval interference, but is doing everything it can to induce the Japanese to try to interfere with it.

Invasion May Follow

It is altogether possible that more extensive operations may be very much closer at hand than has been supposed. Given the crushing blow delivered to Japanese air power in Luzon, there does not seem to be any reason why we should not land, providing there are sufficient troops in the western Pacific for the purpose. The Japanese may have been trying to reinforce their troops on Luzon—in fact their troops seem to be their one stout reliance just now—and there is no way to tell whether the ships which were sunk or damaged had already landed reinforcements and stores or not. Most of them, apparently, were transports or cargo ships; not many were warships. Therefore it would be rash to try to estimate the actual present strength of the Japanese Army in the Philippines.

Certainly a landing in Luzon or anywhere else in the Philippines will be a major operation, calling for larger American ground forces than have hitherto been employed in any one place in the whole Pacific area. So far, the presence of eight Army divisions and five marine divisions in that area is known from their mention in official communiques; some of these are with General MacArthur in the southwest Pacific, and the remainder probably do not make up a force sufficient to deal with the full Japanese garrison in the Philippines as last reported by Chinese sources. But it must be remembered that that garrison is not all on one island, that Admiral Nimitz reports that Japanese inter-island movements have been interrupted by Halsey's activities—that, in short, we can because of our air and naval superiority continue the process of chopping and isolating our successive battlefields in the Philippines as elsewhere. It is a process which has brought us many victories, and may well bring us more.

Speedy, Direct Aid to Chinese Is Called Vital to Allied Cause

Japanese Conquest of the Asiatic Mainland, With Collapse of Resistance by Chungking, Might Assure Long and Costly Pacific Conflict

By Major George Fielding Eliot
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Monday's heavy and successful attack by Admiral Halsey's carrier-based planes against Japanese airfields and shipping in the Manila area may well be of exceptional significance. The recovery of the Philippines is a major American objective in the Pacific war, not only for military but also for psychological and sentimental reasons. We have promised the Filipino people that we would come back and rescue them from the Japanese, and we are going to do that.

But, as Under Secretary of the Navy Bard has pointed out, the main Japanese power is not to be found in the Philippines. The loss of those islands would be a heavy blow to Japan because it would cut the Japanese off from all their conquests to the southward, depriving them of valuable raw material sources and isolating their far-flung garrisons. But it would not be a fatal blow.

The time factor enters into all our calculations of the Pacific-war pattern, and for the moment probably the Chinese time factor is of more urgent importance than any other. The military situation in China can only be described as deplorable. The Japanese are advancing rapidly on the important road and rail town of Kweilin; they are also pushing northward from coastal points west of Canton to make secure their grip on the whole coastal area of Kwangtung Province between Canton and the island of Hainan. Farther north they have captured the port of Wenchow. The only Chinese holdings on the coast are in Fukien Province, directly opposite the stronghold of Formosa, and therefore difficult of access unless Formosa be first reduced.

The Japanese seem to be deter-

mined to consolidate their whole position in South China and to link it by rail with the north and with the ports of the Sea of Japan, to which they can still move supplies and reinforcements even if they lose command of the Yellow and East China Seas.

It is of the first importance that some check be given to the progress of this Japanese consolidation, and it is of even greater importance that some strong and effective aid be given to the Chinese people so that they may have visual and unmistakable evidence that the long-promised help is actually at hand. It cannot matter very much to a Chinese who has endured eight years of grueling warfare and who still sees the Japanese in possession of so much of his country, to hear that we have taken Guam and Saipan, or that we have landed in the Palaus, or even that we are beginning the reconquest of the Philippines. What he wants to hear—and to see—is something actually happening to the Japanese right in his own Chinese homeland. What he wants is the sight of Allied troops and planes and tanks attacking the Japanese and driving them back; or at least some clear evidence that this is going to happen soon.

Nor is this just a very natural but entirely Chinese aspiration. It is vitally necessary to the whole Allied cause that the Chinese should be kept going, somehow, until real help can reach them. The collapse of Chinese resistance now, or its dissolving into mere sporadic guerrilla warfare, would

be a tremendous disaster, of unforeseeable consequences. Should the Japanese be able to smash all organized resistance in China or reduce it to negligible quantity, they might well be able so to entrench themselves on the Asiatic Continent, with their curving island barrier in front of their continental position, that we should have to fight a far longer and bloodier war to dig them out.

Hence, in considering the future course of the war against Japan, in examining the long-range strategy which is designed to bring down the brutal structure of empire which the Japanese have erected at the expense of their neighbors, the need for bringing quick help to the Chinese must have considerable priority.

It is quite possible that the strategy which might, if this factor could be disregarded, seem best calculated to bring us to decisive grips with the Japanese may not be that which is best designed to bring the Chinese the help they need in the shortest possible time. For example, a direct assault on the Japanese main islands, even if it were successful in the end, might still be too late to save China from falling under complete Japanese domination. It is not inconceivable that we might find ourselves in full possession of the Japanese main islands and still have to fight the Japanese Army on the Asiatic Continent. Of course, there is an imponderable in these, as in most military calculations. Nobody knows what the reaction of the Japanese people—including the soldiers—might be to a real invasion of the "sacred soil" of Nippon. It might bring about a general moral collapse or a complete chaos in which all organization and all national cohesion would disappear. But it might not; and it is very plain that the necessities of our Chinese allies must rank high among the motivating considerations upon which the immediate future strategy of our war in the Pacific is to be based.

copy to A White
10/2/44

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THE WHITE HOUSE
WASHINGTON

September 30, 1944

My dear Cordell:

In my letter of September 9, I gave instructions concerning the administration of the lend-lease program after the collapse of Germany.

It was not intended that these instructions should apply to the lend-lease negotiations current with the Government of U. S. S. R.

Sincerely yours,

"F. D. R."

The Honorable

Cordell Hull,

The Secretary of State.

Copies to:

Vice Admiral E. S. Land

Hon. Leo T. Crowley

Admiral Ernest J. King

The Secretary of the Treasury ✓

General George C. Marshall

SEP 29 1944

My dear Mr. President:

The instructions on lend-lease administration in your letter of September 9 as interpreted by the Departments have left some doubt whether these instructions were intended to apply to the negotiations current between the U.S.S.R. and this Government on a lend-lease program.

I have reviewed this problem with Secretary Hull and Secretary Stimson. We are agreed on the interpretation that your letter did not require the interruption of negotiations with the Russians, and we join in recommending to you the desirability of this interpretation.

With the concurrence of Secretary Hull and Secretary Stimson I suggest, for your consideration, that the interested government departments be advised definitely as to the effect of your instructions upon these current negotiations, as suggested in the attached draft of a letter.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

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.

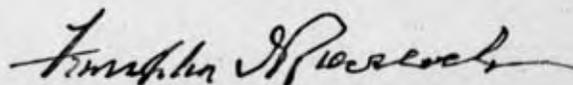
It is my wish that no Department of the Government take unilateral action in regard to any matters that concern Lease Lend, because the implications of any such action are bound to affect other Departments of the Government and, indeed, our whole national policy. I am particularly anxious that any instructions 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,



PUBLIC OPINION NEWS SERVICE

For Release Saturday, Sept. 30, 1944

Public Expects Jap Conflict To End Latter Part of 1945, Nation-wide Survey Reveals

Public Now Slightly Less Optimistic Than In Earlier Survey

By **GEORGE GALLUP**
Director, American Institute of Public Opinion

PRINCETON, N. J., Sept. 29.—Although the average guess of the American public is that the war in Europe will be over before the end of this year, no such marked optimism prevails about the war in the Pacific.



1945.

Moreover, the most recent Institute survey on the question finds some people not quite so optimistic

The average of guesses on the length of the war against Japan would put the end of hostilities in the Pacific sometime during the latter half of

the war in the Pacific. As they were in July. At that time, a survey revealed 33 per cent of those with opinions expecting the war against the Japs to last into 1946 or later. Today, 36 per cent name sometime during 1946 or later for the Pacific war's end.

Even so, the public is more optimistic now than it was last March, when over half of the people questioned said they thought the Pacific conflict would go into 1946 or later. This was before the



successes of our forces at Saipan and Guam, and before the bombings in the Philippines.

In its periodical soundings of public attitudes toward the length of the war in Japan, the Institute had field reporters ask a scientifically selected cross-section of voters this question:

"How much longer do you think the war with Japan will last?"

The replies of those making a guess add up as follows:

Think War Will End	
In 1944	4%
In 1945	60
In 1946	28
In 1947 or later	8

In the present survey, one in twenty offered no opinion.

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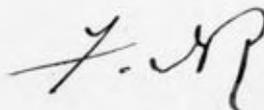
THE WHITE HOUSE
WASHINGTON

September 30, 1944

My dear Mr. Secretary:

I have your letter of September 25 and I appreciate your sending me for my records the British Treasury memorandum on Lend-Lease Supplies for Britain in Stage II, which Lord Cherwell handed you at Quebec.

Very sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

September 25, 1944

My dear Mr. President:

While at Quebec, Lord Cherwell handed me the enclosed memorandum from the British Treasury. I only noted the other day that it was addressed to you, so I am sending it to you for your records.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

TOP SECRET.

Lend-Lease Supplies for Britain in Stage II

Note for President of U.S.A.

1. The President, in transmitting to Congress the Sixteenth Quarterly Report on Lend-Lease Operations, has recommended that "until the unconditional surrender of both Japan and Germany, (the United States) should continue the Lend-Lease programme on whatever scale is necessary to make the combined striking power of all the United Nations against our enemies as overwhelming and as effective as we can make it". There are several problems concerned with the application of this policy which require decision at the forthcoming Conference.
2. The object of Lend-Lease assistance hitherto has been to satisfy our justifiable requirements in excess of those which we can furnish ourselves in conditions of full mobilisation of manpower for war purposes. In other words, Lend-Lease has been treated hitherto as residual. If it is accepted that during Stage II the continuance of Lend-Lease assistance should be... compatible with some appropriate degree of war demobilisation in the United Kingdom below the 1944 level, the above criterion of Lend-Lease availability will no longer be applicable. The appropriate criterion henceforward must necessarily be one of what absolute amount of assistance is appropriate to the changed conditions. The President will be asked to recognise this new situation by agreeing to the preparation of a firm agreement specifying the amount and character of the assistance on which we can rely.
3. Until strategical plans are completed, Britain's requirements for munitions in Stage II cannot be stated with precision. Our production plans are for the moment based on the estimate that

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the strategy will require the provision for the Forces under British supply responsibilities of something over 60 per cent of the present volume of munitions over the first year, as a whole, falling to something over 50 per cent by the end of the year.

4. The munitions supplies of the British Empire have been drawn during the German war from a number of sources. A little under 60 per cent has come from Britain; about 27 per cent has come from the U.S.A.; about 10 per cent has come from Canada; the remainder has been drawn from other countries in the British Empire. If the total of British munitions requirements had to be provided from British Empire sources, there could be little if any reduction from the present output of munitions in the United Kingdom, even if production could be switched to other types of munitions in time to make them effective.

5. At the end of five years of war, some relaxation in the pressure on British civilian standards of life is necessary. It is necessary also to begin to rebuild the damaged cities, to devote more work to the overdue repairs to industry and public utilities, and to make first steps towards restoring our export trade; without exports Britain can neither meet her immediate obligations nor assure her purchases of necessary imports. These needs cannot be further deferred.

6. In working out the assistance to be afforded, a simple principle, which in practice would probably yield the minimum required - and might at the same time be regarded as rough justice - would be that the proportion of our total munitions supplies furnished on Lend-Lease should be the same in Stage II as it has been in 1944. If, for example, our munition needs from all sources are reduced by, say, one third, the amount of munitions furnished on Lend-Lease should also be reduced in the same proportion of one third.

7. The President will be asked for a firm commitment that we shall be given munitions on Lend-Lease terms on some such scale; this would either fix the total volume of munitions assistance in Stage II or would endorse the principle outlined above. It would then be possible for our respective officers to work out the detailed programme of supply correspondingly.

8. The amount of non-munitions assistance covering food, shipping, oil, raw materials, etc., which we shall continue to require would not depend to any great extent on the degree of our domestic reconversion, since only a small part of such assistance has been concerned with goods which we are in a position to produce. Some reduction is, however, possible in so far as such supplies have been for the purposes, not of civilian consumption, but of armed forces. For this reason the aggregate requirements of the United Kingdom are put at about \$3 billions during the first year of Stage II compared with \$3.9 billions in the programme for the current year.

9. To sum up, Britain's needs can only be met by a continuance of Lend-Lease through Stage II. The result of our examination is to show that we shall need:-

- (a) Lend-Lease for munitions on a scale to be defined at the Conference.
- (b) Lend-Lease for foodstuffs, raw materials, oil, shipping, etc., sufficient to meet the reasonable needs in these respects of the United Kingdom for supplies from U.S. sources.

10. In order to give effect to those decisions it is suggested that the President and the Prime Minister should appoint a Committee with power to appoint technical sub-Committees which would of course report to the main Committee. One sub-Committee would, as a matter of urgency, consider the proposals of the

/British

British Government's representatives for the munitions asked for under Lend-Lease, with the aim of reaching agreement as to:-

- (a) the amount involved by the application of the principle of proportionate aid (unless this has been determined at the Conference itself).
- (b) the most appropriate sub-division of that amount between the various broad classes of equipment for each of the Services.
- (c) the arrangement for settling the details of the munitions programme as quickly as possible within that broad pattern.

11. The instructions to the main Committee should, of course, cover the whole ground of Lend-Lease Munitions and Non-Munitions, Reverse Lend-Lease and Export Policies and might be somewhat as follows:-

- (a) So far as munitions are concerned, it would be the duty of the Committee to approve a report of the Sub-Committee mentioned above embodying a programme capable of fulfilling the agreed conditions in the manner most convenient and efficient from the point of view of the Governments.
- (b) So far as non-munitions are concerned, the Committee, through such Sub-Committees as might be found convenient, would examine the British position with a view to determining the appropriate scale of assistance and should in this connection consider the advisability of possible modification in the fields to be covered by Lend-Lease and Reverse Lend-Lease respectively with a view to simplification and concentration.
- (c) So far as exports are concerned, it should be an instruction to the Committee to propose the principles which should govern henceforth the relationship between

Lend-Lease and Reverse Lend-Lease assistance and the export policies of the two countries, with a view to minimising the measures of restriction and regulation; and in arranging in detail the character of the aid to be furnished under the above Lend-Lease programme they should bear in mind the object of facilitating and simplifying the application of the principles, which they are proposing, in a manner likely to interfere with the respective export programmes of the two Governments to the least possible extent.

- (d) Thus, generally the Committee and its Sub-Committees would be charged with the task of drawing up and agreeing programmes which would implement the decisions reached by the Conference. It would not be competent for them to reopen ~~these~~ decisions.

12. Since it is unlikely that the Committee could complete its deliberations, except on munitions, before, say, November, it is essential that a Directive should be given meanwhile which would prevent any steps being taken during the intervening weeks likely to be prejudicial to the carrying out, should they be approved, of any proposals which are brought before the Committee.

4th September, 1944.

TO:

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MISS CHAUNCEY

9/20/44

Mr. Bell says he wants this
put in the Secretary's Chinese
file.

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Office of the Under Secretary

SECRET

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WAR DEPARTMENT
HEADQUARTERS, ARMY SERVICE FORCES
WASHINGTON 25, D. C.

Honorable D. W. Bell
The Under-Secretary of the Treasury
Treasury Department
Washington, D. C.

Dear Mr. Bell:

Reference to the discussions held with Dr. Kung at Bretton Woods regarding the settlement of obligations to the Chinese Government for our operations in China up to June 30, 1944 and to negotiations now being carried on with Dr. Kung by your department on the same subject, there is transmitted herewith certain additional information which may be of assistance to you in this matter.

Under date of August 11, 1942 there was consummated an agreement between General Stilwell and the Chinese Government whereby the United States agreed to pay what was termed the non-operational construction and maintenance costs incident to our use of airfields in China and the Chinese Government agreed to pay the operational construction costs on such fields. Copies of the letters making this agreement are attached hereto and define in detail the items included under the two general headings stated. No fundamental changes appear to have been made in the agreement reached at that time until the beginning of the current year when the new arrangement whereby the Chinese advance funds for our needs as required was entered into.

The records of the War Department indicate that expenditures by the United States in China for the period August 1, 1942 to January 31, 1944 covered by the above mentioned agreement total US\$146,778,000--divided, \$140,578,000 for construction, supplies, etc., and \$6,200,000 for pay of our personnel. These amounts were expended either in United States currency or Chinese currency purchased at the official rate of 20 to 1, and were in liquidation of all obligations of the United States up to January 31, 1944.

Expenditures made by the Chinese on the Chengtu Airfield prior to March 1st would have been a proper charge against their account under the agreement of August 1942 referred to above. However, in view of our agreement of January 1944 to finance the entire cost of the Chengtu Airfield, these expenditures prior to March 1st are properly payable by the United States and should be included with the expenditures for Chengtu since



SECRET

March 1st in your present discussions with Dr. Kung. General Stilwell reports that Chinese sources claim they had expended on Chengtu prior to March 1st CN\$800,000,000, but the Chinese have presented no papers to him to support such a figure. Chengtu expenditures since March 1st have all been included in funds advanced by the Chinese at our request under the existing agreement. General Stilwell advises the United States Engineers estimate that the total cost of Chengtu Airfield to June 30, 1944 as CN\$4,404,000,000.

It will be noted from the attached statement that the Chinese have advanced up to June 30th CN\$13,896,000,000, which includes all funds expended for Chengtu to June 30, 1944. General Stilwell advises that while the total reported is the correct amount advanced, it includes taxes and other items not properly chargeable to the United States and that our net liability to June 30th is only CN\$10,925,000,000. This figure does not include the item of food and lodging for our men. (The Chinese insist upon providing this latter item without reimbursement, but it is to be expected that the amount will be included as a claim under reverse lend-lease.) General Stilwell's message does not breakdown in amounts the deductions for taxes and other items nor does he specify the kind of taxes referred to. It is possible that there may be some liability on our part for some of these taxes. General Stilwell is being contacted further on this matter. However, he does raise in a separate radio (copy herewith) the question of whether the United States should pay taxes included in the price of commodities which we purchase in China in connection with our war effort.

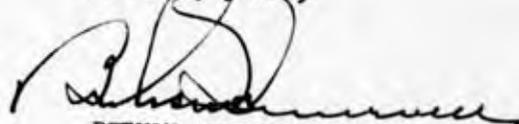
You will recall that in the discussions with Dr. Kung at Bretton Woods an offer was made for the United States to pay \$125,000,000 to liquidate all obligations of the United States up to June 30th, except amounts expended for rationing and quartering of our personnel in China. After this offer was made, Dr. Kung raised the question of payment for the Chengtu Project. He was advised that that was included in the contemplated settlement but he could also include it in the reverse lend-lease and made available by China if he so desired. If the Chengtu Project (CN\$4,404,000,000) were excluded from the settlement and deducted from the net indebtedness of CN\$10,925,000,000 as reported by General Stilwell, our total indebtedness in Chinese dollars to be settled under the agreement would be only CN\$6,461,000,000 for which we would pay \$125,000,000. Hence, we feel that it should be made clear in the discussions with Dr. Kung that we are willing to pay \$125,000,000 only because it represents a complete settlement including the fulfillment of our commitment with respect to the Chengtu Project, and that we are agreeable to the latter cost also being listed as reciprocal lend-lease only because of the very substantial excess of lend-lease values over reciprocal lend-lease values. This should be further emphasized if we increase the total amount to be paid by the United States to \$150,000,000 so that the record will indicate clearly that the United States does not intend to pay any further sums for the Chengtu Project although it will give further consideration to the facts of settlement whenever lend-lease and reverse lend-lease expenditures are adjusted.

For your information there is attached a memorandum from General Stilwell to the Generalissimo dated January 8, 1944 in which the United States agrees to bear the cost of labor and material for Chengtu airdrome construction at a rate of exchange to be arrived at under negotiations now in progress. There is also inclosed a letter dated March 10, 1944 from General Stilwell to General Chang Chen in which it is stated that consistent with the new policy, the United States will pay for all new construction required by it in China.

There is attached hereto a memorandum of agreement which the War Department is of the opinion includes the fundamentals that should go into any agreement for the settlement of this account. However, it is not intended that you are to be limited to the provisions of this memorandum of agreement in making your settlement with the Chinese Government, for, as stated in letter of the Secretary of War of June 28, 1944 to the Secretary of the Treasury, the authority to complete this settlement rests with the Treasury Department.

There is attached hereto a copy of a radio from General Stilwell and the War Department's reply thereto on the subject of taxes required of the Army in China. In view of the fact that we are using currency furnished by the Chinese Government at this time to pay such taxes, there appears no reason for making an issue of this matter in Chungking until after the present negotiations being carried on by you are completed. It is requested, however, that this question of payment of taxes by the United States Army in China be included in your discussions with Dr. Kung.

Sincerely yours,



BREHON SOMERVELL,
Lieutenant General,
Commanding.

6 Incls.

- 1-Cy of agreement Aug 42.
- 2-Statement of U.S. expenditures in China.
- 3-Cy of suggested memorandum of agreement.
- 4-Copies of radios on subject of taxes.
- 5-Cy ltr of General Stilwell to Generalissimo dtd Jan. 8, 1944.
- 6-Cy ltr of General Stilwell to General Chang Chen dtd March 10, 1944.

Chungking, China
July 12, 1942

MEMORANDUM TO: His Excellency, The Generalissimo.

SUBJECT : Construction required for American Army Forces.

1. The United States Army Forces in China will in future require certain construction work to augment existing facilities at various places. In accordance with the policy of the Commanding General, American Army Forces in China, Burma and India, of bearing all reasonable expense for the maintenance of American Combat Forces in China, the following principles are proposed and approval requested:

a. The United States will pay the entire cost of all necessary new construction of living quarters, hospitals, recreational buildings, mess halls, and related structures, and pertinent utilities.

b. The Government of China will pay the entire cost of construction to fulfill requirements of an operational nature. This class of projects will include clearing, grading, draining, and surfacing of airdromes and taxistrips, and the construction of dispersal pen shelters, ordnance storage, alert quarters, operations shelters, dugouts, roads, and related earth work, structures and utilities required at the airdromes for efficient air force operations.

c. For the actual accomplishment of such construction projects as the Commanding General, American Army Forces in China, Burma and India, may request, it is recommended that Mr. Tseng Yang Fu be designated as the directing head with full control over an appropriate agency to handle the work.

JOSEPH W. STILWELL
Lieutenant General, U. S. Army,
Commanding.

"COPY"

REPORT OF CONFERENCE

SUBJECT: Operations of American Aviation in China.

1. At a conference held on June 24th with Madam Chiang Kai Shek, General Stilwell, General Gruber, General Bissell, General Chow and Major General Huang present, the Madam announced the following decisions relative to each of the lettered paragraphs of attached memorandum No. 24, subject as above dated June 23, 1942.

- a. Approved.
- b. Approved but timely warning must be given when units are moved to new Hostels.
- c. Approved.
- d. Approved. There will be no quibble by China about credit against Chinese Lend-Lease.
- e. Approved. Requests for motor vehicles required, beyond those now in possession of AVG, should be made through General Huang.
- f. Approved.

2. Copies of the basic memorandum No. 24 are furnished herewith for distribution as follows:

2 copies to Madam Chiang Kai Shek, and one copy each to General Chow, General How, and General Huang. There is also a copy attached marked for General Bissell. It is requested that this copy be returned to General Bissell with indication that the above represented the Madame's understanding of the decisions taken.

CLAYTON BISSELL
Brigadier General, U.S.A.
Aviation Officer

There were approved by
the Madam without change.

/s/ CB

"COPY"

FOREIGN AFFAIRS BUREAU OF THE NATIONAL MILITARY COUNCIL

FAB/NMC No. 92

Chungking, Aug 11, 1942.

Lt. Gen. Joseph W. Stilwell,
CG., AAFCEI, Chungking.

My dear General Stilwell:

In reply to your memorandum of July 12th to the Generalissimo submitting three proposals regarding "Constructions required for American Army Forces", I am authorized to make the following statements:

1. The Chinese Government concurs with your proposal that the United States pay the entire cost of all necessary new construction of living quarters, hospitals, recreation buildings, etc, as enumerated in pars. a. of your memorandum under reply.

2. My Government also concurs with your proposal that the entire cost of construction to fulfill requirements of an operation nature, as specified in para b. of your memorandum, be paid by the Government of China. However, as this class of projects is too numerous and in view of present difficulties both in finance and in supply of materials, it is necessary that construction of this nature should be limited to only such materials that can be made available in China's war zones insofar as the requirements of an operational nature can adequately be met. Whenever additional construction in connection with air operations is needed, recommendation should be made by you to the Generalissimo for approval. After sanction is obtained, it will then be turned over to the Commission on Aeronautical Affairs for necessary action to be taken.

3. With regard to your recommendation c., it is the decision of my Government that the Commission on Aeronautical Affairs should be responsible for all construction projects required for air operation. The designating of a particular individual as the directing head with full control over an appropriate agency to handle the construction projects, as proposed, does not seem to be necessary.

Yours sincerely

SHANG CHEN
Director, Foreign Affairs Bureau.

COPY

HEADQUARTERS
U. S. ARMY FORCES
CHINA BURMA AND INDIA

111

Chungking, China
January 8, 1944

MEMORANDUM :

TO : His Excellency, The Generalissimo

In accordance with your desire expressed in conference 31 December, a radio was sent to General Marshall, Chief of Staff, U. S. Army, repeating your questions reference starting construction on Chengtu airfields, and responsibility for payment.

Answers from General Marshall this date are to the effect that:

Work should be started on very long range bomber fields and proceed as rapidly as possible, regardless of estimate that three of these fields may not be completed until 1 May.

The United States will bear the cost of labor and materials for Chengtu airdrome construction at a rate of exchange to be arrived at under negotiations now in progress.

In view of the above it is requested that such instructions be issued that the matter of payment shall not in any way delay construction.

For Lieutenant General STILWELL:

T. G. HEARN
Major General, G.S.C.,
Chief of Staff.

SECRET

SECRET

203

Chungking, China

Mar 10 1944

General Shang Chen, Director
Foreign Affairs Bureau,
National Military Council,
Chungking.

Dear General Shang:

Consistent with the new policy that the United States will pay for all new construction required by it in China, there has been issued this date a directive to our several Construction agencies. Six (6) copies thereof are enclosed for your information.

It will be noted that the new procedure become effective as of 1 March 1944 but does not include those projects that are under contract and for which Chinese funds have been allotted. Please also note that it contemplates the distribution and expenditure of funds through Chinese channels, followed by reimbursement by this Headquarters. Of the Chinese agencies involved, the principal ones are the Ministry of Communications and the Commission on Aeronautical Affairs.

Five (5) billion dollars Chinese National Currency have been made available by the Minister of Finance for the purposes indicated for the month of March, with similar amounts to become available for April and May. In order that the new procedure may function smoothly and to economize on time, this Headquarters plans to advise directly the Minister of Communications or the Director, Commission on Aeronautical Affairs, as the case may be, of the order of priority of approved projects, requesting that he immediately allot the necessary funds to accomplish the work. He, in turn, will be requested to advise this Headquarters of the date and amount that such allotments are made.

Your cooperation in disseminating this information to the interested parties will be appreciated.

For Lieutenant General STILWELL:

T. G. HEARN
Major General, G.S.C.
Chief of Staff

6 Enclosures-
As Above.

SECRET

Regraded Unclassified

SECRET

204

28 September 1944

From CG US Army Forces China Burma and India Forward Echelon
Chungking, China

Lengthy correspondence between this headquarters and Chinese Government during 1943 and early 1944 resulted in a decision of Chinese Government to exempt United States Government from payment of taxes. The question of whether or not the United States Government should pay taxes included in the price of commodities which we purchase in China in connection with our war effort is frequently raised. Exemptions were revoked as of July 1, 1944. We have furnished the War Department estimates of taxes paid or estimates of our no rate currency expenditures less taxes to include June 30, 1944. However no decision has been reached as to what policy we are to pursue in this matter in the future and until now we have assumed that this question will be disposed of in joint departmental agreements reached at the conclusion of current negotiations with Doctor H H Kung on the settlement of United States financial accounts with China. Your instructions in the matter will be appreciated. Are we correct in this last assumption or is it desired that this Headquarters resume its correspondence directly with the Chinese Government in an effort to reach an agreement of this tax problem.

SECRET

SECRET

205

4 October 1944

Commanding General, US Army Forces, China, Burma and India,
Forward Echelon, Chungking, China

To Hear from Carter our SPFB.

Tax situation will be included in discussions here and therefore it is not desired to make issue of it by you at this time. Re your CFEK 23395 dated September 28. In order that taxes paid may be deducted from total indebtedness to Chinese under existing procedure whereby they advanced funds, a record of taxes paid should be maintained.

SECRET

SECRET

206

MEMORANDUM OF AGREEMENT

Whereas, military activities by the United States during the present hostilities in China have necessitated the incurring of obligations and the expenditure of funds by the United States for military operations, including the construction of various air fields, roads and other military installations for the use of the United States Armed Forces in that country, and,

Whereas, the Commanding General of the United States Armed Forces in the India-China-Burma Theater has determined that such operations, and the incurring of obligations and the expenditure of funds in connection therewith, were required by reason of military necessity, and were required and appropriate to facilitate the prosecution of the war and to accomplish the mission confided in him, and,

Whereas, it was impracticable to liquidate many of the obligations incurred in connection with such operations in United States currency, and the performance by the Chinese Government or its agents of certain services on behalf of the United States necessitating the use of Chinese currency, and

Whereas, the Chinese Government in liquidation of the aforesaid obligations of the United States made expenditures out of its funds by advances to U.S. Army Finance Officers in China and by payment of obligations created by representatives of the Chinese Government at the request of the War Department and in addition to the above the Chinese Government advises that it performed various services and obligated and expended its funds for projects entered into jointly by the U.S. War Department and the Chinese Government in their joint war effort against Japan all of which advances, obligations,

SECRET

expenditures and work performed by the Chinese Government are intended and are deemed to be included within settlement, except as noted hereinafter for all of which sums advanced, obligated or expended and for work performed by the Chinese Government or its agents for which the U.S. Government may have a legal or moral obligation the U.S. is desirous of making a one sum settlement, except as stated herein, in the amount of \$125,000,000 less 25,000,000 previously paid to the Chinese Government or credited to its account in March, 1944, and,

Whereas, it is the desire of the Chinese Government that any and all amounts representing expenditures made by the Chinese War Area Service Corps for food, quarters and other similar expenses of the United States Army in China up to and including the 30th day of June, 1944, in the estimated amount of two billion Chinese National Dollars, ~~and that the approximate sum of \$6,450,000,000 Chinese National Dollars expended by the Chinese Government for the Chengtu airfield construction incident to the joint operations of the United States and the Chinese Government~~ be not included in this settlement, (any and all expenditures and advances made on account of said two specifically named exceptions are reserved for consideration in the settlement of lend-lease or reverse lend-lease transactions which hereafter may be agreed upon) which, with the aforesaid ~~two~~ exceptions, include all claims of the Chinese Government against the United States War Department for expenditures made or obligations incurred for the use or benefit of the United States up to and including June 30, 1944, and,

Whereas, under date of March 3, 1944, the United States Government deposited in the Chase National Bank, New York, to the credit of the Central Bank of China, for the account of the Chinese Government \$25,000,000, the receipt of which said amount is hereby acknowledged by the Chinese Government as part payment of the \$125,000,000, stated above as due the Chinese Government,

Now Therefore, under the authority of the First War Powers Act, 1941 (55 Stat. 838), and Executive Order No. 9001 issued pursuant thereto, and under the provisions of the Contract Settlement Act of 1944 approved July 1, 1944, and in consideration of expenditures made or obligations created for and on behalf of the United States, and the advances hereinbefore referred to, it is agreed that the United States shall, as soon as practicable after the date of the signing of this instrument, pay to the Chinese Government the sum of \$100,000,000, US dollars, in full settlement of any claims which the Chinese Government may have against the United States War Department on account of the obligations of the United States Army in China up to and including June 30, 1944, except the items specifically mentioned herein as being excluded from this settlement.

It is further agreed that, if necessary and called upon to do so by the United States, the Chinese Government will continue to liquidate obligations of the United States on account of military operations in China during the present conflict and/or to advance its currencies to the United States in order that the United States may meet its obligations on account of said operations subject to an adjustment and settlement at the end of each quarter of the year, and that as soon as practicable after said adjustment and settlement, the United States shall likewise reimburse the Chinese Government in an amount as may be found due and mutually agreed upon on account of said additional expenditures and advances.

Signed this _____ day of _____ 1944.

STATEMENT OF U. S. EXPENDITURES IN CHINA
Chinese account against the United States - CN\$ (In millions)

Remarks

Month	Operational constructional cost finance through <u>Chinese agencies.</u>	Non-operational construction, including operations and maintenance finance through Army <u>Finance Officers.</u>
January	Note 1.	Note 1.
February	Note 1.	1,000
March	1,743	1,000
April	2,993	300
May	2,380	1,000
June	<u>2,020</u>	<u>600</u>
Total advanced under agreement	CN\$9,136*	CN\$3,900*

- Note 1. The U. S. agreed to finance the Chengtu Project, as enlarged. The Chinese claim to have expended CN\$860,000 prior to March 1st. Subsequent to March 1st all expenses of the enlarged Chengtu Project were paid for under the agreement and are shown in this statement. (See radio CPBK 21031 August 11 from Chungking and CRA 1903, April 23).
- Note 2. The total shown is the gross amounts advanced by the Chinese since Feb. 1, 1944 to June 30, 1944 and is not necessarily the amounts actually used for the benefit of the U.S. Under the agreement with the Chinese they were to furnish reports of actual obligations incurred by their agencies against amounts advanced to them at our request. This they have failed to do and therefore our only source of information on such expenditures is from our Engineers on the spot. See statement of credits due the U.S. on this account.

Chengtu prior to March 1.	<u>860</u>	
Note 1.	CN\$9,996	CN\$3,900
Total column 1.		<u>9,996</u>
Grand gross total of debt recognized by U.S.	CN\$13,896	Note 2.

- Note 3. As an offset against the above gross of CN\$13,896,000,000 the following U.S. credits should be considered:

In letter to Secretary of War dated April 19, Dr. Kung claims to have paid out of the Treasury the following amounts in addition to those reported above: In answer to this General Stilwell states that all of these charges are properly payable by the Chinese in accordance with our agreement of August 11, 1942.

- | | |
|--|---------------|
| 1. Taxes paid ^{cost of} prior to Mar 1, 1944 at 20 to 1 | 80,000,000 |
| 2. Taxes on funds advanced through U.S. Fin. Off. | 663,000,000 |
| 3. Overhead and roads etc. not chargeable to U. S., advanced through Chinese agencies | 2,308,000,000 |
| 4. Est. cost Chengtu to June 30 | 4,464,000,000 |
| 5. Credit for U. S. construction after war | |
| 6. Since, 1st practically all motor, alcohol and gas used in Chinese trucks supplying U.S. forces purchased by U.S. yet we pay regular rates for trans. by trucks. | |

Airfields	8.018
Barracks for composite wing	0.355
WASC for food and quarters	1.483
Transport U.S. Air Force supplies	0.404
Improvements in roads at our request	<u>0.615</u>
Total	10.875

Note: The credits for taxes paid are estimates only.

ESTIMATED EXPENDITURES FOR JULY, AUGUST AND SEPTEMBER, 1944.

Month	Chinese Agencies	Finance Officers
July	445,000,000	1,500,000,000
August	1,699,500,000	1,500,000,000
September	<u>1,162,500,000</u>	<u>1,600,000,000</u>
Total	3,307,000,000	4,600,000,000

SECRET

Regraded Unclassified

BAS-958

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

Chungking via Navy

31 AM 11 18
Dated September 30, 1944

RECORDS
(LIAISON)
Rec'd 10:12 a.m.

Secretary of State,
Washington.

1629, September 30, 8 a.m.

FOR SECRETARY OF THE TREASURY FROM FRIEDMAN.

(1)- On September 21, 1944, army here issued following regulations: "The practice of sale and/or purchase of Chinese clearing board as well as Chinese saving certificates university and other privately owned Chinese agency drafts by United States Army personnel is prohibited effective this date".

(2)- Army indicated desire similar regulations be issued for United States civilian governmental personnel here. Ambassador and chief representatives of civilian agencies here consulted and agree on desirability of such regulations being issued in Washington. At present only Embassy has prohibited its personnel from engaging in such transactions; other agencies operating on voluntary individual basis.

(3)- There is problem of governmental personnel leaving

-2- #1629, September 30, 8 a.m. from Chungking via Navy

leaving China particularly those who have been here since 1942 as central bank will not provide any exchange except in special cases decided on individual basis.

(4)- Suggest discussing (?) with Navy in Washington their following similar policy.

GAUSS

WSB

CABLE TO AMERICAN LEGATION, TANGIER, FROM WAR REFUGEE BOARD.

Please deliver the following message to Renee Reichman, 23 Rue Meliere, Tangier, from Vaad Hahatzala Emergency Committee:

QUOTE READY MAKE PAYMENT TO JACOB S. COHEN WHO WILL INSTRUCT BROTHER PAY YOU \$5,000. REQUEST BROTHER TANGIER TO CABLE BROTHER NEW YORK ACCEPT SUM. PLEASE ADVISE DEVELOPMENTS MATTER OF 500 CHILDREN. SEND ALL COMMUNICATIONS AND REQUEST DIRECTLY TO US VIA WAR REFUGEE BOARD AND NOT TO PRIVATE INDIVIDUALS UNQUOTE

RDrury 9/30/44

CABLE TO NORWEB, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Elisabeth Dexter, 111 rua
Marquex de Fronteira, Lisbon, from the Unitarian Service Committee:

QUOTE 225 FOLLOWING CABLE SENT DIRECTLY TO FIELD IT WAS NECESSARY
DUE TO A NEW TREASURY DEPARTMENT RULING COUNTERMANDING OUR LICENSE
FOR FRANCE WE HOPE THE CHANNELS WILL BE CLEARED SOON:

SINGLE QUOTE THE APPARENT MISUNDERSTANDING CONCERNING USE OF OUR
FUNDS ABROAD SHOULD BE CLARIFIED STOP ALL AVAILABLE FUNDS FOR
FRANCE ARE EXCLUSIVELY EARMARKED FOR REFUGEES OR DISPLACED PERSONS
THEY CANNOT BE USED IN FRANCE FOR FRENCH CIVILIANS HOWEVER NEEDY
UNLESS THESE CIVILIANS ARE ACTUALLY REFUGEES STOP SAME RUEE BEYOND
OUR CONTROL APPLIES EVERYWHERE ELSE STOP THIS IS REASON WHY THE
APPEALING PROGRAM OUTLINED IN YOUR SEPTEMBER 15 CABLE EXCEPT FOR
REPATRIATED~~ED~~ OF FOREIGN REFUGEES IS OUTSIDE THE SCOPE OF OUR
PRESENT~~ED~~ AUTHORIZED RESPONSIBILITY STOP UNFORTUNATELY NEW TREASURY
DEPARTMENT RULING PREVENTS ANY EXPENDITURE FOR FRANCE EVEN FOR
REFUGEES AND EVEN WITH FUNDS ALREADY IN YOUR HANDS UNTIL NEGOTIA*
TIONS WITH FRENCH GOVERNMENT CLARIFIED STOP THIS DUE TO CHANGE
FROM OCCUPIED TO LIBERATED STATUS OF FRANCE STOP THIS RESCINDS
OUR CABLED AUTHORIZATION TO SPEND IN FRANCE 20,000 AT YOUR DISCRE*
TION STOP THE ADDITIONAL 13,000 MENTIONED AS AVAILABLE FOR FRANCE
IS TEMPORARILY BLOCKED STOP OUR APPROVED BUDGET FROM OCTOBER 1ST
IS 5,000 MONTHLY FOR ALL REFUGEE WORK IN FRANCE STOP APPLYING FOR
TREASURY LICENSE HOPE REMIT SOON STOP IF YOU CAN REPORT IMMEDIATELY
URGENT EMERGENCY REFUGEE NEEDS IN FRANCE WE WILL APPLY FOR ADDITIONAL
SPECIAL GRANT FROM WAR FUND CONTINGENCY FUND STOP ALSO TRYING TO
FIND OUTSIDE SOURCES OF ASSISTANCE FOR YOUR RECOMMENDED NONREFUGEE
PROGRAM STOP DEEPLY REGRET THIS CONFUSION STOP COMMITTEE SENDS
GRATEFUL APPRECIATION YOUR EFFORTS UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 100

3:30 p.m.
September 30, 1944

FH:hd 9/30/44

TO JOHNSON FOR OLSEN

Reference your 3926 of September 27. You are authorized to pay immediately total claim of 99158 kronor 68 ore for BARDALAND to the Swedish Orient Line. Regret misunderstanding.

THIS IS WRB CABLE TO STOCKHOLM NO. 93

10:15 a.m.
September 30, 1944

DWhite:dm 9/29/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 30, 1944
NUMBERS: 3378

SECRET

The following is for Harrison and McClelland.
Please refer to your No. 6276 of September 22.

We concur in your conclusion that it probably would not be useful to pursue further the vague suggestion by the German Foreign Office that a request for the emigration from Hungary of Jews holding Palestine certificates might be more favorably considered if such Jews were going to American or British territory.

With regard to your suggestion that perhaps efforts could be made to facilitate the emigration of children and others who do not have Palestine certificates, your attention is called to the fact that the Legation in Bern already has broad authority to grant visas for entry into the United States.

Particular reference is made to Department's No. 2877 of August 21, which made available approximately 4,000 American visas for children in Hungary; Department's No. 2605 of July 28, which made special provisions in favor of persons to whom American immigration visas were issued or authorized after July 1, 1941; and Department's No. 2918 of August 24, making special provisions in favor of close relatives of American citizens and alien residents in the United States. Please refer also to Department's No. 3120 of September 9 which summarizes the arrangements made by this Government for the emigration of refugees from Hungary to the United States and other countries.

You were requested to bring the foregoing arrangements to the attention of the Swiss Government and the International Red Cross, and through them, to the attention of the German and Hungarian authorities in an effort to effect the evacuation from Hungary of as many as possible of the refugees for whom arrangements have thus been made. We assume that you have done everything possible to execute these instructions, and if anything further can be done in this regard, we are sure that you will proceed to do so under the already existing authorizations. You will note that the authorizations above referred to are applicable to substantially more than the 2,000 refugees referred to in your No. 6276 of September 22.

THIS IS WRB CABLE NO. 189.

HULL

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

Please deliver the following message to Reverend A. Freudenberg,
World Council of Churches, 41 Avenue de Champel, Geneva, from Leland Rex
Robinson, American Committee for Christian Refugees:

"Remitting \$3,000 regret temporary shortage hoping send \$13,000
October Stop First documents Geneva study group postwar problems
just received being circulated Stop Our staff includes professional
workers loaned UNRRA Balkans probably available within year Stop
We have available immediately mature Protestant Italian woman who
helped refugees Milan before coming America 1940 Stop Could you
use loaned worker your program aiding refugees from Italy"

THIS ISWRB CABLE TO BERN NO. 190

2:00 p.m.
September 30, 1944

RDrury 9/29/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

With reference to your 6292 of September 22, you may request Swiss Foreign Office to inform Hungarian authorities that, if they so desire, this government will be glad to treat as a Hungarian national any person in the United States who claims Hungarian nationality even if the claim of such person to Hungarian nationality is not well established, and thus permit him to benefit from protection of State representing Hungarian interests.

This government assumes that other American republics will also accede to such a request, in case Hungarian authorities are really desirous of making it.

Please convey to Hungarian officials through such informal channels as may be available to you that this Government views the Hungarian inquiry as specious in view of the circumstances and considers it to have been made in an endeavor to gain time. Such officials should be advised that this Government will hold them personally accountable for any harm that may befall any person claiming the nationality of an American republic as the result of the Hungarian government's failure to accord him the rights and privileges due to a national of an American republic. In this connection, you should also convey to appropriate Hungarian quarters the sense of Department's 2490 of July 21 paragraph three.

THIS IS WRB CABLE TO BERN NO. 191

3:30 p.m.

September 30, 1944

BAkzin:ar 9/29/44

CABLE TO MINISTER HARRISON, SWITZERLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Noel Field, 12 Rue du Vieux
College, Geneva, from the Unitarian Service Committee:

QUOTE THE APPARENT MISUNDERSTANDING CONCERNING USE OF OUR FUNDS
ABROAD SHOULD BE CLARIFIED STOP ALL AVAILABLE FUNDS FOR FRANCE
ARE EXCLUSIVELY EARMARKED FOR REFUGEES OR DISPLACED PERSONS THEY
CANNOT BE USED IN FRANCE FOR FRENCH CIVILIANS HOWEVER NEEDY UNLESS
THESE CIVILIANS ARE ACTUALLY REFUGEES STOP SAME RULE BEYOND OUR
CONTROL APPLIES EVERYWHERE ELSE STOP THIS IS REASON WHY THE
APPEALING PROGRAM OUTLINED IN YOUR SEPTEMBER 15 CABLE EXCEPT FOR
REPATRIATION OF FOREIGN REFUGEES IS OUTSIDE THE SCOPE OF OUR
PRESENT AUTHORIZED RESPONSIBILITY STOP UNFORTUNATELY NEW TREASURY
DEPARTMENT RULING PREVENTS ANY EXPENDITURE FOR FRANCE EVEN FOR
REFUGEES AND EVEN WITH FUNDS ALREADY IN YOUR HANDS UNTIL NEGOTIA-
TIONS WITH FRENCH GOVERNMENT CLARIFIED STOP THIS DUE TO CHANGE
FROM OCCUPIED TO LIBERATED STATUS OF FRANCE STOP THIS RESCINDS
OUR CABLED AUTHORIZATION TO SPEND IN FRANCE 20,000 AT YOUR DIS-
CRETION STOP THE ADDITIONAL 13,000 MENTIONED AS AVAILABLE FOR
FRANCE IS TEMPORARILY BLOCKED STOP OUR APPROVED BUDGET FROM
OCTOBER 1ST IS 5,000 MONTHLY FOR ALL REFUGEE WORK IN FRANCE STOP
APPLYING FOR TREASURY LICENSE HOPE REMIT SOON STOP IF YOU CAN
REPORT IMMEDIATELY URGENT EMERGENCY REFUGEE NEEDS IN FRANCE WE
WILL APPLY FOR ADDITIONAL SPECIAL GRANT FROM WAR FUND CONTINGENCY
FUND STOP ALSO TRYING TO FIND OUTSIDE SOURCES OF ASSISTANCE FOR
YOUR RECOMMENDED NONREFUGEE PROGRAM STOP DEEPLY REGRET THIS
CONFUSION STOP COMMITTEE SENDS GRATEFUL APPRECIATION YOUR
EFFORTS UNQUOTE

THIS IS WRB CABLE TO BERN NO. 192

3:30 p.m.
September 30, 1944

FH:hd 9/30/44

BAS-5

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

Bern

Dated September 30, 1944

Rec'd 1:48 p.m.

Secretary of State,

Washington.

6512, September 30, 11 a.m.

FOR WRB FROM MCCLELLAND.

Department's 3314 September 26 and 3268 September 22.

On September 27 I received through Swiss National Bank gross sum of 128,644.95 Swiss francs on order of Queen Wilhelmina fund which I assume is \$30,000 although your 3314 spoke only of additional sum of \$25,000. This remittance however makes up \$90,000 originally announced in Department's 2438 July 17 and 2631 July 31.

With reference paragraph Legation's 5925, September 8, I must call your attention to fact that none of Wilhelmina funds now here have been spent yet as Krier and Clement withheld any transmission to Netherlands in August awaiting further clarification of contradictory instructions received through Dulles from Oldenbuck in London and through Luxembourg Consulate at Bern according to which this money was to be paid over to Duch Minister in Bern who was apparently to have made equivalent available in Holland to J. A. Burger of Dutch Labor Party.

It is highly doubtful that this money can now be sent into Holland before country is liberated.

In case Belgian War Relief and Friends of Luxembourg funds both countries are now liberated which restricts expenditure this money to "enemy territory" that is Germany.

Practical possibilities bringing relief to Belgians, Dutch and Luxemburgers in Germany are very limited. Most obvious use would be financing sending food parcels to political prisoners these three countries in German concentration camps within ICRC--WRB program. Amounts however which could be utilized this program are relatively small. Consequently do not feel it necessary forward additional Belgian funds mentioned your 3314.

KRIER and

-2- #6512, September 30, 11 a.m. from Bern

Krier and Clement are investigating other possibilities. I will report any further useful outlets in keeping terms original licenses which may develop.

HARRISON

WSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: September 30, 1944
NUMBER: 6542

CONFIDENTIAL

Reference is made in the following to the Department's September 21 telegram No. 3255.

The Legation wishes to report in connection with second paragraph of message referred to above that, in accordance with instructions of the Department, it communicated to Inter-cross by letter the substance of numbered paragraphs one and two of the Department's August 19 cable No. 2863, numbered paragraph three thereof to Swiss Foreign Office for communication to the authorities of Hungary. The reply which Inter-cross made to Legation's letter is summarized in Legation's September 3 cable No. 5796. According to Swiss note dated September 26 the Swiss Budapest Legation communicated to the Hungarian Government the substance of numbered paragraph 3 of Department's telegram No. 2863, on the 6th of September. On the same date Hungarian Government was also advised by said Legation of substance of paragraph two under numbered section one of August 23 cable No. 2900 from the Department.

The Wilner Case mentioned in last paragraph of Department's cable under reference, which was also the subject of Department's September 2 cable No. 3038, is being taken up with Swiss authorities again by Legation. If cases involving individuals who claim U. S. nationality were made the subject of separate instructions from the Department it would be most helpful to us.

HARRISON

SECRETCOPY NO. 11NOT TO BE RE-TRANSMITTEDOPTEL No. 318

Information received up to 10 A.M. 30th September 1944.

1. NAVAL

On 26th Commando and small infantry force with supporting arms successfully landed N.W. Corner PELOPONNESE. The convoy escorted by a British Destroyer and swept in by British Yacht Minesweepers. On same day a British Submarine sank self propelled lighter escorting convoy in GULF OF SALONIKA. Coastal forces of GENOA sank one 2,000 ton ship and damaged another. A large enemy submarine has been sunk in MALACCA Strait by a British Submarine; 11 prisoners taken. On 29th a U.S. Liberator sank a U-boat in the South ATLANTIC.

2. MILITARY

Western Europe Slight gains N.E. of NIJMEGEN and towards HERTOGENBOSCH. Germans active on Western face of Corridor and have counter-attacked unsuccessfully. Our bridgehead over ANTWERP TURNHOUT CANAL enlarged in face of strong opposition. First Canadian Army continued its attack on CALAIS against stubborn resistance and by noon 29th had captured all the long range guns on CAPE GRIS NEZ.

Italy Heavy rain hampering operations Eighth Army Front, Rivers MARECCHIA and USO swollen and several crossings out of action. Germans launched several counter-attacks causing in some cases loss of ground which has everywhere been regained. Further progress Fifth Army Front where more prominent hill features astride BOLOGNA Road have been taken.

Russia 29th. Russians have made further progress towards RIGA and an advance on 100 mile front in CARPATHIANS S.W. of ST.NISLAVOV.

3. AIR OPERATIONS

Western Front 72 Halifaxes carried petrol to BELGIUM and 406 other aircraft carried supplies to and evacuated wounded from FRANCE and BELGIUM. 67 other escorted Medium Bombers attacked GELDERN N.W. of DUISBURG dropping 98 tons. 764 fighters over N.W. GERMANY and HOLLAND destroyed or damaged two locomotives, 20 railway trucks, 33 motor vehicles and 6 ferries. German casualties 33:3:13, Ours 7 fighters missing. 29th/30th. Aircraft despatched: KARLSRUHE 40 Mosquitoes Sea-mining 15, Bomber support 62.

Mediterranean 28th. Operations restricted by bad weather. Balkan Air Force fighters destroyed 3 aircraft on the ground at SALONIKA as well as six locomotives and several motor vehicles.

German Activity

18 Flying Bombs plotted.