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October 30, 1944
9:30 a.m.

GROUP

Present: Mr. D.W. Bell
Mr. C.S. Bell
Mr. White
Mr. Gaston
Mr. Pehle
Mr. Blough
Mr. O'Connell
Mrs. Klotz
Mr. Gamble

H.M.JR: Dan, how was the Cleveland Conference?

MR. D.W. BELL: Cleveland was fine. We had a very nice meeting. It went off very well, I thought.

H.M.JR: That is your idea of a vacation?

MR. D.W. BELL: Yes, it was a change. I really had a nice time.

H.M.JR: You and Gamble have fine ideas of a holiday!

Harry, last night I called Mr. Cherwell to ask him to come in a half an hour before we meet, but I now see we have the Americans at eleven-thirty. When do we have the British?

MR. WHITE: No, we have the British and the Americans at eleven-thirty. There is no prior meeting.

H.M.JR: Is it O.K. if I have Cherwell at eleven?

MR. WHITE: Yes, because the meeting is largely a formal one and there is no need for a prior meeting on

this particular problem with the Americans. We were meeting on other problems.

H.M.JR: So it is all right for Cherwell?

MR. WHITE: Yes.

H.M.JR: I want to see him alone.

Herbert?

MR. GASTON: I haven't anything.

MR. O'CONNELL: I have a formal letter to the Attorney General in connection with that surplus property problem that we have been discussing, you know. If you would be willing to sign it - it is merely a statement of our position in the matter with respect to the personnel. I would like to hold it, and we are pretty sure he is going to go along with us far enough so we won't lose our people in Procurement, but unless it has been cleared all the way up to the Attorney General we don't want to send him the letter.

H.M.JR: Who is going to head Procurement after the first of December?

MR. O'CONNELL: As soon as Mr. Olrich leaves, of course, we haven't anybody.

H.M.JR: Can it be a man in that business?

MR. O'CONNELL: Yes, if our present information is accurate, Mr. Olrich and the people that are working for him would have very little difficulty in staying on after the first of December, as far as this Section 27 is concerned. The Attorney General's office has swung a little further in our direction than we had hoped a week or so ago.

MR. D.W. BELL: Can they go out afterwards and participate?

MR. O'CONNELL: It will permit Mr. Olrich or other people to go back and work for a company that they worked for before and take a full-time job with that company, even though that company may have some dealings with the Procurement Division after that in purchasing surplus property. They personally will not be able to participate.

What we were afraid of was that anyone holding - any of our people would be barred from holding a responsible position with a company which had any dealings with the Procurement Division after they left, but the Attorney General's office is taking, so far, the view that they will be proscribed from dealing directly with the Procurement Division, but Mr. Olrich could still be the president of Munsingwear, for example, even though Munsingwear might be dealing with Procurement.

H.M.JR: Can a man who is an owner of a department store come down here to head Procurement?

MR. O'CONNELL: Yes. Of course, the question is, what can he do after he leaves?

H.M.JR: He would only come if he can go back to his own business which he owns.

MR. O'CONNELL: If the Attorney General's office finally rules the way he has indicated to us that he will, it could be.

H.M.JR: The department store wouldn't be buying directly from Procurement.

MR. O'CONNELL: If they were not, then there would be no problem.

H.M.JR: The chances are he would be buying through an intermediary.

MR. O'CONNELL: Then there is no problem.

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MR. WHITE: A big department store would be. A good many of the big ones buy directly.

MR. O'CONNELL: They might, but the problem doesn't arise unless they do. It is only for the man who would go back to Macy or Munsingwear and that company would want to buy something from Procurement, that the problem arises at all.

MR. WHITE: I think that they would be determined in their attitude not by what they are certain to do, but by what they might do, and a man wouldn't want to jeopardize his future by--

MR. O'CONNELL: That is true. All these people will expect to go back to firms that may, on occasion, want to deal with the Procurement Division.

H.M.JR: I will try to think of - take Macy; would Macy be buying directly?

MR. O'CONNELL: Might very well.

H.M.JR: Then this fellow couldn't go back to Macy's?

MR. O'CONNELL: That is the question.

H.M.JR: How about that ruling?

MR. O'CONNELL: If we get the ruling that we hope to get from the Attorney General, the President of Macy's could come down here and work for the Procurement Division and then go back and work as president of Macy's. The only thing he would not be in a position to do would be to deal actively or participate in transactions where Procurement is on one side and he is on the other.

MR. GASTON: What about a salaried employee of Macy's?

MR. O'CONNELL: We are speaking only of salaried employees.

MR. GASTON: All salaried employees, owners or not?

MR. O'CONNELL: Yes.

H.M.JR: Will you explain it even more, so Mr. Gamble can understand it?

MR. GAMBLE: I understand it.

H.M.JR: Will you put in a call for Frank and ask him if he would be interested?

MR. GAMBLE: Yes, sir. he is in New York today.

H.M.JR: If he would be interested I would like to have him come down here and see me, because these things take so long.

MR. GAMBLE: Fine. You will be here all week?

H.M.JR: Yes. What is the name of his store?

MR. GAMBLE: Meyer and Frank, twenty-eight million dollars.

H.M.JR: He has got the finest business on the West Coast.

MR. GAMBLE: I think he has the finest business in America. I think any retailer would tell you that.

H.M.JR: He is a wonderful person, very public-spirited. If I could get him we would be very lucky.

MR. O'CONNELL: I want to make clear that we are not in a position to talk business with anybody.

H.M.JR: But I don't care. If he would say, "Ruling or no ruling, I am not interested" - but on the other hand, on account of his personal life he might be glad to get away for a year or so. He recently lost his wife. Has he children?

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MR. GAMBLE: Two boys in the Army.

H.M.JR: He might be interested in the change.

MR. D.W. BELL: I think it is too bad we can't get the law changed. There always will be some doubt. Maybe legally you are all right, but I think you are subject to criticism.

MR. O'CONNELL: What we are hopeful of getting out of the Attorney General is a ruling which will be, as a practical matter, one that will give a reasonable amount of protection to these people who are working for us and the other agencies.

There is going to be a tremendous amount of pressure for a lot of changes in the bill, and it seems to me one of the things we can readily get is a clarifying amendment when you have a lot of other changes being made in the Surplus Property legislation after the Board has been established. But I don't think we can do more at the moment than protect ourselves by getting as good a ruling as we can get out of the Attorney General, and Mr. Olrich has seen the language which we hope to get from the Attorney General. He and his people are satisfied that if that kind of ruling comes out, they will be reasonably well protected. They wouldn't be entirely happy. That is all I have.

MR. PEHLE: I have nothing.

MR. GAMBLE: Here are two letters for your signature - one of them for the President's. (Hands Secretary two letters to Eisenhower, over Secretary's and the President's signatures; and letter to General Cobbs over the Secretary's signature)

H.M.JR: How is the President going to know what the Silver Lining War Bond Drive is?

MR. GAMBLE: Well, we can send a memorandum explaining it to him.

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H.M.JR: Better send a memorandum to Mrs. Klotz. Hold this up. I don't know what the silver lining is.

MR. GAMBLE: This is a War Bond Drive in the European theater of operations, in the Army.

MR. D.W. BELL: Silver lining?

MR. GAMBLE: That is the theme of it.

H.M.JR: Oh, this is a terrible letter. This is from me to General Eisenhower. (Reading) "War Savings Bonds offer an ideal form of saving for the future. When the war is won and you will return again to your homes and the ways of peace, these savings will give you a stake in a better world your courage and sacrifice have won."

MR. GAMBLE: I rather liked it. I didn't write it so I can speak very freely.

H.M.JR: It doesn't strike a very good note. Herbert, have a crack at this thing, will you?

MR. GASTON: Sure I will.

H.M.JR: Did you write it?

MR. GASTON: No, I didn't.

H.M.JR: Do you like it?

MR. GASTON: I don't know. I haven't read it!

H.M.JR: You can just hear the boys give me the Bronx cheer on that one.

This is all right. (Secretary signs letter to General Cobbs)

Don't you think I should thank the men who made the trip?

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MR. GAMBLE: Yes, sir.

H.M.JR: Supposing you prepare letters for that.

MR. GAMBLE: I have a note to do that.

MR. BLOUGH: Saturday night the President came out in favor of accelerated depreciation, so we will undoubtedly have many inquiries which I propose to answer very generally.

H.M.JR: Gently?

MR. BLOUGH: Always gently, of course - and generally. He did not give several paragraphs which Lubin read me over the phone that were written on taxes. I don't know if they are coming in some later speech or not. I hope not. I think it is a dead issue and the less said about it the better, but not being a politician, I might be wrong.

We are heading up into trouble with Stam, I think, over the old, old problem of the relation of the corporation and the individual income tax. You recall there has been some difficulty with that before, the undistributed profits tax, and so forth. I would like, if possible, to have some conferences in the Treasury with policy level people to go over the situation and see what position we want to take, because Ways and Means Joint Committee will probably hold a meeting very shortly after the 14th and we want to have a joint report between Stam's group and our group to present to that Committee when they meet. And I think it is of some importance that we avoid any unnecessary fights and therefore we ought to decide in advance where we want to stand on it.

H.M.JR: O.K. Will you proceed? Do you want me in on it?

MR. BLOUGH: That would be a very nice idea, Mr. Secretary. I can go quite a long way with these other gentlemen if they have the time, but eventually I think we ought to have a meeting with you.

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MR. D.W. BELL: It will be a policy decision in the end, won't it?

MR. BLOUGH: That is right.

H.M.JR: Go as far as you can and then let's see. It isn't that I am loafing, but I do have the English Lend-Lease on my hands, and it is very time-consuming.

MR. BLOUGH: Why don't I go to the point that Mr. Bell says, "We have to go now to the Secretary"?

H.M.JR: Fair enough.

By the way, Mrs. Klotz, I told Gamble yesterday that I would lend him this copy of this economic policy speech which we gave the President for him to read just for himself - the one we hope the President will give.

MR. BLOUGH: That is all I have.

H.M.JR: What I am trying to do - I have hopes, but I don't know whether I am going to be able to make it or not - I am hoping to get away on the 21st for two weeks. I am opening the War Bond Drive on the 19th somewhere with the President, I hope. On the 20th I am appearing in New York. Is that right?

MR. GAMBLE: That is correct.

H.M.JR: And I hope after that to go away. What day is Thanksgiving this year?

MR. GAMBLE: It is the 23rd.

MR. GASTON: It is the fourth Thursday, under the law now.

H.M.JR: My problem is, my son will be back once more before he goes to the Pacific and I am very anxious to see him.

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MR. GAMBLE: If you are going away on the 21st, which means the first two weeks of the War Bond Drive, with your permission I would like to book you for one other speech between the 17th and the 20th, some one day in Chicago with Admiral King at this big Navy show. I planned to ask you to go out there during the first two weeks of the Drive.

H.M.JR: When would that be?

MR. GAMBLE: I would like to set the date the 17th, 18th, or 19th.

H.M.JR: You are going to open it the 19th.

MR. GAMBLE: The 16th, 17th, or 18th - that is right. We are opening this big Navy show on the 20th and we have a preview of it on the night of the 17th in Chicago.

H.M.JR: If the opening night is the 20th, why do I go to New York?

MR. GAMBLE: One is tied in with the Illinois Committee and the other with the New York State. I wouldn't normally want you to crowd up that way, but if you are going to be tied up for two weeks--

H.M.JR: I just have to get away. I can't keep on this thing forever.

When does your Navy show open?

MR. GAMBLE: We have a preview on the 17th. Actually it won't get under way until Monday, the 20th, but it is a big show. It is on the Navy Pier out there.

H.M.JR: Do you want me in Chicago on the 17th?

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MR. GAMBLE: I will set the day if it is agreeable. We will make it either the 16th, 17th, or 18th, so it will not conflict with your Sunday night appearance with the President, or Monday night.

It will be better to make it Saturday night. That would keep you tied up Saturday, Sunday, and Monday.

H.M.JR: I wouldn't object.

MR. GAMBLE: All right, sir.

H.M.JR: What do you think?

MRS. KLOTZ: Before you go away, all right.

H.M.JR: To do it on the 18th in Chicago and the 19th somewhere with the President?

MR. GAMBLE: That is correct.

H.M.JR: Whatever we do with Navy, isn't that going to take the edge off--

MR. GAMBLE: There will be so much Navy, Mr. Secretary; and, after all, you have so many big affairs in connection with the War Bond Drive that it won't detract in the slightest from the President.

As a matter of fact, it will serve as a build-up, really, for what we are going to do.

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H.M.JR: Let me think an hour or two about this and call you back.

MR. GAMBIE: All right, sir.

H.M.JR: The 18th in Chicago, the 19th somewhere with the President, and the 20th in New York.

MR. GASTON: This rules out entirely the possibility of going to New Orleans--the AF of L?

H.M.JR: Yes.

MR. GASTON: I will tell Larry Houghteling there is no chance of your going to the AF of L.

MR. WHITE: Are you hopeful of winding up the British before then?

H.M.JR: Yes. I originally wanted to go away on the 10th for one week. I figured they wouldn't be through. And then other circumstances which I don't want to talk about, I mean official, why I would like to be around here--I just don't want to go away the week of the 10th. I am just going to tell them today.

MR. WHITE: Tell the British? Well, it isn't the British. I have a statement of just the status of each one of the items. The one that may hold you back is Navy, or at least I mean I don't know whether any progress has been made there. If anything should come up from the Dominions today, I don't anticipate that you will have any difficulty there, but you may, I don't know. The other things are well enough on the way so that I think there is a reasonable prospect of getting through before then. It is not the British that are holding us up.

H.M.JR: Well, all this is a pious hope, Harry, but I have some date and something to shoot for. At least I keep thinking, I am going to get away. There are certain reasons I don't want to get into.

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MR. WHITE: I think there is enough time left so you ought to be able to complete it by then.

H.M.JR: Then, you see, if you wanted me the last week, I would be available.

MR. GAMBLE: The third week.

H.M.JR: I told Gamble there was no use my going to the Pacific. I have cut that out.

MR. WHITE: I merely suggest that when you talk to the Dominions you will have to put a lot of heat on them, because they are starting from the beginning.

H.M.JR: If we have work to do, I am going to stay, but at least I am going to make the effort.

MR. WHITE: We have been having discussions with the Dutch for several months on some Lend-Leasing of silver. They wanted a fairly large amount. We cut them down. We said we would consider three million ounces for coining certain silver coins. There is agreement all the way around. We just need your approval.

H.M.JR: You have it.

MR. WHITE: We had a meeting last week with the committee of the American Bankers Association and the reserve city banks on the Dumbarton Oaks proposals. We spent several hours--

MR. GASTON: Bretton Woods.

MR. WHITE: Bretton Woods, I am sorry. We spent several hours with them.

H.M.JR: Do you think we should consult Freud?

MR. GASTON: I think we should.

MR. WHITE: No, it is all in the woods! We thought that we had a very excellent discussion. We answered their

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questions fully in great detail and told them we would be only too glad to spend the evening or the next evening if they weren't through.

Several days later I heard from various authoritative sources that they had met with Jones and Wayne Taylor, and had said that the meeting was very unsatisfactory, that we were not at all frank, that we were withholding stuff from them, and they weren't getting anywhere. Herbert was at most of the meetings, about seventy or eighty-five percent of them. What was your reaction?

MR. GASTON: I don't know how you could have been any franker than you were. You answered every question at length that they asked.

MR. WHITE: Not only that, but I also thought that we went out of our way to be pleasant and helpful. And that, to me, caps what I thought was the case, anyway, with them, that they haven't the slightest notion of coming down here to learn anything. They are coming down here to get material for the preparation of a report in which they are going to oppose it, but they are going to be able to say they came down here and spent three days.

MR. GASTON: I can't recall that Winthrop Aldrich asked a single question. He made notes all through the meeting.

MR. WHITE: Yes, he made a couple. That is merely an indication of what we may expect.

H.M.JR: That makes him a counterfeiter.

MR. D.W. BELL: The top level of bankers?

MR. WHITE: Aldrich, Hemingway, and Randolph Burgess; they were the top people. There were about eight or nine.

MR. D. W. BELL: Was Mr. Potter from Guaranty there?

MR. WHITE: No, I don't think so.

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H.M.JR: Paraphrasing Mr. Blough, is it to a point where the Secretary "has to get in on it?"

MR. WHITE: No; I think, though, that it may require a change in our strategy.

H.M.JR: I am sure it will, after election.

Anything else, sir?

MR. WHITE: No, that is all.

MR. D. W. BELL: Did you get any information on the matter which you discussed with Colonel or General Groves that you could tell me about?

H.M.JR: I can tell you everything. He walked in here and said he wanted to open an account, period.

MR. D. W. BELL: Is that all?

H.M.JR: If you stay behind, I will whisper something in your ear.

MR. D. W. BELL: O.K. That is what I want to know, because what I have so far through William raises a suspicion in my mind, and I don't think, if it is what I think it is, we should have anything to do with it.

H.M.JR: I can tell you my impression.

MR. D. W. BELL: All right. That is all I have.

H.M.JR: This week I would like to get down to talking to you about things we would like under reorganization of government of the Treasury.

MR. D. W. BELL: There has been some work done on that before I went away, and some done while I was away. We will get together this week and see what we have.

H.M.JR: Other people have expressed interest in it, Pehle for one. This is what we would shoot for if we could have an ideal Treasury for the next administration.

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MR. BELL: We will have something this week. We will be able to discuss it with you, I think.

H.M.JR: My plans are to go up to the country Friday night and stay there until after election, and then most likely return with the President.

MRS. KLOTZ: Has your proposed speech been changed?

H.M.JR: I am waiting to hear from Hannegan. I put it to him on the basis of whether they really wanted me.

MRS. KLOTZ: They are foolish not to have you.

H.M.JR: I offered to speak in Harlem Friday or Saturday night. I asked Hannegan to find out if they really wanted me and if I could be helpful, and I haven't heard from him.

MR. C. S. BELL: Senator Byrd has been pushing us for a statement of post-war activities for the last couple of weeks. We have been stalling him and holding up on it. We had the material all ready to go over, but Dan and I discussed it before Dan went away. We kind of felt he might use it for political reasons, and we might hold up until as close to November 7 as we could. A week later he followed that up with a request for a complete statement on the functions and personnel of the Treasury, and likewise we are holding that up. It is quite an elaborate statement.

The Bureau of the Budget, incidentally, asked for the same information, and that is all ready to go over today.

H.M.JR: That doesn't in any way cut across the things I wanted to take up?

MR. C. S. BELL: No, sir.

MR. D. W. BELL: He wants to know what plans you have for a post-war reduction in personnel and functions in the Treasury, and I felt that in view of the fact that he was asking for it a couple of weeks before election, he intended

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to come out the end of October with a blast of some kind and it would be better if we worked a little slowly on the statement.

MR. C. S. BELL: Here is a little letter you might want to sign, too, about a Foreign Funds boy who was killed in action rather recently, Black.

(Secretary signs letter to Mr. and Mrs. George Black, dated October 30, 1944.)

H.M.JR: I talked with Gamble yesterday about this, and he is going to try it out. I have a notion after election I want to ask the radio people whether they care to have me go on the air for fifteen minutes a week, purely informational, largely questions and answers, and so forth, and see how it goes, just handle various things of Treasury business for fifteen minutes every week. Ted is going to see the radio people and see if they will be interested in doing it as a public service for fifteen minutes. I would like to try it for thirteen weeks and see how it goes.

MR. GASTON: Offhand, it strikes me as being a little too often.

MR. D. W. BELL: That is the way it strikes me, too. I think it is too much Treasury.

H.M.JR: Well, I disagree with all of you. This is something I would like to try. Believe me, if I did it, I would be raising hell with everybody to get things done. I mean, if I get a letter from the Baltimore and Ohio people at Pittsburgh and they can't get their bonds, I want to give them an answer over the air, and tell them why.

MRS. KLOTZ: Is this all on bonds?

H.M.JR: No, all Treasury, questions I get in the mail, or anything that comes. It really would be a press conference over the air, except I would be giving the questions and the answers.

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MR. D. W. BELL: It certainly will increase your mail.

H.M.JR: All right. Believe me, I would be riding people and finding things out about the Treasury, too. And as I say, these various complaints that we get--I would want an answer in time to put it on the air.

MRS. KLOTZ: I think it would be a good idea if you wanted the Treasury to do that.

H.M.JR: No, like LaGuardia--he has built up a wonderful listening audience. Anyway, it is something I would like to do, and I don't think you people are going to be able to discourage me.

MRS. KLOTZ: We are not trying hard; we just want to think about it.

MR. GASTON: Mrs. Klotz expresses my views.

H.M.JR: I am going to be very, very original after November 8. You people are all going to be surprised; so is the President! I mean, if a question like this German thing comes up and I get a letter, I am going to answer it, and I am not going to ask the State Department. I am going to answer it. If after I have answered it somebody doesn't like it, O.K. I am not going to be behind the eight ball. When these things come in, I am going to answer them. And if I can't answer them publicly, I don't want to stay here! I am not going to be the whipping boy any longer.

MRS. KLOTZ: I am all for that if you will really say that.

H.M.JR: I am going to say what I like; and if the time comes when Mr. Roosevelt or Mr. OWI, or Mr. Hull doesn't like it, then we have a showdown, and it will be decided. In the meantime, I am going to be building up contact with the American people. I am going to give them a frank, straight talk. MacArthur breaks the story on the Philippines, and according to Drew Pearson, the Navy doesn't like it. And so what! Are they going to recall MacArthur?

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MR. GASTON: The point isn't as far-fetched as it might strike you. The OPA has been doing it, and the State Department has been doing it on the air.

MRS. KLOTZ: Doing it once a week is all right if you will answer--I mean on the German thing--if you will really answer it.

H.M.JR: I am going to. And the people around the Treasury are going to have the answers for me, too.

MRS. KLOTZ: They have them already!

MR. WHITE: Not just on the German thing.

H.M.JR: A lot of them don't. You think about it, you and Mrs. Klotz, and Mr. Gaston.

Now, what is this?

MR. C. S. BELL: This is not a good case, sir. (Hands Secretary deferment application for William A. Wheeler.) He is twenty-eight years old and lives in San Francisco. They have been very liberal with his draft deferments. He is married and has one child, a pre-Pearl Harbor father.

H.M.JR: Where the hell does Herbert Gaston sign it?

MR. C. S. BELL: Mr. Gaston and Mr. Wilson both agreed--

MR. GASTON: Is that the Secret Service man?

MR. C. S. BELL: Yes, sir.

MR. GASTON: I was a little in doubt, myself, but the main thing is that we have lost an awful lot of men from Secret Service.

(Secretary marks application "rejected.")

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MR. GASTON: This is the case where the local board was quite willing to let him stay, but our letters denying that we have asked for his deferment have provoked the local board to put us on the spot. They wanted to defer him.

H.M.JR: William A. Wheeler, U. S. Secret Service, San Francisco, rejected.

MR. GASTON: He is a very good man.

H.M.JR: I can't help it. There are a lot of good men in the Army.

MR. C. S. BELL: That is about all from me, sir.

H.M.JR: Charles, will you wait outside? After I have seen Dan, I want to see you.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 30, 1944

TO: Secretary Morgenthau

FROM: Ted R. Gamble *TRG*

In connection with the request of the President that he sign a letter to be sent to General Eisenhower and Men in the European Theatre of Operations, I am listing below some information in order that the President will know something about what he is being requested to sign.

Objectives of New \$100 Million "Silver Lining" Drive In ETO

A. To reduce the net retained pay in the theatre and thereby help to check inflation in areas occupied or visited by American soldiers.

By accomplishing this purpose we can contribute not only to the welfare of our own soldiers but also help to foster more friendly relations with our allies both now and in the years to come.

B. To increase the total volume of soldiers' savings in order to give to as many men as possible a financial cushion during the period of transition from military to civilian life.

C. To support and strengthen the esprit de corps and general morale of the officers and men of the ETO - to further promote pride in their respective commands - to give officers and men a sense of participation and ownership in their government as citizens.

In the U.S. the promotion of war bond sales through extensive and intensive education and publicity has made an inestimable contribution to national unity, efficiency and morale. The experience of BAD #2 and the Eighth Air Force with War Bond Drives has demonstrated that these collateral values are as great and as real in the Army as in civilian life.

D. To maintain a voluntary savings program.

It is important that the savings program for the ETO be based on the principle of voluntary action. A soldier is subject to innumerable restraints and

- 2 -

compulsions. In deciding what to do with his money he wants to do "as he damn well pleases". We should also like to emphasize that in our judgment a War Bond Drive in the ETO should be voluntary in the best sense of that word.

A Word About The Theme - "YOUR SILVER LINING--WAR BONDS."

This idea we believe to be catchy without being tricky. It is dignified without being stuffy. It holds a promise of hope for the soldier, and it is aimed directly at his interests and his concern. There is a lofty quality to it that gives it grandeur, yet it is written in a language common to all men. And perhaps most important of all, it has immediate significance, immediate meaning to all who see it.

OCT 30 1944

My dear General Cobbs,

Dr. Odegard and the members of his Committee, who have recently returned from the European Theatre, have told me how cooperative and kind you were to them during their visit in your area. I am sure they have already written to thank you for making available the services and facilities necessary to the success of their mission. As Secretary of the Treasury I, too, want to express my appreciation for the counsel and assistance you gave to these Treasury representatives.

I have received from them reports of the excellent work being done under your direction in the ETO. I regret that during my own recent trip abroad I was unable to hear more about this from you personally.

I am delighted to hear of the Silver Lining War Bond Drive. I wish you every success.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Brigadier General Nicholas H. Cobbs, 0-8237
Fiscal Director, ETO,
A. P. O. 887, c/o Postmaster,
New York, New York.

10-28-44
PHO:MC

October 30, 1944
10:24 a.m.

John J.
McCloy:

Hello.

HMJr:

Jack.

M:

Yeah.

HMJr:

Good morning.

M:

How are you?

HMJr:

Fine. In regard to this business of this special account which Mr. Stimson has asked us to set it up, see?

M:

Oh, yes.

HMJr:

I -- I don't know whether you know about it, but I suppose

M:

I know very little about it.

HMJr:

Well, this is the point, if it's -- as I got the impression that it's some secret weapon. See?

M:

Yes, that's right.

HMJr:

If that's what it is, okay.

M:

Yes, that's it.

HMJr:

Is it that?

M:

Yes, that's what it is.

HMJr:

All right. Well, our boys will say that it was something to keep a fund from lapsing.

M:

Oh, well, it's -- it's -- the whole background -- what the particular device of this account is I don't know, except that I know that it's all related to a secret weapon.

HMJr:

Well, if -- that's the impression I got from Mr. Stimson -- if that's correct, then Bell and I are perfectly happy about it.

M:

Yeah.

- 2 -

HMJr: But if it's simply to keep a fund from lapsing....

M: What kind of a fund could it possibly be -- a fund from lapsing -- what kind of a

HMJr: Well, wait a minute, Bell's sitting here. Let me ask him.

M: Yeah.

(Pause)

HMJr: He said if the fund had a date limit, let's say of December 31st, that it would expire.

M: Yes.

HMJr: And it would return to the general fund.

M: Yes.

HMJr: By setting this aside in a secret fund, you'd keep it from lapsing.

M: Oh, I see.

HMJr: Do you see what I mean?

M: Yeah. In other words uh huh.

HMJr: What?

M: I don't -- well, I don't -- just don't know enough about it to be sure whether that's not -- that that is not in it. I do know that the whole thing is designed for this -- this secret weapon purpose.

HMJr: Well, now just -- just a minute. (Talks aside.) Bell says this -- hello?

M: Yes.

HMJr: That even if it is a secret weapon

M: Yes.

HMJr: that the fund should be obligated. By that, I take it, he means a contract let.

M: Yes.

HMJr: So even if it's a weapon that -- you're not avoiding Congress -- criticism from Congress. See?

M: Uh huh.

HMJr: Do I make myself

M: Well, I think I begin to get some idea. Now, whether it is that -- whether it has that aspect to it, I just don't know.

HMJr: Well

M: But I can find out.

HMJr: Well, for your own -- for the sake of Mr. Stimson....

M: Yeah.

HMJr: And in a secondary position, myself

M: Yes.

HMJr: Just make sure that you're not flying in the face of Congress by setting up a secret fund where the fund might lapse, and in that way you're circumventing Congress.

M: I get you.

HMJr: See?

M: Yes.

HMJr: Now, that in no way is trying to break down secrecy.

M: No. Right.

HMJr: Now, if it's a secret weapon and you can let the contract and the fund is obligated

M: Yes.

HMJr: then nobody can criticize.

M: Uh huh.

HMJr: And I'm -- I'm pointing that out.

M: Yeah, I see. I'll -- I'll get somebody that knows something about it to

HMJr: Just enough -- they don't have to tell us what it's for.

M: Yeah, I get the point. Yes. Okay.

HMJr: You get the point.

M: Yes, all right.

HMJr: Thank you.

M: Thanks.

October 30, 1944
10:50 a.m.

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John J.
McCloy:

The man -- I was trying to find the man who has the answer to that question you asked me and I finally tracked him down and I find that he's in the next room to you now.

HMJr:

Oh, with Bell.

M:

He's in the ante-room to -- to Dan Bell's office.

HMJr:

Oh.

M:

And he's got the answer and I told him that he could give you the answer to the question that you put to me.

HMJr:

Well

M:

And he's prepared to do it.

HMJr:

Oh.

M:

His name is Groves.

HMJr:

Yeah.

M:

Okay.

HMJr:

Right.

M:

Thanks.

October 30, 1944 29
2:32 p.m.

Operator: Go ahead.

HMJr: Yes. Hello.

White House
Operator: The Judge is -- here's the Judge.

HMJr: Hello.

Judge Sam
Rosenman: Hello.

HMJr: Hello.

R: Henry.

HMJr: Speaking.

R: Speaking -- ah ha -- my boy - talking about speaking -- has a new gag which they use at Harvard. You answer the phone as follows: Busy Bee Bra. Co., Bessie speaking.

HMJr: (Laughs) Yeah.

R: Henry, I heard that they're making -- Treasury is making some study of the -- I'm a little vague -- about the invasion dollar and the lire in Italy and so forth.

HMJr: Well, I don't know anything special other than that, I would say, was part of our responsibility.

R: What I'm thinking about is whether it's going to be possible to make any announcement before November 7th.

HMJr: I -- I just don't get you, Sam.

R: Well, I understood that the Treasury was making some study of getting the lire correlated to our invasion dollar the way we did with the franc so that it in some way or other would help the

HMJr: Well, I'll tell you in ten minutes Stettinius and Acheson and Harry White are coming in. If anybody knows anything about it, they will.

R: Are they the ones that are working on it?

HMJr: Well, if anybody would, they would be. I'll ask them.

R: Well, my -- the only reason I called you was that you understand politics better than they do.

HMJr: Well, I'll find out. In other words, if there's anything that would help as far as the Italian goes.

R: That's right.

HMJr: Is that right?

R: That's right.

HMJr: I'll find out.

R: Fine. - I thought there might be some -- something there that might be helpful but I'm frank to say I don't know enough about it to even guess, but I just had an idea that it might help.

HMJr: All right. I don't suppose you looked at my talk to the business men.

R: I certainly did. By God, didn't you see we used some of it?

HMJr: I thought you used a sentence or so.

R: Well, we didn't use the language but we used the idea.

HMJr: Yeah. But I had a good crowd up there.

R: And was it -- did they -- did they react all right to it?

HMJr: Very enthusiastic.

R: We had a very bad place to talk about business and taxes and things -- very bad, you know. Ever been in Soldier Field?

HMJr: Yeah.

R: Well, it was my first experience. You know the way they arranged it, they didn't let anybody on the field except the President's car.

HMJr: Yeah.

R: And some few reporters and party. So he was two blocks away from his nearest audience.

HMJr: Oh, well, that's not so good.

R: And it, you know, you get no sense

HMJr: Cold.

R: of unity with them.

HMJr: Yeah.

R: And the applause came back a few seconds late. You know it takes sound that long to travel.

HMJr: Yeah.

R: And it was no place for that kind of a speech but, the hell, we didn't have any choice.

HMJr: Well, I didn't hear it but the people said he got very enthusiastic

R: I think they were. I think the way you fellows tied the Bill of Rights in was very good.

HMJr: Yeah. Tell me something, when does he leave for Boston now?

R: I think Friday.

HMJr: Friday. Friday. Okey-doke.

R: All right.

HMJr: If I have anything you'll hear within the hour.

R: Fine.

HMJr: Thank you.

R: Bye.

October 30, 1944

Dear Sam:

I am enclosing herewith a White House Release which got very little publicity. I imagine this is what you had in mind. You have my full permission to use it freely, provided you give credit to the President.

Sincerely yours,

(Signed) Henry

The Honorable Samuel I. Rosenman,
The White House,
Washington, D.C.

DEPARTMENT OF STATE

Radio Bulletin No. 245

October 11, 1944.

WHITE HOUSE

President made following statement last night: "I have today approved the recommendation of the Secretaries of State, Treasury and War, and of the Foreign Economic Administrator, that the United States Government currently make available to the Italian Government the dollars equivalent to the Italian lire issued up to now and hereafter as pay to United States troops in Italy. The dollar proceeds of remittances made by individuals in this country to friends and relatives in Italy are also being made available to the Italian Government as are the dollar proceeds of any products exported by Italy to this country. It has been our intention to make available to the friendly Western European countries dollars equivalent to the local currency issued as pay to American troops in their territory. This policy differs from that to be applied in the case of Italy since in the latter case it is subject to special restrictions reserved to the United States in connection with the final peace settlement. The dollars made available to Italy will be used by the Italian Government to pay for essential civilian supplies purchased in this country for use in liberated Italy. The United States Army has supplied substantial amounts of certain essential civilian goods such as food, clothing and medical supplies as a necessary part of military operations in Italy. The funds which I am now making available will enable the Italian Government under control of appropriate Allied authorities to obtain in this country other essential civilian supplies and to continue to obtain essential supplies after the United States Army program ceases. This step has been taken after consultation with the British Government which has also been providing essential civilian supplies to the Italians and will continue to provide its share of an agreed program of such supplies, but under different financial arrangements. The Fascist dictatorship which led Italy into war against the United States and the other United Nations has been overthrown. Today, the Italian people are cooperating with the United Nations forces in driving the Germans from Italy. Our soldiers, sailors and airmen are welcomed and assisted by the civilian population in Italy wherever they go. Italian troops are joined with our forces at the front. And behind the German lines, Italian partisans are heroically giving their lives in the struggle. It is to our interests that Italy be able to contribute as fully as possible to the winning of final victory. While the re-establishment of Italy as a free independent and self-supporting nation must be primarily the responsibility of the Italian people themselves, it is also to our interest that the Italian people be given the opportunity to obtain and pay for the necessities they need from us if they are to be able to help themselves."

Presidential appointments today included Rabbi Stephen S. Wise; Clark M. Eichelberger; and Polish-American Congress Committee.

STATE DEPARTMENT

Dr. Guillermo Almenara Irigoyen, director of the Workers' Hospital at Lima, and head of Peruvian National Security Organization, is visiting medical and public health centers in this country as guest of Department.

MISCELLANEOUS PRESS

Vessel Production. While tonnage output for September increased but slightly as compared to that of August, faster ships predominated among the 124 vessels aggregating 1,185,997 deadweight tons delivered from merchant shipyards during September, Maritime Commission officials reported. Of the 65 faster vessels turned out in Maritime yards 34 were to meet needs of Navy and Army. Among these were assault ships which Secretary Forrestal has described as the "most urgent item on the production program". Maritime yards so far this year have turned out 1,233 vessels with combined deadweight of 12,245,583 tons. Since Pearl Harbor to October 1, 1944, they have built a grand total of 3,884 ships of 39,666,116 tons deadweight.

Expansion

Meeting in Secretary's Office
October 30, 1944, 2:45 p.m.

Present: Secretary Morgenthau
Mr. Stettinius
Mr. Acheson
Mr. White

The meeting apparently grew out of a discussion which Secretary Morgenthau and Mr. Stettinius had at some dinner several days previously on the Argentinian situation.

Mr. Stettinius said that they had information from different sources, including Chile, that the present military regime in the Argentine was becoming increasingly vulnerable. He said that he had spoken to Lord Halifax and wanted the British to take a strong position with respect to their contracted purchase of meat from the Argentine. Halifax had suggested that he send Llewellyn over to talk to Mr. Stettinius about it, and Stettinius expected him to show up soon. Mr. Stettinius said that he hoped that the British would cease purchasing meat from the Argentine under long-term contract but would purchase it on a month to month or spot basis. He said that the State Department might want those discussions made part of the more general discussions which were going on between the British and the United States now.

The Secretary briefly reviewed his communications re Argentina to the President and to Secretary Hull of January of this year and June of this year. He stated that in June, in response to the President's request, he had tried to see Mr. Hull on the Argentine question but that for some reason or other Secretary Hull had been unable to arrange a conference with him on the subject. He said that he had not raised the matter since June but now that Mr. Stettinius raised it he wanted to tell him that he felt State Department had made a mistake in not sending the cable to our Ambassador in the Argentine last January that had already been drawn up and which the President was ready to approve. The Secretary added that he would, of course, do whatever State Department asked him to do on the matter but he hoped that Mr. Stettinius would review the whole business and see whether they couldn't come forth with a whole program which would have the effect of stopping the growth of fascism in the Argentine and neighboring countries. We doubted whether getting England to change from long contract to spot purchases of meat would mean very much in

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this direction. Mr. Stettinius said that they were in the process of reviewing the matter now and asked that he be excused from further participation because he had to meet the Mexican Ambassador and then go to the White House. The Secretary asked if Mr. Acheson could remain behind so that we could finish the discussion and Mr. Stettinius said, "Of course."

After Mr. Stettinius left, the Secretary went into great detail regarding his memorandum to the President and his letter to Hull on the Argentine. He again emphasized that he hoped the State Department would have a complete program so he would be ready to do whatever the State Department asked him in his negotiations with the British. He referred to the fact that he had discussed the matter of meat purchases from the Argentine by the British over six months ago with Marvin Jones, and that Jones then stated that though it would raise some difficulties it would be possible for the United States to supply the necessary beef to England if England ceased its purchases from the Argentine. Mr. Acheson said that it was, of course, desirable to stop the Argentine but he didn't feel that the public would be behind any effort to increase our beef shipments to England at the expense of domestic consumption and that we would be starting something that we couldn't finish. The Secretary said that he was afraid that he disagreed with him; that he felt the public would be behind such action. He said that whenever Secretary Hull in the past had taken a strong stand behind the Argentine that he had always gotten an excellent press. The Secretary said that he would very much like to be in the position of defending a strong attitude against the Argentine because he felt that the public would be quite sympathetic with such action. In fact, he said he would prefer to defend a move of that character against the Argentine to defending the program of lend-lease to England under phase two.

Mr. Acheson said that he would be glad to see the government in Argentina overturned but that the simplest way to do it would be to have someone start shooting down there and we could go in and clean the thing up within 90 days. The Secretary said that his mind didn't run towards shooting; that he thought that a strong economic program involving cessation of beef purchases would be the thing to do. Mr. Acheson said that it would be a difficult program because there were questions of wheat and corn and shipments between Brazil and Argentina, and that there was a grave shipping scarcity. The Secretary said that there were always difficulties in decisions of that kind but that bold action was called for and that somehow or other many of the difficulties were satisfactorily met. He

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referred to the fact that in our invasion of North Africa and in our shipments of lend-lease goods to Russia, etc. that those who opposed such action had pointed to many of the difficulties but that somehow many of the difficulties had been satisfactorily overcome and that he felt the same would be true of the difficulties of carrying through an economic program against the Argentine. He said that if that decision were made he would be only too happy to help where he could. In any case, he said he would do whatever the State Department wanted him to do in his current negotiations with the British.

H. D. White

LUNCHEON
Monday, October 30
1:00 p.m. - THE TREASURY

- Secretary Morgenthau
 - ~~Lord Halifax~~
 - Lord Cherwell
 - Lord Keynes
 - Sir Charles Hambro
 - Sir Robert Sinclair
 - Sir Henry Self
 - Right Hon. Ben Smith
 - Hon. R. H. Brand
 - Mr. Redvers Opie
 - Admiral Waller
 - Air Chief Marshall Courtney
 - Major General Bond
 - General Macready
 - ~~Mr. E. R. Stebbins~~
 - Mr. Dean Acheson
 - Mr. Leo Crowley
 - Mr. Lauchlin Currie
 - Mr. Oscar Cox
 - Mr. Artemus Gates
 - Admiral Fitch
 - Admiral Horne
 - Judge Patterson
 - Mr. John McCloy
 - Mr. Robert Lovett
 - Genl Somervell*
 - General Giles
 - General Styer
 - General Handy, Deputy Chief of Staff
 - Mr. J. A. Krug
 - Mr. D. W. Bell
 - Mr. Harry White
-

Copies to Frank 38
Coe to Frank Lee

October 30, 1944
11:30 a.m.

10/31/44

UNITED KINGDOM - DOMINIONS - AMERICAN
LEND-LEASE NEGOTIATIONS

Present: United Kingdom	Navy
Mr. Ben Smith	Admiral McCormick
Mr. Brand	Army
Lord Keynes	Mr. Patterson
Mr. Lee	Mr. Lovett
Mr. Frank Snelling	General Styer
	General Kuter
	General Giles
Australia	
Sir Frederick Eggleston	State
Mr. Brigden	Mr. Acheson
Mr. Macgregor	Mr. Taft
Mr. Dunk	Mr. Collado
Mr. Jacobson	
New Zealand	FEA
Mr. Sullivan	Mr. Crowley
Mr. Berendsen	Mr. Cox
Mr. Reid	Mr. Currie
Mr. Marshall	Mr. Davidson
	Mr. Angell
India	Mr. Coe
Mr. Symon	Treasury
	Mr. Casaday
	Mr. White
	Mrs. Klotz

H.M.JR: If it is agreeable to you gentlemen, I am going to ask Mr. Coe, who acts as Secretary for the American side, if he would state the purpose of this meeting.

MR. COE: Well, as most of you gentlemen know, there have been conversations following the Conference at Quebec as to the Lend-Lease arrangements in the next

- 2 -

phase. These conversations have been carried on between the American representatives and the British.

It has now become necessary to start off similar conversations with the Australian and New Zealand representatives, and with the representative of the Government of India.

The general purpose of the meeting today was to afford an opportunity for the top people to get together to start the conversations and to discuss the requirements and programs in a general way in the next period.

Lord Keynes, do you add to that?

LORD KEYNES: Mr. Secretary, we have prepared, or rather the Dominion representatives have prepared for us, rather a fuller, more detailed statement than appeared for the requirements - than appeared in our original statements. I am sorry to say we couldn't get this ready in time to circulate before this meeting. Copies are available now and no doubt will be studied afterwards.

I only wanted to make it clear that there is now an amended statement on behalf of the Dominions. I should, if you will let me have the time, like to make one or two general remarks relating to the way in which we see it. This ties into the main plan.

The United States and the United Kingdom are both hoping for some modest measure of relaxation when the German war is over, that we shall no longer remain war mobilized to the tremendous extent that we are now - sixty or seventy percent. And the program we have been working out has been expressly so designed as to allow that measure of relaxation and demobilization from direct war effort that is proper.

Now, in the case of Australia and New Zealand and also India, similar relaxation will not be practicable owing to their geographical situation in relation to the Pacific war.

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However much the rest of us help, I think it is certain that their war effort will remain on a larger scale relative to what it has been in Stage II than in the case of the United States or United Kingdom. There are no practical means, with those countries situated as they are, and the tremendously important part they are going to take - there is no opportunity for the same production as we shall be able to enjoy when the German war is out of the way.

Therefore we hope that these, as it seems to me, very modest requirements, can be looked at with an easy eye, because this is the only way in which some help can be given in this difficult situation where they have to go on for one year more, at least, at full tilt.

Some people imagine that this might compensate for the fact that perhaps they weren't as fully engaged earlier in the war. That isn't the case. Australia and New Zealand and India, from the very first day, began mobilizing to the full, so that they will have experienced a longer complete mobilization than any of the other participants in the war. We feel that that general background should be kept very much into account.

There is another point which I think is worth emphasizing, and that is the tremendous scale - at any rate, in the case of Australia and New Zealand - that reciprocal aid to the U.S. forces is being supplied. It is never very easy to estimate reciprocal aid ahead of events, but figures here show what it has been recently.

In the case of Australia, Australia, on the non-munitions side, is giving the United States between three and four times the total amount that they are asking for on Lend-Lease. That is not including munitions, or oil, or shipping, because they are included in our program. But taking the non-munitions field, the reciprocal aid has been at a scale of between three and four times. And in the case of New Zealand, I think something very similar is the case.

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I am a little handicapped here because I always find it terribly difficult to translate New Zealand sterling into dollars at short notice, but--

H.M.JR: That was a sly one!

LORD KEYNES: But I think that there, also, the rate - here it is done for me. New Zealand in 1944 has been supplying seventy-eight millions on reciprocal aid which is twenty percent of our total war expenditure. The total program of Lend-Lease aid which is being asked here is of the order of fifteen millions, so that the reciprocal aid which New Zealand is giving is five times what they are asking for on Lend-Lease.

Well, now, I don't believe these proportions are as widely known as they deserve to be, and I think they create a background against which all details should be considered.

Well, now, those details, I think, are likely to present difficulties only under perhaps three heads. There has been a practice hitherto, I understand, by which the question of civilian end use in the case of Australia and New Zealand has been more strictly scrutinized than in the case of the United Kingdom. Certain supplies which, in our case, would go through without much difficulty, have experienced more difficulty when they were put up by Australia and New Zealand.

Well, now, with the use of their civilian population for essential food production, the line between the two is really very shady, and of course it is the civilians of these countries that are producing the material which makes up this enormous scale of reciprocal aid. We wonder whether it really is appropriate to the existing circumstances that there should be such a very strict scrutiny from this point of view, and whether the same sort of standard applied to the United Kingdom should not be applied to Australia and New Zealand.

That is one point of possible difficulty.

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A second point which relates, I think, primarily to New Zealand is certain proposed diversions. Before Lend-Lease materials arrived, New Zealand had to use up great quantities of civilian stocks for various military and semi-military and essential purposes.

At a later stage, Lend-Lease supplies arrived which were intended - the New Zealand representatives will correct me if I am not telling this story quite right - which were intended for strictly military purposes. Those purposes are no longer necessary and the stuff is in New Zealand. It is a question of agreeing that these stocks can be used by New Zealand for more general purposes in replacement of what they used earlier. They are very essential, necessary supplies. It seems to us that there is a very good case for that being looked at with a sympathetic eye.

The third case is that of rolling stock for India. This has been passed on by the military authorities to FEA. Mr. Patterson knows a great deal about this and he has transferred it to FEA with the opinion expressed that on the strictly military side, the case of high priority is not made out; but as I understand, there would be no objection from the War Department if FEA, on other grounds, were to be more complaisant.

MR. PATTERSON: We deem it essentially a civilian item.

LORD KEYNES: Well, here now again in India it is very difficult to draw the line. We have a recent telegram from the Government of India since the Quebec decisions saying that those decisions will cause a great pressure on their transport system, that civilian transportation will have to be reduced particularly at the peak operations of eight to twelve percent, and the refusal of this rolling stock which cannot be provided from any other source, will deprive the Government of India of any transport margin to meet such contingencies as famine and food. Bengal is always a food deficiency area, having

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depended traditionally on rice from Burma. That has been cut off and therefore there are great transport difficulties. We believe that taking everything into account there is a good case for this. Nor do we think it would be just to say that India hasn't been pulling her full weight and making immense sacrifices.

I think there are certain purely financial sides of the matter where the British Treasury may have its own feelings in the matter. But if you take the population of India, the actual exhaustion of resources and effort, I don't think there is any of the Allies which have thrown everything in more completely or have, in fact, suffered more, as the famine in Bengal, with more casualties than any of the rest of us have experienced. It is precisely in that context that the rolling stock is important. There again we hope for sympathetic consideration.

I fear I have taken up rather much time, but I felt that these points might be put forward perhaps by a member of the United Kingdom Delegation more fervently than those more directly concerned might feel the right to do.

Mr. Secretary, with that introduction, possibly the various Dominion representatives would like an opportunity.

H.M.JR: Could I just possibly, before we call on them maybe Mr. Acheson might like to sort of state the position of the Administration towards this problem, if you don't mind - sort of giving a little review, an attitude of how we feel and the spirit in which we are approaching it.

MR. ACHESON: You mean the whole matter, Mr. Secretary?

H.M.JR: Yes.

MR. ACHESON: Well, I think all I can do is to sort of summarize the way in which we have been approaching it under your chairmanship. Is that what you have in mind?

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H.M.JR: If you don't mind, for the benefit of these gentlemen, so they will catch the spirit in which we are trying to work.

MR. ACHESON: Well, I think that what the Secretary has in mind is that before our original meetings with the British Delegation that came over, we met together and the Secretary informed us of the conclusions which had been reached at Quebec, and the attitude with which we all went at the matter was to carry forward the decisions reached at Quebec in the spirit in which those decisions were reached, without putting any technical or minor difficulties in the way of a speedy resolution of all the problems.

We had some meetings together to start with, and then we broke into groups, with the Army authorities taking up the Lend-Lease requests which were directed to them, the Naval people doing the same thing, and the civilian items going to representatives of the Treasury and State Departments for economic administration.

At one of our last meetings the Secretary gave the Army a distinguished decoration because they had gone at their job with great expedition and expertness, and were practically through except for one of the most difficult parts of it which, with great skill, they referred to the civilians. We are waiting for some of the British Naval people to arrive and then we will go forward. The Naval people will go forward. And at this time I think the civilians have made very considerable progress.

I suppose you have in mind, Mr. Secretary, that we should approach these requests in the same way and the same spirit as the decisions that were entered into at Quebec, and getting on as quickly as possible with the various items.

H.M.JR: Thank you. I just wanted to give these gentlemen a feeling that as part of the United States Administration, we are operating as a whole, and that we are approaching this matter in an entirely sympathetic

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manner. And I think the progress that we have made so far shows that when we all work together with a common goal we can make real progress.

This thing has taken a form much more formal than I had any idea, but Mr. Coe having been to Bretton Woods - having been Secretary General up there - he has gotten very formal and is making me very formal. I should have had on my cutaway if I could have found it!

Anyway, I do what Mr. Coe tells me, and so far I haven't gone wrong.

If Sir Frederick Eggleston could have a word now, we would be very glad to hear from Australia.

MR. EGGLESTON: Mr. Secretary, I desire to thank you very much indeed for receiving us here with a view to presenting the case from the Australian point of view.

Personally, I have been around China for the past three years and don't know very much about the details of these problems, but the experts of the Australian departments are here, and I will ask Mr. Macgregor and Professor Brigden and Mr. Dunk to deal with the Australian case.

Mr. Macgregor may start.

MR. MACGREGOR: Mr. Secretary, no reference to Australian requirements and Lend-Lease in Stage II of the war would be appropriate without the most whole-hearted expression of appreciation of the cooperation accorded us by all American instrumentalities, the service departments and FEA in Lend-Lease in Stage I of the war. And on behalf of the Missions concerned, may I tender to you an expression of our warmest thanks.

Lord Keynes has covered the major highlights of our case. There is no doubt of the strain that the Australian economy has withstood up to date, and I would just like to underline his Lordship's point, that whereas some other

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countries see relief in sight when the war ends in Europe, we don't see any relief in sight until the end of the war in the Pacific, also.

But up to the present, seven out of every ten males in Australia between the ages of eighteen and thirty-five have enlisted in one or the other of the armed services. Seventy-one percent of the total population of Australia between the ages of fifteen and sixty are either fighting or engaged in essential industries.

There can be no question, sir, of the all-out character of the Australian war effort.

We would therefore appreciate it if some consideration might be given by our American colleagues to the point made by Lord Keynes regarding the difficulties which have ensued from the scaling down of Australian requests for essential needs by various percentages predicated upon considerations associated with the proportion of given requirements to be utilized directly by the military forces and by the civilian population. That scaling down has entailed a good deal of delay; it has in some cases retarded the implementation of allocations to Australia for war-time needs.

I should like to emphasize this point, sir, that the statement of our requirements by monetary value for Lend-Lease in Stage II have been predicated upon existing conceptions of eligibility, and if our American friends can see their way to take a wider view on this question of differentiating between different sections of the Australian community, then that figure of one hundred and two million would be to a small extent comparatively increased.

It is important that it be appreciated that a so-called non-munitions requirement is really an indirect military requirement. Taking a few cases by way of example, one might cite timber; we have forbidden building construction except for war purposes, so that the timber is required for military and essential industrial purposes.

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We have rigorously controlled the use of automobiles so that the synthetic rubber is needed, primarily, for the manufacture of tires for military equipment.

Agricultural implements are required for the food program. Tin plate is mostly required for the production of food for the military forces, and so therefore, a so-called non-munitions need is very definitely an indirect military requirement.

The reciprocal aid for the forces of the United Nations was granted spontaneously, and the procedure associated with it is smooth-working, entails little or no delay, and the Australian population have readily subjected themselves to just going without in order that the forces of the United Nations might get what the military commanders felt was necessary for the prosecution of the war.

These are the only points, sir, which it seems to me desirable to underline in support of the statement made by Lord Keynes and in support of Sir Frederick Eggleston.

MR. EGGLESTON: Is any further solicitation of the figures required, because Mr. Dunk would be happy--

MR. DUNK: Mr. Secretary, in a presentation of this sort one must necessarily speak in generalities, and in general I think all are covered.

There is only one other and that is, however you balance your effort, and whatever your effort is, you must essentially come down to a sorting out of what, and how much, and our effort as we plan it becomes fundamentally a Treasury job to sort out the effort. Our plan is designed as near as you can on the broad matters you are dealing with, to give us the results in war production and in war uniting of forces. It is designed on the basis of reciprocal aid, and I don't have to speak of that. I think the record does the talking.

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So it is only on that design that this particular program we present has been carefully based.

It has been designed to give us what we regard as the minimum of requirement to obtain the effort as we have designed it. And if it is considered, as I am quite certain it will be, with that background in mind, I think we can embark on the more detailed examination of it without my taking up the time of this group.

Thank you, sir.

MR. EGGLESTON: Professor Bridgen?

MR. BRIDGEN: I have nothing to say in elaboration of the experts - of the remarks that have been made - except this.

We appreciate those remarks made by Lord Keynes on our behalf. And secondly, I wish to say that the program as submitted would not give us the relief, the equitable share in relaxation which we think they may be entitled to.

The program as submitted would not do that, and we do suggest, therefore, that at that point, as conceded, we might be entitled to some share in the relaxation, that the whole program be held a little more liberally than the terms we have actually submitted.

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MR. SULLIVAN: Mr. Secretary, it was a comfort to me a moment or two ago when I heard you say that the United States Administration was taking a sympathetic view in regard to the whole problem, and I would like to join with my Australian colleagues in expressing the very great appreciation that we in New Zealand have of the magnificent assistance and help that we have had from the United States Government in regard to all our needs and our requirements.

In regard to what I assume to be the objective of the meeting, Lord Keynes put the position in a nutshell so far as our country is concerned when he said that so far as Australia and New Zealand are concerned, that the anticipated relaxation that will follow in the second phase doesn't really apply to our country. As an actual fact, there will not be relaxation, but, as we see it, very definitely intensification of the demands that will be made upon us in regard to meeting the requests from the forces in the Pacific. I think that will be fairly obvious with a little thought to us all. It follows, too, so far as New Zealand is concerned, that if we must continue to supply not only upon the basis existing in phase one, but upon an even greater or more intense basis that we, I am afraid, will require even more help in the future than we have had in the past in order to enable us to do the task, to carry out the task that will be ours during phase two. Might I be permitted to say that we have to the uttermost tried to help ourselves in all the problems that have been presented.

From the outbreak of the war, and, particularly, after Pearl Harbor, the definite decision of our Government was that we should give to the uttermost--and I think I can reasonably say that we have given in the spirit of the widow's mite, although I hope that our contribution throughout has been on a larger scale than that. But the spirit in which we have given has been to give all, sir, and I think that has been faithfully carried out.

If I could devote for a single moment--I remember an occasion when we had requests from the Naval representative of the United States for some more ships. We thought that we had given everything that could possibly be spared.

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Our fishing fleet had been depleted, our coastal fleet, and we are very much dependent upon our coastal fleet to supply areas that are not reachable in any other way. The request came, and it seemed to us that we had nothing left. We took one hour, perhaps less, to consider it, and we met this request and did provide those extra ships, which created very great difficulties for us ever since. But the scene that took place in our War Cabinet room subsequently when the Commodore asked as a special privilege that he might be permitted to say thanks is one of the very happiest recollections, sir, in the whole history of the war in the South of gratitude that he expressed. I am merely quoting that as an indication of the spirit by which our country has been actuated, sir, from the very beginning, and we have not screened with a microscope. The only thing that we have screened is not the request made to us or the arguments tendered in support of that request, but our own capacity to supply, screen out our own capacity, and whatever it was possible for us to give, whatever our capacity would permit us giving, we have given.

I hope you will forgive me, too, if I say that we have imposed upon our people, although we were a Government that came into office with the definite and deliberate purpose of improving standards of living; the result has been the reverse during the period of the war, and we have imposed austerity upon our people. We have rationed meat, butter, sugar, tea, clothes, and footwear. To give an indication with regard to footwear, our menfolk are permitted one pair of boots a year. Our womenfolk are permitted two pairs a year. Very great difficulty is being experienced in getting many types of clothing, particularly children's clothing, and in every direction we have imposed an austerity upon our people that perhaps due to the very short time that I have been abroad and the fact that I have not been to the United Kingdom has up to the present led me to the conclusion, based, as I say, upon very limited opportunities of observation--but I have yet to see anywhere where people seem to be under the necessity of going short of the ordinary requirements of life in order to make a contribution to the war effort. I hope you will forgive me for introducing that note, but I was rather anxious to convey to you, Mr. Secretary--although I scarcely doubt you are aware now--

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the spirit of our country in its determination to help and to provide to the uttermost both in regard to the United States forces in the Pacific and in regard to the requirements of the United Kingdom.

We are most grateful, I assure you, for all the help and assistance that we have had, but the fact is that we could not have achieved the war effort which we have achieved had it not been for the assistance that you have with such wonderful generosity given us; and if we could not have achieved that war effort in Phase One, it will be, I think, obvious to you and to everybody that it would be quite impossible to continue upon the even intensified scale of supplying the Pacific unless we have the wherewithal in the way of Lend-Lease assistance that we have had in Phase One.

Now I think that perhaps if I talked for a week or a month that I couldn't say more in substance than I have already said, and my attitude of mind is one of gratitude for what has been done, and of hope and expectancy in regard to what will be done in the future. Our war effort will be very largely dependent upon the Lend-Lease assistance that we get during the period of Phase Two. Thank you very much.

H.M.JR: Mr. Sullivan, I think that I can say not only for New Zealand, but also for Australia that this Administration is very conscious of the real effort and sacrifice that the countries have made in contribution, not only of men, but of supplies to the united effort, and I think that we are beginning to see the results of this combined effort. We certainly have in the last week opposite Japan, and when this matter was broached and I was privileged to be there at Quebec, I know that both our President and Mr. Churchill arrived at this proposal with the very fact in mind that this has been such a magnificent demonstration of cooperation that we must continue in peace as we have in war to cooperate, and that is the spirit in which we are approaching this matter.

MR. SULLIVAN: Thank you very much.

H.M.JR: Now, is Mr. Symon here?

MR. SYMON: I should like to thank you, Mr. Secretary, for giving me the opportunity of coming here this morning, and I want to take this opportunity of expressing my government's appreciation of the continuous Lend-Lease aid and other aid which has been given to India.

I don't think I need add much to what Lord Keynes has said and what is put in this new document. I should, however, like to make the point that the estimates of requirements given in this document were framed by the Quebec decisions. All we know now is that those decisions are likely to put feather-bedding on an already over-straitened Indian economy. The Government of India has expressed its concern to His Majesty's Government as to the need for substantial additional outside aid if they are going to carry on in 1946.

The second thing - Lord Keynes has emphasized the transportation problem. Discussions have been going on for some months now, and I should like to express that a very early decision be given in regard to those additional requirements.

H.M.JR: You ought to get an extra portion of whatever it is for brevity.

Mr. Crowley is the head of FEA. Wouldn't you like to tell these gentlemen what you think we will be able to do, and what we can do?

MR. CROWLEY: I would like to be able to tell them, Mr. Secretary. We are approaching this thing with State and with Treasury and the Military, along the plans outlined at the Quebec conference. I think our relationship with all these representatives has been very pleasant. We are working with them every day, and I hope very soon that we can come back to our large committee with some recommendations.

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If there is any difficulty that any of the countries have with my associates, I will always be very happy to see them and try and straighten out any differences they may have. As I understand, up to this time State and Treasury and ourselves - and the non-military stuff has worked very well - we are getting along all right. Is that correct, Oscar and Lauch?

MR. COX: Yes.

MR. CURRIE: Yes.

MR. CROWLEY: That is all, Mr. Secretary, that I can say.

H.M.JR: Judge Patterson?

MR. PATTERSON: Well, speaking for the War Department, we have not seen the proposed programs yet, nor studied them. I take it, however, that they have to do with items of non-military nature, the items of a military type already having been presented or included in the U.K. program. And the war Department, as a procurement agency for war supplies of the ground forces and the air forces, would have no comment on this program, save that it may be that some of the requirements will affect our ability to perform our mission in supplying the armed forces and in making good the commitments we make on Lend-Lease for military items for the armed forces of our Allies, and only in that connection would we wish to offer any comment at all upon the items in this program.

We are deeply appreciative, of course, of the amount of reciprocal Lend-Lease that we have had in the Pacific, particularly from Australia and New Zealand. It has been a great assistance and a great economy in our shipping requirements.

H.M.JR: I also just received this, so I have to do a little home work, myself. (Refers to amplification of material in Chapter IV, Lend-Lease Requirements)

Mr. Lovett?

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MR. LOVETT: Mr. Secretary, we have not seen the schedules, so we are in no position to comment.

H.M.JR: Admiral McCormick?

ADMIRAL McCORMICK: I would like to subscribe the Navy's concurrence of Secretary Patterson's remarks, sir.

H.M.JR: Mr. White?

MR. WHITE: No, I don't think there is anything to add. I presume that before you break up that the next specific step in the arrangement as between the Dominions and the working staff will be indicated. Mr. Secretary, I don't know whether they want to meet individually, or whether with the British, or what the procedure would be, but we are ready to go to work as soon as they are.

H.M.JR: What would your pleasure be, gentlemen?

MR. EGGLESTON: We would like to find your reactions to the case that has been put up, and the officers will be able to give explanations to questions.

H.M.JR: We have two very competent secretaries, if you wouldn't mind working through them, and as soon as the members of the United States Government have assimilated this, possibly they could contact through our two secretaries and then make the arrangements to go forward as soon as possible, because on our side we have dropped everything just to push this thing.

Do you think that is all right, Mr. Crowley?

MR. CROWLEY: That is right.

MR. SMITH: I take it, now, sir, they will go to their opposite numbers in an endeavor to work out this thing and keep you informed.

H.M.JR: Keeping the two secretaries informed so that they, in turn, can keep us informed.

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Is that all right with you, Lord Keynes?

LORD KEYNES: Yes, Mr. Secretary. The only reservation I put in is that there may be certain questions of principle such as a more specific view toward civilian end use, where more general instructions might help the Departments lower down the line, and I think it is rather for you to say whether you feel--

H.M. JR: Give us--

MR. SMITH: Specially in regard to the utilization of their own stocks, which has militated against their own building program. They have had great difficulties.

H.M. JR: Give us twenty-four hours?

MR. SMITH: Very well, sir.

H.M. JR: Mr. Acheson, do you want to add anything?

MR. ACHESON: I think that will bring out the questions, Mr. Secretary. I am a little puzzled about the Australian situation, in which it was said that there might be additional requests. What is the situation about that?

MR. MACGREGOR: May I give you this concrete example? One we had last week was paper, writing and printing paper. Now, seventy percent of the writing and printing paper requirements were conceded on Lend-Lease, and thirty percent to be purchased for cash, not eligible under Lend-Lease. That involves a split in the method of procurement, where seventy percent is conceded under Lend-Lease for the letting of a contract on behalf of the American Government, where the thirty percent is stricken out as ineligible, we as representing the Australian Government have either got to go out and buy for dollars, or ask the Australian Government to issue an import license to Australian importers.

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There are other instances which could be cited. For example, tobacco for military requirement was conceded, but tobacco for a fellow working in a coal mine or munition plant was not conceded.

Take the members of one family, some in the home guard, one engaged in some war work, and one a white-collar worker. You have a division there of the eligibility of requirements of tobacco under Lend-Lease.

The point that we have made in that connection, sir, is that having regard to the all-out character of the war effort, is it really necessary to make that subdivision? It details work, details discussion, details delay, heartburning - a complication of procedures here and at the Australian end. And if you, sir, in your judgment, and those of our associates, after you go into the thing, you say that is inescapable, then we naturally must acquiesce in your decision. But we are taking the liberty, sir, of bringing under your notice the difficulties associated with this matter as we proceed to discuss Stage II of the war. If you say it must continue, we know where we are and we take the opportunity of laying the facts before you and your associates.

LORD KEYNES: Is this interpretation on the narrow?

MR. MACGREGOR: Yes.

LORD KEYNES: So the broader is allowed - some additional percentages--

MR. ACHESON: Is that brought out in the document?

LORD KEYNES: Not very well.

MR. ACHESON: So there are trapdoors through which we may step.

H.W.JR: Wouldn't you say we should take that under consideration?

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MR. ACHESON: Yes, I think it would be helpful to say what items are involved here.

MR. SMITH: Further, the difficulty of procurement with regard to your thirty percent of paper--

MR. MACGREGOR: Mr. Secretary, in some cases, with the utmost goodwill on the part of all concerned here, there has been the greatest difficulty in getting implementation. Everybody has done their part, the War Production Board, FEA, your Treasury Procurement for procurement, but due to the fact that manufacturers here are preoccupied with war work, or taking care of their American domestic civilian customers, in a good many cases of important commodities, Treasury Procurement has had difficulty in inducing American contractors, American manufacturers, to take contracts from Treasury Procurement for the implementation of allocations made by WPB and FEA.

Now, sir, in bringing these points under notice we are not complaining. We know there are difficulties in the way. Those difficulties have to be overcome. But if those working with you, and your colleagues on the American side, could find some way of facilitating an implementation of the allocations you make to us in good faith, that, as well as the civilian end use question, would eliminate our basic difficulties in getting on with our job.

H.M.JR: Does anybody want to volunteer something which might be helpful as to how we can make progress?

MR. TAFT: Mr. Secretary, I think it is clear that we would make greater progress on the non-Lend-Lease items under present criteria if we had a list of what is requested, as Mr. Acheson was indicating, because each one of them is difficult.

In the case of tobacco the standard is not different from the U.K. It is the same. So if we granted it to Australia, we would then be committed on the U.K. request.

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What we would like, I think, is a list of the requirements that are suggested by way of relaxation of current criteria.

H.M.JR: Is that not in this? (Refers to amplification of Chapter IV)

MR. TAFT: No, sir.

MR. SMITH: We will undertake to do that.

MR. MACGREGOR: We merely raised it in the document in principle.

H.M.JR: May I say on that point, the whole purpose of setting up this Committee is that all of us lay our cards on the table face up at one time, and then we consider all the problems and there will be no jokers.

So far we haven't found any jokers.

MR. SMITH: That is fine.

MR. CURRIE: Mr. Secretary, I think the same procedure might be followed as we are doing in the earlier British case, to give us a few days to do some internal studying of the various items listed here, a preliminary clearance with the WPB and War Food Administration, and then arrange to work on the various categories.

Mr. Griffin of our British Empire Section is meeting with his opposite number, and then on any of the more controversial points, we bring those back to the top committee.

H.M.JR: That is good. Anything else?

Might I just say again - I have said this each time - so far we have been very fortunate that there has been no publicity on any of these meetings. If that could be continued, I would appreciate it. We have been very fortunate that there has been no publicity and we would like to keep it that way, if possible.

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So I think we might adjourn.

Thank you all for coming here, and we will approach the problem as best we can.

FOREIGN ECONOMIC ADMINISTRATION

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WASHINGTON 25, D. C.

October 30, 1944

MEMORANDUM

To: Mr. Henry Morgenthau
From: Frank Coe *F.C.*
Subject: CC/LL - U.S. No. 15

The American group drew up this statement. The contents of it have been discussed with the British subcommittee, the minutes of which are attached.

However, this statement of principles is not being distributed outside the small American Group and further work will be done on it later.

Attachments

CCLL
U.S. No. 15

Copy No. 3

TOP SECRET

JOINT STATEMENT BY THE GOVERNMENTS
OF THE
UNITED KINGDOM AND THE UNITED STATES

Representatives of the Governments of the United Kingdom and the United States have recently concluded discussions with respect to the Lend-Lease and Mutual Aid programs for the calendar year 1945. In accordance with previous practice, the magnitude of these programs will not be fixed in advance but will vary with the changing circumstances and requirements of the war.

The Governments of the United Kingdom and the United States have reaffirmed their unswerving determination to prosecute the war against Germany and Japan to the utmost limit of their resources until the military power of both those nations is completely destroyed. No substantial relaxation of the existing controls over manpower, materials or facilities will be possible until the final defeat of Germany.

In view of the progress of the war, however, it is now possible to readjust the Lend-Lease program so as to reduce substantially the amounts and types of items to be supplied. No deliveries will be made under Lend-Lease after December 31, 1944 of chemicals, of steel, copper and other metals (except to meet certain limited and special requirements for producing munitions), and of manufactured goods which are produced in the United Kingdom for export.

The Mutual Aid program provided by the United Kingdom to the United States will continue on the same basis as heretofore.

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In view of the adjustments in the Lend-Lease program, the principal circumstances which gave rise to the White Paper of September 10, 1941 relating to exports no longer exist. In the White Paper the government of the United Kingdom stated that in general no article of types the use of which was restricted in the United States because of short supply and which were obtained either for payment or under Lend-Lease would be used in exports. The elimination from Lend-Lease after December 31, 1944 of practically all such items makes the White Paper largely inapplicable. Accordingly, the Governments of the United Kingdom and the United States have made the following joint declaration of principles to deal with the new circumstances.

1. No Lend-Lease or Mutual Aid goods delivered to the United Kingdom or the United States, or items identical thereto, will be exported in commerce. This restriction will not apply to commodities which are provided in substantial quantities under both the Lend-Lease and Mutual Aid programs.

2. Stocks held in the United Kingdom of Lend-Lease supplies of types which will no longer be supplied after December 31, 1944, will be reserved solely for the production of articles for military use.

3. With respect to those raw materials of the few types which will be supplied to the United Kingdom under Lend-Lease after December 31, 1944, the United Kingdom will not receive under Lend-Lease from the United States, and use from Lend-Lease

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stocks held in Britain, amounts greater than are required for essential civilian war purposes in the United Kingdom and for military production.

4. No goods supplied to the United Kingdom under Lend-Lease for use by the armed forces will be diverted to civilian use without the consent of the United States.

These principles will safeguard exporters in both countries against the possibility that either group may receive undue competitive advantage in world markets as a result of the war situation.

Office Memorandum · UNITED STATES GOVERNMENT

DATE: October 30, 1944

TO : The Secretary of the Treasury

FROM : Frank Coe, Secretary
Combined Committee on Lend-Lease

SUBJECT:

Attached are minutes of meetings of the
U.S. subcommittee, held at 10:30 a.m.
October 27, and the Combined Subcommittee,
held at 11:30, October 27.

Attachments 2

TOP SECRETUSS:402
CGLLU.S. Subcommittee on Mutual Lend-Lease Aid
Between the U.S. and the U.K.Copy No. 1

Minutes of meeting held in Mr. White's
office on October 27 at 10:30 a.m.

Present

Mr. White, Chairman
Lauren Casaday
Dean Acheson
Charles Taft
Mr. Fetter
L. Currie
J. Angell
A. Davidson
Frank Coe, Secretary

Exports and Stocks

Mr. Davidson circulated a draft "Joint Statement of Principles" (U.S. No. 17) which had been prepared by himself and Mr. Angell on the basis of preceding documents and discussions. After discussion, the American group agreed tentatively to work on the basis of these principles with one modification. In the draft it was provided that where goods were exchanged between the two countries in substantial amounts, neither country was barred from exporting the goods in commerce. This was changed so that the exception would be allowed only where the goods were exchanged between the two countries in substantially equal amounts.

As modified the principles are as follows, with the date on which they are to go into operation agreed upon tentatively by the U.S. group as December 31, 1944:

1. Lend-Lease, mutual aid and identical articles would not be exported in commerce, except where the article was exchanged between the two countries in substantially equal quantities.
2. In the case of goods no longer obtainable as lend-lease, stocks would be reserved for military purposes, without a time limit.
3. In the case of goods which would continue on lend-lease, the quantity used for military and civilian war purposes would have to exceed lend-lease deliveries plus withdrawals from lend-lease stocks.
4. Consent would be required to transfer goods from military to civilian end uses.

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It was agreed by the American group that in the case of any announcement on this matter, we would prefer that such a statement was written in terms of the large changes which were due to take place in lend-lease and the corresponding need for new and modified principles, written in terms of a withdrawal of export restrictions on lend-lease goods and the scrapping of the White Paper. The U.S. group further decided that after today's discussion of this question--to which it was expected that general agreement would be reached--the subject might be laid over for some time until other matters had been finished.

The following matters were discussed and it was agreed that they would be brought up at the next meeting with the British:

- a. Non-munitions program - Mr. Currie wished to raise a number of points of procedure.
- b. Oil exports - Question of whether Britain intended to export any oil for cash.
- c. Sterling Pool - Mr. Acheson wished a full dress discussion of this matter.
- d. Military reciprocal aid - Mr. Coe pointed out that the U.S. Army Subcommittee on the ground program had recommended that that program be contingent upon the underwriting of military reciprocal aid from the Empire. This would have to be discussed with the Dominions and in the top group.

TOP SECRET

COPY NO. 39C.S.L.L.(44)2nd MeetingCombined Sub-Committee on Mutual Lend-Lease Aid
Between the U.S. and U.K.

Minutes of Meeting held in U.S.
Treasury on 27th October, 1944 at
11:30 a.m.

Present

Mr. White (In the Chair)

U.S. Representatives

Mr. Acheson
Mr. Taft
Mr. Fetter

Mr. Casaday

Mr. Currie
Mr. Davidson
Mr. Angell

U.K. Representatives

Mr. Ben Smith
Lord Cherwell
Lord Keynes
Mr. Brand
Sir Robert Sinclair
Sir Henry Self
Sir Charles Hambro
Mr. Opie
Mr. Helmore

Mr. Lee)
Mr. Coe) Joint Secretaries

1. EXPORT FREEDOM AND STOCKS

At the Chairman's invitation Mr. Acheson communicated to the meeting the tentative proposals which the U.S. group would be prepared to recommend on this subject.

These proposals can be summarised as follows:-

(a) At the present stage the two groups would concentrate on securing agreement on principles, leaving detailed drafting for a later period.

(b) The date for the initiation of the new principles would be the 1st January, 1945, since on that date the U.K. would start paying cash for the raw materials and manufactured goods which were to be taken off lend-lease.

(c) Lend Lease or mutual aid goods delivered to the United Kingdom or the United States, or goods identical thereto, would not be exported in commerce. Where the two countries exchanged roughly the same amounts of a substitutable commodity (e.g. rubber, oil products raw and refined) this restriction would not apply.

(d) Remaining Lend-Lease stocks at the 1st January 1945 of materials and goods no longer furnished under Lend-Lease would be set aside for "military" end-use. There would be no obligation on the U.K. to consume such stocks within a given period.

(e) As regards raw materials remaining on Lend Lease, the question of payment would not arise unless the quantity received on Lend Lease exceeded the amounts required for consumption for military and essential war purposes in the United Kingdom.

(f) Articles requisitioned for military end-use would not be transferred to civilian end-use without the prior concurrence of the U.S. Administration.

MR. WHITE said the Americans were accepting almost entirely the British proposals on these points.

LORD KEYNES said that the U.K. group welcomed the proposals of the U.S. group and were glad to recognise that they were almost wholly in accord with the proposals which had been put forward on behalf of the U.K. His main comments would be on points of detailed interpretation rather than of principle.

(i) He asked whether it was essential that the restriction on the export of articles identical to those obtained on Lend-Lease need apply in the case of articles identical to stores requisitioned on Lend Lease for military end-use. He pointed out that if it could be ruled that the obligation was not to apply in respect of goods in this field, the difficulties of administration and of interpretation would be very greatly simplified. For instance, there would be no need to have trouble with the difficult complications which would arise in connection with components and spare parts. MR. CURRIE agreed that the possibility of making an exception on the lines suggested by Lord Keynes should be further considered by the U.S. group. MR. ANGELL asked whether the U.K. case would be met if it could be ruled that the obligations should not relate to components and spare parts. LORD KEYNES replied that while he would prefer a more comprehensive arrangement, a ruling applying to components and spare parts only would meet part of the difficulties which he apprehended, provided that it was recognised that the U.K. would be requisitioning on lend lease components and spare parts as such as well as those incorporated in or supplied with other goods.

(ii) LORD KEYNES circulated two notes for the information of the U.S. group:

(a) A note (No. 17) giving more comprehensive figures of stocks in the United Kingdom of raw materials of lend lease origin. (He explained that exact figures for steel stocks of lend lease origin were not at present available).

(b) A note (No. 16) (attached as an Annex to these minutes) indicating the arrangements proposed for effecting the clean-cut removal as at the 1st January 1945 of the raw materials and manufactured articles to be taken off Lend Lease. (Lord Keynes emphasised that it would be desirable for the arrangement suggested in the above note to be discussed between the U.K. Missions concerned and their opposite numbers, particularly as it would be important that there should be no interruption in the flow of goods because of the financial changes proposed, and that the maximum quantity of lend lease goods should be shipped before the 1st of January, 1945).

There was some discussion on the question of what public statement would be required when the change was announced. The U.S. group expressed the hope that the statement would not emphasise a unilateral withdrawal of the White Paper but should rather indicate that the White Paper had become inapplicable in present circumstances, particularly in view of the impending substantial changes in the Lend Lease programme -- especially the withdrawal of steel and most manufactured civilian supplies from the U.K. Lend Lease requirements.

It was agreed that while further discussion of the principles involved should be deferred for the present, progress might be made with the drafting of a suitable public statement for consideration at a later meeting. It was recognised (i) that it would be essential during the negotiations absolute secrecy should be maintained (ii) that an announcement on December 1, or even sooner, might be suitable.

2. DOMINIONS AND INDIAN PROGRAMMES

LORD KEYNES expressed the hope that the requirements which had been put forward on behalf of Australia, New Zealand and India would be examined in a generous spirit, since the war situation in Stage II would mean that those countries would not be able to proceed to the same degree of demobilisation as would be the case in the United States and the United Kingdom. In his view therefore there would be a strong prima facie case for giving them the full measure of Lend Lease for which they had asked, particularly as they would presumably still be asked to furnish a considerable amount of Reciprocal Aid.

It was agreed that there should be a formal meeting between the U.S. group and representatives of the Dominions Governments concerned and of India on Tuesday the 31st October at a time to be arranged. It was contemplated that such a meeting would be a prelude to more detailed discussions of the Dominion and Indian programmes.

3. LOCOMOTIVES AND WAGONS FOR INDIA

LORD KEYNES referred at some length to the desirability of having these requirements met on Lend Lease. He said that there was admittedly a difference of opinion between the U.S. and U.K. military advisers as to the degree of military essentiality for both the locomotives and the wagons. Nevertheless on the U.K. side it was certain that the necessity for obtaining the wagons in 1945 would be pressed, although it might be that if lend lease terms were refused, provision of the locomotives would have to be deferred until 1946. He understood that the difficulty on the U.S. side was not so much one of supply as of the export criteria. He pointed out, however, that at no previous stage had the provision of given articles on Lend Lease terms to parts of the British Commonwealth outside the United Kingdom, been taken into account in connection with exports from the United Kingdom. Thus in the view of the U.K. group the criterion proposed by the U.S. group was irrelevant. In any case the only identical locomotives which the U.K. would export in 1945 were the remainder of the same requirement for India. There would be no cash advantage to the U.K., since the receipts would merely diminish outstanding sterling balances.

LORD CHERWELL, MR. SEN SMITH and SIR ROBERT SINCLAIR supported LORD KEYNES'S arguments and urged that a distinction between military and civil requirements in this field was unreal since the non-fulfilment of a civilian necessity might well radically affect the military situation.

MR. CURRIE said that the U.S. group would have to consider this matter further. One of their main difficulties was that if the locomotives and wagons were supplied on Lend Lease they would still have a long life after the period of military or quasi-military user was ended. LORD KEYNES said that in the view of the U.K. group the U.S. position in this respect would be safeguarded by their ability to recapture the equipment in question.

4. FOOD

MR. CURRIE said that the F.E.A. had reviewed the U.K. programme and was now prepared for detailed discussions to take place with W.F.A. and the operating levels of F.E.A. The general view of F.E.A. was that the over-all size of the programme was reasonable, while they recognised that in the light of the Quebec Agreement it was right that the programme should make some allowance for an increase and an improvement in the diet of the U.K. population. The most important points which F.E.A. would wish to explore further related to (i) the extent to which the U.S. would be called upon to meet the needs of other countries especially for relief requirements (ii) the extent to which the U.K. proposed to meet any increased demand for food by running

down its stocks, (ii) the amount of imports which the U.K. proposed to draw from sources other than the United States in 1945. It was pointed out that (i) would be taken care of by the ordinary allocation machinery of the C.F.B.; what the forthcoming discussions should establish was a programme which would be acceptable from a Lend Lease standpoint subject to allocations being agreed by the C.F.B. in the light of the over-all demands on world food supplies, including those of the United States.

It was agreed that discussions should now proceed at the operating level on the lines indicated by Mr. Currie. The U.K. group noted that their representatives would be called upon to provide detailed information on points (ii) and (iii) above.

5. OIL

MR. CURRIE said that here again the U.S. were now prepared for discussions at the operating level. The point of difficulty was likely to be that of the size of the stocks of oil to be maintained in the U.K., a point which had already been raised with the Resident Minister.

LORD KEYNES said that there had been a modification of the British requirements as a result of which the net Lend Lease demands were now expected to amount to \$413 million as against a previous figure of \$475 million. He mentioned, as a matter of interest, that the U.K. would be providing a greater quantity of oil on Reciprocal Aid than the amount for which it was asking on Lend Lease, but owing to the fact that the Reciprocal Aid oil was largely made up of low priced fuel oil, the value would be less than the value of Lend Lease oil. He confirmed that the revised figure of \$413 million did not include anything in respect of certain oil products (i.e. identifiable lubricating oils) which were now being excluded from the Lend-Lease programme because of export considerations.

It was agreed that detailed discussions on oil should now proceed with Mr. Ernst of F.E.A.

6. SHIPPING

It was agreed that the detailed discussions would now begin between the British Merchant Shipping Missions, Mr. Martin of F.E.A. and Mr. Cornwall of W.S.A.

7. RAW MATERIALS AND MISCELLANEOUS MANUFACTURED GOODS

MR. CURRIE said that he thought that the way was now clear for detailed discussion of these programmes with Messrs. Griffin and Lebensburger of F.E.A. He thought that there was perhaps some misconception about the U.K. demand for open cast mining machinery since his information was that all the U.K. demands had either already been supplied or were in course of procurement. It was agreed that this point could be cleared up at the detailed discussions.

8. FUTURE ARRANGEMENTS

LORD KEYNES said that he proposed to communicate to the U.S. group on the 30th October a paper which, he hoped, would contain (a) certain revisions in the detailed figures of the U.K. requirements together with the revised oil programme to which he had referred, (b) a more detailed breakdown of Dominion and Indian requirements which the Governments concerned were now preparing, (c) a more comprehensive version of Chapter 3 setting out ways in which, in the U.K. view, the gold and dollar reserve position of the U.K. could be strengthened.

It was agreed -

- (i) that there should be a formal meeting in Mr. Morgenthau's room, with Dominion and Indian representatives on the 31st October at a time to be agreed,
- (ii) that the next meeting of the Combined Group should be on 1st November, at 11:30 a.m.
- (iii) that on the 30th October Lord Keynes should give a talk on the working of the Sterling Area dollar pool. It was agreed that this talk would probably be of interest to a wider audience of both U.S. and U.K. officials than those comprising the Combined Committee, and it was tentatively arranged that it should take place in Mr. Acheson's office at the State Department.

(Signed) Mr. Lee
Mr. Coe

Washington, D.C.

ANNEXSTATEMENT BY LORD KEYNES

I confirm what I said at the discussion on the 24th October - namely that in order to assist agreement on the date of 1st December, 1944, for the removal of White Paper restrictions on U.K. exports, we had proposed that all raw materials and manufactured goods not included in either the Munitions Programme in Chapter 1 or the Non-Munitions programme in Chapter 2 of our document should be taken off Lend-Lease with effect from the 1st January, 1945, whether Stage II actually begins on that date or not.

You will remember that I reserved the question of whether the proposed terminal date of 1st January, 1945, should apply to materials requisitioned after that date, or to materials shipped after that date, or to materials made available for shipment after that date. I am now able to let you have our considered views. I am, of course, dealing solely with the "financial" point and nothing in our suggestions to meet this point should have any effect on the flow of goods.

We suggest that the most convenient arrangement will be to proceed on the following lines:-

1. Goods which we do not require either on Lend-Lease or on cash terms during 1945.
 - (a) Goods covered by Lend-Lease requisitions which are placed on board ship before the 1st January, 1945, - defined as goods which are included on a Bill of Lading signed by the Master of the ship concerned before the 1st January, 1945 - will be on Lend-Lease terms.
 - (b) Goods covered by Lend-Lease requisitions which have not been placed on board ship before the 1st January, 1945, in the sense of the foregoing paragraph, but which have been made available for shipment by that date - defined as having been invoiced from the works for transport to a ship's side - will continue to move forward and be shipped, but will be paid for on a cash reimbursable basis unless other arrangements for their disposal are made by mutual agreement.
 - (c) Goods covered by Lend-Lease requisitions which by 1st January, 1945, have not reached the point of having been issued from the works for transport to the ship's side, will fall outside the scope of (a) and (b) above. We hope that the amounts involved would be very small as we shall, of course, do our best to give particulars of goods we shall not require at the earliest possible date, so that cancellation action can be taken where appropriate. We assume, however, that in accordance with the usual practice there would be no commitment on the U.K. to take such goods or to pay cancellation charges.

2. Goods which we have proposed to take off Lend-Lease but of which we shall still continue to need supplies in 1945.

Goods not placed on board ship (in the sense of (a) above) before the 1st January, 1945, will be purchased for cash. The question of whether such goods would need to remain on a cash reimbursable basis and the time at which they would be transferred to U.K. Government procurement or private trade channels, would require to be considered case by case, and settled by mutual agreement.

We hope that the above proposals will be found to constitute a practical means of effecting a "clean cut at given date" solution which we believe to be in the mutual interests of both Governments.

(Signed) Keynes

27th October, 1944

FOREIGN ECONOMIC ADMINISTRATION

74 ✓

WASHINGTON 25, D. C.

October 30, 1944

MEMORANDUM

To: Mr. Henry Morgenthau
From: Frank Coe
Subject: CC/LL - U.S. Nos. 16 and 17

There are attached two Documents which were distributed by the British at the Subcommittee meeting. One of them is on the very technical point of where the cut-off takes place. The other is the most complete information the British have given us on stocks.

Attachments

TOP SECRET

I confirm what I said at the discussion on the 24th October - namely that in order to assist agreement on the date of 1st December, 1944, for the removal of White Paper restrictions on U.K. exports, we had proposed that all raw materials and manufactured goods not included in either the Munitions Programme in Chapter 1 or the Non-Munitions programme in Chapter 2 of our document should be taken off Lend-Lease with effect from the 1st January, 1945, whether Stage II actually begins on that date or not.

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We hope that the above proposals will be found to constitute a practical means of effecting a "clean cut at given date" solution which we believe to be in the mutual interests of both Governments.

(Signed) Keynes

27th October, 1944

77 SECRET

Raw Materials

Estimates for Dates Specified

Materials	Unit	Stock of L/L Crigin	%-age of Total U.K. Stock	Number of months consumption represented by Total Stock	Date 1944	Remarks
<u>GROUP I</u>						
Raw Cotton	L.T.	87,000	27%	6	Oct. 1	
Rosin	"	14,000	85%	5½	Oct. 1	
Liquid Rosin	"	1,500	100%	6	Aug. 31	
Turpentine	"	2,000	90%	2	July 1	
Pine Tar	"	200	100%	1	Oct. 1	
Pine Oil	"	250	100%	2	Oct. 1	
<u>GROUP II</u>						
Wood Pulp for paper Manufacture	S.T.	21,000	15%	3	Sept. 9	
Bagasse		n.a.				
Vulcanised Fibre		n.a.				
Kraft Liner Board	S.T.	8,000	50%	3	Aug. 31	
Building Board (all kinds)	"	nil	nil		Aug. 31	
Paper & Board excluding Kraft Liner Board	"	1,000	0.5%	2	Aug. 31	
<u>GROUP III</u>						
Softwood (including sleepers and crossings)	Stds.	nil	nil		Aug. 31	
Hardwood	C.Ft.	2,500,000	12%	2	Aug. 31	
Constructional Plywood	Sq. Ft.	160,000,000	75%	4	Aug. 31	
Veneers Oak		nil	nil		Aug. 31	

Materials	Unit	Stock of L/L Origin	%-age of Total U.K. Stock	Number of months consumption represented by Total Stock	Date 1944	Remarks
<u>GROUP IV</u>						
Synthetic Rubber:						
GRS	L.T.	51,136	100%	8	Aug. 25	
GRM	"	2,041	100%	7	Aug. 25	
GRI Butyl	"	147	100%	negligible	Aug. 25	
Pertunan	"	136	100%	"	Aug. 25	
<u>IRON AND STEEL</u>						
	L.T.	n.a.	n.a.	5		As at Aug. 31, 1944, U.K. stock of alloy and carbon imported from Canada and U.S.A. (cash as well as L/L was estimated at 639,000 G.T. This represents <u>14%</u> of total U.K. stock.
<u>OTHER METALS & MINERALS</u>						
Molybdenum	1,000 lbs.	2,838	100%	8	Oct. 1	
Enamelled Copper Wire		nil	nil		Oct. 1	Shipments going straight to production.
Other metals		n.a.	n.a.	n.a.		Apart from silver-which is excluded because of the special conditions of the L/L requisitions - the metals about which we have no readily available information are metals in special forms ordered for specific purposes in small tonnages.
<u>ABRASIVES</u>						
Grinding Wheels	1000's	1,000	33%	2	Oct. 1	
Artificial Abrasive Grain	L.T.	800	12%	4	Oct. 1	
<u>CHEMICALS</u>						
Phosphate Rock, Industrial	L.T.	20,000	100%	7	Oct. 1	
Triple superphosphate		nil	nil		Oct. 1	
<u>ALCOHOLS</u>						
Acetone	L.T.	2,300	25%	3½	Oct. 1	
Butyl Acetate	"	650	25%	5	Oct. 1	
Butyl Alcohol	"	1,250	30%	5	Oct. 1	
Cellosolve	"	225	100%	2½	Oct. 1	

Materials	Unit	Stock of L/L Origin	%-age of Total U.K. Stock	Number of months consumption represented by Total Stock	Date 1944	Remarks
<u>ALCOHOLS CONTD.</u>						
Ethyl Alcohol	L.T.	nil	nil		Oct. 1	
Isopropyl Alcohol	"	140	30%		Oct. 1	
Methyl Ethyl Ketone	"	200	100%	3½ 5	Oct. 1 Oct. 1	
Carbon Black - Channel: for Paint & Ink	L.T.	400	100%	2½	Oct. 1	
for Rubber	L.T.	3,000	100%	1½	Oct. 1	
Carbon Black - Furnace	L.T.	4,193	100%	3	Oct. 1	
Ethylene Glycol	L.T.	3,200	75%	3	Oct. 1	
Formvar		n.a.	n.a.	n.a.		---(No recent information. Our last L/L (Requisition was cancelled in 1943.
Freon	1,000 lbs.	40	100%	2½		No material supplied under L/L in last year.
Phthalic Anhydride		n.a.	n.a.	n.a.		
Polyisobutylene	S.T.	161	100%	4	Oct. 1	
Polyvinyl Butyral		negligible	negligible	negligible	Oct. 1	No stocks at June 30, 1944. Small current shipments will go straight into production.
Polyvinyl Chloride	"	182	25%	1	Oct. 1	
Sulphur: Acid	L.T.	115,000	98%	8	Oct. 1	
" Regular	"	38,000	95%	7½	Oct. 1	

B.R.M.M.
Washington
October 26, 1944

TOP SECRETCOPY NO. 39C.S.L.L. (44) 1st MeetingCOMBINED SUB-COMMITTEE ON MUTUAL LEND-LEASE AID
BETWEEN THE U.S. AND U.K.MINUTES of Meeting held in U.S.
Treasury on 25th October, 1944
at 12.10 p.m.P R E S E N T

Mr. White (In the Chair)

U.S. RepresentativesMr. Acheson
Mr. Taft
Mr. Collado

Mr. Casaday

Mr. Currie
Mr. Cox
Mr. Davidson
Mr. AngellU.K. RepresentativesRt. Hon. Ben Smith
Lord Cherwell
Lord Keynes
Hon. R. H. Brand
Sir Robert Sinclair
Sir Henry Self
Mr. R. Opie
Mr. J.R.C. HelmoreMr. F.G. Lee }
Mr. F. Coe } Joint Secretaries

LORD KEYNES explained that there were three main reasons why it was essential that the United Kingdom should be freed from export restrictions at as early a date as possible. In the first place, owing to the inevitable operation of the time lag it was very necessary that U.K. exporters should be free to make their export plans and to get into touch with markets as soon as possible, otherwise such slender hopes as there were of the achievement of the U.K. export target in 1945 would be greatly diminished. In the second place, manpower was already being released to a limited extent from the services and from the munitions industries. War needs, of course, must continue to have first priority, but in so far as manpower and capacity became available for non-war purposes, it was very important that they should be allocated to exports rather than that they should be precluded from being devoted to export needs and become absorbed in producing goods and services for the domestic market. Lastly, there was considerable restiveness on this subject in the House of Commons. Hitherto it had been possible to persuade critics to defer putting embarrassing enquiries or seeking a full-dress debate, but that position could not be maintained very much longer.

LORD KEYNES went on to make certain suggestions in regard to the treatment of Lend-Lease stocks. He said that where it was proposed that a commodity -- like cotton -- should be maintained on Lend-Lease no immediate question ought to arise. The U.K. proposal was that the principle of substitution should continue to apply, as in the White Paper: the question of what should be done with Lend-Lease stocks left over after Lend-Lease had ceased to apply would not arise until the end of the Japanese war. In the case of materials which it was proposed to take off Lend-Lease -- of which steel was the most important -- it was suggested that arrangements should be made to hypothecate Lend-Lease stocks at the given date (say the 1st January, 1944) to

non-export user in the ensuing period. He suggested that if this were done, criticism as regards the user of such stocks ought to be precluded, particularly since it could be maintained that the restrictions imposed by the Export White Paper were applied from the date of the issue of that paper although at that time the Lend-Lease element in the U.K. stocks of raw materials was very limited. In other words the restrictions which the U.K. had accepted on its cash stocks at the beginning of the Lend-Lease period could be regarded as balancing the freedom which it would receive in respect of its Lend-Lease stocks at the end of the period.

Considerable discussion took place on the suggestions put forward by Lord Keynes. In particular the U.S. representatives urged that the U.K. would not be in a position to make effective exports for some two or three months at least after the beginning of 1945. It might thus be held that it was the less necessary for an early date to be announced as that from which export restrictions would cease; in other words it might be possible to make the ending of export restrictions (as distinct from the beginning of freedom to plan exports) date from some later time at which Lend-Lease stocks could be presumed to have been exhausted. Some doubt was also expressed as to whether acceptance of the substitution principle for all raw materials remaining on Lend-Lease would provide an adequate defence against political criticism, since it could be urged that the U.K. was only enabled to export by reason of the receipt of Lend-Lease supplies. The U.K. representatives urged in reply that (i) the principle of substitution was already accepted and had operated ever since the introduction of the White Paper for non-scarce materials (ii) that it would be essential not to delay the beginning of export freedom for a period during which Lend-Lease stocks would be presumed to have been exhausted.

In the course of the discussion Lord Keynes was asked whether he would be prepared to modify his suggestion as regards the proposed hypothecation of Lend-Lease stocks so as to make hypothecation apply only to war production and not to the whole range of domestic user. LORD KEYNES said that he would wish to consider this further but that personally he thought that it would be possible to accept a limitation of hypothecation to the field of war production.

It was decided that the U.S. representatives should consider the suggestions which had been put forward on behalf of the U.K. and that the question should be further discussed at a meeting to be held at 11:30 a.m. on the 27th October. The U.K. representatives undertook that in the meantime they would make available figures showing the amounts of Lend-Lease stocks on hand in the United Kingdom in the field of food, oil and raw materials.

(Signed) F. G. Lee
F. Coe

Washington, D.C.

TOP SECRET

COPY NO. 40C.C.L.L. (44) 3rd MeetingCOMBINED COMMITTEE ON MUTUAL LEND-LEASE AID
BETWEEN THE U.S. AND U.K.

MINUTES of a Meeting held in Mr. Morgenthau's
Room in the U.S. Treasury, on 25th October,
at 11:30 a.m.

P R E S E N T

Mr. Morgenthau (In the Chair)

U.S. Representatives

Mr. Acheson
Mr. Taft
Mr. Collado

Dr. White
Mr. Casaday

Mr. Currie
Mr. Cox
Mr. Davidson
Mr. Angell

Mr. Patterson

Mr. Gates

U.K. Representatives

Rt. Hon. Ben Smith
Lord Cherwell
Lord Keynes
Hon. R.H. Brand
Sir Robert Sinclair
Sir Henry Self
Mr. R. Opie

Mr. F.G. Lee)
Mr. F. Coe)

Joint Secretaries

1. MUNITIONS PROGRAMMES

MR. PATTERSON informed the Committee that a combined group of U.S. and U.K. representatives had now submitted agreed recommendations on the U.K. Group Army requirements in Stage II. In general, complete agreement had been reached on all items examined. He wished, however, to draw attention to two particular categories in respect of which special considerations arose:-

(a) It had been proposed that the question of the procurement of certain locomotives and wagons required in India should be remitted to F.E.A.

(b) It was proposed that F.E.A. should examine the U.K. requirements for certain "civilian" items (tires, tire fabric, nylon for parachutes, and paper and board for packaging) in respect of which the U.K. appeared to be asking for very substantial quantities of materials which were in short supply.

SIR ROBERT SINCLAIR said that the United Kingdom representatives deeply appreciated the spirit of understanding and cooperation which the U.S. War Department had shown in the discussion of the Ground Army programme. Sir Robert agreed that as regards the locomotives and wagons required for India a difference of opinion existed, in that the War Department had not felt able to accept the British contention that the locomotives and wagons were military requirements needed in 1945. He understood, however, (and Mr. Patterson confirmed) that the War Department would see no objection to these requirements being provided by F.E.A. Accordingly he assumed that the next step would be for these requirements to be considered by F.E.A.: in that event, the U.K. representatives participating in the discussions with F.E.A.

would probably suggest that while the delivery of the locomotives in 1945 was desirable from a military standpoint, it could not perhaps be regarded as absolutely essential. On the other hand, we should urge that the delivery of the wagons in 1945 was an urgent military necessity. As regards the other four items to which Mr. Patterson had drawn attention, SIR ROBERT SINCLAIR said that the U.K. representatives looked forward to discussions with F.E.A.: admittedly our requirements were substantial, but in view of the U.K. representatives they had sound military justification.

It was agreed that both as regards the locomotives and wagons and the further four items mentioned by Mr. Patterson, the next step should be for discussions to take place between F.E.A. and the U.K. representatives, and that the War Department was to be kept in close touch with those discussions.

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arrival in the United States should have been delayed by adverse weather. It was hoped that he would arrive very shortly when discussions could be begun. For his part he appreciated the force of what Mr. Gates had said about the basis upon which our Fleet Air Arm requirements had been presented and he thought that it might well be advantageous for them to be considered as a 1945 requirement.

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MR. ACHESON circulated a paper (which is attached as an annex to these minutes) in which the U.S. representatives had set out their understanding of certain points in the U.K. proposals.

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It was pointed out that it would be necessary to be clear as to whether the proposed terminal date of the 1st January, 1945, would apply to materials shipped after that date to materials delivered to the British for shipment after that date or to materials requisitioned after that date. LORD KEYNES said that he would wish to reserve this latter point for consideration: He had personally contemplated that any supplies delivered to the British after 1st January, 1945, would be paid for even though they had been requisitioned before that date.

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It was agreed that the suggestions referred to by Lord Keynes should be considered at a Sub-Committee meeting. Accordingly the discussion was continued by a Sub-Committee consisting of those present at the Main Meeting with the exception of Mr. Morgenthau. A note summarising the proceedings at the Sub-Committee is circulated with these minutes.

(Signed) F.G. Lee
F. Coe

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The following comments refer to

- (a) Chapter 2, Sec. V, Raw Materials
- (b) " " , Sec. VI, Manufactured Articles
- (c) " 1, (So far as raw materials totaling \$13,816,000 are concerned, see p. 33, bottom)
- (d) " 5, White Paper and Export

Comments:

(1) The U.S. side understands that if the non-munitions program set forth in Chapter 2 should go into effect on January 1, 1945 all other raw materials and manufactured goods (except munitions items) would go off lend-lease. Should the effective date be postponed, an intervening non-munitions program might be required (see p.1). But in such event, when the effective date should be reached the same action would be taken. This applies whether or not non-munitions items on prior requisitions are still undelivered.

(2) The U.S. side understands that the Quebec agreement, that the articles which have been received under lend-lease or mutual aid will not be exported, will stand. The U.S. side also understands that articles lend-leased for military end use (motors for instance) will not be transferred to civilian end use without agreement.

(3) The U.S. side understands that the manufactured goods included in the Stage II program in Chapter 2, Sec. VI, are not produced and are not expected to be produced during Stage II in the U.K.

(4) The U.S. side understands the U.K. proposal to be that the White Paper export restrictions (except those referred to in Paragraph 2 above) should be lifted on December 1, 1944, as a fixed date.

The U.S. side believes that these restrictions should be lifted at the expiration of a definite period following the inauguration of the programs for Stage II set out in Chapter 2 and the termination of other lend-lease Stage I programs as contemplated in Paragraph 1 above. This is to remove the necessity for complicated rules relating to the use of stocks of lend-lease materials in the manufacture of goods for export.

TOP SECRET

BRITISH REQUIREMENTS FOR THE FIRST YEAR OF STAGE II

SUPPLEMENT

LEND-LEASE STOCKS IN THE U.K.

The following tables contain, in respect of items asked for on Lend-Lease in Chapter 2, the best available estimates of stocks of goods of Lend-Lease origin held in the U.K. at the present time. It has not been possible to give estimates for all groups of commodities as of a single date, but in every case the estimates are the most recent which can be provided.

A. FOODSTUFFS ETC.
(as of September 30, 1944)

COMMODITY	Estimated Stock of Lend- Lease food etc. 000 tons	Lend-Lease stocks as % of bulk stocks from all sources %
Maize and maize products	8	15
Edible pulses	44	100
Soya flour	10	100
Soya beans and grits	18	100
Lard	105	98 (a)
Evaporated milk	81	56
Dried milk	55	78
Cheese	18	36
Dried eggs	41	79
Carcass meat	84	27
Frozen pork for curing	8	46
Points canned meat	88	83
Canned corned pork	12	5 (b)
Special service packs	52	50
Bacon and ham	14	28
Canned fish	55	48
Dried fruit	50	39
Starch	36	57
Seeds	2.7	- (c)
Tobacco	35 million lbs.	18 (d)

(a) Animal lard only.

(b) Proportion of stock of canned corned meat of all kinds.

(c) Total stocks. No figure of seeds of lend-lease origin can be given as these seeds become merged with others of non-lend-lease origin in the hands of distributors.

N.B. In addition to the above there are quantities of a large range of miscellaneous items amounting to a total of less than 80,000 tons. Some of the items are no longer in the present Lend-Lease programme, nor included in that proposed for the first year of Stage II.

E.

PETROLEUM PRODUCTS
(as of October 12th, 1944)

N.B. The figures below represent stocks of both sterling and Lend-Lease oil. The amount of each which moves to the U.K. is determined by the application of the principles of the pooling of resources and the short haul, and therefore the proportion between stocks of sterling and Lend-Lease oil in the U.K. at a given moment does not reflect the true position on a global basis. For instance, U.K. stocks are now tending to be drawn increasingly from Lend-Lease sources because shipments of sterling oil from Curacao under Reciprocal Aid to the Pacific have been increasing. On the basis of the proportions of oil drawn from dollar and sterling sources during the first nine months of 1944, however, it may be estimated that the proportion as between stocks of oil of all types in the U.K. is roughly 4 Lend-Lease to 1 sterling.

	(000 tons)
TOTAL	7500
<u>less</u> military stocks* as follows	
Aviation Gasoline	1240
Admiralty Fuel Oil	1681
M/T Fuels	<u>4206</u>
Stock held against "other" requirements viz -	
Military requirements* of other products such as lubricating oils and civilian requirements	<u>3294</u>

* Includes a considerable proportion held on account of U.S. forces. A formula has recently been proposed to determine at any given time the proportion held against U.S. military account, the application and details of which, however, have still to be worked out between U.S. and British authorities.

C.

RAW MATERIALSEstimates for Dates Specified

Materials	Unit	Estimated Stock of L/L Origin	Estimated %age of Total U.K. Stock	Date 1944
<u>GROUP I</u>				
Raw Cotton	L.T.	87,000	27%	Oct. 1
Rosin	"	14,000	85%	Oct. 1
Liquid Rosin	"	1,500	100%	Aug.31
Turpentine	"	2,000	90%	July 1
Pine Tar	"	200	100%	Oct. 1
Pine Oil	"	250	100%	Oct. 1
<u>GROUP II</u>				
Wood Pulp for paper manufacture	S.T.	21,000	15%	Sept.9
Bagasse		n.a.		
Vulcanised Fibre		n.a.		
Kraft Liner Board	S.T.	8,000	50%	Aug.31
Building Board (All kinds)	"	nil	nil	"
Paper & Board excluding Kraft Liner Board	"	1,000	0.5%	"
<u>GROUP III</u>				
Softwood (Including sleepers and crossings)	Stds	nil	nil	"
Hardwood	C.Ft.	2,500,000	12%	"
Constructional Plywood	Sq.Ft.	160,000,000	75%	"
Veneers Oak		nil	nil	"
<u>GROUP IV</u>				
Synthetic Rubber:-				
GRS	L.T.	51,136	100%	Aug.25
GRM	"	2,041	100%	"
GRI Butyl	"	147	100%	"
Perbunan	"	136	100%	"

T O P S E C R E T

October 27, 1944

M E M O R A N D U M

To: ✓ The Secretary of the Treasury
 The Secretary of the Navy
 Leo T. Crowley, Administrator, Foreign Economic
 Administration
 Edward R. Stettinius, Under Secretary of State
 Robert P. Patterson, Under Secretary of State
 Dean Acheson, Assistant Secretary of State
 Harry D. White, Assistant to the Secretary,
 Treasury Department
 A. L. Gates, Assistant Secretary of the Navy
 for Air
 Charles P. Taft, Director, Office of Wartime
 Economic Affairs
 Emilio G. Collado, Special Adviser, Department
 of State
 Oscar Cox, General Counsel, Foreign Economic
 Administration

From: Frank Coe, Secretary for the American Group,
 Combined Committee on Lend-Lease

Subject: Attached Minutes

There is attached a copy of the minutes of
the third meeting of the Combined Committee
on Mutual Lend-Lease Aid Between the
U.S. and the U.K.

Attachments (1)

TOP SECRET

COPY NO. 28

C.C.L.L. (44) 3rd MeetingCOMBINED COMMITTEE ON MUTUAL LEND-LEASE AID
BETWEEN THE U.S. AND U.K.

MINUTES of a Meeting held in Mr. Morgenthau's
Room in the U.S. Treasury, on 25th October,
at 11:30 a.m.

P R E S E N T

Mr. Morgenthau (In the Chair)

U.S. Representatives

Mr. Acheson
Mr. Taft
Mr. Collado

Dr. White
Mr. Casaday

Mr. Currie
Mr. Cox
Mr. Davidson
Mr. Angell

Mr. Patterson

Mr. Gates

U.K. Representatives

Rt. Hon. Ben Smith
Lord Cherwell
Lord Keynes
Hon. R.H. Brand
Sir Robert Sinclair
Sir Henry Self
Mr. R. Opie

Mr. F.G. Lee)
Mr. F. Coe)

Joint Secretaries

1. MUNITIONS PROGRAMMES

MR. PATTERSON informed the Committee that a combined group of U.S. and U.K. representatives had now submitted agreed recommendations on the U.K. Group Army requirements in Stage II. In general, complete agreement had been reached on all items examined. He wished, however, to draw attention to two particular categories in respect of which special considerations arose:-

(a) It had been proposed that the question of the procurement of certain locomotives and wagons required in India should be remitted to F.E.A.

(b) It was proposed that F.E.A. should examine the U.K. requirements for certain "civilian" items (tires, tire fabric, nylon for parachutes, and paper and board for packaging) in respect of which the U.K. appeared to be asking for very substantial quantities of materials which were in short supply.

SIR ROBERT SINCLAIR said that the United Kingdom representatives deeply appreciated the spirit of understanding and cooperation which the U.S. War Department had shown in the discussion of the Ground Army programme. Sir Robert agreed that as regards the locomotives and wagons required for India a difference of opinion existed, in that the War Department had not felt able to accept the British contention that the locomotives and wagons were military requirements needed in 1945. He understood, however, (and Mr. Patterson confirmed) that the War Department would see no objection to these requirements being provided by F.E.A. Accordingly he assumed that the next step would be for these requirements to be considered by F.E.A.: in that event, the U.K. representatives participating in the discussions with F.E.A.

would probably suggest that while the delivery of the locomotives in 1945 was desirable from a military standpoint, it could not perhaps be regarded as absolutely essential. On the other hand, we should urge that the delivery of the wagons in 1945 was an urgent military necessity. As regards the other four items to which Mr. Patterson had drawn attention, SIR ROBERT SINCLAIR said that the U.K. representatives looked forward to discussions with F.E.A.: admittedly our requirements were substantial, but in view of the U.K. representatives they had sound military justification.

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F. Coe

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TOP SECRET

COPY NO. 37

SUPPLEMENT TO "BRITISH REQUIREMENTS FOR THE
FIRST YEAR OF STAGE II"

INTRODUCTION

As a result of various developments which have taken place during the two weeks since the document relating to British Requirements for the First Year of Stage II was presented to the Combined Committee, it has been thought desirable to prepare supplementary notes on certain aspects of our programme. These follow in the same order as the chapters in the original document. They are as follows:-

SUPPLEMENT TO CHAPTER 2 REGARDING OIL AND SHIPPING
ADDITIONAL MATERIAL FOR CHAPTER 3.
AMPLIFICATION OF MATERIAL IN CHAPTER 4.

At the conclusion of this supplement we have provided a table of amendments to statistics, etc. in the document itself, many of which are consequent upon the developments referred to in the notes.

Washington, D.C.
29th October, 1944.

TOP SECRETCOPY NO. 37

SUPPLEMENT TO CHAPTER 2.
NON MUNITIONS REQUIREMENTS IN 1945

III. OIL.

The passage relating to Oil on pages 28 and 29 of our document should now be regarded as out of date except for the first two sentences.

The review of the United Nations Oil and Tanker position to which we referred in the first paragraph on page 28 of the document, has now been completed and in the light of this review amendments to our programme have become necessary.

In addition, stock levels in the U.K. both during the continuation of Stage I and in Stage II have been under discussion. At recent Anglo/U.S. discussions in London the view was taken that the existing level of approximately 7,300,000 tons should be maintained during Stage I. This is still subject to ratification in Washington. The authorities, both military and civilian, in the U.K. have, however, been considering the question of what reduction in stock level can justifiably and soundly take place by the end of the first year of Stage II. The military authorities have not yet completed their investigation but we have been authorized in the meantime to indicate a tentative figure of 5,750,000 tons as approximately the minimum level to which stocks could be allowed to fall. On the assumption, therefore, that we maintain a stock of 7,300,000 tons during Stage I, and that it is subsequently decided that this be reduced to 5,750,000 by the end of Stage II, there would be a reduction in Lend/Lease requirements as follows:

	<u>Thousand tons</u>	<u>Million dollars</u>
Aviation gasoline	940	81
Motor gasoline	425	22
Gas Oil	85	2
Lubricating oils	50	6
Other products	<u>50</u>	<u>1</u>
	<u>1,550</u>	<u>112</u>

The above reduction in U.K. stocks has, therefore, been assumed in preparing our estimate of our Lend-Lease requirements.

The total does not include oil of U.S. origin that will be re-transferred to U.S. Forces in the U.K. or Iceland, nor of any U.S. aviation spirit that will be re-transferred to U.S. Forces in Australia and India. Supplies so made available have hitherto been included in our Lend-Lease requirements and have been treated as reciprocal aid when re-transferred to the U.S. Forces. In our Stage II estimates, however, (see table below) such supplies have been treated as if they had been consigned to the U.S. Forces direct through U.S. channels. Thus against gross oil demands from U.S. sources of some \$620 million, only \$338 million will be needed to meet British requirements, the balance being for the use of the U.S. Forces. Even when Lend-Lease oil for U.S. Forces in U.K. is taken out of the account, the balance of \$338 million which appears in our estimates is in reality a statement of our gross, and not of our net requirements. For it is estimated that we shall be supplying to the U.S. under reciprocal aid during the first year of Stage II some \$193 million of sterling oil from British sources. There are, moreover, three points in connection with this sterling oil to be supplied under reciprocal aid to which we consider attention should be drawn.

Firstly, on a tonnage basis it is actually greater than our requirements under Lend-Lease (12,287,000 tons as compared with 9,201,000 tons).

Secondly, while all the above figures are on an f.o.b. basis, the delivery of sterling oil to the U.S. Forces under reciprocal aid, unlike that of Lend-Lease oil, involves substantial expenses in storage, handling and packing charges, which are not included in the above figures, particularly in cases such as U.K., or again in India, where long rail hauls are frequently necessary or where packed oil is delivered on a more or less retail basis, and the f.o.b. value of the oil itself may therefore represent only a small proportion of the total cost involved.

Thirdly, the so-called sterling oil supplied to the U.S. Forces under reciprocal aid in fact involves a substantial volume of dollar expenditure. The financial aspect of this is further considered below in the supplement to Chapter 3 (paragraph 2(iii)) and certain proposals are made.

As far as U.K. is concerned, it is assumed that strict rationing of civilian consumption is still in force in Stage II, but that some relaxation of the present severe restrictions may have to be introduced in order in particular to relieve the heavy load on public transport, and to facilitate movement of materials for certain special programmes, including housing.

Following is the revised statement of our requirements in Stage II to replace that contained in the second column of page 29:-

	<u>Tons 000</u>	<u>\$Million</u>
Aviation spirit	232	11
Motor spirit	3207	121
Kerosene	990	24
Gas-Diesel	1212	33
Fuels	1947	27
Lubs: Crudes, etc.	1613	108
Wax, T.E.L., etc.	—	<u>14</u>
Totals	<u>9,201</u>	<u>338</u> *

* It may perhaps be desirable to add a further note on the subject of supplies to South American countries, Continental Europe, etc., for which no allowance has been made in the above, either for Lend-Lease or reciprocal aid. For shorthaul reasons it will not always be possible to arrange for shipments from British or American sources to meet the exact British or American share of trade in particular countries. A certain number of "exchange" shipments can no doubt be arranged within the industry, but it is not possible to give any precise estimate of what these will be. Net deficiencies in the supply of British oil for the British share of the trade, of an estimated value of \$15 million, should in our view be added to the total requirements in the fourth column, making a total of \$353 million.

IV SHIPPING

With the completion of the United Nations oil and tanker review, there are some consequential changes to be noted in items 6 and 14 of the Shipping Requirements table on page 31.

On the assumption that the European war ends early in 1945, our Stage II estimates under these needs should be reduced as follows:-

	\$000
6. Freight on petroleum products carried in tankers allocated by W.S.A. to British Empire programmes	190,000
14. Surplus bunkers discharged in U.K. ports	nil
The Revised total is thus	876,720
(instead of the figure previously given, namely)	992,960)

We should like to draw attention to the fact that, of the above figure of \$190 million, slightly over \$90 million represents freight moved in U.S. lend-lease and British tankers on oil which will ultimately be supplied to the U.S. Forces. Furthermore, it is expected that a number of British tankers will be allocated under reciprocal aid to assist with the movement of oil to areas of U.S. programming responsibility. It is estimated that the cost of reciprocal aid thus involved will be \$15 million at British rates and excluding W.S.A. 25% surcharge.

TOP SECRETCOPY NO. 37ADDITIONAL MATERIAL FOR CHAPTER 3.ADDITIONAL ITEMS TO SAFEGUARD THE BRITISH RESERVE POSITION.

1. The suggestions already made in Chapter 3 of the British Requirements for the First Year of Stage II are not exhaustive. In this supplementary statement particulars are given concerning some further items, and also some amplification and further explanation of items already mentioned. The proposals fall into three categories:-

I. The inclusion in the Lend-Lease programme of various items which otherwise would cost cash, thus safeguarding the British reserve position.

II. The inclusion of new items which the U.K. will have to go without if they cannot be obtained under Lend-Lease, the furnishing of which would materially ease the British economy in other respects, but would not affect the estimated reserve position in terms of gold and dollars.

III. Certain claims which have been in dispute or have been left in abeyance which would, if they were conceded, have the same effect as I. above, namely, to improve the reserve position.

2. Under heading I the following items already suggested may be briefly recapitulated:-

- | | |
|-----------------------------|---------------|
| (i) <u>Tobacco</u> | \$90 millions |
| (ii) <u>Off-shore Sugar</u> | \$64 millions |

This is a revised figure. There are also dollar freights involved which would be eligible for Lend-Lease if the cargo is eligible and would be eligible anyhow if the proposal made subsequently in connection with shipping is conceded.

(iii) Dollar Expenditure in respect of Oil

Here the statement previously made needs some correction and amplification. In addition to the actual purchases of crude of \$22 million it is necessary to pay dollars to the Venezuelan Government for royalties on crude oil produced by British companies in Venezuela and subsequently

transferred to U.S. Forces under Reciprocal Aid. This item is estimated to amount to \$8 million in the first year of Stage II.

There are, however, many other dollar outgoings involved in the production of so-called "sterling oil". Besides the purchases of crude and the royalties already referred to, there are purchases of equipment, salaries and wages of oil field technicians, stores and spare parts, all of which have to be paid for in dollars. Indeed, there is no doubt that a substantial proportion of the cost of providing oil on Reciprocal Aid does in fact represent actual dollar expenditure and it is suggested that the United Kingdom might reasonably ask to be reimbursed for this proportion, particularly as we expect to supply on reciprocal aid terms, a greater volume of oil measured by quantity (though not in value) than we are ourselves receiving on Lend-Lease terms.

It is recognized, that it would be extremely difficult, if not impossible, to agree upon a basis for reimbursement on these lines. The proposal is, therefore, that the United States Government might find it convenient to make this reimbursement in the form of direct payments for oil from the Curacao and Bahrein refineries (being those refineries where the dollar proportion is highest). The value of the oil to be provided on Reciprocal Aid by these two refineries in Stage II is \$100 m. p.a. Alternatively the United States Government might prefer to make lump sum payment of \$100 million in respect of Reciprocal Aid supplies from all sources, leaving undisturbed the present arrangements whereby oil from Curacao and Bahrein is supplied under Reciprocal Aid.

(iv) The total dollar expenditure incurred by the Ministry of War Transport is now estimated at about \$125 million per annum. Of this it is thought that \$57 millions comprise items which are not suitable for Lend-Lease. There remain the following items which deserve consideration:

(a) Under present rulings freight is in general only eligible under Lend-Lease in respect of cargo of Lend-Lease origin shipped from U.S. ports. A relaxation of these rulings to cover shipments from U.S. ports of Government cargo not

procured under Lend-Lease would, it is estimated, save some \$15 million, with the probability of a small increase in the future as items now under Lend-Lease cease to be so procured. Similarly freights on W.S.A. ships loading Government cargo in Canada or the Caribbean have in the past accounted for a dollar expenditure estimated on page 38 of the previous statement at \$40 millions but now provisionally calculated subject to checking at some \$15 millions, which it is hoped might be made eligible retrospectively. For the future this item is likely to be greatly diminished, but operating efficiency may require W.S.A. ships to be again so employed, and a possible maximum of \$10 million might in this case be involved.

(b) A sum of about \$40 million is paid annually for services and supplies to British controlled vessels in U.S. ports which is not covered by Lend-Lease. This figure is being analysed to see how far it comprises items which are suitable for Lend-Lease. For the present the possibly eligible figure might be put as a rough estimate at \$10 million. It is suggested that the further analysis of this aggregate should be passed over to the shipping authorities on both sides.

(c) Dollar proportion of hire on Norwegian vessels time-chartered under the Tripartite Agreement of 1941. This item of \$5 million was formerly under Lend-Lease, but ceased to be so in 1943. It is hoped that this might be reconsidered with a view to its inclusion retrospectively which would raise the figure to \$7 millions. It should disappear with the termination of the charters after the end of the European war.

(d) Certain items on Allied vessels on time charter to us for which we provide dollars, \$18 million. There are certain technical complexities arising out of the charter terms which would need careful consideration in relation to this item, which will of course disappear with the termination of the charters.

(e) Repairs and reconversions which F.E.A. have refused to finance because, admittedly, proper procedure had not been followed by us, \$5 million. This might be reconsidered.

(v) Machine Tools. There is here nothing to add to the statement already made. Total relief might amount to \$10 to 27 millions, according to the exact rulings given.

(vi) Possible Additions to the Food Programme. There are a number of items here for which we are currently having to pay cash, the eligibility of which for Lend-Lease might be reconsidered, as follows:-

	\$
Essential oils	1,500,000
Chewing gum base	600,000
Vitamin "A" oils	1,400,000
Hops	500,000
*Purchases for NAAFI for sale to British and Allied Forces covering a large number of items, such as, biscuits, fruit juices, confectionary, chewing gum, pickles and sauces	9,000,000
Pickles etc. for the U.K. forces	5,000,000
	<hr/>
	18,000,000
	<hr/> <hr/>

* It is perhaps appropriate to mention here that the U.K. is similarly providing a large variety of goods on Reciprocal Aid. These goods are sold to U.S. Forces by the Post Exchanges.

(vii) The eligibility of Supplies for the Colonies has been much narrowed, since most of them are now declared to be non-combat areas. These decisions were given before raw materials and foodstuffs from the Colonies were being supplied on Reciprocal Aid. Now that substantial supplies on Reciprocal Aid are being thus furnished, it is hoped that the previous decisions could be reconsidered.

A rough analysis of purchases made through Government channels during 1944 is attached showing a total figure of \$18 million. It is anticipated that approximately the same volume of supplies will be required in 1945.

BRITISH COLONIES SUPPLY MISSION
 ANALYSIS OF GOVERNMENT CASH PURCHASES DURING 1944
 (in thousands of U.S. Dollars)
 D E S T I N A T I O N S

COMMODITY	BRITISH WEST INDIES	BRITISH WEST AFRICA	BRITISH EAST AFRICA	CEYLON	OTHERS	TOTALS
FOOD	3,000	-	-	500	500	4,000
TEXTILES	-	-	-	500	-	500
PAPER & PRODUCTS	-	-	-	300	200	500
MISC.GEN.STORES	100	100	100	100	100	500
Manufactured & semi- " STEEL	1,000	500	1,250	750	500	4,000
ENGINEERING STORES	1,000	650	850	500	50	3,050
RUBBER MANUFACTURES including TIRES & TUBES	1,000	-	-	-	-	1,000
AGRICULTURAL EQUIPMENT	500	100	1,000	500	400	2,500
OTHER RAW MATERIALS	1,000	50	500	50	50	1,650
MEDICAL SUPPLIES	100	50	50	50	50	300
<u>T O T A L S</u>	7,700	1,450	3,750	3,250	1,850	18,000

3. Under heading II, there are the following items. If these could be furnished on Lend-Lease, substantial aid would be given to the British economy, but as no allowance has been made for any substantial gold or dollar expenditure under any of these headings in calculating the prospective reserves, there would follow no direct relief to the gold and dollar position:-

(1) The Repair and Equipment and Replacement of Bomb Damaged Houses

Some further examination has been given to this subject since the main statement was put in, but we still lack the fuller material from London which we hope to get. In the first place, it should be explained what was perhaps insufficiently clear, that in the raw materials programme on Page 33 of the main statement some items are already included for the repair and equipment of bomb damaged houses which, as is pointed out in the first sentence of Page 32, will only be eligible for Lend-Lease if a more favourable attitude is now adopted in regard to the eligibility of such items. The details of items under these headings already included on Page 33 are as follows:-

Commodity	Unit of Quantity	Required for					
		Housing		Repairs to Bombed Buildings (b)		Utility Furniture	
		Quantity	Value (\$000)	Quantity	Value (\$000)	Quantity	Value (\$000)
Bagasse	S.T.(000)	11	250	nil	nil	nil	nil
Insulation (Building)							
Board	S.T.(000)	16	1,625	*	*	nil	nil
Softwood	Stds.(000)	200	19,300	*	*	nil	nil
Hardwood Constr.	cu.ft.(000)	nil	nil	nil	nil	1,650	1,750
Flywood	sq.ft. (millions)	nil	nil	12	1,008	60	5,400
Total Values			21,175		1,008		7,150

* Some of the building board and softwood would probably be used for repair of bombed buildings, but we have no information about quantities; the effect of such usage would be to reduce the value figure of column (a) and increase the value figure of column (b).

The above requirements, however, have been kept down to the minimum. Greater quantities of insulation building board and

softwood and bagasse would be of the greatest help. We should also wish, if a favourable ruling is given, to put in requirements of slag wool or suitable substitutes, which are not at present included in our requirements on Page 33.

Next as regards miscellaneous equipment. Here, subject to possible difficulties of shipment which have not been fully explored, a wider interpretation of Lend-Lease eligibility would allow a most helpful supplement to the meagre supplies likely to be available from U.K. production in 1945. Examples are utility furniture, steel furniture, doors, metal window frames, stoves, and water tanks. It is difficult without further examination to give a reasoned estimate under this head. We think, however, if a favourable decision in principle could be given, that a programme of the value of some \$10 millions could be prepared. If complete kitchen or bathroom units were available and were technically suitable, the total might well be higher.

Possibly, however, the most material assistance could be given in the shape of prefabricated houses. We have not attempted so far any technical examination of the possibilities under this head. But if supplies were available, and the problems of shipping and differing building standards and practice in the two countries can be surmounted, such spectacular assistance to the housing problem created by bomb damage, and particularly by the recent fly bombs, as would be represented by the supply of houses complete in themselves, might affect the public opinion of both our countries more favourably and sympathetically than almost any other expenditure of similar volume. The housing problem during Stage II, particularly in the London area, will be most acute. Apart from the alleviation of human suffering, war efficiency would be directly increased, if assistance can be accorded in this way. It may be mentioned that U.S. manufacturers have already tentatively approached British Missions here about the prospects of the provision of prefabricated houses for the U.K. Without technical examination of the possibilities we can hardly put forward any definite figures of cost, but we fear that the cheaper Goodyear type of house, costing \$1,800 with equipment, would probably be unsuitable. Nevertheless it would

be of the greatest assistance if a programme of the order of (say) 25,000 to 40,000 units proved to be practicable.

(ii) Civilian Relief Supplies Required for Recovered British Territories in the Far East. There is as yet nothing further to add to the statement on Page 40 of the main statement.

4. There remains under Heading III the category of claims under dispute or in abeyance. In addition to the two examples already set forth on Pages 41 and 42 of the main statement, the following may also be mentioned. Some of these, it will be seen, are of a trifling amount, but nevertheless add something to the aggregate.

\$ millions

- | | |
|--|------|
| (1) Pre-Reciprocal Aid supplies of rubber.
This claim is still outstanding, and no reason is known to the British Missions why it should not be met | 11.8 |
| (ii) Suez Canal dues on W.S.A. ships allocated to sea transport services, at present held in abeyance | 1.3 |
| (iii) Production contracts transferred as "take-outs". This claim as such is not in dispute, but no settlement of the amount has yet been reached; we put the full value at | 2.2 |
| (iv) Diversions to U.S.S.R. This is a complicated story about which we are in a position to give details. The short descriptions are as follows:- | |
| (a) Diversions of Bostons for which we had paid dollars, with the promise of replacement, which in our view has not been made | 12.5 |
| (b) The delivery to U.S. forces in U.K. of Airocobras for which we had paid dollars, intended for Russia, in which event we should have received dollars. Sir Frederick Phillips did not press | |

- \$ millions
- this claim at a time when our dollar balances were increasing, but it was a claim which he believed ought to be met sooner or later 16.0
- (c) The fulfilment of a U.S. commitment to Russia by delivery of Wright engines from U.K. for which we had paid dollars. The Russians rejected our demand for payment, saying the matter was one between the U.S. and the U.K. This has not been previously taken up by us and is now raised for the first time 4.0
- (d) Powder manufactured by the New Jersey Powder Co. for which we paid dollars, but which was shipped to Russia on U.S. account. This claim has never been withdrawn, but has been left in abeyance 2.2
- (v) Certain capital facilities in the way of machine tools and other equipment, for which we had paid dollars, has been subsequently made available to U.S. manufacturers engaged in U.S. Government orders without payment. The capital value of facilities used for U.S. benefit was in 1942 \$100 millions, in 1943 \$50 millions, and in 1944 \$27 millions. The annual value of the right of free use might be anywhere between 10 per cent. and 20 per cent. of the capital value, which yields a total figure of 18-36 In connection with this claim it should be particularly borne in mind that this is a good example of the expense incurred by the U.K. in building up the U.S. munitions industry at a time when the U.S. was a neutral, which greatly accelerated the date at which the U.S. was in a position to become fully armed. All this cost the U.K. hard dollars. The above item was a small part of the expenditure by the U.K. of some

\$2 billions in building up the U.S. munitions industry, of which about \$1 billion was spent after the U.S. came into the war, these being the expenditures which were primarily responsible for the initial exhaustion of the British reserves down to virtually zero.

TOP SECRETCOPY NO. 37AMPLIFICATION OF MATERIAL IN CHAPTER 4LEND-LEASE REQUIREMENTS OF AUSTRALIA, NEW ZEALAND AND INDIA

1. As explained in para. 1 of Chapter 4 of the document relating to British Requirements in the First Year of Stage II, the programmes submitted by the United Kingdom include supplies required from the United States by Australia, New Zealand and India in the field of munitions (except aircraft and aircraft components), oil and shipping. The following notes by the Australian, New Zealand and Indian supply representatives in Washington explain the need of their respective countries for food, raw materials and civilian goods under Lend-Lease in Stage II and itemise these requirements in greater detail. Where the figures given below differ from those in the earlier document, the previous estimates should be disregarded.

AUSTRALIAThe Australian War Effort

2. The Australian war effort is likely to have to continue at the maximum degree of intensity for a longer period than that of most other members of the United Nations. At the earliest possible time Australian forces were engaged in the Mediterranean area and supplies of all kinds were being sent to that and other theatres of war. When Singapore fell, Australia was short of men and munitions, because everything possible had been sent abroad to the actual fields of action. American forces and American supplies filled the gap and became the basis for the counter-offensive. The remnants of the Australian Navy and some of Australia's experienced jungle troops are now in the Philippines.

3. The Australian war effort has strained her resources and manpower to an extent which is hard to measure, because much of it is in the production of ordinary foods and farm supplies. But the austerity of civilian life in Australia has become very pronounced.

4. Every possible fighting man has been used. Seven out of every ten males between the ages of 18 and 35 have

served in the fighting forces. From a total population of about 7½ millions, 891,000 males were enlisted and 80,000 have become casualties. The numbers engaged in fighting and essential industries exceed the prewar total of the working population by 170,000 and comprise 71% of the total population between the ages of 15 and 60.

Reciprocal Aid

5. Comparisons with other countries are not really practicable even if they were desirable. It may be of interest to note that one fifth of the total war expenditure in Australia is for reciprocal aid to the U.S.A. forces. The dollar value of this aid, so far as it can be measured at all, is of course incomplete. But to the end of June 1944, the value was estimated at a total of \$570 millions. The dollar measure understates the Australian contribution in terms of manpower and of real effort, because the rate of exchange which must be used to convert Australian currency into dollar values does not correspond to real values.

6. Reciprocal Aid to the U.S.A. forces commenced long before there was any formal agreement on the subject. It commenced with food sent to Bataan. The Australian people have given unstintingly and have gone without normal necessities in co-operation with their Government in the provision of requirements for the American forces. The needs of these forces have been given a high priority in Australian production and have indeed required many adjustments of the Australian production programmes.

Lend-Lease Requirements in 1945.

7. The attached figures are estimates of Lend-Lease requirements for delivery in Australia during the calendar year 1945. They divide the programme into categories which include "non-munitions" items. But it must be emphasized that the so-called non-munitions programme is very largely made up of military requirements, direct or indirect. For instance, the food requirements are largely for the use of the armed forces; the timber is required almost entirely for war purposes, inasmuch as general building construction has

been rigorously controlled; the synthetic rubber is needed for the manufacture of military and essential war service vehicles; agricultural implements are needed for the Food Programme designed to meet the requirements of the armed forces and United Kingdom needs, and so one could go on through each item on the list. These are cited by way of example.

8. It may be observed that the non-munitions requirements for 1945 (exclusive of Petroleum and Shipping Freights included in the United Kingdom programme) total \$102 millions. By way of comparison, expenditure in Australia upon non-munitions items provided under Reciprocal Aid has been at the rate of \$360 millions per annum. It is submitted that continuance of a substantial measure of Lend-Lease, without continual scaling down on questions of eligibility, civilian end-use, etc., is necessary to enable the maintenance of a reasonably balanced economy.

Australia's Need for some Relief of War Strain

9. As prospects are at present, there is in sight no relief for Australia of her present war strain until the war in the Pacific is ended. Indeed as operations in that vast area are accelerated the strain could become so intense as to pass the limits of tolerance, having regard to the five years already suffered. There are no prospects of converting war production to peace production, nor any diversions of effort such as are contemplated elsewhere. This prospect has now become serious in view of the almost desperate shortage of housing and of other elementary necessities of normal civil life. In our transport and our farm and industrial equipment, the wear and tear of the war effort has reached far beyond normal limits of tolerance.

10. There is an expectation that some general relaxation of effort on a substantial scale, both in the United States and in the United Kingdom, is to follow the end of the war in Europe. Since Australia will remain in the area of hostilities, it is most unlikely that comparable relaxations or demobilisations from the war effort will be possible for

her. For this reason, Australia considers it reasonable that such steps as are practicable shall be taken to allow her such relief as is possible, and she hopes that, in consideration of the present problems, this aspect will not be overlooked.

11. The Australian Agencies in Washington stand ready to furnish any further information which may be required, to supply further substantiation on any point which may be in doubt and to represent the Australian case in any manner which may be deemed to be desirable or helpful.

LEND-LEASE REQUIREMENTS OF AUSTRALIA IN STAGE IINON-MUNITIONS BREAKDOWN
EXCLUDING PETROLEUM AND SHIPPING FREIGHTS

(all figures in millions of dollars)

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(a) <u>Food</u>		
Tobacco - Leaf	3.1	Military requirements only. An additional \$8½ millions required for civilian purposes.
Tobacco - Native Twist	.9	Used for payment of native porters in forward battle areas.
Canned Fish - Salmon	1.4	For requirement of armed forces only. Civilian use prohibited
- Pilchards	.6	Australian food programme for allied forces.
Seeds - Vegetable	.6	Australian food programme for allied forces.
Sausage casings	.1	Australian food programme for allied forces.
- artificial		
Coca Cola Concentrate & misc.	.3	Coca Cola Concentrate in amount of \$275,000 entirely for U.S. Forces.
:	—	7.0
(b) <u>Raw Materials</u>		
Tinplate	14.0	95% for use in canning programme for allied forces
Metals - Carbon Steel	1.2	Various industrial purposes directly connected with munitions programme.
- Alloy Steel	1.0	
- Non-Ferrous	.8	
Timber - Soft Wood	2.4	Military and war production and construction.
- Hard wood	1.4	Civilian construction prohibited.
- Plywood	.2	
Pulp & Paper - Woodpulp	2.0	To augment Australian production which is inadequate for war purposes -- paper usage all under strict and rigid control.
- Fine Paper	3.5	
- Wrapping Paper	1.8	
- Sanitary & Tissue	1.0	
- All Other Paper	.7	
Raw Cotton incl. Linters		
- Raw	2.8	Military textiles, surgical dressings etc.
- Linters	.2	
Synthetic Rubber - GRS	6.0	Largely for use in military tire programmes-supply under instructions of Combined Boards.

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(b) <u>Raw Materials (Cont'd)</u>		
Carried forward	39.0	
Chemicals - Phosphate Rock	2.1	Required in connection with food programme.
- Insecticides	1.8	Required in connection with food programme.
- Sulphur	.5	Required in munitions programme.
- Photographic	.6	Required for indirect military uses.
- Alcohols	.6	Industrial alcohols required for munitions programme
- Chrome	.6	For tanning and textile industry - producing direct military requirements.
- Miscellaneous	1.8	
Miscellaneous		
- Abrasive Grains	.6	General war production usage.
- Carbon Black	1.2	Tire programme.
- Plastics	1.5	General war production usage.
- Miscellaneous	<u>.7</u>	51.0
(c) <u>End Products</u>		
Automotive - Vehicles	7.0	Essential civilian wartime transport and agricultural transport-civilian gasoline rationing extremely rigid.
- Spares	2.5	
- Stationary Engines	.5	Required for incorporation in mobile welding sets, pumping units, etc. required by armed forces.
Agricultural Implements		
- Tractors	5.5	Required for food programme.
- Spares	1.1	
- Miscellaneous	2.4	
Coal Mining Machinery (Underground)	.5	
Bearings	.5	Required for maintenance of armed services' equipment performed by civilians. An additional \$1,000,000 required for general industrial purposes related directly to the war effort.
Medical Supplies		For use in Australian hospitals at the service of Allied forces.
- X-Ray	.8	
- Surgical	.3	
- Drugs	1.1	
- Proprietary	.2	
- Miscellaneous	.6	

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(c) <u>End Products</u> (Cont'd)		
Carried forward	23.0	
Textiles - Belting Duck	.5	General industrial war production use.
- Cotton Tyre Cord	4.6	Military tyre programme
- Rayon Tyre Cord	2.1	Military tyre programme
- Rayon Tyre Fabric	2.8	Military tyre programme
Silver-Bullion/Coinage	5.0	Returnable in kind under special agreement.
Miscellaneous - Film	.2	Entertainment of armed forces.
- Photographic	.2	Entertainment of armed forces.
- Business Machines	.5	To be used directly by armed forces.
- Hand Tools	2.0	General war production use.
- Elec. Equipment	1.9	General war production use.
- Industrial Eqpt.	1.2	General war production use.
	<u>44.0</u>	
GRAND TOTAL	<u><u>\$102.0</u></u>	

NEW ZEALANDThe New Zealand War Effort.

12. New Zealand approaches Stage II after over five years of war - five years of unremitting and undeviating endeavour to apply the full manpower and the full economy of the Dominion to the common end.

13. During the period when it was necessary to prepare against the possibility of actual invasion 190,000 men of a total of 355,000 of military age (18 to 45 years) were taken into the armed forces. Strenuous and successful efforts were made to meet this diminution of productive power and by the extension of working hours over a wide field of industry, by substantial overtime, by the compulsory recruitment of large numbers of women into industry, by compulsory limitation of the production of unessential goods, and by compulsory diversion of labour from unessential to essential industries it was possible on the whole to maintain production and in most fields to increase it.

14. The fighting record of New Zealand during the war has, it is felt, been fully worthy of the Dominion. More than 100,000 men, the equivalent of one in every 3½ men of military age in the total population, have been despatched abroad to the fighting fronts in Europe and in the Pacific, and the casualties have been grievous. The total New Zealand casualties up to the middle of this year have exceeded 30,000 - the equivalent of 1 in 55 of the total population of the country, or one in every three and a half of those despatched abroad. These figures will bear the closest comparison with those of any other allied combatant.

15. While the actual combatant functions of the Dominion in Stage II have yet finally to be decided in cooperation with the United States and the United Kingdom and while there will no doubt be some necessary adjustment between the proportions of the New Zealand population engaged in a combatant capacity and those engaged in the equally essential functions of war production services, it is nevertheless clear that the total war effort of New Zealand in Stage II will be no less than in Stage I.

16. Clearly, the capacity of New Zealand to continue her contribution to the total war effort of the Allies must depend to a substantial extent upon the Dominion's being provided in turn with the supplies necessary to maintain its people at a minimum standard of health and well-being, as well as for the production of those New Zealand commodities which are specifically required for war purposes.

New Zealand's Special Economic Position.

17. During the war years New Zealand has become progressively impoverished. This is due partly to the fact that her basic industry is farming and that heavy industry is not developed, but it is also due to New Zealand's substantial contribution to the war in manpower, to the lack of maintenance of equipment usually imported, and to New Zealand's individual economic position.

18. New Zealand's farm lands have suffered particularly because of fertiliser deficiency and also because of lack of maintenance. New Zealand's farm production is falling because of these factors and in successive years it is likely to fall further because annual maintenance, so necessary in New Zealand, has not been carried out. Labour has been directed rather into increasing production than into maintaining the land. New Zealand's railways have not been adequately maintained: the road-beds, the bridges and viaducts, signalling apparatus, locomotives, rolling stock, and workshops machinery are all below standard, and a substantial proportion of it has deteriorated to the stage of obsolescence. New Zealand's roads also have deteriorated because of lack of upkeep due to shortage of manpower and to lack of earth-moving machinery. In this respect it should be noted that New Zealand's earth-moving machinery is required for all types of developmental and public works and a substantial proportion of it was sent to Malaya, to the Middle East, and to the Pacific Islands. New Zealand's power industry has also suffered because of lack of normal maintenance; for example, the hydro-electric system has been able to maintain only 2/5ths of its normal annual necessary maintenance. Factories in New Zealand have been operating for much longer hours than formerly and in many cases have not

received normal replacements of equipment. Many machines over a wide sector of New Zealand's economy are completely obsolescent, New Zealand's timber stocks have been rapidly depleted because of the vast building programme necessary for New Zealand's defence, for United States troops and for buildings in the South Pacific and other war areas. Some of this capital loss is irreplaceable.

19. Not only did New Zealand enter the war with depleted stocks, much below normal requirements, but during the war the Dominion has been living on a hand to mouth basis, consuming its industrial capital. Unlike other countries which are in a position to replace worn out equipment to a large extent from their own enhanced industrial and skilled labour capacity and from basic materials within the country itself, New Zealand must continue for a long time to come to be a specialised agricultural country unable to provide herself with machinery and other equipment from her own resources.

Effects on Civilian Economy of Rationing and Austerity Programmes and Manpower Shortages.

20. New Zealand is predominantly an agricultural and pastoral country with manufacturing industries capable of catering for only a small portion of local requirements. The impact of the war with shipping difficulties and losses, coupled with production shortages overseas, had a most immediate effect on the availability of practically all consumer goods in New Zealand except locally produced foodstuffs. The only action possible was the quick and immediate imposition of a very strict rationing system.

21. All cotton and woollen textiles were severely rationed; these included not only wearing apparel, but household linen, such as blankets, sheets, towels, etc. Imported foodstuffs such as tea and sugar were rationed and the requirements of the United Kingdom, and Reciprocal Aid to the United States, led to the subsequent rationing of meat, butter and cream. Many articles were prohibited from importation to conserve shipping space and some items, while not rationed, virtually disappeared from the market; such items are canned fish, citrus fruit, canned fruit, eggs, pork and bacon. Gasoline was severely rationed and the present-day allowance

is 1 gallon a month for small cars and not more than 2 gallons a month, irrespective of the size of the car.

22. As one contribution to the war effort New Zealand voluntarily imposed controls, generally more rigid than in most countries not actually in the front line of battle. Manpower was brought under most rigid control; both men and women were directed under Manpower regulations into specific jobs in essential industry and those already in such industries were frozen in their jobs. It is expected that these controls will remain in force until after the defeat of Japan.

23. The guiding principle was the desire of the whole country to devote all its energies to the waging of war and to the production of essential war materials with particular emphasis on New Zealand's role in the production of foodstuffs for the Armed Services, for the United Kingdom, and for United States forces in the South Pacific. The standard of living has been drastically cut to provide for increased production for these purposes.

Reciprocal Aid to the U.S. Forces.

24. There is no need to elaborate on New Zealand's Reciprocal Aid contribution to the U.S. Up to April 30th, 1944, the following foodstuffs had been delivered:

	<u>Lbs.</u>
Butter	26,098,439
Cheese	8,043,615
Bacon and Ham	27,269,438
Meat, fresh	131,109,717
Meat, canned	42,945,982
Milk, evaporated	18,242,168
Sugar	40,265,729
Tea	595,525
Vegetables, canned	13,169,559
Potatoes	48,049,741
Other fresh vegetables	45,283,694
Apples, fresh	18,457,010

25. In addition to the above are camps, hospitals, landing barges, mine sweepers and other ships, footwear, uniforms, and countless other items. The estimated value for 1944 is £ N.Z. 24 millions (\$78 millions) equivalent to some 20% of New Zealand's total war expenditure. In Stage II New Zealand expects that it will be necessary to maintain the present level of Reciprocal Aid; in fact, programmes already submitted by United States Services are at least one-tenth larger than for the current year.

Requirements and Justifications in Stage II.

26. The principal items required during Stage II (other than petroleum and shipping) are as follows (all figures in dollars):-

Raw Materials

Steel	3,500,000		
Tinplate	<u>2,000,000</u>	5,500,000	
Phosphates	240,000		
Sulphur	760,000		
Miscellaneous fertilizer and chemicals	450,000		
Naval stores	250,000		
Miscellaneous Raw Materials	<u>250,000</u>		
		<u>1,950,000</u>	7,450,000
<u>Tobacco</u>			1,250,000

Manufactured Items

Trucks	1,000,000		
Automotive Parts	1,000,000		
Agricultural Implements including Tractors	3,000,000		
Hand Tools	700,000		
Miscellaneous Items	<u>375,000</u>		
			<u>6,075,000</u>
		GRAND TOTAL	<u>\$14,775,000</u>

27. Dealing with each item in turn, the following will indicate its relationship and essentiality to the war effort:-

Steel (\$3,500,000) This requirement consists not only of needs for direct munitions and war production but also for the maintenance of New Zealand's economy on a basis to continue maximum war production. While these end uses might seem to be "normal civilian", in the case of New Zealand the general civilian economy has been short for such a long period that a failure in supply now can result only in a diminution of the war effort. New Zealand has no steel industry.

Tinplate (\$2,000,000), This is needed for the packing of foodstuffs for supply to American and other military forces overseas, to the United Kingdom, and to a very limited extent to New Zealand of those articles which can be packed only in tinplate containers. Full details are available to show that the use of tinplate is strictly controlled - certainly to an extent no less strict than with the other United Nations.

Phosphates (\$240,000) and Sulphur (\$760,000). These items are required for the manufacture of phosphatic fertilisers. These are essential for the maintenance of food production in New Zealand. Information has already been transmitted through the appropriate channels to the effect that the land in New Zealand is suffering serious deficiencies through the shortage of fertilizer over a number of years. It has been agreed that food production is vital to the war effort and increased output in the Dominion is directly related to the availability of phosphatic fertilizer. An overwhelming proportion of production is for export for war purposes and the small residual is itself fundamental to the maintenance of the civilian population which is in turn vital to the maintenance of all production. The high percentage of export is shown in the following cases:-

Butter	81% of production exported.
Lamb	96% of production exported.
Cheese	98% of production exported.

Miscellaneous Fertilizer and Chemicals (\$450,000) Naval Stores (Resin, etc.) (\$250,000) Miscellaneous Raw Materials (\$250,000).

Directly or indirectly the supply of these materials is vital, particularly to the maintenance of food production - fertilizer for the land, materials for sheep dip, weed-killer, insecticides, etc.

Tobacco (\$1,250,000). This requirement is calculated to cover only the proportional requirements of military forces, prisoner of war shipments, and other supplies related to military needs. Without question, tobacco is necessary to maintain the morale of the fighting forces.

Trucks (\$1,000,000), Automotive Parts (\$1,000,000). It is obvious that a factor essential to the maintenance of the war effort, the shipment of foodstuffs, and the movement of raw materials and military goods, etc., is transport. All transport is strictly controlled. Gasoline is rationed on a strict basis as previously outlined. These transport needs are vital and any "civilian" proportion is itself necessary to the functioning of the whole effort.

Agricultural Implements (\$3,000,000). The necessity for these is obvious and the role of foodstuffs as a war factor has been referred to above.

Hand Tools (\$700,000), Miscellaneous Manufactured Items (\$375,000)

It is apparent that the general industrial war effort of New Zealand needs maintenance attention in the form of miscellaneous hand tools, equipment, etc., in a situation aggravated by a long period of shortage of manpower for maintenance purposes, lack of importation of capital equipment, and over-working of existing plant. In many cases, since the equipment must go into stock for call as needed, it is impossible to pre-identify war uses, but, nevertheless, essentiality remains.

Petroleum and Shipping.

28. This submission does not cover our requirements under the heading of Petroleum and Shipping since these categories are being discussed in a global sense in the United Kingdom presentation. The requirements under these headings, however, are at least of equal importance to New Zealand as those categories of goods dealt with in this submission. It is requested, therefore, that no action be taken to disturb present policy relating to petroleum or shipping.

Diversions

29. It is submitted that particular consideration should be accorded to New Zealand owing to the special position in which New Zealand was placed at the outbreak of the Japanese war. Materials imported (not manufactured in New Zealand) for essential national purposes were placed at the disposal of the Armed Services. For example, tractors were withdrawn from maintenance of roads, forestry operations, etc., and despatched to the Pacific Islands to construct aerodromes. Stocks of materials that would normally have been used for maintenance of industry were utilized for emergency construction of military camps, hospitals, and other facilities for the large number of American forces that arrived at short notice in New Zealand. In this connection, it will no doubt be borne in mind that while a large proportion of New Zealand's Reciprocal Aid has necessarily taken the form of consumable goods the Lend-Lease assistance it has received has been predominantly non-consumable goods used for the most part solely for war purposes.

30. A limited quantity of Lend-Lease goods already in New Zealand is not now required for its original purpose but is urgently needed in New Zealand for essential civilian requirements including, for example, rural housing, necessary for the continued production of foodstuffs, and an expeditious procedure is necessary in regard to the diversion to essential civilian use of goods originally supplied through Lend-Lease for other purposes.

Civilian Proportions.

31. There has been an increasing tendency to exclude proportions of requirements because they are "civilian", even though these requirements have been endorsed both by the Foreign Economic Mission and the representative of Comsopac in New Zealand as being necessary to the Dominion's war effort. The war effort of New Zealand is the maximum the country can undertake. This war effort is dependent on the maintenance of a minimum economy and thus these "civilian" requirements are

just as essential as direct military materials. It is submitted, therefore, that this form of differentiation with a view to the exclusion of "civilian" proportions should be discontinued because failing the supply of these goods the New Zealand war effort must decline. This situation is peculiarly applicable to New Zealand because of the specialisation of its economy, its dependence on imports, the mixed nature of its war production, its distance from supply sources, and thus the necessity for the holding of advance stocks, the comparative lack of direct military manufactures and the long-maintained drain on civilian facilities. For these reasons it is submitted that the maintenance of essential civilian activity is itself essential to a continued and sustained war effort and that no distinction should properly be drawn for Lend-Lease purposes.

Final Observations

32. It is desired to emphasise that the predominant purpose of the New Zealand Government in expressing these views on Lend-Lease in Stage II, so far as it applies to New Zealand, is to enable the Dominion to continue in the future the policy adopted in the past of endeavouring to carry out to its fullest capacity any war measure it is requested to undertake,

INDIA

33. The attached statement gives a more detailed breakdown of the non-munitions requirements of India during Stage II (1945).

34. In putting forward this statement it is desired to emphasise (a) that India has received comparatively little Lend Lease aid for her non-military needs, and (b) that her military needs are not confined to munitions. For example, steel supplied on Lend Lease is mainly for military requirements; and this is more or less true of the remainder of the programme of Lend Lease requirements in the non-munitions field.

35. The difficulty of distinguishing between strictly military and general requirements is well illustrated by the application for locomotives and freight cars on Lend Lease specified below. This was originally included in the military requirements, but has been referred back by the U.S. War Department for inclusion in the non-munitions programme. From the strictly military point of view, if the U.S. supplies are treated as marginal to the corresponding orders for locomotives from the U.K. and Canada already under contract, they are not considered of the first order of priority. The freight wagons, on the other hand, are considered by the British and Indian military authorities as indispensable for war purposes, and will probably have to be purchased for cash in the United States if the application for supply on Lend Lease is not agreed. Quite apart, however, from the views of the military authorities, this rolling stock is unquestionably of the highest significance for the maintenance of the Indian civilian population in conditions where they are able to put forth their best efforts for the war. The recent famine in Bengal was greatly aggravated by lack of rolling stock. Bengal is always a deficiency food area, and the loss of rice from Burma has greatly increased the transport problem. The following is an extract from a telegram just received from the Government of India:-

"The decisions of Quebec are serious in their effect on

port capacity and transport facilities in India. The satisfaction of the additional military requirements will put a strain mainly on the railways, which will necessitate a reduction of civilian traffic of from 8 to 12%. At the peak of the military movement, not only passenger traffic but also industrial production, military works services and possibly food, will have to be curtailed for a considerable time. This strain can be considerably relieved by the provision of more coastal shipping and by expediting the delivery of railway rolling stock from the United States".

A refusal to supply the additional rolling stock will be taking the responsibility of allowing no margin to meet such contingencies as food difficulties or famine in any part of India. It would be impossible for the U.K. to produce the locomotives and wagons by the time that they will be needed, because manufacture could not commence until at least six months after it could be put in hand in the United States.

36. The estimates given in the statement below were framed prior to the decisions reached at the Quebec Conference. The increased burden which will be placed on India as a result of the Quebec decisions is not yet ascertainable. Present indications are, however, that the additional burden will be substantial. The effect of any such increase on the already strained resources of India is giving very serious anxiety to the Government of India, who have recently submitted representations to the United Kingdom Government in the matter.

37. India's war effort has been all-embracing. The best available statistics suggest that nearly a quarter of the national income of British India is being absorbed by the war effort in the form of direct military expenditure in India, the production of military stores and net exports of raw materials for use elsewhere. Disbursements in India for defence purposes are in fact seventeen times the pre-war figure, which itself was high in relation to the resources of the country.

38. This contribution must not be judged by direct comparison with the corresponding figures for highly industrialised economies

with comfortable standards of living, where a substantial margin existed on which, in emergency, drafts could be made. It has been wrung from a country where, though there are a few very high incomes, the great majority are so near the very border-line of subsistence that the average income comes down to the equivalent of about \$40 a year. Nowhere, except perhaps in China, has the human cost of the war behind the lines been higher. The large numbers who have perished from famine and disease are only the most outstanding and measurable illustration of this.

39. In the view of the Government of India the peak of national effort has been reached: hence their anxiety as to the effect on the national economy of any further burden arising from the Quebec decisions. Substantial and increased aid from outside is essential to maintain India's war effort and her internal economy.

INDIAN REQUIREMENTS UNDER LEND LEASE IN STAGE II
(excluding military requirements, oil and shipping)

<u>REQUIREMENTS</u>		<u>REMARKS</u>
1. Steel	\$23,000,000	Includes - (a) wire rope for collieries, shipping operations, railways, harbours, etc.; (b) mill rolls for steel rolling mills; (c) boiler tubes, rails, wheels, tyres and axles etc. for railways; (d) tinplate for foods and medicines for the armed forces; (e) bolts and nuts for use in munitions production, ship repair, construction of rolling stock, military vehicles, army bridges, docks, etc. (f) hoop and strip for baling jute, cotton etc.
2. Other raw materials	\$13,000,000	Includes - (a) carbon blacks required for paint for military and camouflage purposes; for cable manufacture; industrial hose, gas masks, army footwear, etc. (b) tyre manufacturing materials required for manufacture of military and aircraft tyres. (c) rayon and nylon used in the production of U.S.A.A.F. aircraft tyres. (d) sulphur, mainly required for production of sulphuric acid for war industries. (e) abrasives for the manufacture of grinding wheels used in the manufacture of rifles, machine guns and other ordnance. (f) battery materials for use in two Indian factories whose output is mainly for military use. (g) masonite for construction of bodies and radio boxes for military vehicles, combat and cargo vessels, pontoons, instrument panels for aircraft, etc. (h) paper for military and government use. (i) timber for construction of harbour lighters and small craft and for ship repair generally. (j) ferro alloys for use in the manufacture of mill rolls and high speed tool steels.

3. Miscellaneous manufactured goods	\$12,000,000	<p>Includes</p> <ul style="list-style-type: none"> (a) woodworking tools. (b) metal cutting tools and files and rasps for the manufacture and maintenance of equipment in ordnance factories, shipyards, railway shops, etc. (c) spares for pneumatic tools required for use by railway shops, mica mining, ship repair shops, etc. (d) farm tractors. (e) lamp batteries and cells for flashlights for the armed forces and for maintenance of signalling and other operational uses on railways, etc. (f) typewriters for use in Government offices and ordnance factories. (g) miscellaneous engineering items.
4. Tobacco	\$3,000,000	<p>Required for incorporation with Indian tobacco in the manufacture of cigarettes and pipe tobacco for the armed forces.</p>
5. Food for Indian Canteen Services	\$3,000,000	<p>The Indian canteen services operate solely to meet the need of the Allied armies within the borders of India. The canteen service is under the control of the Quartermaster General in India. All canteen stores are issued by the canteen services in accordance with a basic scale determined by the military authorities. Distribution is effected only through installations under the control of the Quartermaster General in India.</p>
6. Locomotives and wagons	\$30,000,000	<p>Referred back by U.S. War Department for inclusion in non-munitions programme - see para. 35 above. Comprises 60 broad gauge locomotives, 128 metre gauge locomotives, 6,000 broad gauge wagons and 1,717 metre gauge wagons.</p>
GRAND TOTAL	\$84,000,000	

CORRIGENDA TO 'BRITISH REQUIREMENTS DURING FIRST YEAR OF STAGE II'

Page 23: For the table and second foot-note substitute the following:-

Food	1368	1064
Oil	956**	353**
Shipping	1062	877
Raw Materials	444	222
Miscellaneous Goods	042	013
	<hr/>	<hr/>
	3872	2529

** The estimate in the 1944-1945 appropriation was made on a gross basis. As it has been recently decided to omit from Lend-Lease and Reciprocal Aid respectively oil of U.S. origin retransferred to the U.S. Forces (in certain areas, see under Oil in Supplement) the estimate for Stage II is made on a net basis. The comparative gross figure for Stage II would be .62.

Page 28,29: The entire section after the words "it should be noted" at the beginning of the third sentence of the first paragraph is superseded by the note on oil at the beginning of this Supplement.

Page 30, Para. 3, line 1: For "\$990 read "\$877"

Page 31, Item 6, Column 2: For "300,000" read "190,000"

Item 14, Column 2: For "6,240" read "Nil".

Total, Column 2: For "992,960" read "876,720".

Foot-note: * Superseded.

See paragraph on Shipping in Supplement.

Pages 35-43: See Supplement to Chapter 3

Pages 44-47: See Amplification of Material in Chapter 4.

Annex A

Page 14: Dollar payments to third countries in 1945 are there estimated at \$225 millions. Further enquiry into the basis of this estimate was invited, since it was not easy to see how so large a total could be built up. It now appears that certain items have been included originally payable in terms of dollars but subsequently recoverable also in terms of dollars, thus causing no

net dollar burden. We are now informed that the correct net figure should be \$167 millions. Of this, \$118 millions consists of payments to the Caribbean and Central America for sugar and oil; and apart from certain small sundry items, the balance is substantially represented by reimbursements to Canada for U.S. dollar payments incurred on our behalf through Canadian agencies.

AMPLIFICATION OF MATERIAL IN CHAPTER 4LEND-LEASE REQUIREMENTS OF AUSTRALIA, NEW ZEALAND AND INDIA

1. As explained in para. 1 of Chapter 4 of the document relating to British Requirements in the First Year of Stage II, the programmes submitted by the United Kingdom include supplies required from the United States by Australia, New Zealand and India in the field of munitions (except aircraft and aircraft components), oil and shipping. The following notes by the Australian, New Zealand and Indian supply representatives in Washington explain the need of their respective countries for food, raw materials and civilian goods under Lend-Lease in Stage II and itemise these requirements in greater detail. Where the figures given below differ from those in the earlier document, the previous estimates should be disregarded.

AUSTRALIAThe Australian War Effort

2. The Australian war effort is likely to have to continue at the maximum degree of intensity for a longer period than that of most other members of the United Nations. At the earliest possible time Australian forces were engaged in the Mediterranean area and supplies of all kinds were being sent to that and other theatres of war. When Singapore fell, Australia was short of men and munitions, because everything possible had been sent abroad to the actual fields of action. American forces and American supplies filled the gap and became the basis for the counter-offensive. The remnants of the Australian Navy and some of Australia's experienced jungle troops are now in the Phillipines.

3. The Australian war effort has strained her resources and manpower to an extent which is hard to measure, because much of it is in the production of ordinary foods and farm supplies. But the austerity of civilian life in Australia has become very pronounced.

4. Every possible fighting man has been used. Seven out of every ten males between the ages of 18 and 35 have

served in the fighting forces. From a total population of about 7½ millions, 891,000 males were enlisted and 80,000 have become casualties. The numbers engaged in fighting and essential industries exceed the prewar total of the working population by 170,000 and comprise 71% of the total population between the ages of 15 and 60.

Reciprocal Aid

5. Comparisons with other countries are not really practicable even if they were desirable. It may be of interest to note that one fifth of the total war expenditure in Australia is for reciprocal aid to the U.S.A. forces. The dollar value of this aid, so far as it can be measured at all, is of course incomplete. But to the end of June 1944, the value was estimated at a total of \$570 millions. The dollar measure understates the Australian contribution in terms of manpower and of real effort, because the rate of exchange which must be used to convert Australian currency into dollar values does not correspond to real values.

6. Reciprocal Aid to the U.S.A. forces commenced long before there was any formal agreement on the subject. It commenced with food sent to Bataan. The Australian people have given unstintingly and have gone without normal necessities in co-operation with their Government in the provision of requirements for the American forces. The needs of these forces have been given a high priority in Australian production and have indeed required many adjustments of the Australian production programmes.

Lend-Lease Requirements in 1945.

7. The attached figures are estimates of Lend-Lease requirements for delivery in Australia during the calendar year 1945. They divide the programme into categories which include "non-munitions" items. But it must be emphasized that the so-called non-munitions programme is very largely made up of military requirements, direct or indirect. For instance, the food requirements are largely for the use of the armed forces; the timber is required almost entirely for war purposes, inasmuch as general building construction has

been rigorously controlled; the synthetic rubber is needed for the manufacture of military and essential war service vehicles; agricultural implements are needed for the Food Programme designed to meet the requirements of the armed forces and United Kingdom needs, and so one could go on through each item on the list. These are cited by way of example.

8. It may be observed that the non-munitions requirements for 1945 (exclusive of Petroleum and Shipping Freights included in the United Kingdom programme) total \$102 millions. By way of comparison, expenditure in Australia upon non-munitions items provided under Reciprocal Aid has been at the rate of \$360 millions per annum. It is submitted that continuance of a substantial measure of Lend-Lease, without continual scaling down on questions of eligibility, civilian end-use, etc., is necessary to enable the maintenance of a reasonably balanced economy.

Australia's Need for some Relief of War Strain

9. As prospects are at present, there is in sight no relief for Australia of her present war strain until the war in the Pacific is ended. Indeed as operations in that vast area are accelerated the strain could become so intense as to pass the limits of tolerance, having regard to the five years already suffered. There are no prospects of converting war production to peace production, nor any diversions of effort such as are contemplated elsewhere. This prospect has now become serious in view of the almost desperate shortage of housing and of other elementary necessities of normal civil life. In our transport and our farm and industrial equipment, the wear and tear of the war effort has reached far beyond normal limits of tolerance.

10. There is an expectation that some general relaxation of effort on a substantial scale, both in the United States and in the United Kingdom, is to follow the end of the war in Europe. Since Australia will remain in the area of hostilities, it is most unlikely that comparable relaxations or demobilisations from the war effort will be possible for

her. For this reason, Australia considers it reasonable that such steps as are practicable shall be taken to allow her such relief as is possible, and she hopes that, in consideration of the present problems, this aspect will not be overlooked.

11. The Australian Agencies in Washington stand ready to furnish any further information which may be required, to supply further substantiation on any point which may be in doubt and to represent the Australian case in any manner which may be deemed to be desirable or helpful.

LEND-LEASE REQUIREMENTS OF AUSTRALIA IN STAGE IINON-MUNITIONS BREAKDOWN
EXCLUDING PETROLEUM AND SHIPPING FREIGHTS

(all figures in millions of dollars)

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(a) <u>Food</u>		
Tobacco - Leaf	3.1	Military requirements only. An additional \$8½ millions required for civilian purposes.
Tobacco - Native Twist	.9	Used for payment of native porters in forward battle areas.
Canned Fish - Salmon	1.4	For requirement of armed forces only. Civilian use prohibited
- Pilchards	.6	Australian food programme for allied forces.
Seeds - Vegetable	.6	Australian food programme for allied forces.
Sausage casings	.1	Australian food programme for allied forces.
- artificial		
Coca Cola Concentrate & misc.	.3	Coca Cola Concentrate in amount of \$275,000 entirely for U.S. Forces.
	7.0	
(b) <u>Raw Materials</u>		
Tinplate	14.0	95% for use in canning programme for allied forces
Metals - Carbon Steel	1.2	Various industrial purposes directly connected with munitions programme.
- Alloy Steel	1.0	
- Non-Ferrous	.8	
Timber - Soft Wood	2.4	Military and war production and construction. Civilian construction prohibited.
- Hard wood	1.4	
- Plywood	.2	
Pulp & Paper - Woodpulp	2.0	To augment Australian production which is inadequate for war purposes -- paper usage all under strict and rigid control.
- Fine Paper	3.5	
- Wrapping Paper	1.8	
- Sanitary & Tissue	1.0	
- All Other Paper	.7	
Raw Cotton incl. Linters		Military textiles, surgical dressings etc. Largely for use in military tire programmes supply under instructions of Combined Boards.
- Raw	2.8	
- Linters	.2	
Synthetic Rubber - GRS	6.0	

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(b) <u>Raw Materials (Cont'd)</u>		
Carried forward	39.0	
Chemicals - Phosphate Rock	2.1	Required in connection with food programme.
- Insecticides	1.8	Required in connection with food programme.
- Sulphur	.5	Required in munitions programme.
- Photographic	.6	Required for indirect military uses.
- Alcohols	.6	Industrial alcohols required for munitions programme
- Chrome	.6	For tanning and textile industry - producing direct military requirements.
- Miscellaneous	1.8	
Miscellaneous		
- Abrasive Grains	.6	General war production usage.
- Carbon Black	1.2	Tire programme.
- Plastics	1.5	General war production usage.
- Miscellaneous	<u>.7</u>	
	51.0	
(c) <u>End Products</u>		
Automotive - Vehicles	7.0	Essential civilian war-time transport and agricultural transport-civilian gasoline rationing extremely rigid.
- Spares	2.5	
- Stationary Engines	.5	Required for incorporation in mobile welding sets, pumping units, etc. required by armed forces.
Agricultural Implements		
- Tractors	5.5	Required for food programme.
- Spares	1.1	
- Miscellaneous	2.4	
Coal Mining Machinery (Underground)	.5	
Bearings	.5	Required for maintenance of armed services' equipment performed by civilians. An additional \$1,000,000 required for general industrial purposes related directly to the war effort.
Medical Supplies		For use in Australian hospitals at the service of Allied forces.
- X-Ray	.8	
- Surgical	.3	
- Drugs	1.1	
- Proprietary	.2	
- Miscellaneous	.6	

<u>Description</u>	<u>Value</u>	<u>Remarks</u>
(c) <u>End Products (Cont'd)</u>		
Carried forward	23.0	
Textiles - Belting Duck	.5	General industrial war production use.
- Cotton Tyre Cord	4.6	Military tyre programme
- Rayon Tyre Cord	2.1	Military tyre programme
- Rayon Tyre Fabric	2.8	Military tyre programme
Silver-Bullion/Coinage	5.0	Returnable in kind under special agreement.
Miscellaneous - Film	.2	Entertainment of armed forces.
- Photographic	.2	Entertainment of armed forces.
- Business Machines	.5	To be used directly by armed forces.
- Hand Tools	2.0	General war production use.
- Elec. Equipment	1.9	General war production use.
- Industrial Eqpt.	1.2	General war production use.
	<u>44.0</u>	
GRAND TOTAL	<u>\$102.0</u>	

NEW ZEALANDThe New Zealand War Effort.

12. New Zealand approaches Stage II after over five years of war - five years of unremitting and undeviating endeavour to apply the full manpower and the full economy of the Dominion to the common end.

13. During the period when it was necessary to prepare against the possibility of actual invasion 190,000 men of a total of 355,000 of military age (18 to 45 years) were taken into the armed forces. Strenuous and successful efforts were made to meet this diminution of productive power and by the extension of working hours over a wide field of industry, by substantial overtime, by the compulsory recruitment of large numbers of women into industry, by compulsory limitation of the production of unessential goods, and by compulsory diversion of labour from unessential to essential industries it was possible on the whole to maintain production and in most fields to increase it.

14. The fighting record of New Zealand during the war has, it is felt, been fully worthy of the Dominion. More than 100,000 men, the equivalent of one in every 3½ men of military age in the total population, have been despatched abroad to the fighting fronts in Europe and in the Pacific, and the casualties have been grievous. The total New Zealand casualties up to the middle of this year have exceeded 30,000 - the equivalent of 1 in 55 of the total population of the country, or one in every three and a half of those despatched abroad. These figures will bear the closest comparison with those of any other allied combatant.

15. While the actual combatant functions of the Dominion in Stage II have yet finally to be decided in cooperation with the United States and the United Kingdom and while there will no doubt be some necessary adjustment between the proportions of the New Zealand population engaged in a combatant capacity and those engaged in the equally essential functions of war production services, it is nevertheless clear that the total war effort of New Zealand in Stage II will be no less than in Stage I.

16. Clearly, the capacity of New Zealand to continue her contribution to the total war effort of the Allies must depend to a substantial extent upon the Dominion's being provided in turn with the supplies necessary to maintain its people at a minimum standard of health and well-being, as well as for the production of those New Zealand commodities which are specifically required for war purposes.

New Zealand's Special Economic Position.

17. During the war years New Zealand has become progressively impoverished. This is due partly to the fact that her basic industry is farming and that heavy industry is not developed, but it is also due to New Zealand's substantial contribution to the war in manpower, to the lack of maintenance of equipment usually imported, and to New Zealand's individual economic position.

18. New Zealand's farm lands have suffered particularly because of fertiliser deficiency and also because of lack of maintenance. New Zealand's farm production is falling because of these factors and in successive years it is likely to fall further because annual maintenance, so necessary in New Zealand, has not been carried out. Labour has been directed rather into increasing production than into maintaining the land. New Zealand's railways have not been adequately maintained: the road-beds, the bridges and viaducts, signalling apparatus, locomotives, rolling stock, and workshops machinery are all below standard, and a substantial proportion of it has deteriorated to the stage of obsolescence. New Zealand's roads also have deteriorated because of lack of upkeep due to shortage of manpower and to lack of earth-moving machinery. In this respect it should be noted that New Zealand's earth-moving machinery is required for all types of developmental and public works and a substantial proportion of it was sent to Malaya, to the Middle East, and to the Pacific Islands. New Zealand's power industry has also suffered because of lack of normal maintenance; for example, the hydro-electric system has been able to maintain only 2/5ths of its normal annual necessary maintenance. Factories in New Zealand have been operating for much longer hours than formerly and in many cases have not

received normal replacements of equipment. Many machines over a wide sector of New Zealand's economy are completely obsolescent. New Zealand's timber stocks have been rapidly depleted because of the vast building programme necessary for New Zealand's defence, for United States troops and for buildings in the South Pacific and other war areas. Some of this capital loss is irreplaceable.

19. Not only did New Zealand enter the war with depleted stocks, much below normal requirements, but during the war the Dominion has been living on a hand to mouth basis, consuming its industrial capital. Unlike other countries which are in a position to replace worn out equipment to a large extent from their own enhanced industrial and skilled labour capacity and from basic materials within the country itself, New Zealand must continue for a long time to come to be a specialised agricultural country unable to provide herself with machinery and other equipment from her own resources.

Effects on Civilian Economy of Rationing and Austerity Programmes and Manpower Shortages.

20. New Zealand is predominantly an agricultural and pastoral country with manufacturing industries capable of catering for only a small portion of local requirements. The impact of the war with shipping difficulties and losses, coupled with production shortages overseas, had a most immediate effect on the availability of practically all consumer goods in New Zealand except locally produced foodstuffs. The only action possible was the quick and immediate imposition of a very strict rationing system.

21. All cotton and woollen textiles were severely rationed; these included not only wearing apparel, but household linen, such as blankets, sheets, towels, etc. Imported foodstuffs such as tea and sugar were rationed and the requirements of the United Kingdom, and Reciprocal Aid to the United States, led to the subsequent rationing of meat, butter and cream. Many articles were prohibited from importation to conserve shipping space and some items, while not rationed, virtually disappeared from the market; such items are canned fish, citrus fruit, canned fruit, eggs, pork and bacon. Gasoline was severely rationed and the present-day allowance

is 1 gallon a month for small cars and not more than 2 gallons a month, irrespective of the size of the car.

22. As one contribution to the war effort New Zealand voluntarily imposed controls, generally more rigid than in most countries not actually in the front line of battle. Manpower was brought under most rigid control; both men and women were directed under Manpower regulations into specific jobs in essential industry and those already in such industries were frozen in their jobs. It is expected that these controls will remain in force until after the defeat of Japan.

23. The guiding principle was the desire of the whole country to devote all its energies to the waging of war and to the production of essential war materials with particular emphasis on New Zealand's role in the production of foodstuffs for the Armed Services, for the United Kingdom, and for United States forces in the South Pacific. The standard of living has been drastically cut to provide for increased production for these purposes.

Reciprocal Aid to the U.S. Forces.

24. There is no need to elaborate on New Zealand's Reciprocal Aid contribution to the U.S. Up to April 30th, 1944, the following foodstuffs had been delivered:

	<u>Lbs.</u>
Butter	26,098,439
Cheese	8,043,615
Bacon and Ham	27,269,438
Meat, fresh	131,109,717
Meat, canned	42,945,982
Milk, evaporated	18,242,168
Sugar	40,265,729
Tea	595,525
Vegetables, canned	13,169,559
Potatoes	48,049,741
Other fresh vegetables	45,283,694
Apples, fresh	18,457,010

25. In addition to the above are camps, hospitals, landing barges, mine sweepers and other ships, footwear, uniforms, and countless other items. The estimated value for 1944 is £ N.Z. 24 millions (\$78 millions) equivalent to some 20% of New Zealand's total war expenditure. In Stage II New Zealand expects that it will be necessary to maintain the present level of Reciprocal Aid; in fact, programmes already submitted by United States Services are at least one-tenth larger than for the current year.

Requirements and Justifications in Stage II.

26. The principal items required during Stage II (other than petroleum and shipping) are as follows (all figures in dollars):-

Raw Materials

Steel	3,500,000		
Tinplate	<u>2,000,000</u>	5,500,000	
Phosphates	240,000		
Sulphur	760,000		
Miscellaneous fertilizer and chemicals	450,000		
Naval stores	250,000		
Miscellaneous Raw Materials	<u>250,000</u>		
		<u>1,950,000</u>	7,450,000
<u>Tobacco</u>			1,250,000

Manufactured Items

Trucks	1,000,000		
Automotive Parts	1,000,000		
Agricultural Implements including Tractors	3,000,000		
Hand Tools	700,000		
Miscellaneous Items	<u>375,000</u>		
			<u>6,075,000</u>
		GRAND TOTAL	<u>\$14,775,000</u>

27. Dealing with each item in turn, the following will indicate its relationship and essentiality to the war effort:-

Steel (\$3,500,000) This requirement consists not only of needs for direct munitions and war production but also for the maintenance of New Zealand's economy on a basis to continue maximum war production. While these end uses might seem to be "normal civilian", in the case of New Zealand the general civilian economy has been short for such a long period that a failure in supply now can result only in a diminution of the war effort. New Zealand has no steel industry.

Tinplate (\$2,000,000). This is needed for the packing of foodstuffs for supply to American and other military forces overseas, to the United Kingdom, and to a very limited extent to New Zealand of those articles which can be packed only in tinplate containers. Full details are available to show that the use of tinplate is strictly controlled - certainly to an extent no less strict than with the other United Nations.

Phosphates (\$240,000) and Sulphur (\$760,000). These items are required for the manufacture of phosphatic fertilisers. These are essential for the maintenance of food production in New Zealand. Information has already been transmitted through the appropriate channels to the effect that the land in New Zealand is suffering serious deficiencies through the shortage of fertilizer over a number of years. It has been agreed that food production is vital to the war effort and increased output in the Dominion is directly related to the availability of phosphatic fertilizer. An overwhelming proportion of production is for export for war purposes and the small residual is itself fundamental to the maintenance of the civilian population which is in turn vital to the maintenance of all production. The high percentage of export is shown in the following cases:-

Butter	81% of production exported.
Lamb	96% of production exported.
Cheese	98% of production exported.

Miscellaneous Fertilizer and Chemicals (\$450,000) Naval Stores (Resin, etc.) (\$250,000) Miscellaneous Raw Materials (\$250,000). Directly or indirectly the supply of these materials is vital, particularly to the maintenance of food production - fertilizer for the land, materials for sheep dip, weed-killer, insecticides, etc.

Tobacco (\$1,250,000). This requirement is calculated to cover only the proportional requirements of military forces, prisoner of war shipments, and other supplies related to military needs. Without question, tobacco is necessary to maintain the morale of the fighting forces.

Trucks (\$1,000,000), Automotive Parts (\$1,000,000). It is obvious that a factor essential to the maintenance of the war effort, the shipment of foodstuffs, and the movement of raw materials and military goods, etc., is transport. All transport is strictly controlled. Gasoline is rationed on a strict basis as previously outlined. These transport needs are vital and any "civilian" proportion is itself necessary to the functioning of the whole effort.

Agricultural Implements (\$3,000,000). The necessity for these is obvious and the role of foodstuffs as a war factor has been referred to above.

Hand Tools (\$700,000), Miscellaneous Manufactured Items (\$375,000)

It is apparent that the general industrial war effort of New Zealand needs maintenance attention in the form of miscellaneous hand tools, equipment, etc., in a situation aggravated by a long period of shortage of manpower for maintenance purposes, lack of importation of capital equipment, and over-working of existing plant. In many cases, since the equipment must go into stock for call as needed, it is impossible to pre-identify war uses, but, nevertheless, essentiality remains.

Petroleum and Shipping.

28. This submission does not cover our requirements under the heading of Petroleum and Shipping since these categories are being discussed in a global sense in the United Kingdom presentation. The requirements under these headings, however, are at least of equal importance to New Zealand as those categories of goods dealt with in this submission. It is requested, therefore, that no action be taken to disturb present policy relating to petroleum or shipping.

Diversions

29. It is submitted that particular consideration should be accorded to New Zealand owing to the special position in which New Zealand was placed at the outbreak of the Japanese war. Materials imported (not manufactured in New Zealand) for essential national purposes were placed at the disposal of the Armed Services. For example, tractors were withdrawn from maintenance of roads, forestry operations, etc., and despatched to the Pacific Islands to construct aerodromes. Stocks of materials that would normally have been used for maintenance of industry were utilized for emergency construction of military camps, hospitals, and other facilities for the large number of American forces that arrived at short notice in New Zealand. In this connection, it will no doubt be borne in mind that while a large proportion of New Zealand's Reciprocal Aid has necessarily taken the form of consumable goods the Lend-Lease assistance it has received has been predominantly non-consumable goods used for the most part solely for war purposes.

30. A limited quantity of Lend-Lease goods already in New Zealand is not now required for its original purpose but is urgently needed in New Zealand for essential civilian requirements including, for example, rural housing, necessary for the continued production of foodstuffs, and an expeditious procedure is necessary in regard to the diversion to essential civilian use of goods originally supplied through Lend-Lease for other purposes.

Civilian Proportions.

31. There has been an increasing tendency to exclude proportions of requirements because they are "civilian", even though these requirements have been endorsed both by the Foreign Economic Mission and the representative of Comsopac in New Zealand as being necessary to the Dominion's war effort. The war effort of New Zealand is the maximum the country can undertake. This war effort is dependent on the maintenance of a minimum economy and thus these "civilian" requirements are

just as essential as direct military materials. It is submitted, therefore, that this form of differentiation with a view to the exclusion of "civilian" proportions should be discontinued because failing the supply of these goods the New Zealand war effort must decline. This situation is peculiarly applicable to New Zealand because of the specialisation of its economy, its dependence on imports, the mixed nature of its war production, its distance from supply sources, and thus the necessity for the holding of advance stocks, the comparative lack of direct military manufactures and the long-maintained drain on civilian facilities. For these reasons it is submitted that the maintenance of essential civilian activity is itself essential to a continued and sustained war effort and that no distinction should properly be drawn for Lend-Lease purposes.

Final Observations

32. It is desired to emphasise that the predominant purpose of the New Zealand Government in expressing these views on Lend-Lease in Stage II, so far as it applies to New Zealand, is to enable the Dominion to continue in the future the policy adopted in the past of endeavouring to carry out to its fullest capacity any war measure it is requested to undertake.

INDIA

33. The attached statement gives a more detailed breakdown of the non-munitions requirements of India during Stage II (1945).

34. In putting forward this statement it is desired to emphasise (a) that India has received comparatively little Lend Lease aid for her non-military needs, and (b) that her military needs are not confined to munitions. For example, steel supplied on Lend Lease is mainly for military requirements; and this is more or less true of the remainder of the programme of Lend Lease requirements in the non-munitions field.

35. The difficulty of distinguishing between strictly military and general requirements is well illustrated by the application for locomotives and freight cars on Lend Lease specified below. This was originally included in the military requirements, but has been referred back by the U.S. War Department for inclusion in the non-munitions programme. From the strictly military point of view, if the U.S. supplies are treated as marginal to the corresponding orders for locomotives from the U.K. and Canada already under contract, they are not considered of the first order of priority. The freight wagons, on the other hand, are considered by the British and Indian military authorities as indispensable for war purposes, and will probably have to be purchased for cash in the United States if the application for supply on Lend Lease is not agreed. Quite apart, however, from the views of the military authorities, this rolling stock is unquestionably of the highest significance for the maintenance of the Indian civilian population in conditions where they are able to put forth their best efforts for the war. The recent famine in Bengal was greatly aggravated by lack of rolling stock. Bengal is always a deficiency food area, and the loss of rice from Burma has greatly increased the transport problem. The following is an extract from a telegram just received from the Government of India:-

"The decisions of Quebec are serious in their effect on

port capacity and transport facilities in India. The satisfaction of the additional military requirements will put a strain mainly on the railways, which will necessitate a reduction of civilian traffic of from 8 to 12%. At the peak of the military movement, not only passenger traffic but also industrial production, military works services and possibly food, will have to be curtailed for a considerable time. This strain can be considerably relieved by the provision of more coastal shipping and by expediting the delivery of railway rolling stock from the United States".

A refusal to supply the additional rolling stock will be taking the responsibility of allowing no margin to meet such contingencies as food difficulties or famine in any part of India. It would be impossible for the U.K. to produce the locomotives and wagons by the time that they will be needed, because manufacture could not commence until at least six months after it could be put in hand in the United States.

36. The estimates given in the statement below were framed prior to the decisions reached at the Quebec Conference. The increased burden which will be placed on India as a result of the Quebec decisions is not yet ascertainable. Present indications are, however, that the additional burden will be substantial. The effect of any such increase on the already strained resources of India is giving very serious anxiety to the Government of India, who have recently submitted representations to the United Kingdom Government in the matter.

37. India's war effort has been all-embracing. The best available statistics suggest that nearly a quarter of the national income of British India is being absorbed by the war effort in the form of direct military expenditure in India, the production of military stores and net exports of raw materials for use elsewhere. Disbursements in India for defence purposes are in fact seventeen times the pre-war figure, which itself was high in relation to the resources of the country.

38. This contribution must not be judged by direct comparison with the corresponding figures for highly industrialised economies,

with comfortable standards of living, where a substantial margin existed on which, in emergency, drafts could be made. It has been wrung from a country where, though there are a few very high incomes, the great majority are so near the very border-line of subsistence that the average income comes down to the equivalent of about \$40 a year. Nowhere, except perhaps in China, has the human cost of the war behind the lines been higher. The large numbers who have perished from famine and disease are only the most outstanding and measurable illustration of this.

39. In the view of the Government of India the peak of national effort has been reached: hence their anxiety as to the effect on the national economy of any further burden arising from the Quebec decisions. Substantial and increased aid from outside is essential to maintain India's war effort and her internal economy.

INDIAN REQUIREMENTS UNDER LEND LEASE IN STAGE II
(excluding military requirements, oil and shipping)

<u>REQUIREMENTS</u>	<u>REMARKS</u>
1. Steel \$23,000,000	Includes - (a) wire rope for collieries, shipping operations, railways, harbours, etc.; (b) mill rolls for steel rolling mills; (c) boiler tubes, rails, wheels, tyres and axles etc. for railways; (d) tinfoil for foods and medicines for the armed forces; (e) bolts and nuts for use in munitions production, ship repair, construction of rolling stock, military vehicles, army bridges, docks etc. (f) hoop and strip for baling jute, cotton etc.
2. Other raw materials \$13,000,000	Includes - (a) carbon blacks required for paint for military and camouflage purposes; for cable manufacture; industrial hose, gas masks, army footwear, etc. (b) tyre manufacturing materials required for manufacture of military and aircraft tyres. (c) rayon and nylon used in the production of U.S.A.A.F. aircraft tyres. (d) sulphur, mainly required for production of sulphuric acid for war industries. (e) abrasives for the manufacture of grinding wheels used in the manufacture of rifles, machine guns and other ordnance. (f) battery materials for use in two Indian factories whose output is mainly for military use. (g) masonite for construction of bodies and radio boxes for military vehicles, combat and cargo vessels, pontoons, instrument panels for aircraft, etc. (h) paper for military and government use. (i) timber for construction of harbour lighters and small craft and for ship repair generally. (j) ferro alloys for use in the manufacture of mill rolls and high speed tool steels.

3. Miscellaneous manufactured goods	\$12,000,000	<p>Includes</p> <ul style="list-style-type: none"> (a) woodworking tools. (b) metal cutting tools and files and rasps for the manufacture and maintenance of equipment in ordnance factories, shipyards, railway shops, etc. (c) spares for pneumatic tools required for use by railway shops, mica mining, ship repair shops, etc. (d) farm tractors. (e) lamp batteries and cells for flashlights for the armed forces and for maintenance of signalling and other operational uses on railways, etc. (f) typewriters for use in Government offices and ordnance factories. (g) miscellaneous engineering items.
4. Tobacco	\$3,000,000	<p>Required for incorporation with Indian tobacco in the manufacture of cigarettes and pipe tobacco for the armed forces.</p>
5. Food for Indian Canteen Services	\$3,000,000	<p>The Indian canteen services operate solely to meet the need of the Allied armies within the borders of India. The canteen service is under the control of the Quartermaster General in India. All canteen stores are issued by the canteen services in accordance with a basic scale determined by the military authorities. Distribution is effected only through installations under the control of the Quartermaster General in India.</p>
6. Locomotives and wagons	\$30,000,000	<p>Referred back by U.S. War Department for inclusion in non-munitions programme - see para. 35 above. Comprises 60 broad gauge locomotives, 128 metre gauge locomotives, 6,000 broad gauge wagons and 1,717 metre gauge wagons.</p>
GRAND TOTAL	<hr/> \$84,000,000 <hr/>	

October 30, 1944

My dear Lord Keynes:

Thank you very much for your letter of October 27th, with which you enclosed a copy of Section V on finance from the statistical White Paper which you are preparing.

In accordance with your request, I am returning this document to you herewith.

Sincerely yours,

The Right Honorable Lord Keynes,
United Kingdom Treasury Delegation,
Willard Hotel,
Washington, D.C.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

TELEPHONE EXECUTIVE 2020

27th October 1944.

Dear Mr. Secretary,

As I mentioned to you last night, we are preparing a statistical White Paper publishing a number of statistics not hitherto available. I enclose for you out of this Section V on finance, which gives, I fancy, just the figures you want. At the moment this is the only copy we have in Washington, so I shall be grateful if it is returned when you have made whatever use of it you want.

I find that speaking from memory I very seriously misled you as to the magnitude of our war expenditure. You will see that in 1943 our total expenditure amounted to 70 per cent. of our national income, namely, £5,782 millions out of £8,172 millions. The statistics are not precisely analysed as between war expenditure proper and other outgoings. It is not easy to make an exactly accurate analysis from this point of view. But I do not think you will be far wrong if you put the total of war expenditure proper at £4,000 millions, or \$16 billions. I should say this is an under-estimate rather than otherwise. Also, these figures relate to 1943. They will be somewhat, but not very greatly, increased in 1944. In the first six months of the current financial year, that is, April to September 1944, our expenditure was running at the annual rate of £5,900 millions, compared with the figure of £5,782 millions given above for the calendar year 1943. Thus our current war expenditure

- 2 -

expenditure may be nearer \$17 than \$16 billions.

Sincerely yours,

Keynes

The Honourable Henry Morgenthau, Jr.

SECTION V - FINANCE

76. Government expenditure has increased from £1,013 millions in 1938 to £5,782 millions in 1943. Almost the whole of this income is accounted for by war expenditure.

77. The figures in Table 29 exclude the value of the resources received from the United States and Canada under Lease-Lend and Mutual Aid. This assistance has been in the form partly of munitions and also partly of food, raw materials and shipping services which have made it possible to use more of the man-power of the United Kingdom in the Armed Forces and the munitions industries.

Central Government expenditure, revenue and borrowing

TABLE 29

£ Millions

Calendar years	Expenditure	Revenue	Deficit covered by borrowing
1938	1,013	882	130
1939	1,474	975	499
1940	3,340	1,258	2,082
1941	4,626	1,836	2,790
1942	5,110	2,344	2,766
1943	5,782	2,876	2,906

78. How the Government has been able to finance so large a proportion of this expenditure out of current resources is seen more clearly by analysing the growth of the national income since the war and by showing how it has been re-distributed to secure for the Government for war purposes both an increased amount and an increased share of the national income. In addition, the Government has, however, had to draw heavily on the nation's capital resources to meet its expenditure.

79. Thus, of the total of £5,782 millions of Government expenditure in 1943:-

50 per cent. was provided by taxation and other Government revenue

30½ per cent. from savings of private persons and businesses lent to the Government

5½ per cent. from public savings (the surpluses of local authorities and extra-budgetary funds)

11 per cent. from sales of assets and other disinvestment abroad

3 per cent. from disinvestment at home

The proportion from sales of assets and other disinvestment abroad was higher in the earlier years of the war.

Sources of Government revenue

80. Almost the whole of the national income accrues initially to private persons and businesses. The income which the Central Government derives from public property and trading is small. It is mainly by the taxation of the private income of persons and businesses that the Government has secured its revenue.

Net national income of the United Kingdom

TABLE 30

£ Millions

Calendar years	Private income (excluding transfer payments).	Income from public property trading etc., received by		Total national income
		Central Government	Local authorities	
1938	4,560	18	26	4,604
1939	4,927	16	25	4,968
1940	5,896	24	25	5,965
1941	6,817	41	27	6,885
1942	7,500	76	28	7,604
1943	8,075	69	28	8,172

81. Private persons have been called upon to pay higher taxes. The standard rate of income tax in 1938/39, was 5s. 6d. in the £ and 10/- in the £ in 1943, and allowances for exemption from payment of taxes have been reduced. Rates of sur-tax on incomes over £2,000 have also been increased. Death duties have risen.

Income tax and sur-tax paid by persons with differing incomes and family responsibilities

TABLE 31

Income earned	Single Persons		Married couples with no children		Married couples with two children	
	1938-9 rates	1943-4 rates	1938-9 rates	1943-4 rates	1938-9 rates	1943-4 rates
£ 150	2	18	-	-	-	-
350	27	89	9	59	-	25
500	57	156	35	126	8	76
1,000	167	381	145	351	112	301
3,000	751	1,462	729	1,432	696	1,382
10,000	4,134	6,862	4,112	6,832	4,079	6,782

82. Of the aggregate incomes of persons with £250 - £500 a year 3 per cent. was paid in income tax in 1938, and 14½ per cent. in 1942. Out of incomes between £500 and £1,000 a year, 11 per cent. was paid in income tax in 1938, and 28 per cent. in 1942. For incomes between £1,000 and £2,000 a year the amount of tax paid was 17 per cent. in 1938 and 39 per cent. in 1942. The rates of taxes for incomes above £2,000 were also increased.

Direct taxation of personal incomes in the United Kingdom

TABLE 32

Ranges of incomes	Percentages of aggregate of incomes paid in income tax and sur-tax	
	1938	1943
Under £250	0.2	3.0
£250 - £500	2.9	14.6
£500 - £1,000	11.1	28.0
£1,000 - £2,000	17.0	38.7
£2,000 - £10,000	28.9	51.9
£10,000 and over	50.6	79.4

83. Businesses and corporate bodies have been called upon no less than private persons to pay increased taxes during the war. Apart from the increase of income tax, an excess profits tax of 60 per cent was imposed in 1939 and this was increased to 100 per cent in 1940.

84. These direct taxes paid by private persons and businesses out of private incomes to the Central Government rose from £494 millions in 1938 to £1781 millions in 1943. Some of the income tax collected from private persons from 1941 onwards is due for repayment after the war; up to the end of 1943 the amount repayable totals £305 millions. Private persons and businesses have also had to pay contributions under Unemployment and Health Insurance schemes and contributions and premiums to contributory insurance schemes under the War Damage Act.

Disposal of private income

TABLE 33

£ millions

Calendar years	Private income of persons and businesses before tax (excluding transfer payments)	Plus Transfer payments (1)	Minus		Private income after direct taxation and compulsory contributions
			Direct taxation and contributions paid to Central Government	Extra budgetary funds (2)	
1938	4,560	478	494	55	4,489
1939	4,927	475	544	55	4,803
1940	5,896	479	729	60	5,586
1941	6,817	509	1,088	142	6,096
1942	7,500	559	1,383	137	6,539
1943	8,075	628	1,781	124	6,798

(1) The transfer payments are pension payments, payments in respect of unemployment and the relief of poverty, health and other transfer payments including interest on the national debt and accrued interest on national savings certificates.

(2) War Damage Act contributions and premiums and payments to the Unemployment and National Health Insurance Funds, etc.

85. Even after paying increased taxation, private persons and businesses still had more income available to spend or to save than they had before the war. As already seen from Table 25 in Section IV of this Paper, since 1938 they have bought a smaller quantity of goods and services, but they have had to spend a larger sum to obtain them, because of increases in indirect taxes and higher prices. Nevertheless, their savings have risen during the war

and in 1943 were five times what they were in 1938.

Private expenditure and savings

TABLE 34

£ millions

Calendar years	Personal expenditure on current goods and services	Private savings including allowance for accrued taxation	Private income after direct taxation
1938	4,138	351	4,489
1939	4,244	559	4,803
1940	4,376	1,210	5,586
1941	4,624	1,472	6,096
1942	4,925	1,614	6,539
1943	5,049	1,749	6,798

86. Indirect taxes. The Government have imposed new and higher rates of tax on many articles of consumption which private persons could still buy during the war. The rate of duty on a pint of beer was 2½d. in 1938 and 7½d. in 1943, and there have been proportionate increases in the tax on whiskey and other spirits. The tax on a packet of twenty cigarettes which sold for 1s.1d. before the war, was 5½d. in 1938. In 1943 the duty was 1s.9d. and the retail price 2s.4d. Since the war a purchase tax has been imposed on the wholesale value of all "non-utility" goods varying from 16.2/3 per cent on certain articles of an essential nature to 100 per cent on luxury articles, the basic rate being 33.1/3 per cent.

87. These indirect taxes which are specifically imposed by the Central Government on the consumption of private persons rose from £290 millions in 1938 to £915 millions in 1943, while total indirect taxation imposed by the Central Government rose from £371 millions to £1026 millions. The tax paid on beer and tobacco was more than £600 millions in 1943 - not far short of the total revenue from all sources collected by the Central Government in a single year before the war. Local rates collected by Local Government Authorities increased from £149 millions in 1938 to £158 millions in 1943.

Indirect taxes and Local Rates collected 1938-1943

TABLE 35

Calendar years	Indirect taxes collected by Central Government		Local rates collected by Local Authorities	Total Indirect taxes and Local Rates
	On personal consumption	Other		
1938	290	81	149	520
1939	331	84	158	573
1940	427	78	161	666
1941	621	86	156	863
1942	783	102	156	941
1943	915	111	158	1,184

88. While, however, the Government has increased the taxes on luxury and less essential articles, it has, at the same time, adopted the policy of making subsidies to keep down the level of prices of food and other essential goods. The amount expended in subsidies for this purpose was £190 millions in 1943.

89. These receipts from indirect taxes make up the total of the sources from which the Central Government has collected revenue during the war.

Sources of Central Government revenue

TABLE 36

£ million

Calendar years	Income from public property, trading, etc.	Direct taxation	Indirect taxation		Total revenue
			On personal consumption	other	
1938	18	494	290	81	883
1939	16	544	331	84	975
1940	24	729	427	78	1,258
1941	41	1,088	621	86	1,836
1942	76	1,383	783	102	2,344
1943	69	1,781	915	111	2,876

Sources of Government borrowings

30. As it has already been seen from Table 34, the amount of savings of private persons and businesses has increased from £351 millions in 1938 to £1,749 millions in 1943. It is mainly from this source that the Government has been able to borrow during the war. Private persons, in spite of heavy taxation have saved much more than they did before the war, both absolutely and relatively to the size of their incomes. Businesses and public bodies have also saved more, mainly by foregoing renewals and repairs and by not undertaking new capital investment during the war, and diverting the allowances normally put aside for these purposes into Government loans.

31. Further additional amounts of money have become available by (a) borrowing the balances on various public funds, such as those of local authorities and of extra-budgetary funds; (b) (disinvestment abroad) the proceeds of the sales of assets overseas and by borrowing sterling accumulated already in London by Empire and foreign countries; (c) (disinvestment at home) the net proceeds from the depletion of capital resources in this country.

Sources of Government borrowings

Calendar years	Private savings	Public savings (surpluses of local authorities, extra-budgetary funds and War Claims)	Net disinvestment at home	Net disinvestment abroad	Total Central Government borrowings
1938	351	29	(- 305) (1)	55	130
1939	559	72	(- 362) (1)	230	499
1940	1,210	225	(- 119) (1)	756	2,082
1941	1,472	439	82	797	2,790
1942	1,614	377	140	635	2,766
1943	1,749	327	175	655	2,906

(1) In these years the figures represent private net investment at home and the increase in work in progress on Government account held under private finance.

92. In order to conserve these resources for essential purposes connected with the war and to enable essential loans to be raised as cheaply as possible, capital issues have been controlled. At the same time, it has been the policy of the Government that banks should not make advances for the purpose of enabling their customers to take up war loans.

93. The following table shows that in 1943, among the various sources of borrowing, small savings provided just under a quarter of all the amounts which the Government needed to borrow and public subscriptions to war loans just over a third.

Government borrowing⁽¹⁾

TABLE 38

£ millions

Calendar years	Small savings	War loans and other public issues (2)	Floating debt (2)	Tax Reserve certificates	Extra-budgetary funds, etc. (3)	Miscellaneous (4)	Total borrowings
1938	4	53	179	-	254	2	130
1939	62	11	280	-	194	26	499
1940	466	553	517	-	554	8	2,082
1941	602	1,020	903	17	153	95	2,790
1942	600	1,037	476	453	38	162	2,766
1943	719	1,050	1,017	177	(- 62)	5	2,906

(1) The term "borrowings" covers the borrowing of sums to meet Budgetary deficits, maturing debt, sinking funds and other miscellaneous liabilities.

(2) Excluding debt held by Government departments for extra-budgetary funds, etc.

(3) Increase in Government securities held by extra-budgetary funds including the Exchange Equalisation Account, certain receipts in respect of war risks insurance and the War Damage Act and reduction in the Exchequer balance.

(4) Including Reconstruction Finance Corporation loan and Canadian Government interest-free loan.

94. Although the Government has in this way been able to raise the money needed for the prosecution of the war by taxation and by borrowing, the consequences on the economic structure of the country are far-reaching.

(1) Depreciation of Capital resources. Since the savings of private persons and businesses have been lent during the war to the Government they have not been spent in keeping in repair and up-to-date houses,

factories and industrial equipment, or in installing new machinery and equipment, except in so far as this has been necessary for the prosecution of the war.

(2) War Damage. Apart from temporary repairs, no attempt has been made to repair war damage suffered by bombing in the United Kingdom, except in so far as this has been urgently necessary to keep going essential production and communications and to maintain the United Kingdom as an operational base.

[Insert details of war damage]

(3) Increase of overseas liabilities. Notwithstanding the generous aid received from the United States and Canada, overseas assets to the value of £1065 millions have been sold and the United Kingdom has incurred liabilities abroad amounting to over £2300 millions during the war. These do not include losses of overseas assets abroad in Empire countries which have been destroyed or damaged to deny their use to the enemy. The loss of these overseas assets has deprived this country of a source of income which has, in the past, contributed an essential part of the foreign exchange needed to pay for imports.

Sales of overseas assets and increase in overseas liabilities.

TABLE 39	£ millions	
	Net sale of overseas assets	Increase in overseas liabilities
Sept. 1939 - Dec. 1941	955	765
Jan. 1942 - June 1944	110	1,535
TOTAL	1,065	2,300

Central Statistical Office,
Offices of the War Cabinet,
Church House,
Great Smith Street, S.W.1.

2ND OCTOBER, 1944

wmca
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NATHAN STRAUS
PRESIDENT

October 30, 1944

Dear Henry:

Your letter expressing appreciation of the handling of your broadcast gives me a great deal of pleasure. So far as I am personally concerned, I think you know that I mean it when I say that any opportunity of being of some small service to you gives me more satisfaction than it possibly can give you.

However, for the staff, your letter will be a big morale-builder. I am having it posted on the bulletin board where all can read it.

With every good wish,

As ever,

Nathan Straus

Hon. Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D. C.

October 28, 1944

Dear Nathan:

I want to thank you for having made it possible for my talk last night to have been carried over WMCA.

Please extend to your organization my appreciation of the excellent manner in which they handled my broadcast. I think you have every reason to be proud of the personnel of WMCA.

Sincerely yours,

(Signed) Henry

Mr. Nathan Straus,
WMCA,
1657 Broadway,
New York 19, New York.

Draft #1-
Per Hign 10/30/44

OF HUMAN RIGHTS

I am sure that you will forgive me if I do not discuss with you tonight the subject of business. As business men you already know that under the Roosevelt Administration American business has been enabled to rise from the depths of a terrible depression. And the President has spoken to you plainly, fully and unequivocally of his determination to assure the future of business in this great country of ours.

I prefer to speak tonight of something much less obvious - but of equal importance to the future well-being of every American. I want to speak of Franklin D. Roosevelt - the friend of all Americans regardless of their race, color or creed, of all Americans whether their ancestors reached these shores in 1620 or in more recent times. And I want to speak not as Secretary of the Treasury of the United States, but as an American whose father was an immigrant and as an American of the Jewish faith.

The human rights of man and the economic rights of man go hand in hand. It is essential that they both be realities and not mere theories if every American is to enjoy our national heritage. It is of these human rights that I am going to speak tonight.

I have known Franklin D. Roosevelt, the man, for many, many years. I also have worked with Franklin D. Roosevelt, Governor and President, for many, many years. During all

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these years he has always stood out in my mind, first and foremost, as the true friend of his fellow man. I know for what it is, the great heart of this man and of his determination at all times to see to it that the downtrodden in America are accorded their full opportunity to share in our heritage.

I would be less than frank with you if I did not tell you that I am not as confident that the present leaders of the Republican party have this same determination to see to it that every man who walks on this land of ours walks with dignity.

In this political campaign, those seeking a change in the administration of the Federal Government rely heavily upon appeals to segments of the American population who because of their relatively recent arrival here, or for other reasons, are specifically distinguishable from the mass of the population. This election year interest of the Republican leaders in the Poles, Czechs, Italians, Yugoslavs, and the Greeks and others who have a justifiable pride in the language, culture and traditions of the countries of their origin is familiar to all of us. And we are also acquainted - in fact only too well acquainted - with the concern of the Republicans every fourth year in the problems of the Negro and other groups which unfortunately still suffer economic and social disabilities.

To some people this trafficking in human values - this perversion of human rights - has become an accepted part of a political campaign and, as such, I suppose they have become

callous to its implications. To me, however, these human rights, these human values, are far too dear to be made the chattels of a political campaign. To me this election year adds only to their suffering and despair. These tactics tend to obscure the important fact that regardless of our origin, our color and our religion we are all Americans. We must decide the great issue before us as Americans and not as members of any particular group.

Never let us forget that as a nation we are very young - only one hundred and sixty some years old - and that every one of us living here today in this great land, save the Indians, came here as immigrants or as the sons of immigrants; came from other lands to build what has become the greatest and finest nation on earth. We are a nation fused from the people of every conceivable country, every known race, and representing every religion. All of us have been thrown into the great melting pot of freedom and all of us have emerged Americans.

There is a saying that is chiselled in marble on a statue - a statue that truly symbolizes the real essence of our America of yesterday and today - the Statue of Liberty. It reads as follows:

"Give me your tired, your poor, your huddled masses yearning to breathe free - the wretched
~~of your teeming shores. Send these, the~~
~~hungered, homeless, despairing, the~~
~~the wretched, the wretched, the wretched,~~
 beside the golden door."

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These words cover me as they do Franklin D. Roosevelt, as they do everyone here tonight or within the range of my voice.

To the shores of America from its very inception have flocked fugitives from injustice, oppression and persecution. On the whole they have found here the new way of life which they sought. But, unfortunately, in the eyes of some - who strangely enough are themselves fugitives from injustice, oppression and persecution, or their descendants - in their eyes there are certain minority groups amongst us who are not entitled to all the privileges of America.

And it is not only the minority groups who are discriminated against who suffer from such intolerance. The American way of life is cheapened by the existence of this form of persecution and when the American way of life is cheapened, every American whether he be of the minority or not loses by it.

The issuance of proclamations, the making of pious statements, attending meetings sponsored by minority groups, and the making of pretty speeches will never cure the evil. It takes deeds and not words to make this a land where all persons regardless of race, color, creed or place of birth may live in peace, honor and dignity, free from want and free from fear.

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And all America knows that the record of President Roosevelt on this fundamental issue is written in deeds and not merely in words. For the first time in American history the Roosevelt Administration required Government agencies such as the Public Works Agency, United States Housing Authority and others to see to it that their contracts provided against discrimination in employment because of race or color. The President's famous executive order establishing the Fair Employment Practice Committee has been backed by action.

Today a million and a half Negroes are in jobs in war plants, many at lathes and benches where before ~~no~~ Negroes were allowed to work and they are receiving equal pay.

In the Philadelphia transit strike in August of this year, the President did not hesitate to implement the non-discriminatory orders of the Fair Employment Practice Committee and the War Manpower Commission. The President, through the National Labor Relations Board and the War Labor Board, long ago established the principle for equal pay for equal work regardless of race, color or creed.

Under the Farm Credit Administration, the Farm Security Administration and other agricultural agencies tens of thousands of Negro share-croppers were helped to become farm owners. Negro-owned businesses have recovered from the days of depression and are flourishing. Great housing projects

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have removed more than 75,000 Negro families from the slums and into decent homes. The Home Owners Loan Corporation and the Federal Housing Administration helped tens of thousands of Negroes to buy their own homes. Negroes have been given better medical attention and the real opportunity for a good education. This is what I mean by deeds. This, not words, is what America needs.

Persons of Jewish and Catholic faith, and those whose ancestors were Poles, Czechs, Germans, Italians and Greeks have all been given equal opportunities for Government work and to the extent that it has been within the power of the Federal Government they have been given equal opportunities for private work. Persons of every race, color and creed are in all branches of the Army, including the Air Force - and they hold every rank from private to general. There are Negroes in the Navy and I mean fighting men - not merely mess boys. There are Negro Marines. And for the first time in our history there is a Negro General.

Now let us examine the record of Governor Dewey on this issue. On some issues Governor Dewey does not have any positive record of affirmative misdeeds. It is rather a record of doing nothing together with a lot of pretty speeches filled with "me too"s. On this particular issue, however, Governor Dewey was not cautious enough. He stepped out into the sunlight. I will let you judge for yourself what he really looks like.

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On March 29, 1941, Governor Lehman appointed a Committee on Discrimination in Employment, as part of the New York State Council on Defense. This Committee consisted of twenty-seven distinguished citizens representing industry, labor, church, and minority groups. Thereafter the New York Committee undertook an extensive program to eliminate discriminatory employment practices in New York. It circularized employers, visited plants throughout the State, published pamphlets, conducted hearings, prosecuted some cases in the courts, and began in earnest to enforce the New York policy against racial or religious discrimination in employment.

On January 1, 1943, Governor Dewey assumed office. He at once displayed indifference if not active hostility to the New York Committee on Discrimination. In May 1943, representatives of the City Wide Citizens Committee of Harlem, composed of twenty civic organizations interested in racial problems met with Governor Dewey and urged him to support an adequate budget for the New York Committee. The budget for the fiscal year ending June 30, 1943 was then \$58,000. Governor Dewey told these representatives that this small sum spent by the New York Committee "might just as well have been thrown down the drain" and that a budget of \$10,000 for the next fiscal year would be ample.

On August 4, 1943, Governor Dewey appointed a new Committee on Discrimination consisting of twenty-seven members and placed it under the supervision of his Industrial

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Commissioner. At its first meeting in September 1943, the Committee decided to draft and seek the enactment of permanent legislation. On February 23, 1944 the Committee met, approved the draft of two bills and sent them on to Governor Dewey urging him to recommend their passage to the New York State legislature then in session.

On March 8, 1944, the two bills were introduced in the State Senate without the benefit of even the customary message from the Governor declaring whether he was for or against their passage. As day after day passed, the New York Committee anxiously awaited some public word from Governor Dewey, but none was forthcoming.

Finally, after public protest, Governor Dewey on March 17, 1944, the day before the legislative session ended, sent a message to the legislature concerning these bills. The Governor described them as "well intended" and said that he was "in accord" with the principles expressed. One would naturally expect that these remarks would be followed by "I, therefore, urge the adoption of these two bills to end discrimination in the great State of New York." But that was not what Dewey said. What he did say was, and I quote, "I, therefore, recommend to you honorable bodies the creation of a temporary state commission to make a study of the entire subject of discrimination in our state * * *." It seems incredible,

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but this new commission was to be given precisely the same mandate and functions as the commission which Dewey himself had created almost twelve months before, which had finished its task and whose recommendations he had approved "in principle." In other words, the Governor, although approving the recommendations of his own committee, refused to follow them. Instead he abandoned the committee, its investigation and its bills and called for a new committee, more investigation and more bills. At first blush there would seem to be no rational explanation of this bureaucratic and wasteful duplication of work. But the answer is simple when we note that the new commission was asked to report in 1945, after the election.

This maneuver deceived no one. Dewey's scuttling of the bills drawn by his own Committee after months of study was roundly denounced by almost every Negro organization in the State. And eight members of the Committee resigned in protest of the Governor's action.

I can think of no more effective commentary on the Governor's action on this vital question than the burning statements made by Dr. Channing Tobias, Senior Secretary of the YMCA, and life-long Republican, upon his resignation from the Committee. Dr. Tobias said that he had decided to part company with the man, and I am quoting, "who would play politics with the bread and butter of the least economically advantaged people in his state." Dewey, Tobias said, "was

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willing to be governed by the counsels of caution as to race prejudice" in order to obtain the nomination and added "we cannot trust a man who has shown what he would do in such a pinch."

John W. Bricker, the Republican Vice Presidential candidate, has also let the cat out of the bag on this issue. He has at the same time made clear what Republican candidates and orators really have in mind when they joyfully repeat that phrase of their own fabrication "Clear Everything With Sidney."

In a speech in Denver, Colorado, on October 23, Bricker made a scurrilous attack upon President Roosevelt's humanitarian action in bringing to an Emergency Refugee Shelter in this country for the duration of the war 1000 homeless and helpless men, women and children, all survivors of Nazi brutality and terror. Bricker concluded his vicious diatribe against these innocent sufferers with the following words: "I am not saying that this group was 'cleared with Sidney.' I do not know."

Now why did Bricker see fit to use this phrase deliberately in such a context? The answer is clear and it has such ominous implications that it must be understood by all. These poor and friendly people to whom for a temporary period we are giving no greater comfort or privileges than we give to Nazi prisoners of war are of many nationalities. Included, among others, are Poles, Czechs, Yugoslavs, Greeks and Austrians. Although most are of the Jewish faith, there are Catholics and Protestants in the group. But, and this is important, if we are to understand John Bricker's words, they

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are all "foreigners." And John Bricker, at least, feels it necessary to assure the lunatic fringe of the isolationist group that he will not condemn or restrain their intense hatred of other Americans whose parents, grandparents or great grandparents were born in Italy, Poland, Greece or some other part of Europe.

This, then, is the meaning of "Clear Everything With Sidney." It is the symbol of the fatal doctrine that there are some American citizens who have lesser privileges than others because their ancestors arrived here later than 1620. Remember this when you next hear a Republican orator gleefully read the phrase. It is ~~is not~~ merely an appeal for the votes of those who hate Jews or Catholics or Italians or Greeks or Poles. It is an attack upon the basic principle upon which this nation was founded and has endured.

This fundamental issue of human rights goes even deeper than I feel I have expressed tonight. Every society has its underdogs from time to time, for various reasons. Basically the issue is whether or not those who may become underdogs at any particular time in the life of this great country shall be lifted up by the great force of our way of life. And this does not apply only to those who, because they are in the minority, are discriminated against on account of race, color, creed, or place of birth. I believe that the thought I am trying to convey is best expressed in a letter from a GI Joe published on October 25 in the Washington Post. This GI Joe writes as follows:

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"I am not sure in my heart that Thomas Dewey is for me. Who am I? Just a little guy with no angles, political or economic. My being in uniform does not matter in this discussion. My being a citizen does matter. I have a very clear remembrance of 1928 and 1929 and 1930. And all this gives me no peace when I contemplate Thomas Dewey.

"I'll grant you that President Roosevelt makes mistakes, but he has convinced me that he is for me. I don't mean that I believe that he will pass me favors out of proportion to my status in the economic system.

"I do mean that I have come to believe that he won't let me have my little share of America submitted to the kind of well-organized shaving with which I believe Thomas Dewey to be associated."

Prepared by: Mr. Daggit
Mr. Chevraux

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Reviewed by: Mr. Murphy
Miss Michener

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Oct. 30, 1944

TO Secretary Morgenthau

FROM Mr. Murphy *NLM*Subject: The Business Situation,
Week ending October 28, 1944.Summary

Stock market: Stock prices declined rather sharply at the beginning of last week but firmed moderately near the end of the period. In addition to bearish implications in the persistent failure of stock prices to move above recent highs, some financial commentators mention new uncertainties over reconversion problems posed by the possibility that the war with Japan may be shortened by the smashing naval victory in the Philippines.

Industrial production: The FRB adjusted index of industrial production in September declined to 231 from 232 in the previous month. The slight decline was due largely to a further moderate decrease in durable goods output, although output of the aircraft and automobile industries was maintained at the previous month's levels.

Reconversion: The value of production authorized up to October 24 under the spot authorization program for civilian goods production amounts to \$203,000,000, of which \$57,000,000 is scheduled for production in the current quarter. However, less than 15,000 employees will be engaged during this quarter in the production of the items authorized. Recent indications point toward some modification of earlier emphasis on reconversion projects, due to continuing heavy demand for war goods.

Commodity prices: Price movements have been of an indecisive nature in recent weeks, with commodity price indexes showing little net change. Last week the Dow-Jones futures index and the BLS spot index of 28 basic commodities declined very slightly.

Food goals: The WFA has decided that a continued high level of food production is needed in 1945. While surpluses of some farm commodities are likely to occur when hostilities cease in Europe, it is considered better to produce too much food rather than not enough.

- - - -

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Stock prices decline moderately

Persistent failure of industrial stock prices to move above recent highs, together with the uncertainties generated by recent political and war developments, caused stock prices to decline rather sharply on increased trading volume at the beginning of last week. After the initial decline was checked, the market later in the week showed further weakness, which some financial commentators attributed in part to the feeling that the smashing naval victory in the Philippines may have considerably shortened the war in the Far East. However premature, some concern was evidenced over the fact that reconversion problems would be considerably intensified if the war in Europe and in the Far East should end at approximately the same time.

Prices firmed slightly near the end of the week but at the close on Saturday industrial, railroad and utility stock averages were between 1 and 2 percent below week-earlier levels. (See Chart 1.) Meanwhile industrial stock prices in London, after fluctuating in a very narrow range since the beginning of the month, moved gradually higher last week.

Industrial output declined very slightly in September

Although Allied gains in Europe created much uncertainty over possible cut-backs in war production in September, actual output showed very little decline. The FRB seasonally-adjusted index of industrial production for the month stood at 231 as compared with 232 in August and 247 at the war-time peak last fall.

The slight decline in production in September was principally due to a further moderate decrease in durable goods production, although output of the aircraft industry and of the automobile industry (now diverted to war goods) was maintained at the previous month's levels. Steel production showed a moderate decline, while further large declines occurred in the production of aluminum and magnesium. Aggregate output of nondurable goods in September showed little change, despite noticeable gains in the production of shoes and textiles.

Despite the slight decline last month, actual factory output was still somewhat above the July level when production was adversely affected by the Independence Day holiday. Moreover, reference to Chart 2 will disclose that output was well maintained in the face of a 1.3 percent decrease in factory employment, apparently reflecting greater productivity arising from increasing experience in war production.

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Although industrial output on the whole appears to have been well maintained in October, some evidence of slackening activity is seen in the failure of electric power production to show the usual seasonal expansion thus far this fall. Contrary to the usual pattern, electric power production has shown a fairly steady decline since August, and in the week ended October 21 was actually about 2 percent under the previous year's level. The wide gains in electric power production over year-earlier levels prevailing last January have gradually narrowed as the year progressed. (See Chart 3.) A contributing factor in this trend has been the heavy cut-backs in aluminum production--a process in which electric power consumption is notably heavy.

Freight car supply situation very tight

Freight carloadings in September rose to a new high for the year but the rise was less than seasonal. Moreover, estimated ton-miles of freight hauled dropped to the lowest point since last April and was about 2.5 percent under last year's level. (See Chart 4.) Despite a slight gain in the week ended October 21, average loadings in the first three weeks of October were about 2 percent under the corresponding period last year.

Failure of carloadings to attain higher levels this fall has been partly due to a shortage of cars. Earlier this month an official of the Association of American Railroads described the car situation as tighter than it has been in many years, but he expressed the opinion that the situation would not continue indefinitely or grow worse. The shortage of box cars has been particularly acute. Demand has been very heavy as a result of military needs and bumper farm crops, while the number of box cars is reported to be 10,000 less than a year ago. Among others, grain shippers in the Northwest and Southwest have been hampered by the shortage of box cars, while fruit growers in the state of Washington have been confronted with an acute shortage of refrigerator cars.

Progress of interim reconversion program

During the week ended October 24, 447 additional applications to produce civilian goods under the spot authorization program were submitted to the WPB, and 338 were approved. As a result, total authorizations since the plan became effective in mid-August were increased to 1,278.

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The dollar value of production thus far authorized under the program amounts to \$203,000,000 of which \$57,000,000 is scheduled for the fourth quarter of 1944. Aggregate employment of plants receiving approvals approximates 91,000, but less than 15,000 employees will be engaged in the current quarter in the production of items authorized.

From the foregoing figures it will be seen that despite somewhat increased optimism recently over the progress of the interim reconversion program, employment and production under this program are still relatively insignificant. Furthermore, recent press surveys of producers holding authorizations have revealed considerable dissatisfaction over materials shortages and price ceilings. In some instances these difficulties have been so formidable that no actual production is yet under way.

Continuing war needs slow reconversion activities

Moreover, continued urgent demand for certain war goods arising from stiff German resistance in Europe and the Pacific campaign has tended to temper earlier reconversion enthusiasm. Thus Maury Maverick, head of the Smaller War Plants Corporation, upon his return from England recently urged less talk of reconversion and more concentration on the war, which he predicted will go on in Europe much longer than most people here believe.

Early last week it was reported that the WPB had directed committees considering applications for civilian goods production to screen requests more rigorously in order to avoid retarding war production. Likewise the WPB held up a contemplated order to relax controls on farm machinery production just before it was to become effective. Finally, it became known near the end of the week that the War and Navy Departments had requested the General Electric Company to cancel scheduled conferences with public utility executives on post-war planning. The action was taken apparently to avoid giving any impression that less war production is needed, as the company was advised that urgent appeals for war supplies on an increased scale are being received from commanders of the fighting forces overseas.

Cutbacks in war contracts below expectations

Despite concern over the adverse effects of cut-backs in war contracts, employment dislocations and production

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losses thus far have been considerably less than many observers had expected. The WPB recently indicated that only 85,000 employees of prime contractors had been displaced by cut-backs since June 15, 1944. The figure would be considerably larger, of course, if subcontractors were included. Nevertheless, it is claimed that only a very small number of cut-backs have had serious repercussions on employment in the cities involved. In some instances cut-backs have been over-emphasized, since in reality they were merely cancellation of future increases or cutting down goals to levels that could be met.

Cotton textile and leather controls
needed after V-E Day

Cotton textile and leather controls will be continued after Germany is defeated, WPB Chairman J. A. Krug announced last week. With these items expected to continue in tight supply, the filling of consumer needs for essential clothing and shoes, it was indicated, must be ensured by the use of WPB's directive powers and allocation controls, even though controls in most other fields are abolished.

Production of cotton textiles has been declining steadily since 1942, largely because of manpower shortages. It is estimated that cotton textile production this year will total only 9,900 million yards, as compared with 10,700 million in 1943 and 11,200 million in 1942. Military requirements have been extremely heavy, with allocations for military use in the fourth quarter of this year amounting to over one-fourth of the total allocations. Fourth quarter allocations to the OCR, the claimant agency for civilian needs, came to less than one-half of the total allocations, and it is estimated that current supplies for OCR's use are only 70 percent of the amount available in 1939. While the end of the war in Europe should alleviate the tight supply situation, military demands for the Japanese war, together with war relief and export requirements, will continue to take considerable quantities of cotton goods.

Civilian inventories of shoes are expected to show further depletion this year, due to a shortage of hides and skins and to heavy military requirements. While military requirements are expected to be reduced following Germany's defeat, world leather supplies available for import have decreased to the point where some time will be required before they will be sufficient to meet world demands.

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Commodity prices show little net change

Indeterminate price movements have characterized commodity markets in recent weeks. Last week the Dow-Jones futures index and the BLS spot index of 28 basic commodities showed very slight declines, following slight gains in the previous week. (See Chart 5.) Corn prices dropped below ceilings for the first time in almost 9 months as shipments of this year's crop began to be felt in the markets. Prices of cotton and wheat were off slightly, but steer prices made a small advance.

The BLS general index of wholesale prices in the week ended October 21 was unchanged from the preceding week. A decline of nearly 6 percent in scrap steel prices was the most important development noted in the latest week. The index now stands at 103.8 percent of the 1926 average, which is 0.9 percent higher than a year ago and is 38.4 percent above the pre-war August 1939 average.

Need for continued high level of food production indicated

A careful appraisal of food requirements indicates the definite need for a continued high level of agricultural production in 1945, President J. B. Hutson of the CCC declared last week at a meeting of the Association of Land Grant Colleges and Universities. From this statement it can be inferred that the WFA, after some delay, has arrived at a definite decision on food goals for 1945. Recent fears of substantial food surpluses when Germany is defeated appears to have been at least partially dispelled as the result of the prolonged resistance in Europe.

Mr. Hutson stated that the end of hostilities in Europe will reduce the demand for certain agricultural commodities, but total demand next year will be sustained by food requirements for our fighting forces in the Pacific and elsewhere, together with commercial export and domestic demands. He indicated that it would be far better to produce too much next year than too little. There has been a substantial increase in the domestic consumption of agricultural products both before and during the war, and it has been estimated that food consumption this year would have been 5 to 10 percent higher if the demand for all products had been fully met.

Farm production 33 percent above pre-war average

The volume of farm production has made new records each year since we entered the war, with 1942 and 1943 production 24 and 29 percent, respectively, above the 1935-39 average.

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Production this year is expected to rise to 33 percent above pre-war levels. Among the factors responsible for the increased production have been: (1) a shift to more intensive crops; (2) better farming practices, including the use of more fertilizer and higher yielding varieties; (3) the cumulative effect of the use of legumes and other conservation measures in recent years; and (4) unusually favorable weather.

Weather conditions have accounted for from one-third to one-half of the increase in crop production. If growing conditions were only average next year, the same total acreage could reasonably be expected to result in a volume of crop production about 10 percent less than this year. The high levels of livestock production in recent years have been possible only by the reduction of reserve grain supplies and to a smaller extent by the importation of grains.

WFA requests switch from sugar to grain in alcohol production

The WFA has requested the WPB to order industrial alcohol distillers in the East to switch from the use of invert molasses to grain, according to press reports. The apparent reason for the request is the improved outlook for grain supplies, in contrast to the relative tightness expected in sugar supplies. Bumper crops of wheat and corn appear fairly certain this year while grain consumption by livestock in the coming months is likely to be somewhat lower than a year earlier. On the other hand, the heavy demands for sugar from liberated areas in Europe may result in a continued tightness in sugar supplies.

Industrial alcohol distillers oppose the change on the grounds that it will increase costs and decrease output, and that sugar supplies will be fully large enough next year to meet all prospective demands. While it is acknowledged that sugar supplies at present are particularly tight, this condition is thought to be only temporary, caused by manpower shortages at the refineries and the heavy canning demands of this summer and fall.

Sugar supplies are expected to improve now that the heavy canning demands are over and the beet crop is being harvested and refined. Moreover, detailed trade estimates have been presented, indicating a carryover at the end of 1945 of from 2,750 thousand to 3,300 thousand short tons of sugar or approximately 40 to 48 percent of the fiscal 1944 consumption. (These estimates allow for substantial lend-lease and relief shipments to Europe but apparently assume a

- 8 -

continuation of rationing in this country.) This year 800,000 tons of sugar were purchased from Cuba in the form of invert molasses for use in alcohol production.

Department store stocks rise less than seasonally

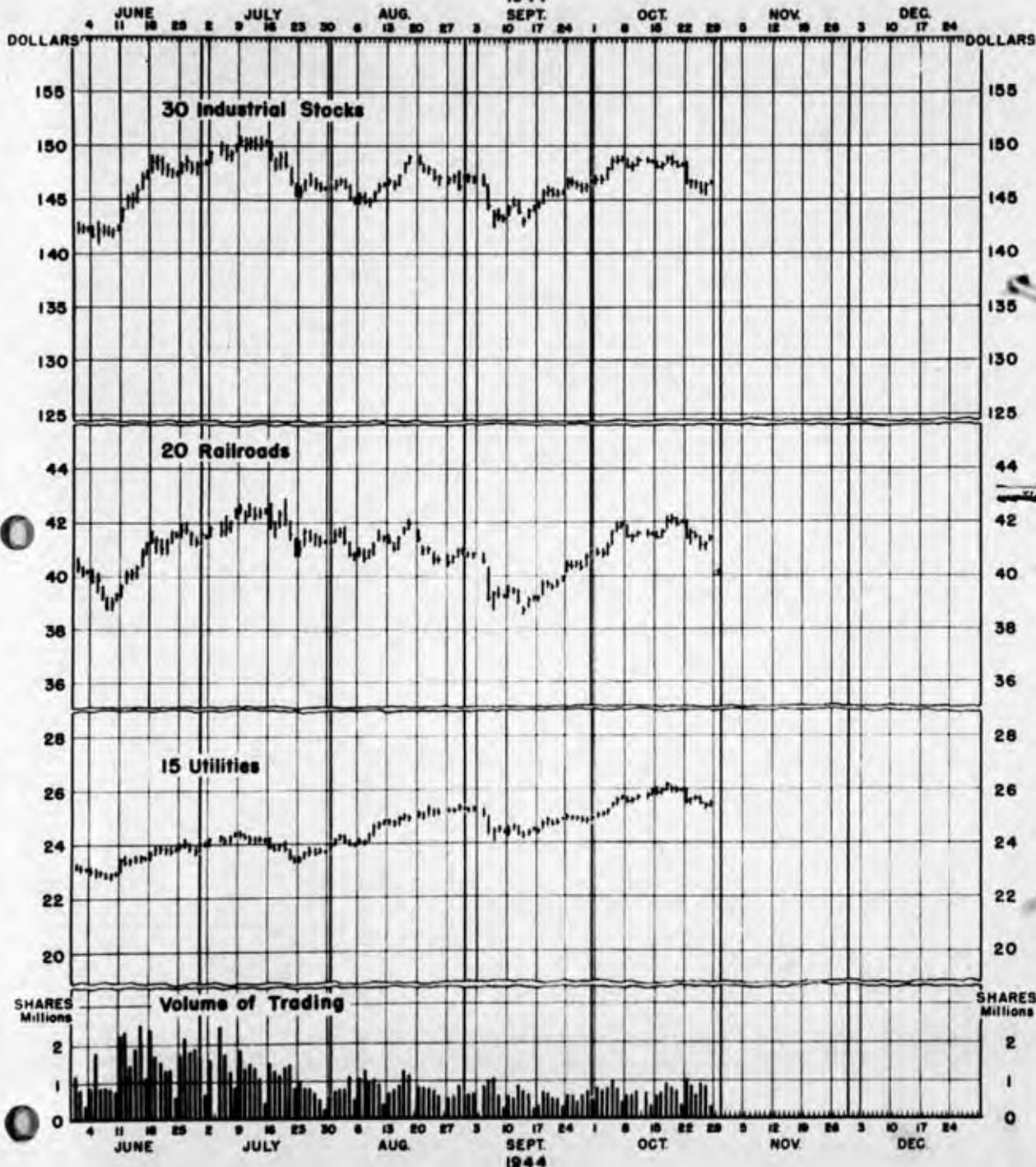
Stimulated by seasonal influences and gift buying for members of the armed forces overseas, department store sales rose sharply in September although the rise was somewhat less than seasonal. Inroads of heavy sales, goods shortages, and slightly more cautious buying policies prevented department store stocks from expanding as much as usual during the month, and the FRB adjusted index of stocks dropped 10 points to 160. Stocks at the end of September stood at the same levels as a year earlier, on a dollar basis. (See Chart 6.)

After showing wider gains in the first half of the month, department store sales in the week ended October 21 declined and the gain over year-earlier levels narrowed to 8 percent. The slackening in sales followed the October 16 deadline on shipments of Christmas gifts to the armed forces overseas.

STOCK PRICES, DOW-JONES AVERAGES

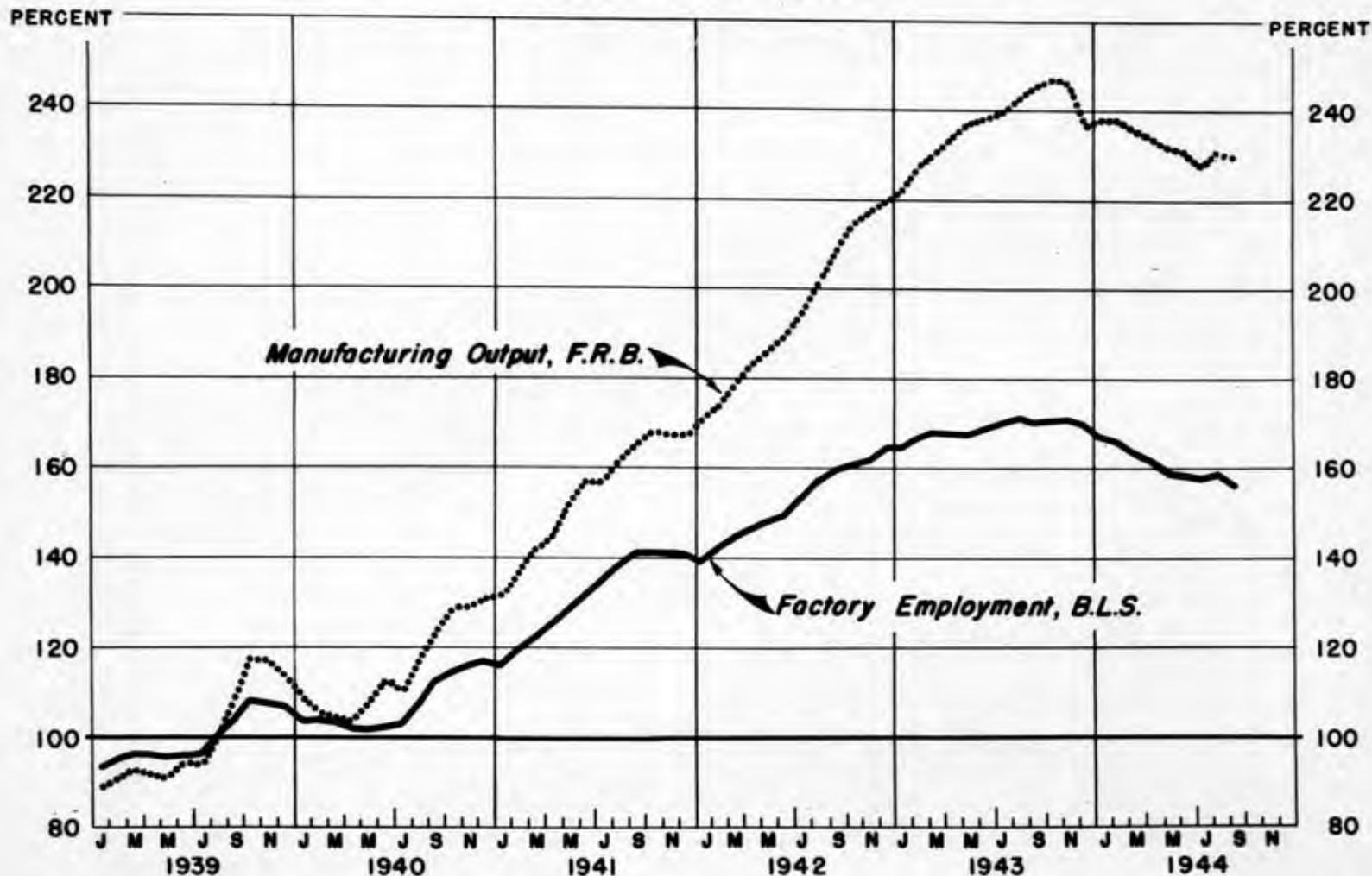
Daily

1944

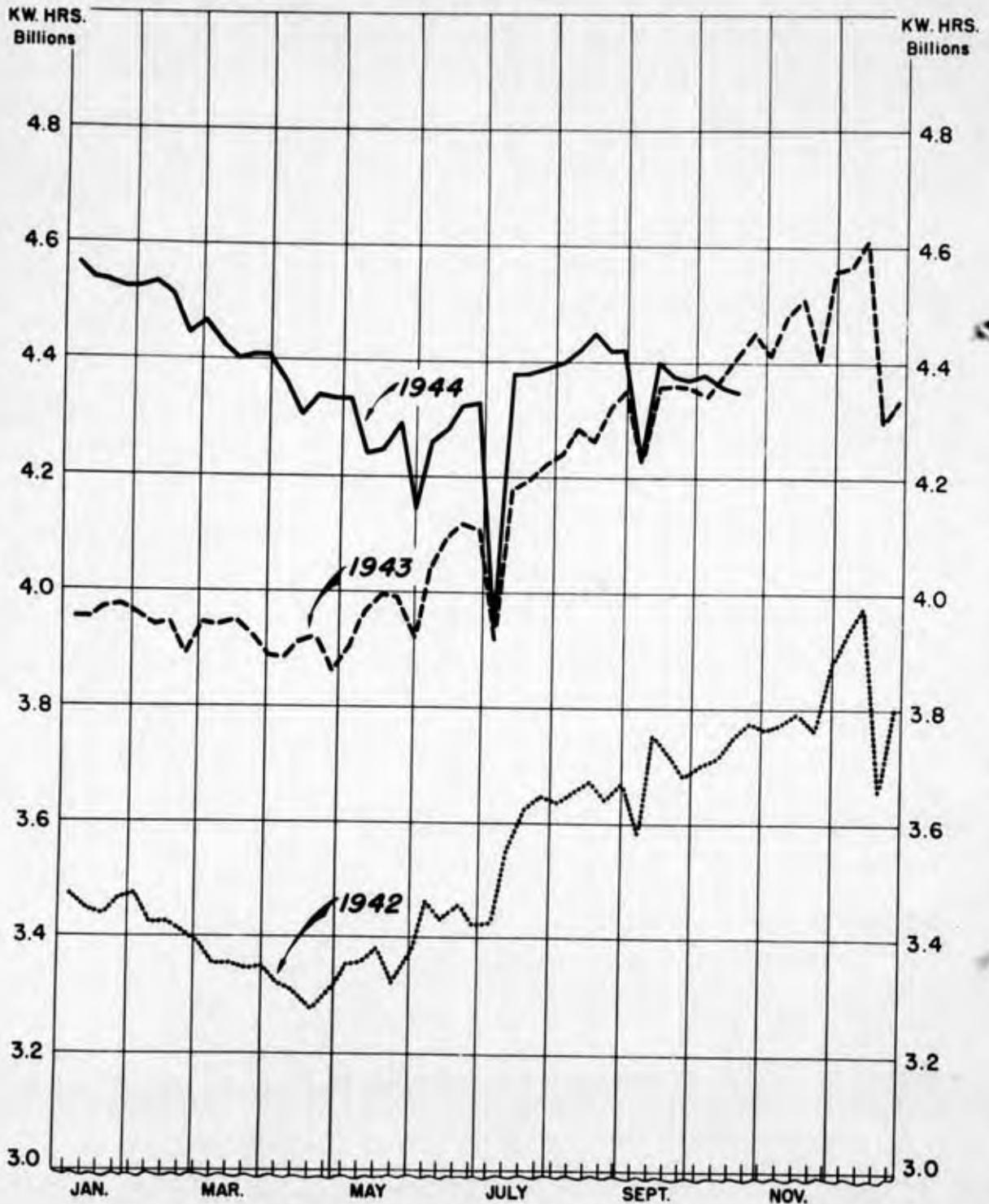


FACTORY EMPLOYMENT AND OUTPUT

1939 = 100, Unadjusted



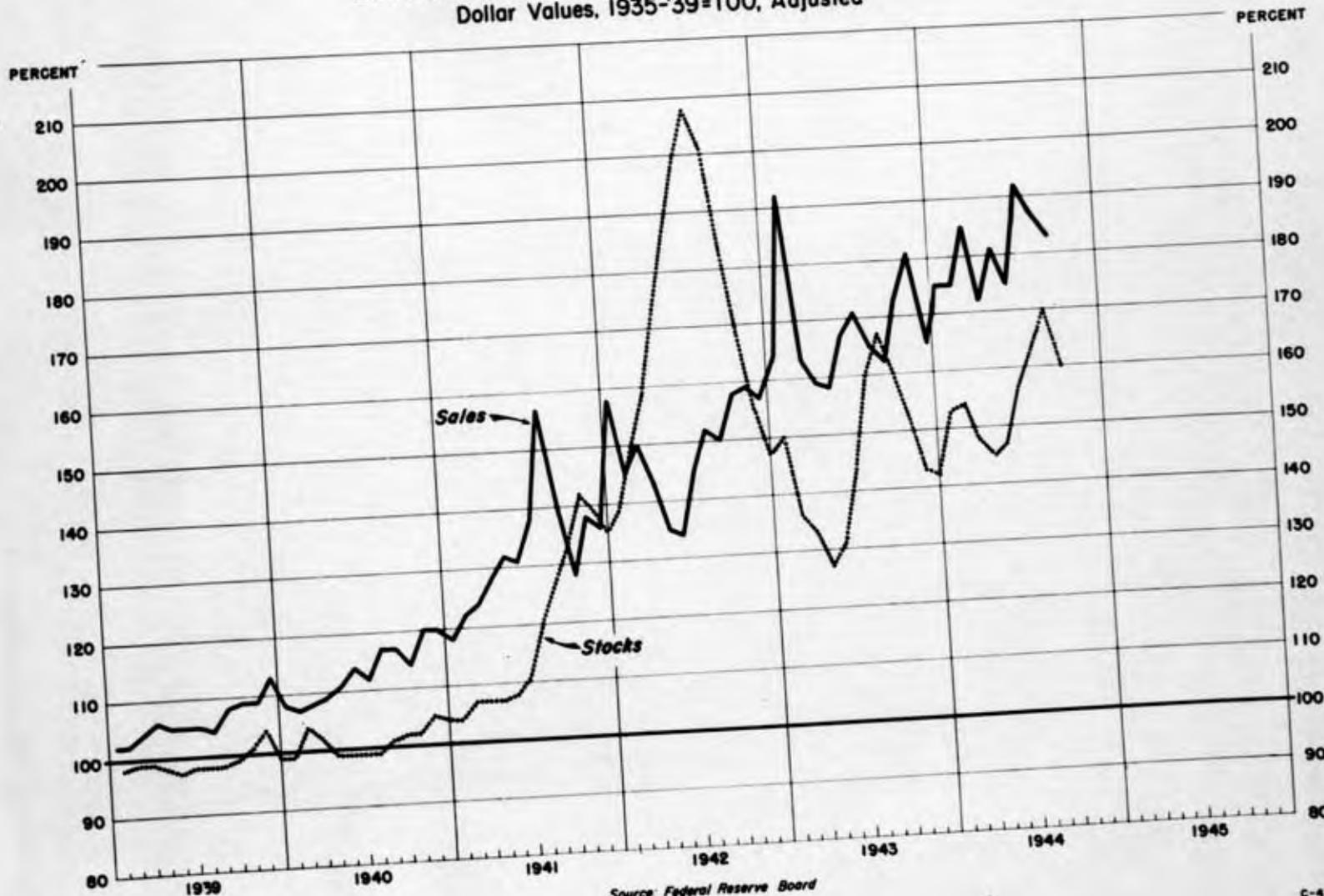
ELECTRIC POWER PRODUCTION



Source: Edison Electric Institute and New York Times

DEPARTMENT STORE SALES AND STOCKS

Dollar Values, 1935-'39=100, Adjusted



Source: Federal Reserve Board

Office of the Secretary of the Treasury
Division of Research and Statistics

C-430-B

Chart 6193

OCT 30 1944

Dear Mr. Wiesenberger:

I am in receipt of your letter of October 17, 1944 in which you present some of the difficulties involved in converting British sterling securities into dollars. As you know, at the outbreak of war in 1939 the British Government enacted regulations which were designed to conserve its foreign exchange. Although from time to time the British have allowed certain exceptions and administrative relaxations with respect to the transfer of estates due American citizens, they reserve the right to examine each individual application on its merits and I am afraid I cannot advise you as to the criteria they may apply in particular circumstances.

You do not specify the nature of the "repeated efforts, here and in London" you have made to convert the proceeds of the securities into American funds but if you feel that your case has not been given sufficient hearing you might consider presenting it in detail to the Department of State for such action as that Department deems appropriate. The State Department's experience in handling applications of this kind and its facilities through the American Embassy in London for direct presentation of the facts to the appropriate British authorities may prove helpful to your cause.

You inquired concerning the practice followed in the transfer of the proceeds of American estates to the United Kingdom. Our foreign exchange position has been such that we have not been obliged to restrict the conversion of dollar assets into sterling exchange. As a result, this country has imposed no conditions on the payment or transfer to England of the distributive shares due British heirs of American estates. It is possible that the American practice in this respect has had some influence on the British in granting the administrative concessions referred to above. I regret to say, however, in reply to your last question that we have no figures indicating the amounts transmitted to England as the result of English inheritances from estates in this country.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Arthur Wiesenberger,
Arthur Wiesenberger & Company,
64 Broadway,
New York 6, New York.

LWS:dl 10/26/44

Oct. 26, 1944

Mr. Bernstein and Mr. Casaday
Secretary Morgenthau

It seems to me that both of you have worked long enough in the Treasury that you ought to know by now that I don't ask any special favors for my friends or relatives, and I take great exception to this note, particularly the paragraph which starts out "Leaving aside the question of how close a friend this man is of the Secretary's ..."

Since when are questions in the Treasury decided on whether a man is or is not a friend of mine? It may interest you to know that I have absolutely no acquaintance with Mr. Wiesenberger, and he is in no way related to me or my family.

May I repeat that both of you ought to know enough by now that policy matters are not settled in the Treasury on the basis of whether or not a person is a friend or a relative of some one in the Treasury, and it makes me very angry to receive this kind of a note from you.

Please let me have a letter to Mr. Wiesenberger based on the merits of the case.

Copy to Dr. White



TREASURY DEPARTMENT

WASHINGTON

October 26, 1944

Dear Mr. Secretary:

I beg you to accept my sincere apology for using on an inter-office memorandum in relation to the letter from Mr. Wiesenberger, the expression "Leaving aside the question of how close a friend this man is of the Secretary's ...". I do, of course, realize that Treasury policy is not determined on the basis of personal relationship and can only explain my use of the phrase as due to thoughtlessness.

I should like to add that neither Mr. Bernstein nor others who received my draft are responsible for my use of the offensive expression.

It remains true, however, that in drafting the letter the question was disregarded and the draft I prepared is based on the merits of the case as I see them.

Sincerely yours,

A handwritten signature in cursive script, reading "L. W. Casaday".

L. W. Casaday.



ARTHUR WIESENBERGER & COMPANY

MEMBERS: NEW YORK STOCK EXCHANGE · NEW YORK CURB EXCHANGE

61 BROADWAY · NEW YORK 6

TELEPHONE
WHITEHALL 3-7522

TELETYPE: N Y 1-420
CABLES: ARTWIES, NEW YORK

October 17th,
1944

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

Dear Mr. Morgenthau:-

We are interested in an estate which has a substantial holding of British securities, which we would like to liquidate and convert into American funds. These securities are at present, in London, and were there at the time of the death of the owner, who was an American citizen. The principal beneficiary of the estate is the son of the deceased, an American citizen residing here at the time of the death of his father.

Despite repeated efforts here and in London, to convert the proceeds of the estate into American funds, nothing has been possible so far, except if we are willing to sell these securities at a substantial discount in the New York market.

The thought occurred to me that there are probably numerous instances of English heirs of American estates receiving the cash proceeds of any assets which are left to them, at the established rate of exchange between this country and England. If that is so, I think it is unfair for American heirs, particularly those who are inheriting estates left by Americans in England, if they cannot withdraw their funds at the standard rate of exchange.

You will probably recall that prior to the declaration of war with Germany, American heirs were able to obtain the official rate of exchange on any funds left to them in Germany, because German heirs were able to obtain American funds left to them on the same basis.

I would like to ask you if any figures are available which show the amounts transmitted to England since the beginning of the war, as a result of English inheritances in this country. I am asking for this information, for if there have been such transfers, American heirs ought to be given the same privilege.

Hon. Henry Morgenthau, Jr.

October 17th,
1944

Had the pleasure of seeing your father a number of times in recent months, and it is remarkable to find him in such excellent health and good spirits.

I have recently joined the Mugwumps and hope our little efforts will prove helpful.

Kindest regards.

Sincerely,

Arthur Weisberg

AW:EYW

October 30, 1944

Dear Ed:

This is to acknowledge receipt of your letter of October 26th, with which you enclosed a copy of questions and answers put to you at the press conference on October 24th relative to French Funds. Thank you very much for sending me this information.

Sincerely yours,

(Signed) Henry

Honorable Edward R. Stettinius, Jr.,
Under Secretary of State,
Washington, D.C.

THE UNDER SECRETARY OF STATE
WASHINGTON

October 26, 1944

Dear Henry,

As agreed in our conversation at luncheon today, you will find herewith the questions and answers put to me at the press conference on October 24th relative to French funds.

Faithfully,



The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

Washington, D. C.

- Q. Sir, in connection with the recognition of the Provisional Government of France, what are the steps now to be taken for French funds in this country being unfrozen?
- A. Mr. Shackford, that is a joint Treasury and State matter which is under active study and review. There is nothing I can say to you this morning that would be helpful to you on that point. Perhaps later on, the Treasury and ourselves will have something to say on the subject.
- Q. Sir, in connection with that same question, do you happen to have the figures, the approximate amount of funds involved?
- A. I think it would be more appropriate to put that question to the Treasury. It is chiefly a Treasury matter on that.
- Q. I wanted to ask, whether we had received---whether the State Department had received any request from the French that their funds should be unfrozen. Presumably---
- A. I don't know as a matter of fact, but I would assume that French officials had been in communication with the Treasury by this time, asking for an opportunity to discuss that question. Of course, we have not had but 24 hours since the action was taken. I can assure you, however, the whole question is under active study. Whether it is taking place as a result of their initiative or our own, I am not quite prepared to say.

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OCT 30 1944

Dear Mr. Klein:

I wish to thank you for your letter of October 21, 1944, in which you informed me of your recent visit with Mr. James W. Gerard of New York. I was very interested in Mr. Gerard's views on the German problem, and appreciate your suggestion about Mr. Gerard which will be carefully considered.

I am also grateful for your kindness in sending me copies of articles which you published at various times in the Kansas City Star. You may be sure that they have been read by us with great interest.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ernest L. Klein,
3172 North Sheridan Road,
Chicago, Illinois.

ERNEST L. KLEIN
CHICAGO

3172 North Sheridan Road
October 21, 1944

P e r s o n a l

Dear Mr. Secretary:

I visited in New York recently with my good friend, James W. Gerard, and we discussed Germany and her post-war problems. Gerard seems to agree with you on the subject and your views coincide with those expressed in my articles on the subject of Germany. I am enclosing some of my published items which I trust will be of interest to you.

Gerard always told me about his great admiration for your father and we often discussed that great statesman. Gerard was the former Ambassador to Germany, and the thought occurred to me that it would be very helpful if he would be asked to make a statement approving your views on Germany. The anti-administration press has gone out of the way to misconstrue your remarks about Germany. Gerard could help to erase a wrong impression which is deliberately being planted into the minds of people for some sinister purpose.

I have spent nearly thirty years in the study of the German problem. I have written articles and editorials about the menace of pan-Germanism and Hitlerism many years ago and long before any real attention was paid to the danger. I know Germany and Europe. I am fully acquainted with the background of the German and other European peoples in regard to historic, economic, cultural, political and other implications.

Wendell Willkie agreed with my views. I have had discussions with him and correspondence. Even our

former President, Herbert Hoover, wrote me that he thought well of my articles, and he made some suggestions to me. I can mention many other prominent citizens who expressed themselves favorably when making comments on my articles on Germany and her post-war problems. I am rather disappointed that none of these people made public statements in support of your views on the subject. Lord Vansittart, who writes me frequently and who proposed a very severe post-war plan for Germany, was not as much attacked in the press as you. In view of that it is necessary to have some public enlightenment. Our friend, James W. Gerard may have the answers.

With every good wish and kindest personal regards,
I am

Very sincerely yours,



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

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Morning (daily average)322,863
Sunday (average)335,903
Weekly Star (average)357,813

HOW TO TREAT GERMANY.

The Border Germans Hold Post-War Threat

By ERNEST L. KLEIN.

HOW can general security be established in a future world and how can future wars be prevented? One way to cover the subject briefly is to say: Europe, and particularly those states which are in constant danger because of their close proximity to Greater Germany, must be protected. In dealing with this question, it is helpful to examine the means Germany employed to carry out the first phase of the European war up to the subjugation and occupation of its neighboring countries.

Germany had for many years prepared in minute detail for a military war, and she likewise employed an effective propaganda with German organizations and institutions in foreign countries. These "Auslandsdeutsche" (Germans residing in foreign countries) planned procedures to be followed in the event of war, or, working under the protection of their new official citizenship betrayed their adopted countries.

Germany has always been adept in planting the so-called "German spirit" in peaceful foreign countries, preparatory to creating unrest for military, political or economic reasons. For example, call to mind the resettlement and activity of the German knights in Poland, and even in the Baltic states. These feudal lords enforced German customs and the recognition of German heroes. Large numbers of Germans were transferred and resettled in Hungary and Rumania. These haughty elements were never anything but a detriment to the general welfare of the community, because they never severed or wished to sever their relations to Germany. They were partly responsible for the fact that Germany was able to win over some Axis partners. An example close at hand is Argentina.

An even greater danger lies in the so-called "Border Germans," who were and are the main carriers of German nationalism; their domestic and foreign political influence is completely Pan-Germanic.

One good example of the dangerous Border Germans are the Sudeten Germans, who occupy the territory on the border between Czechoslovakia and Germany. The mission assigned to them by the Nazi regime was to undermine the exemplary democratic state of Czechoslovakia so that it would be an easy prey to the Nazis, as had been Austria, owing to the work of the Austrian Nazis. Such groups of Border Germans existed in Eastern Germany, that is the Polish and Silesian borderlands; in the Baltic states; in Alsace and Lorraine; in Luxemburg, Holland; Belgium; Denmark. They betrayed the countries that offered them protection and livelihood into the hands of the Nazi regime.

In their treacherous propaganda these Border Germans received material and other aid from National-Socialist Germany, they were in constant touch with German Reich and state authorities, they were trained in Nazi schools and employed by the Third Reich for political, military and economic espionage.

Germany treated its minorities as second-rate peoples. The populations which had been taken over in the course of conquests and territory acquired in connection therewith, although they were awarded Prussian or German Reich citizenship for political and military reasons, were always treated as foreign and inferior by the original Germans. This same treatment was received by the former Poles from the Eastern provinces of Posen, Silesia, Western Prussia and parts of East Prussia. Thousands of former Poles today live in the Rhineland and Westphalia, having been granted German citizenship. These Poles do not consider themselves Germans and if they profess to be such, they do so under pressure. Despite the fact that they have lived and worked so long in Germany, the native Germans do not consider them their countrymen but treat them culturally, socially and sometimes economically as Poles. It's a story that is familiar to the inhabitants of Alsace-Lorraine, who were for the most part treated as French, and to the Czechs, Danes and natives of the Baltic states.

The new order which the peace treaty will have to establish will face a delicate question in dealing with the Border Germans. It is hard to imagine that the Czechs, Poles, Danes, French, or even the Austrians will care to have Border Germans or "Auslandsdeutsche" or disloyal citizens of German extraction in their territories. One first essential is that minorities of Border Germans and "Auslandsdeutsche" be removed from the countries subjugated by Germany. It is an absolute international necessity, that the Germans should be concentrated as much as possible.

EUROPE'S BANKS BECAME NAZI PAWNS IN HITLER'S PLAN TO DOMINATE EUROPE

Transitions Necessary to Restore Fiscal Balance in Invaded and Tributary Nations Pose a Delicate Problem of Readjustment—All Assets of Continental Financial Institutions Were Taken Over by Reichsbank Through a System of Banking Quiltings.

This is the second of a series of articles on the economic problems of post-war Europe by Ernest L. Rabin, an attorney in Chicago. The first of Mr. Rabin's articles, which emphasized the need of stripping the German industrial bases of assets as a means of restoring the military-economic equilibrium of Europe, is "The After of October 18. The present article discusses the Nazi fiscal stronghold in Europe.

By ERNEST L. RABIN.
LONG before Germany embarked on its venture of military conquest, its Nazi planners had devised a military scheme of economic penetration which was not only to be hand in hand with any military action, but which was designed to complete a financial conquest of the invaded nations. This plan was in principle the same one the Nazis had put into operation as soon as they came in power in Germany.

In an application within Germany proper, the plan was to assure that the financial institutions of the Reich within the Reich would remain as the life of the Nazis as long as they governed Germany. This the Nazis believed was to be forever. First, they put "old party members" into democratic key positions to prevent the possibility of a post-war development of the government which Germany, surely they might have expected pressure on the government as the people because of their great financial power. Second, they took over step by step, all the assets of banks, bond, and companies, holding companies and many similar institutions as exchanging real value into government bonds which had no material backing but were fully guaranteed through the insolvency aspects of the German nation as an instrument for aid of the Nazi government.

We must remember in this connection that the German currency had gone off the gold standard or any other world standard. Issuance of German currency was not possible without German bonds, which were as plentiful as the money in the Nazi government over the people.

In making the banks, company and their plans of mine, the Nazis seized an economic hold on the people in the economic form of financial institutions. Simultaneously the financial base for all the occupied German banks and company and institutions with major districts scattered in the larger cities and with firm branches in smaller cities. Thus, as they dealt with millions of depositor investors and all large manufacturers and business concerns, it can be seen that the smooth functioning of the entire German economy depended on five or six of these banking institutions which factors explain their widespread influence. To take over the assets of these banks to finance the government bonds of economic value meant steps to move these institutions, and through them the entire German people, penny of the Nazis.

Banknotes in These Countries.
A leading German banker, known for his liberalism in financial relations, said in the two years after Hitler just came to power: "I still hope we can get rid of the Nazis, although it now means absolute bankruptcy for Germany to do so. The Nazis have taken our assets and squandered them on unproductive projects. These assets are irretrievable and the bonds we received in exchange are worth just as much paper."

This man was unwise most of the financiers, bankers, depositors, insurance company directors, policy holders and owners of stocks and bonds. The majority of the German people had resigned themselves in order to protect their holdings. They had no other choice but bankruptcy. By this simple device, all of Germany's economic life came under the control of the Reichsbank. No wonder, then, that the casual on-looker was so amazed at the seeming simplicity of the entire German na-

tion. The explanation was simple: Dr. Hjalmar Schacht, Germany's financial genius and Reichsbank president, pulled the strings and the puppet went through the motions.

After this pattern had been perfected in Germany proper, it was expanded to fit Germany's domination of her neighboring countries. Economic and military conquest went hand in hand. Even the nations that were not included for the time being to become Germany's slaves, such as Sweden, Spain and Switzerland, fell Germany's relentless hand, at least economically. Barter agreements were imposed on smaller countries without benefit to those countries who were only received as in the terms of the barter.

The lot of the invaded countries was usually worse, however. Just as their military subjugation had been carefully prepared by infiltration of spies, euphemistically called agents, so was the economic subjugation accomplished. The Reichsbank delegated the great German banking institutions under its control to establish branches or agencies in the countries which were to be attacked by the German army. Friendly native banks were likewise used for in-



Dr. HJALMAR SCHACHT, REICHSBANK PRESIDENT, BERLIN.

termediate purposes, specially sanctioned government, transferred to these institutions turned them into convenient intermediation centers and exchange headquarters where all facts and data needed by the planners in Berlin were filed.

Banks in Scheme of Conquest.
Plans were worked out with the German Unions. Once the military was entrenched, the economic conquest was a national enterprise. The federal bank of a given country with all its assets came under direct control of the Reichsbank which quickly had all worthwhile assets transferred to Berlin. It was made certain that the entire national income made available for foreign exports in the German exchange market.

A centralized private bank of an occupied country acted as front in an organization of private banks in that occupied country. The subject bank then provided the German demands and made its other demands directly with the Reichsbank in exchange for all their assets. The amount of the collateral involved put their industry and trade completely under German domination. It might be said that such a bank selected by the Germans as their banking quilling, received no consideration for services rendered.

No difficulty was encountered in finding leaders for delivering their sister institutions into the German economic slaughterhouse. Country after country was dealt with in the same fashion. All their assets were taken over by the Reichsbank. The Reichsbank in turn effected an economic reorganization of these occupied countries which left their entire financial and industrial life dependent on the good will of the Reichsbank.

War conditions only served to keep these ties closer. Germany exerted pressure on its tributary countries to deliver all the goods needed for

the German war machine and to defray a large part of the expenses of this costly monster. The "Preture Europe" is today a going financial and industrial concern, a machine functioning on a continent-wide scale, with each part being dependent on all other parts for its existence. To uncoil this interlocking network and to free the tributary countries from the German domination are gigantic problems.

Entering Economy.
The economic liabilities of these countries are infinite. The natural resources of the subjugated nations have been ruthlessly exploited; their agriculture has been drained in order to fill the needs of the German army; the entire national production economies have been broken up and diverted into continental-wide economies under war conditions with Berlin in control. This is the situation which will confront us in country after country when our troops will liberate them.

Hitler predicted in his "last peace offer" speech:

...and if we should lose we shall share the same of Europe within six to eight years to restore the equilibrium in the economy.

Obviously he intends in turn has thrust into reality.

Time will be required to work out the many transitions necessary to restore the continent to a semblance of normal life. These changes must be brought about with the least fluctuations at one time. Transition from a dictated continental war economy to a free national peacetime economy could bring complete dislocation and paralysis of entire economies. The reorganization of this intricate system could easily result in wholesale unemployment, terror, disorder, starvation and revolt.

Careful planning on our part can prevent many of these pitfalls. But this planning must begin now. We must be ready to take over in a moment's notice. Improvements will never do. Shall we again win the war on the battlefield and lose it on the economic front? This time we cannot afford to permit inflation to come with peace as they occurred since Versailles. Twenty-five years ago, the German inflation after the war was because the insanity of the depression which shook the world. Central Europe is too important a part of the globe to be left to its own follies. We must assist it in solving its problems equitably and in justice. The permanence of the next peace depends on it.

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FRIDAY, OCTOBER 29, 1945

HEAVY INDUSTRY HOLDS THE FINAL KEY FOR THE POST-WAR CONTROL OF GERMANY

The Hitler Gangsters, the Junkers and the Officer Class All Depend on the Big Business Barons, Says a Writer Who Advances a Plan to Scrap the Imperialist Military Machine by First Removing its Dynamo.

The author of the following article is an American who has lived in Germany, studied at the universities of Berlin and Heidelberg, edited German-language newspapers in the United States and conducted an important private investigation of Nazi activities in this country. His present home is in Chicago.

By ELMER L. KLEIN.

THE Germanic idea that moral supremacy is synonymous with military might comes far back into German history, long before Hitler and the time of the Kaisers. This conception of world domination through force has been fostered and perpetuated by the physical divinity of German gods. This divinity was represented by the landed gentry, known as "the Junkers," the officer corps, the members of which originate from the Junker families, the reserve officer corps, which includes all academically trained men, imbued in their universities for generations with the idea that the state is an end in itself, and the band of "Hitler gangsters."

German heavy industry is the most important of the key social groups, because it is exclusively the center in the German war machine. It includes the armaments industry with its industries, its steel mills and the power plants, the chemical and coal industries, the machine factories, the railroads.

German governments in the past have always favored the heavy industry because it represented the means of realistic accomplishment of their ideological purpose, world domination through force. In its large-scale programs, therefore, the German government actually made the heavy industry an arm of government itself. In the course of development, the heavy industry which had received from its government such abundant privileges in order to further its growth, was in a position to exert enormous political and military influence on that government. This it did, with the result that the small countries, Austria, Czechoslovakia, Poland, Lithuania, the Balkan nations and even Switzerland were brought under the pressure of German heavy industry.

The control of the heavy industry over the small countries was effected by the famous heavy agreements in which the German interests played a dominant role in dominating over the smaller contract partners. The smaller contract partners of the bulk of such agreements always believed that the terms were favorable to them. When they discovered the deception, they were powerless to protest.

Trusts and Cartels.

In the case of countries with considerable power in Germany, a different procedure had to be adopted. Here the intricate network of trusts and cartels gave these international and national industries in the steel industry of powerful nations. The implications of this arrangement were very definitely recognized. As the strong arm of government, the heavy industry not only manufactured economic gains but became the instrument of oppression for the German government. Even when an industry of a nation became aware of this inordinate influence, extraction was not easy. Behind a respectable veneer of business enterprise, the dominant interests were at work with all manner of devices. In this manner the downfall of France was made inevitable. And it is for this reason that the American people must be made to see that the AEC hold although the people of America are in sympathy with the Allies.

Germany's obvious business policy became immiserated Allied private interests, and this influence should not be overlooked. On the side of the Allied private interests, profits was the only motive, but Germany

had a dual motive: profit and, especially, information for use in the event of war. Germany's plans for war were in the making long before these interests were likely to have suspected them.

This background is essential in an understanding of the processes of post-war reorganization of Germany. Whether or not the Treaty of Versailles was unfair to Germany, her war potential, heavy industry, was not virtually undisturbed. We permitted the young and inexperienced German democracy to be duped against the entrenched interests of heavy industry and the Junker class which have flourished under Imperial Germany and which had been left basically intact by the armistice.

Hostile to New Democracy.

When the Kaiser was exiled, his personal friends in the war industries, with their deep-rooted privileges, remained to carry on in the old manner. These industrial leaders were hostile to the new German democracy; they conspired against the new government of communists, such as Ernst Thälmann and Heinrich Brüning. The new democracy did not know how to tackle the Van Dons, the Krupp, the Hoeslin and Hoeslin, and all the powerful German industrialists who had the clout to oppose the with the landed gentry, the Junkers.

These two groups, with their enormous and dominating power, always dominated the German government. They overthrew the German Republic in 1933, becoming a working success. Because of their fear of democratic economic readjustments, they banded together with all reactionary groups in Germany. They were those able to discredit the German democracy in the eyes of the people; they could save it a chance; they engineered its downfall. They created the circumstances that would make it possible for a demagogue to come to power. Hitler came to power.

When the war is won, a desirable peace must be assured. To do this the German heavy industry and the Junkers and academic cull of the elite must be abolished. German industry will have followed the pattern that must be followed in doing this. In order to save it from the great destruction through bomb-raid, it has moved important and vulnerable plants out of Germany. The next step is the first step in a proposed outline for the reorganization of Germany.

More men of integrity and independence under Allied control of the so-called heavy German industries, such as the potential, would be converted into war industries. In the process of reorganizing Germany, such industries as are not the producers of essential goods should remain.

With the "industrial barons" at all their power, so an effective control will be required at the time of World War I. The strong organization of a private German government would mean more than ever before. These industrialists, who formed force, the war should stem from the great evil before the Allied forces.

The industrialism of German society was revealed particularly in the great industries, increased upon palace favorites. Large land grants of expropriated property were given as a bribe for ruthlessness. (Hitler's "Hitler General" the Junkers, the landed gentry, an old-time oligarchy, which National Socialism, the institution of German society survived under Hitler. Their enemies of privileged immunities, the great and abject National Socialism and survived with all the fortified privileges. The Junkers and their enormous land holdings outside into smaller farms. This arrangement is to be certain, a national economic or socialistic system of property. These land holdings have been long owned. For decades the Junkers have been able to circumvent the payment of taxes by converting their land into mortgages and their farms into stock exchanges in the government. The land must be returned to the people, its status before to be effective.

As the disposition of the German heavy industry must be done under Allied control, the German government reform, and the national control should be placed in the hands of the Allied powers in order to ensure that it is executed in an equitable manner.

Germany and those private industrial interests, we will have to deal with the "Hitler gangsters" and the members of the class regime and Hitler's political party. These war criminals should not be permitted to go unpunished. They should be held in account for their deeds before we Allied industrialists have "business" Hitler, Göring, Goebbels, Himmler and other avatars of the Nazi party.

After a thorough inner reorganization of the German way of life has been accomplished, such Germany will be found to be friendly toward the democratic ideals must be encouraged to assume leadership of the German nation. When Germany has proved her good will toward the world, after a long period of probation under Allied guidance, she may join the concert of nations.

These problems must not be solved in secret sessions or they will not be satisfactorily solved. The spotlight of public discussion must divert the experts and the planners, so that thoughtful solutions of immediate post-war problems will insure the production of posterity.

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THE CHICAGO SUN, WEDNESDAY, JULY 12, 1944

Vansittart Warns Of Appeasement

British Lord Writes
Peace Must Be Won,

There must be no appeasement with Germany in the final settlement of the war and "mistakes of World War I peace" must be avoided if European civilization is to survive.

This was the message received here yesterday from Lord Robert Vansittart, foreign diplomatic adviser to the House of Lords, and erstwhile chief of Great Britain's foreign intelligence service, to Dr. Ernest L. Klein of the Belmont Hotel, author of articles on the need for a curtailment of the Junker system.

Writing from his Denham Place castle, Lord Vansittart said, "I hope you will continue to do all in your power to convince the public of the United States that any repetition of the old mistakes must inevitably lead to a third German war of aggression which in its turn would mean the end of European civilization."

gt.
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FILLING OUT
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HOW TO TEST THEMSELVES

THE ALLIES MUST FORGE NEW WEAPONS TO DEAL WITH MYTH OF ETERNAL GERMANY

Victory on the Battlefield Will Be in Van U, unless the United Nations Dictates Post-Car-tron Ideology—Says New York Post—New Foreign Organization to Analyze the Next Peace—Both Force and Education Required to Work Real Reformation.

The serious mind in the world must recognize that the victory on the battlefield will be in vain unless the United Nations Dictates Post-Car-tron Ideology—Says New York Post—New Foreign Organization to Analyze the Next Peace—Both Force and Education Required to Work Real Reformation.

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WHILE there is no doubt that the Allies must forge new weapons to deal with the myth of eternal Germany, the serious mind in the world must recognize that the victory on the battlefield will be in vain unless the United Nations Dictates Post-Car-tron Ideology—Says New York Post—New Foreign Organization to Analyze the Next Peace—Both Force and Education Required to Work Real Reformation.

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Hermann Hesse. By Hermann Hesse.

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Diet and Health

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with this. Perhaps she would have preferred it that way. Yet surely Kansas City is the proper place to honor and memorialize the achievements of one of its most distinguished citizens.

HOW TO TREAT GERMANY?

War Crime Question Far From Settled

By Ernest L. KUHN.

THE punishment of war criminals is a question that has been allowed to rest too long in the background. It was not settled at the Moscow conference, although the decisions reached at Moscow represented an important stride in the direction of solving post-war problems.

The plan agreed on at Moscow provides that the war criminals are to be sentenced in those countries in which they have committed their crimes. Where the crimes were not limited geographically, punishment will be inflicted by an international court. This includes particularly the major criminals.

What, however, is to be done with those war criminals, who have committed capital crimes of the worst kind against their own countrymen in Germany itself. Irrespective of whether they be Jews or Christians, Germans or non-Germans? Shouldn't they be punished as well? Shall the many thousand murderers and depollers of innocent people and the brutal keepers of the concentration camps be left unpunished? Shall the blackmailers and thieves be allowed to enjoy their booty? Or shall we leave these criminals to the German courts? Such procedure would constitute a serious error.

The punishment of war criminals must be judged from an international standpoint. This applies to the question of rehabilitation as a whole, and also to the hundreds of thousands of former Germans who, because of their race, religion or political ideas, have lost their nationality, their property and their families under the Nazi terror. Of late the justified demand has been expressed that the crimes against Jews be considered war crimes, but nothing has as yet been achieved in this direction.

International regulation of the problem of rehabilitation of those persons who formerly lived in Germany and were damaged, is imperative. Should such a group, not being in a position to form a government in exile, or appoint representatives who would later have governmental powers, be placed in a worse position than the people of countries like Austria, for example? Both justice and security demand that international interest be directed toward these Germans who have no sovereign representatives to enter their personal and property claims.

Aside from the moral effect of such treatment, these people would certainly be potential pioneers of democratic ideas in Germany and Europe as a whole. They have served science and culture and have created positive values. To a large extent they have peacefully identified themselves with the countries of their choice. They deserve help. The same consideration should be extended to those who to this day are suffering in Nazi Germany's hell of concentration camps and ghettos, deprived of all human dignity, all protection and all possibility of making a livelihood, condemned to extermination. It is to be hoped that there is exaggeration in the official and private statistics which list Nazi victims in the millions, although it is certain that the actual figures of those murdered in the Axis countries and the occupied countries are vast. However, we must bear in mind that many still are alive and something must be done for them now.

The question will arise as to whether these victims will wish to remain in a new Germany under democratic government. International regulations must be prepared, assuring them equality and protection, irrespective of race, religion and nationality. As to agreements entered into with official German government representatives, it will be up to international justice and police administration in so far as that these obligations are fulfilled. In case of resistance or improper execution, international pressure and force must be employed. This, of course, does not apply only to Jews but also to Christian former Germans, stateless groups and members of minorities who have lived in Germany or still live there.

Provisions must also be made for those who desire to or must leave the countries of their suffering. For these individuals a new home and a new country where they can build a new life, must be found. An international agreement must be made, under which refuge will be given by the various countries, according to their capacity and other conditions.

FRAGILE BATONS FOR TOSCANINI.

By Harold Taubman in Coronet Magazine.

Toscanini's habit of hurling a score to the floor and tramping on it when upset troubled the New York Philharmonic's librarian, Emil Gieseler. Gieseler observed that the maestro's first move, when he laid his baton in rehearsal, was to grip the bottom in each hand and sweep it underfoot. If it broke, he

Prime Minister up the Teufelberg mystery his war tele- vision of his the Balkan of the Berlin and as being Yugoslav were separately be face as new quality.

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THE MISTAKE AT VERSAILLES 25 YEARS AGO

Anniversary of World War I Peace Treaty Finds Some People Still Suffering From Blindness Which Contributed to Disastrous Failure to Deal Firmly With Germany.

A quarter of a century ago today—June 28, 1919—the Treaty of Versailles was signed. Nobody got any permanent satisfaction out of that settlement of World War I, which supposedly was designed to end wars. Actually the Versailles treaty merely made some mistakes but on this anniversary day the one great reason for the tragic aftermath at Versailles stands out in the German record. It is discussed in the following article by an American writer who has made an extensive study of German affairs.

By EDWIN L. KILGUS.

THERE are some formal, serious-minded people—and many others who have fallen for a Nazi propaganda line—either willingly or innocently—who blame the Treaty of Versailles for this new war. It is said that the war was forced on Germany because of an unreasonable and shameful peace. The Nazis, so these people contend, simply had to free itself from such shackles to assure its existence. They conclude further that a soft and lenient peace will be the only line which can endure for any reasonable length of time, while a harsh one will only sow the seeds for World War III.

Experiences of the last two and one-half years have taught us that the Versailles treaty did not foster a lasting peace because it failed to reach out to the people and the ideology responsible for the pan-Germanic dream of Teutonic world supremacy. If it had been better executed—which, incidentally, it never was.

The Treaty of Versailles condemned itself to failure when it left the power and the influence of the Junker group of reactionaries unbroken practically untouched. Their pan-Germanic philosophy was the spring which invigorated the scheming and planning that occurs in the wake of the treaty. They had set their goal in mind—to re-establish Germany as a first-rate power which would restore the world as well as time would permit. From they were to take up the unfinished task of the old German empire, to embark on expansion leading to eventual world domination, even if it meant one or more wars in coming years.

The policymakers of 1919 should have remembered nineteenth century history which furnished the precedent as to how the withdrawal of 100,000 men, appointed by the Allies after World War I, would be utilized by the militarily minded powers of Germany. Napoleon had imposed similar army retri-

buements on the king of Prussia, who even too weak to cope with them used the ruse of training his gendarmes as a contingent of troops into a highly efficient striking force. Later he engaged them with raw recruits who were similarly trained and then, a few years, many times the actual number of Prussian soldiers were ready to fight and in consequence the Allies averted Napoleon's defeat and eventual overthrow.

Plans for Hitler's Armies. The Versailles peace, and to enter World War I, the German reichewehr trained its soldiers to 100,000 first-rate soldiers, thus laying the groundwork for the coming German army of millions of men. Each one of them was indoctrinated with the spirit of German destiny in this world and was trained in all the attributes of leadership to do his share in the reestablishing of the Reich.

At the same time a thorough and complete mobilization of Germany's resources for war was carried on under the very eyes of the Allied commission in Berlin. It remained in the blueprint stage until the time for execution had come—but Allied observers should certainly have noticed the great number of officers of the imperial German army who had become "civilian employees" of the war department. They should have detected how these officers entered all the munitions details which are the backbone of a military organization in a peacetime short time. When Germany finally violated the provisions of the Treaty of Versailles, the mistake mentioned with previous accuracy, thus indicating how well it had been prepared.

From the day that the first World War ended, the reactionary German secret organizations continued many of their operations in their own way. In this way a new work of superior armed groups was established known as the "Black Reichswehr." And while, despite the presence of an Allied commission in Berlin, they had done anything to slow these activities.

Assassins Go to Work. These secret groups betrayed the young Weimar democracy in every possible way, and their underground activities in the Reichstag followed the pattern of the K. D. (Kaiserlich Deutscher) secret friends of the German democracy with every weapon they possessed. When opportunity presented, they resorted to political murder, assassination of such German statesmen as Rathenau and Ehringer. These underground movements, well known to every German at the time, were never seriously hampered by the officials of the Weimar republic. The authorities were

too weak to cope with them because the sympathies of large groups of the German population were on the side of the intensely nationalistic groups.

Here then are the reasons for the entire German developments after the first war. The democratic circles were too weak, too inexperienced in their own underground machinations of the post-war struggle which had previously dominated the Reich and which associated the democratic form of government. In their struggle to retain their former rights, the Junkers were unopposed under the Versailles treaty. It was because of the already planned and executed machinations of the leaders of heavy industry, Junkers, landed gentry and the pan-Germanic intelligentsia that the Weimar republic finally succumbed.

In their climb to power, the Junkers and their accomplices first had to discredit the work of the Weimar republic, before the German people learned to appreciate this new device for ruling. To this end, the nobles worked through "sterns unversichert" also deliberately to demoralize the working population. Industry did its share in this scheme by deliberately putting thousands of workers into unemployment and poverty, general unrest and despair.

A Successful Ambush-Party. At the same time, clever propagandists took advantage of the general prejudices of the leading nations of the world, painting the dread specter of a Bolshevik Germany to the people of England and the United States. Surely, so they argued Europe will be commensurable if Germany dies. Behind this square, cynical, statement, so a grand scheme began, and the rest of the world looked on indifferently as Germany lay in one of its own traps to fall into common enemy, Communist hands.

It was a clever scheme and it worked, within the Reich and abroad.

Germany had no democratic tradition, so it was easy to point to the Weimar republic as an unbreakable project. The Germans utilize military tradition, and the people turned to the leaders who promised to create their tradition with peace and prosper Germany was prepared for a synthetic Meinsh in his artificially created military, thus the Fuehrer was created.

The world which attempted to establish a half-hearted peace with military measures finally realized how it had duped itself. The error of the policymakers and the worst of history.

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OCT 30 1944

Dear Mr. Matthews:

I read your editorial of October 12 under the title "Are You Bad, Too?" and determined to write to you, though I have been a little late getting to it.

I liked the editorial. It is a real contribution to sane and realistic discussion of what to do to prevent the Germans from creating another war machine in a few years after we have finished licking them again.

It was not by my wish or action that the question of the treatment to be accorded Germany was dragged into the arena of public discussion by publication of a so-called "Morgenthau Plan", nor have I felt at liberty to correct inaccuracies in the record. But I think some solid advantages have accrued. Many newspapers, like the Courier-Express, have been discussing the matter with sincerity and on a high plane in spite of the fact that we are in the midst of a National election campaign.

Naturally I am grateful for anything that is in the direction of producing a sound democratic result; and, above all, is in the direction of protecting America from future wars.

I hope you will regard this letter as purely personal.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Burrows Matthews
Editor, Buffalo Courier-Express
Buffalo, New York

HEG/mah

ARE YOU BAD, TOO?

Henry Morgenthau is a bad man. He wants us to be mean to the Germans. He wants us to send them back to the farms where they wouldn't have so much opportunity as they have in the cities for their own distinctly national type of fun, beating Jews to death and all that sort of thing.

Lord Vansittart is a bad man. He wants us to be mean to the Germans. He wants us to fix it so that the Germans can't go on pleasure trips around Europe, carrying torches and clubs and locking French and Greek and Czechs and Poles in churches and setting the churches afire. He wants us to fix it so that the Germans can't enjoy the sport of turning shot bombs loose on men, women and children in England—and perhaps in lands far more distant from Germany.

Cartoonist Roche is a bad man. He has drawn a picture on this page reminding us that the Germans have given Czechoslovakia a couple of new Lidices.

The Associated Press and Paris Radio are run by bad men. The former told its member papers yesterday:

"The Paris Radio said today that German SS (Elite Guard) storm troopers had massacred all but ten of the 520 inhabitants of the Burgundy village of Comblanchien, in reprisal for an incident in which the villagers were innocent.

"The broadcast, recorded by U. S. government monitors, said six German soldiers had clashed one night with some of their comrades, and shots were fired. The report said SS men from an armored train near the village held the inhabitants responsible, threw incendiary grenades into houses and machine-gunned those trying to escape the fires."

You must be pretty bad, yourself, or you wouldn't be reading all these mean things about the dear, good Germans.

OCT 30 1944

Dear Mr. Mowrer:

Your editorial of October 17 has been a little late reaching my desk, but having read it I feel moved to write to you promptly to express my appreciation.

It is probably unnecessary for me to say that I believe all of it to be true and I applaud it most heartily.

As you perhaps know I haven't made any statement on this matter other than a broadcast from London in which I said I was not in favor of leniency for the Germans, nor have I felt free to correct inaccuracies in the public record.

I have been amazed, however, by statements carrying the idea that the newspapers ought not to discuss publicly alternative means for preventing Germany from building another war machine lest the Germans get angry at us. I had supposed they knew already that we were at war with them and had a rough idea of our objectives; nor had I seen any signs of their "surrendering in droves" except where they were trapped and overpowered.

At any rate I thank you sincerely for your contribution to a sane discussion of this subject - which is really something in the heart of a Presidential campaign - and I hope you will regard this letter as strictly personal to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Paul Scott Mowrer
Editor, The Chicago News
Chicago, Illinois

HEG/mah

DR. GOEBBELS' PROPAGANDA.

They have them in England, too. Noel Coward wrote a song for them. The chorus began, "Don't let's be beastly to the Germans." Now, in this country, and perhaps in England, other voices arise, aghast that anyone should suggest we aren't going to let the Germans off easy this time. It only makes them fight harder, they argue. Secretary Morgenthau's suggestion about depriving Germany of its heavy industry prolonged the war for months, they cry. Goebbels used it at once. He is telling the Germans we are going to rob, kill or at least, castrate them. So if we want to shorten the war, we must reassure them that by "unconditional surrender," we don't mean them any harm—well, not much harm. Then they will quit fighting, and the war in Europe will be over.

Of course, if Hitler could get suitable terms from us, he would accept them at once—terms, that is, which permitted Germany to continue its existence as a great power and prepare for the next war. We doubt if even the people who don't want to be "beastly" to the Germans want that.

What our amateur war psychologists don't seem to understand is the mentality of Dr. Goebbels. Even if we were to say a few kind words to the Germans at this point, Goebbels would still twist them into meaning that we intended to rob, kill or castrate the whole race. Being Germans, and very guilty, they would believe him, not us.

In conclusion, we beg leave to disagree with those who think the Germans in France surrendered because of the leaflets we dropped on them, and are fighting harder now because of Mr. Morgenthau. The Germans in France surrendered because they were utterly defeated in one of history's most brilliant campaigns. The Germans now fighting us are not those who surrendered. These Germans are fighting ~~hard~~ because they have been and still are good soldiers. When we beat them, they, too, will surrender.

OCT 30 1944

Dear Mr. Adams:

I have read with a great deal of interest and appreciation your editorial of October 11, entitled "The Morgenthau Plan" and I want to thank you for it.

As you perhaps know, I have not made any public statement on this matter, nor have I been at liberty to correct errors in the public record, yet I have not concealed my opinion that in the peace settlement all available means should be used to prevent Germany's making war again.

One thing that has greatly encouraged me is the candor and sincerity with which the newspapers - with some notable exceptions - have been discussing this subject. I believe such editorials as yours will contribute substantially to the formation of sound public opinion.

I hope you will regard this letter as entirely personal to you and, for reasons that you will readily understand, not for publication.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Herbert Adams
Editor, Parkersburg News
Parkersburg, West Virginia

HEG/mah

The Morgenthau Plan

Possibly the timing of publication of the Morgenthau plan—the most drastic yet proposed for the future of Germany—was a political error.

According to Time magazine one New Deal chieftain, a White House intimate, said: "Even the airing of this plan is going to cost a lot of American lives. It is going to stiffen resistance inside Germany. We have placed a powerful weapon in the hands of Goebbels."

The points of Mr. Morgenthau's plan are as follows:

1.—Removal from Germany of all industrial machinery which any liberated country wants; obliteration of the rest of German industry.

2.—Permanent closing of all German mines—if any are left after territorial changes.

3.—Cession of the Saar and other Rhineland areas to France; cession of the East Prussia to Poland.

4.—Breakup of all large land holdings into small farms.

5.—Withholding any economic aid whatsoever to Germany; no food, clothing or other relief supplies to be furnished to the German people; no reconstruction of railroads or factories within Germany to be permitted.

6.—Prolonged occupation by Russian, British and American troops, perhaps for a generation.

7.—No reparations—since Germany would have nothing to pay them with, and would be allowed no way to earn payments in the future.

To the above seven points we would add an eighth one:

8.—Splitting of Germany into fragments too small ever to menace the peace of the world; and the tolling at forced labor of millions of Germans in labor battalions to repair the damage they have done and expiate, at least to a degree, the horrors they have inflicted upon mankind. In discussing peace terms for Germany, let the harsh peace of Brest-Litovsk of World War I be remembered, as an indication of what kind of terms the Germans would have imposed upon Britain had they won, or indeed upon the United States had it been possible for combination of Germany and Japan to have defeated the United States through stealth and surprise. No country could have expected any mercy, and the record of the conquered small nations of Europe proves it.

In that connection it is interesting to read the recent statement of Lord Vansittart, permanent undersecretary for foreign affairs of Great Britain, a well informed gentleman who has been right about the Germans from the start, when others were proclaiming the Munich pact as bringing "peace in our time." Lord Vansittart says:

"The first thing to do with the German people as a whole is not to trust them. After the last war we trusted them to disarm, materially and morally. They swindled us. We trusted them to try war criminals. They swindled us. And in no sphere did they swindle us more grossly than in reparations. Why all these swindles? Because the German people simply weren't in the least sorry for what they had done; they were only sorry they had lost. The swindles were carried out with popular approval.

It is dishonest to blame the Treaty of Versailles for the immediate ~~reaction~~ ~~of the~~ German aggressive spirit. The treaty was a moderate one and can be defended clause by clause. . . . No, the German people have proved themselves utterly untrustworthy and appallingly tenacious of evil. They have fought two world wars to the bitter end in the hope of a higher standard of living at the cost of their neighbors. There is nothing racial in this: They have been systematically miseducated into the stupidity of cupidity. The Germans are gully as a nation and must be treated accordingly, without sentiment or softness, as an international danger, as a menace to mankind, until they are completely transformed. . . . The most blameworthy classes must disappear altogether; these are the Junkers and the heavy industrialists. They must simply be expropriated."

Both Mr. Morgenthau and Mr. Vansittart are right. They have the record of all

history to support their plan of a Carthaginian peace, which this newspaper in the past has frequently urged. The thing about a Carthaginian peace is that it is the ~~one~~ kind of peace—in all history—which has proved successful and enduring. The ancient Romans, after three wars with Carthage, finally ploughed the city under, invoked a curse upon it, and it has remained that way until this very day, after a lapse of more than two thousand years.

The German people have asked for it, not once, but many times in their ill-starred history. The present war lusts date back to the rise of the tiny Prussian state, which participated in the original carving up of Poland; and which absorbed its neighbors by force of arms helping to keep Europe in turmoil for over a hundred years.

The capacity of the German people to put their faith in egomaniacs seems illimitable. It dates all the way back to their so-called "Frederick the Great," and runs up to the swashbuckling Kaiser of World War I, to the demoniac Hitler of the present struggle.

The world would simply be storing up more trouble for itself if it again consents to a soft peace.

Let us be true and faithful to the cause for which our gallant American boys are fighting and dying over there. Let us not toss away the fruits of victory after they have won it.

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Article from Saturday Evening Post of 10/28/
1944 entitled "Here the Nazi Butchers
Wasted Nothing" by Edgar Snow.

October 30, 1944

My dear Lady Anderson:

I thought you might be interested in the almost unbelievable story by Edgar Snow in this week's Saturday Evening Post, and also in the very interesting note by the Editors, "This Is Why There Must Be No Soft Peace". I am confident you will know the best use to make of this article.

With warm regards to you and Sir John,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lady Ava Anderson,
4 Lord North Street,
Westminster, S.W. 1,
London, England.

222

Article from Saturday Evening Post of
10/28/44 entitled "Here the Nazi Butchers
Wasted Nothing" by Edgar Snow.

October 30, 1944

My dear Lord Cherwell:

I am sending you enclosed herewith a story by Edgar Snow which appeared in this week's Saturday Evening Post.

I thought you might like to take this back to England with you, and show it to anybody who may have a question as to how to treat Germany.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Right Honorable Lord Cherwell,
United Kingdom Treasury Delegation,
Willard Hotel,
Washington, D.C.

224 ✓

from A. H. S.

MEMORANDUM for: MR. JAMES

Has there been any answer that has gotten by me with respect to that Morgenthau inquiry and, if not, could you inquire if any is likely to come through?

A.H.S.

October 30, 1944

File

(53) 225

MEMORANDUM for Mr. Sulzberger

from E. L. JAMES

I have asked about this again today.

E. L. J.
E. L. J.

Oct. 30, 1944

1/1/30 -

WASHINGTON POST A VICTIM OF BRITISH AND ZIONIST INTRIGUES?

AN OPEN LETTER TO MR. EUGENE MEYER, PUBLISHER
AND EDITOR OF THE WASHINGTON POST FROM
PETER H. BERGSON, CHAIRMAN OF THE HEBREW
COMMITTEE OF NATIONAL LIBERATION.

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COMMITTEE OF NATIONAL LIBERATION.

Published by the

HEBREW COMMITTEE OF NATIONAL LIBERATION

2315 Massachusetts Avenue, Washington 8, D. C.

October, 1944

FOREWORD

"The reactionary clique of the British Colonial Office is not content to keep the gates of Palestine mercilessly shut in the faces of our dying brothers in Europe, but is preparing new plots against our hopes and future, and schemes to enforce the ghetto regime in Palestine forever.

"Most tragic in this deplorable situation is the fact that the Zionist leadership and bureaucrats, as in the past, are ready this time again to give in to the scheming of the British Colonial Office and accept the humiliating defeat, heralding it as a victory. Thus, these Zionist defeatists play in Hebrew affairs a similar part to that played by Pétain in France during and after the French national debacle."

Against these conspiracies the Hebrew Freedom Movement stands and fights.

The British Colonial officials and the Zionist defeatists are therefore united in a campaign of slander and vilification, in order to discredit and thus gag the Hebrew Freedom Movement.

A startling manifestation of this vilification campaign is the series of stories published in the *Washington Post*, October 3rd to 6th, inclusive. It seems that Mr. Eugene Meyer has agreed to offer his American paper as a platform for British imperialist and Zionist defeatist slanders. We are reproducing in full, in the second part of this pamphlet, the first story which appeared on October 3rd. This story is a more or less comprehensive and exhaustive compilation of all the rumors, gossip, insinuations and slanders against us uttered or whispered during the last four years by British and Zionist officials.

The letter by Mr. Peter H. Bergson, Chairman of the Hebrew Committee of National Liberation, contains a detailed refutation of all these innuendos and also throws light upon the background and motives of this campaign. It seems that in the meantime Mr. Meyer and his staff on the *Post* discovered that they were the victims of a British-Zionist conspiracy, and tried not only to retract, but also to make amends.

In this booklet is reproduced also the story that the *Washington Post* felt itself compelled to publish on October 8, in the belief that this partial retreat would satisfy the Hebrew Committee of National Liberation and its American friends. The *Washington Post* went even further and tried to forget the whole incident — on October 9 it published Mr. Bergson's condolence message to Mrs. Willkie in a prominent front page story, among the messages of heads of foreign governments and leading Americans. On October 13th, the *Washington Post* retracted in a long editorial its most vicious allegations. Although the tone of the retraction was embarrassed and apologetic, it was far from being gracious and magnanimous.

Some insinuations still have not been explicitly and squarely withdrawn, and the Hebrew Committee insists that the *Post* repudiate every one of them; the damage done must be repaired. Therefore the Hebrew Committee cannot drop the matter unless Mr. Meyer publishes a detailed retraction with due apologies. Even then, the damage wrought the cause of the Hebrew Freedom Movement will by no means be adequately repaired.

We are servants of a foreign people who came to this country in order to appeal to the people of America for help in the cause of our freedom. Our ultimate success depends upon your response. Therefore, in this incident, too, we consider you the highest tribunal, and since we know the noble traditions of the American people that fostered and upheld the fight for freedom of every nation whose representatives have come to this country for help, we do not doubt your pronouncement. What we ask from you is to make your sentiment and your pronouncement known.

We did not seek this trouble and we shall be happy to see the incident closed.

October 10, 1944

Mr. Eugene Meyer,
Editor and Publisher,
THE WASHINGTON POST,
Washington, D. C.

Dear Sir:

Great injustice and incalculable damage have been committed in the recent series of stories in your newspaper on the Hebrew Committee of National Liberation, to the cause of a martyred people, to the institutions and men attached to this cause, and to those many leading Americans who give it their support and assistance.

This attack upon us was the first disappointing and dismaying experience with an American newspaper during the more than four years of our activities in this country, in which period we have been constantly and foremost in the public eye. During these years of Hebrew national disaster and desperate fight for the survival of our people, we were deeply impressed and gratified by the attitude of the American press toward the cause of our people and our struggle for survival. This attitude of the American press more than justified the fame it has acquired all over the world as being of the highest standard and integrity. But you have chosen for your publication to be an exception.

You will probably remember the only conversation (on the telephone) I had with you. It was in 1942. At that time I asked you to give editorial support to the demand for a Hebrew Palestine Army. You denied this support with the excuse that "the WASHINGTON POST is not a Jewish paper." I remarked that it was true that the WASHINGTON POST is not a Jewish paper, but that the fact that it has a Jew as a publisher does not explain why, like a hundred other newspapers in the United States, probably all owned by non-Jews, it would not support the Hebrew Army demand editorially.

I cannot recall that at any time your newspaper came out for three or four days consecutively with a campaign on any disastrous event occurring to the Hebrew people of Europe or to any of the proposed policies of action and solution.

Tribute to the
American Press

Is the *Washington Post*
a Jewish paper?

Mr. Meyer's sin
of omission

Nothing moved you to such a step. Other American newspapers did come out, but it is true that they are owned mostly by non-Jews.

Mr. Meyer's sin of commission

And now you have stepped into an internal Jewish campaign of vilification against us, led by Zionist bureaucrats, by giving this campaign for four consecutive days exceptional front-page prominence, implying that the man who is the head of the Hebrew National Liberation Committee and who has devoted his life to the cause of his people, who has the support of many American leaders in all walks of life, who deals with governments concerning the most tragic and desperate problem of our times, is, in sum total, a crook, who on the torrents of blood of his people raised a million dollars without giving an accounting of how it was spent. You also implied that hundreds of good, intelligent, forthright leading Americans were but dupes and stooges in the hands of this racketeer. I am very eager to know in what capacity you started this campaign: whether as a publisher of an American newspaper, or as Eugene Meyer, the Jew, who has let his American newspaper become a tool in the hands of narrowly partisan Zionist bureaucrats and anti-Zionist British officials united in their opposition to our movement. The fact remains that except for some purely Jewish papers, not a single American daily but yours has taken the initiative to adopt this point of view of prejudiced hostility.

Providing fuel for anti-semites

You even overlooked the fact that such a campaign of vilification against a servant of the Hebrew people will provide excellent fuel for all sorts of anti-semites who will delight in your slandering of a Hebrew man and institution, and that this campaign will also put despair into the hearts of many sincere friends and supporters of the Hebrew cause. But who cares when partisan bias and fanaticism prevail over common sense and justice?

Extent of moral and material damage

The Zionist bureaucrats, you realize, are taking full advantage of the stories in your publication. They have sent out, to our knowledge, thousands of copies and reprints and reproductions of your paper's stories, all over the country. In a letter from Chicago dated October 5, we are informed, "THE WASHINGTON POST article is going around Chicago like wildfire!!!"

All this injustice and all this damage was done to our cause, to the Hebrew Committee and to myself. I will give you a few examples which will prove the extent of this moral and financial damage:

1. At a dinner given by me on October 5 in honor of two American statesmen who contributed to the creation of the Hebrew Brigade, no less than eleven diplomatic representatives and American Government officials did not attend, after they had expressly accepted the invitation.

2. Already some members of the American League for a Free Palestine and the Emergency Committee to Save the Jewish People of Europe have sent in their resignations after they received a copy of a reprint of your publication sent to them by the Zionists.

3. In Chicago and elsewhere the Emergency Committee is in the midst of preparations for a big benefit. Very substantial groups who were engaged in the organizing of these affairs have withdrawn already, after they received from the Zionists copies of your stories.

Disconsolate state . . .

I am writing to you without bitterness but with a feeling of deep sadness for the disconsolate state of my people in despair and agony, persecuted by brutal enemies and mistreated, misjudged, forgotten and betrayed by those from whom one could have expected understanding and support - the free and wealthy Jews in democratic countries.

It is in that state of mind that my friends, representing the different American organizations who support us, tried to bring the incident with your paper to a quick and friendly close. They visited you and left with the impression that the stories in your publication were a result rather of mistakes of your managing and city editors than of any personal sinister intentions on your part, and that you were willing to right the wrong by publishing refutations of all the misstatements and thus to limit the damage and somehow to repair it. I was very happy about the reports of these friends of mine - for two reasons: First, because we have very important and urgent tasks to fulfill and matters to attend to; second, because I wanted to believe that you personally are not involved in this nasty affair. Mr. Merlin, the Secretary General of the Hebrew Committee, has sent you a memorandum refuting the charges and allegations in your stories, as well as giving a background story of the history of our activities in the past, and Mr. Smertenko, Executive Vice Chairman of the Emergency Committee, has prepared a statement on behalf of the Emergency Committee.

Bias . . .

We also expected as an expression of good will to see a formal retraction in the form of an editorial clarifying and explaining the matter and thus bringing the whole incident to a satisfactory conclusion. To our great amazement, except for the background story of our activities, none of the material has been published; no editorial has appeared. Worse than that: your staff tried in the most vicious manner to question the authenticity of the signatures appearing on a telegram signed by leading officers of the Emergency Committee, protesting against the stories in your paper, and took the trouble to call them up wherever they were - in Washington, New York and Los Angeles - to verify their signatures and statements. After

the signatories not only acknowledged the contents of the telegram, but made statements of their own in the strongest terms, you did not find it necessary either to publish the protest telegram nor did you see fit to publish any of these statements - eloquent expressions of their indignation.

I therefore do not see any other possibility than to appeal to you once more and for the last time to make a full retraction. I shall attempt in this letter to repudiate all the misstatements and vicious insinuations that the stories in your newspaper contained. I will ask you in all fairness to print these refutations contained in my letter as they will follow from the next paragraph, and I expect an editorial of apology to the Hebrew Committee of National Liberation and myself. I will then consider the incident with you and your publication as closed, and will go back to my more important and urgent tasks.

An interview that never took place

1. At the press conference I held on October 3, one of the newspapermen present was most insulting. Upon asking his name, I learned he was Edward F. van der Veen of the WASHINGTON POST. To the amazement of all the journalists present, I told him that I was very surprised to meet him for the first time at this press conference. And even the man in question seemed embarrassed when I said, "You were supposed to have interviewed me a few days ago and you even quoted me quite profusely in your story of that interview, though I have never seen nor even talked to you."

The other signatory to the story about me in your paper, a Miss Gloria Lubar, had been calling my office for some time recently in an effort to get an interview with me, which she explicitly said was for a "picture story in the Sunday supplement of our paper (the WASHINGTON POST)." When I finally came back from New York some days ago, my secretary called the young lady and made an appointment for her. When she arrived, together with her photographer, she again explained just where the story would be featured and even mentioned the date that it would be printed - some three or four weeks from the day of the interview. I saw her for a short while, gave her some information, by no means bearing upon the matters quoted in the story which then appeared - not in three or four weeks and not in a Sunday supplement - but in two or three days, on the front page of your paper. I knew that sometimes interviews are misquoted. However, it is the first time that I have seen an interview published which did not take place at all. I can, of course, finish the argument with this. But, since your story is a part of a general malicious campaign against the Hebrew freedom movement, I shall take time to repudiate the untruths, half-truths, and malicious innuendoes assembled in the story in your newspaper.

Personal background

2. The manner in which you reported that my name is Hilel Kook insinuates that I accepted an alias for disreputable reasons. It is true that my real name is Hilel Kook. I changed it years ago, for I did not want to drag into the heat of partisan fights a name which is one of the most respected in the modern history of my people. My late uncle, my father's brother, was the Chief Rabbi of Palestine and was reputed to be among the greatest Talmudic and Rabbinic authorities of our time. My father is a prominent Rabbi at the head of a Talmudic seminary in Jerusalem.

Blatant--an old trick of abuse

3. Your attempt to ridicule our movement by asserting that I styled myself a "nuisance diplomat" and that I was most "emphatic when declaring to possess a dynamic personality," is an old trick of abuse. By no means do I wish to compare myself in any way to that great French leader, De Gaulle, though I consider him an inspiring example for all fighters in the cause of oppressed peoples. However, we all remember how not so long ago he was ridiculed by such phrases as the "self-styled Joan of Arc", etc. There were a great many prominent Frenchmen, too, who joined in the campaign against De Gaulle. Yet, he came out the victor. Ridicule and slander did not destroy him.

Hebrew Committee raised no funds

4. Before I go any further, I want to take up your most vicious insinuation, the question of the funds, of a "million dollars raised" and my being "vague as to their use." I regret deeply not being able to report the raising of such a sum. Believe me, had I done so, I should not be at all vague as to my intentions as to how to use it. The deplorable fact, however, is that the Hebrew Committee of National Liberation did not raise a million dollars, nor one hundred thousand dollars, nor ten thousand dollars, nor any money at all, except for a few contributions that came in without any solicitation. The fact is, that the Hebrew Committee, since its inception in May, has spent only about \$30,000, including the cash payment on the building purchased for our use in Washington.

Although it is no one's business where we got this \$30,000, it is not a secret at all, since we are registered with the Department of Justice as foreign agents, and all our financial transactions are submitted to the scrutiny of that Department. Anyone can consult the files of the Department and receive information as to the friends or institutions who have donated or loaned us this money.

American organizations to whom the Hebrew people will forever be grateful

5. What the POST may have been referring to was probably the funds collected by the Emergency Committee to Save the Jewish People of Europe, of which I am one of eleven co-chairmen, and possibly the Committee for a Jewish Army of Stateless and Palestinian Jews of which I was one of the leading officers during the period of its activity. Both these

organizations have done and are doing a most valuable work for which the Hebrew people will remain eternally grateful. However, these are American organizations. They have a full slate of officers and executive boards consisting of some of the most eminent men in American public life.

The expenditures, as well as the collection of money by the above-mentioned organizations has been a matter of public record, issued in quarterly reports by certified public accountants. To my knowledge, these organizations never raised a million dollars nor anything approaching it. These reports have been distributed to the responsible officers of the organizations and can be had for the asking by anyone interested in the work done by these organizations, including the WASHINGTON POST, which has not taken the trouble to get a single copy of such reports, before publishing these disproved accusations.

To insinuate, as the POST story does, that there is any suspicion attached to the expenditure of the funds collected by these organizations is to impugn the integrity of all the men who are holding responsible executive and administrative positions on these committees.

8. The essence of the story contained in the faked interview headlined "Bergson Admits Million Dollar Fund Raised, Vague on Its Use" is so vicious and is such a complete contradiction of the facts, that only in these confused times, and under the impact of Fascist and Nazi influences, could such a distortion be printed in an American newspaper. Not only did I not raise a million dollars, or any funds at all, but any institution I am connected with has the characteristic of being explicit and outspoken, in the face of a watchful public opinion and bitter opposition. The novelty of our work in this country, and any other country where we have worked or are working today, consists in abolishing the old, bankrupt and undignified system of subjecting the Hebrew people to back-door pleas before subaltern or high government officials. In abolishing this shameful system we represent the sentiment of indignation of our people in agony in Europe. We abandoned this system of secret bargaining with this or that government official and we brought the whole problem out into the open. This system of appealing directly to the peoples of the world, to public opinion, constitutes a revolutionary change in the activities on behalf of our people. This is a great stride forward in the direction of democracy.

In strict accordance with this democratic principle, we have dealt openly and squarely with the people of America. We have introduced and practiced the method of direct messages to millions of people through full-page or large-size advertisements, through local or nationwide radio hook-ups, through

posters and various forms of pamphlets, booklets and letters running into the millions of copies. (Some of them contained full financial reports.) In these messages, always accessible to the largest possible audience, we not only explained in the most explicit terms what our program is, but also the developments and results of our activities. More than that, not only did we constantly report, week in and week out, the progress of our endeavors, but even our failures. In a dozen leading newspapers all over the United States, among them the WASHINGTON POST of October 8, 1943, we published a full-page advertisement under the headline "A Report of Failure" . . . The leading paragraphs of this advertisement read as follows:

"The foremost duty of workers in a humanitarian cause is to be honest and sincere with themselves as well as with the public. Nothing is more harmful to the cause one serves than the normal urge to delude oneself with glimpses of success or victory; nothing is more dangerous than to be satisfied by mere words of sympathy and pity from high places. No matter how disagreeable it may be, we refuse to delude ourselves and we refuse to take words as a substitute for deeds.

"No, we don't cherish any illusions; during the months between the closing session of the Emergency Conference to Save the Jewish People of Europe and today, nothing has been done by the Allied Governments to stop the slaughter or to alleviate the torments of five million people.

"Two months have elapsed since the experts attending the Emergency Conference to Save the Jews of Europe worked out a program that would enable hundreds of thousands of Jews to escape the death sentence passed upon them by Hitler - death by starvation, death in gas chambers, death in front of machine-gun squads.

"Two months have passed since this program was presented to our President, to Secretary of State Cordell Hull, to the leaders of both Houses of Congress, to the Ambassadors of the United Nations."

Probably such candor and such square dealings with the public have no precedent, at any rate in so far as any organization dealing with the Hebrew problem is concerned.

Nevertheless, in spite of admitted failure, we did not despair but issued a call to the American people to persevere in its demands for immediate action, and action on behalf of governments came. In a few months the War Refugee Board was created.

Under the impact of fascist and Nazi influences . . .

Humanity's greatest bargain

7. The WASHINGTON POST story quotes me as having admitted that "relief work has been a small part of our work. Our major activity is mobilizing the understanding of the American people for an integral and positive solution of the problem of the Jewish people in Europe."

If I were to give an interview to the WASHINGTON POST or any other paper, I would speak not only about our educational work of mobilizing public opinion, but also about the activities and record of achievements of our representatives and officers in London, Turkey, Palestine and, lately, in liberated Bulgaria.

But let us ignore for a moment all these activities emanating from us all over the world. Let us ignore the so-called "illegal" immigration into Palestine. Let us even ignore such major events as the creation first of the Palestine Regiment and now of the Jewish Brigade. Let us ignore for a moment that that War Refugee Board and the refugee shelters - things we fought for all the years of our activity in this country - have something to do with the record of our achievements - for after all, we were the only ones who advocated their establishment, while the Zionist leaders and their front organizations came out officially against the formation of the War Refugee Board; let us ignore for a moment to whom your own WASHINGTON POST gave full credit in its editorial of January 23, 1944, for the creation of the War Refugee Board, in the words: "... The industrious spadework done by the Emergency Committee to Save the Jewish People of Europe had contributed to this prospect, and the Committee is likewise entitled to credit for the President's forehanded move. . . ."

Well, even ignoring for a moment all these activities, I still firmly believe that if the propaganda and advertising in which we have engaged for the last four or five years had cost not the modest sums the organizations have spent, but millions of dollars, it would still be considered the greatest bargain for the cause of my people as well as of humanity at large.

This "propaganda" and this "advertising" relentlessly appealed to public opinion, aroused it to its responsibilities, demanded that the Hebrew people be not forgotten, and insisted that they have a right to live, to fight and be free. This not only I but many men and women of good will consider a most important service to the cause of a forgotten people.

You, Mr. Meyer, are certainly in a position to judge the impact and effect of this work, not only because you published our advertisements and not even because you gave editorial credit to our achievements, but also as a man who, at the head of a great paper, constantly tries to influence public opinion.

A "millionaire" who is broke

What is accepted as a matter of course for any other people is denied to Hebrews

You remember how, before we came to this country, Jewish news, with but a few exceptions, was usually relegated to either the obituary pages or the religious pages of the daily papers. And if we had confined ourselves to an effort that achieved only the general effect of gaining the attention and respect of the American people and government for the Hebrew people, and had not resulted in the many concrete accomplishments we have to our credit, I should still consider that the results have fully justified the small cost involved.

8. As far as my personal income is concerned, it is no secret either. I receive my salary from the Hebrew Committee of National Liberation. It amounts to \$75.00 a week. In my bank account at the American Security and Trust Company my balance is about \$100. I have no other bank accounts, nor do I have any investments or property. If it would satisfy your curiosity, I would also tell you that my personal residence in New York, where I spend half of my time, consists of half a room - sharing one room with a colleague in a furnished rooming house. In Washington I live at the headquarters of the Hebrew Committee. The furniture in my bedroom there consists of a bed, a radio and a chair.

9. In the "interview" an innuendo of doubt is cast upon my integrity, by referring, indirectly, to my affiliation with more than one organization, as if it were a crime for anybody to be affiliated with more than one organization. In your ill-will you refuse to concede that the Hebrew situation, as any other situation dealing with human lives and their manifold problems, has many aspects and requires various solutions to its diverse questions. No American wonders why it is necessary to have a USO, a Red Cross, an A. F. of L.; why it was necessary before the war to have a WPA and during the war a NFB and, with the approach of peace, a whole series of reconversion institutions. Everybody understands that the problems are many and for each a specific institution must be created. This also applies to the problems of our people which are even more diverse and complicated. Of course, the members of the Hebrew Committee of National Liberation were interested and tried to bring about the formation of instruments for each specific purpose.

At the same time we have seen to it, and we were definitely careful, that the purposes of each instrument are not mixed nor confused, taking into consideration the fact that some people are willing to support one phase of activities and not another; that some are ready to cooperate and fight from a purely humanitarian and emergency viewpoint along the lines of rescue of the Hebrew people of Europe and are not interested in, or are even opposed to, the formation of a Hebrew Army. We have merely based our activities on fair play towards the men

and women of good will in America who are engaged in this noble work.

Whose signatures were missed?

10. Many paragraphs of the "interview" spoke about the misuse of names in advertising of messages to the American people - namely, that names were used as if they were sponsoring one or another organization, which in reality they never did. Mr. Meyer, again you are in a position to be a good judge. You published many of these advertisements, some full page and some even double spread, because the signatures ran into the thousands. THE POST is a Washington newspaper and hundreds of the signatories are high government officials, Senators and Congressmen who live in Washington. I should like you to tell me whether you received one protest, or one denial, from all those thousands of signers published in the advertisements in your paper. Of course you did not. Otherwise you would have called the attention of the officers of the organization that placed the ads to that matter. The fact is that from over five thousand American leaders who, in one way or another, expressed support, endorsement or participated in the committees supporting the cause of the Hebrew people, none denied their affiliations. Some, maybe a score and a half, resigned in the course of the past four years, under terrific pressure from British Embassy officials, anti-Zionists or Zionist bureaucrats. We regret all those who withdrew their support and are thankful to all of them for whatever they did for the cause of our people, to all but one - Pierre van Paassen, who not only withdrew but has written a libelous attack against us. For that he will answer in Court, since he is now under a libel suit.

Why Senator Lucas and Congressman Bloom protested

11. It is true that Senator Lucas did not like our point of view, stated in an advertisement about the failure of the Bermuda Conference, which we called a mockery in the face of the total extermination of our brethren in Europe. It is also true that Congressman Bloom did not like it. But it is also true that the names of these two gentlemen did not appear in that advertisement and it is not coincidental that their names never appeared among the five thousand-odd American leaders who have, in one way or another, endorsed the fight for Hebrew freedom and survival.

A series of lies and misstatements easily explicated

12. I have not seen Senator Wagner's letter in which he denounced the Hebrew Committee of National Liberation, but I am enclosing Senator Wagner's insertion in the Congressional Record of August 28, 1944, of a speech delivered by Senator Elbert D. Thomas over the CBS on Tuesday, August 8, in which the latter endorsed these policies of the Hebrew Committee ideology and methods of activities.

13. In your story it is stated that Mrs. Louis D. Brandeis has declared the use of her name was "completely unauthorized". This statement was already denied by her in the NEW YORK TIMES of June 8, 1944, when a reporter of that paper showed her a photostatic copy of the signature under a membership declaration of the Sponsoring Committee of the American League for a Free Palestine.

We doubt whether Senator Tammell told you that: "It appears that they published a statement that I had become identified with their organization. I don't think that an entirely legitimate organization would do this without my consent." The American League for a Free Palestine has in its possession the Senator's signature under a declaration accepting membership of the League's Sponsoring Committee, a photostatic copy of which is enclosed.

14. Again, I have not seen Rabbi Herzog's purported denial of having anything to do with me or the Hebrew Committee of National Liberation. But I have before me a cable received recently - one of several communications received from him - in which he informs me that he gave a statement endorsing our support of the Thomas-Somers resolution concerning the establishment of emergency shelters in Palestine.

"Persona non grata" with British Imperialists: An insult or an honor?

15. From your story it seems that I and my colleagues are disliked in many quarters, and that prominent among those who dislike us are some British officials. "The British Government," it is stated in the story, "considers Bergson 'persona non grata'." Probably this was also intended to be part of the campaign to discredit us, but I think that this particular statement is likely to have the opposite effect. You may be certain that millions of Americans, if only informed of the true situation of Palestine, would consider the "persona non grata" epithet a compliment when applied to any Palestinian. Apropos, may it be mentioned that the British declared, only recently, as "persona non grata" a certain prominent American statesman for having an independent opinion about the situation in another country under British rule - India. And, after all, Americans will not have forgotten the circumstances of the birth of their own nation.

When thinking back to my activities during these trying years of catastrophes, aggravations and disappointments, the fact that the British officials considered me as "persona non grata" will give me solace and fortitude. This does not reflect upon my attitude towards the British people whose courage and resourcefulness I admire and in whose midst I had the pleasure of living a few years, and some of whose great men are true friends of our cause and our fight. The Hebrew people will forever be indebted to such men as Lloyd George,

Lord Strabolgi, Lord Davies and above all, to our good friend Colonel Patterson, now residing in this country, as well as to the departed friend of the Hebrew cause, Lord Wedgwood.

When an honorable official lies . . .

16. The "persona non grata" paragraph contains, however, a lie asserting that "the British official dealings with him (i.e. me) had been of a military nature" - referring to my selective service status. The fact, however, is that I was received by Lord Halifax in my capacity as National Director of the Committee for a Jewish Army. The fact is also that I had the pleasure of discussing, at least four times, the Hebrew Army situation with Field Marshal Dill, British member of the Combined Chiefs of Staff.

17. As far as my draft status is concerned: in your story it is told that "Bergson, who entered this country in 1941 as a citizen of Palestine, is thirty-four. . . . Shortly after his arrival he informed the British that he wanted to join their Army." This is not so. I never volunteered to the British Army shortly after coming to this country. It is true that I am thirty-four, and I was once rejected as physically unfit by the American Army, and now, due to my age, my case is pending along with many others who are not being inducted, since they are over thirty.

Young Britishers who do not join their army

As for the challenge of the unnamed British official that I join the "Jewish Brigade" now that it has been created - I am sorry that I cannot give the gentleman that satisfaction. I will remember how the British, in forming the Palestinian Regiment, expected this gesture to quiet all further Hebrew demands. Now they expect the same of the Jewish Brigade. Our task is as yet unfinished. The anonymous gentleman probably considers his work in Washington on behalf of the British Embassy as more important than to stay in the army. I consider my work on behalf of the Hebrew people as also more important. Britain today faces a brighter future than my people, and nevertheless the dozens of youthful secretaries of the British Embassy are sticking to their posts.

The illegal immigration - who was responsible for it?

18. In the story you and the Zionists question the fact of whether "we have been responsible for 40,000 Jewish refugees having entered Palestine illegally from Europe during the seven years." You then state that high British officials "made plain that in matters pertaining to legal entry of Hebrews into Palestine, the British government deals only and directly with the World Zionist Organization." Now, the question is: who is responsible for the tens of thousands of Hebrews who were evacuated "illegally" from the danger zones of Europe to Palestine? The Zionists? Are they too engaged in "illegal" activities? To a major part, I am happy to say, we and our comrades abroad are responsible for initiating and

organizing the evacuation to Palestine of well over 30,000 Hebrews from eastern Europe.

"Flotsam and Jetsam"
-borrowed from
the Nazis

The anonymous British gentleman objects to this: "It leaves wide open an opportunity for 'flotsam and jetsam' and Nazis posing as refugees to enter mandated territory without first being investigated." If we were instrumental in saving this "flotsam and jetsam" from Hitler, we are proud of it. We did not seek this country to accept them, nor the country of the British gentleman, nor any other country in the world. We brought them to the country promised to them as their very own National Home.

As for his allegation that there are Hitler spies among them, this myth has long ago been exploded. The former Colonial Secretary, Malcolm MacDonald has sought for a long time to dangle that alleged danger in support of his anti-Mandate regime in Palestine, until, under the relentless questioning of liberal members of Parliament, he had to admit that not a single Hitler spy has been found among the "illegal" Jewish immigrants.

Who is behind the conspiracy?

But all this is of secondary importance. The paramount fact, however, is that the story in the Washington Post plays inadvertently into the hands of the schemers against the rights and very existence of our people.

The reactionary clique of the British Colonial Office is not content to keep the gates of Palestine mercilessly shut in the face of our dying brothers in Europe, but it is preparing new blows against our hopes and future, and schemes to enforce the ghetto regime in Palestine forever.

Most tragic of this deplorable situation is the fact that the Zionist leadership and bureaucrats, as in the past, are ready this time to again give in to the scheming of the British Colonial Office and accept the humiliating defeat, heralding it as a victory. We are sorry that these Zionist leaders and bureaucrats are defeatists in their make-up. They are not Quislings, but they are Petains.

But the worst of the lot are the American Zionist leaders. They conducted a vicious and unscrupulous attack. No lies have been too great, no rumor too fantastic, no trick too despicable to be used by these people. Every individual of prominence active in our work throughout the country has been nagged and tormented and abused with the hope that these high pressure tactics would either frighten them into submission or make the situation so unbearable for them that they would give up the fight.

The infamy of this action lies not only in the moral turpitude displayed by these malicious liberals, who hold lucrative jobs at exaggerated salaries of \$20,000 a year, or more; it lies not only in the fact that the Jewish Agency, though

registered as a foreign agent, i.e., a purely political body, is getting its budget from charitable (tax-exempt) funds. It lies in the fact that during the greatest crisis ever faced by the Hebrew people, Jewish organizations which appeal for public support and for public funds are wasting nine-tenths of their time and energy in this vicious effort to destroy the only positive and relentless campaign for the rescue of the tormented Hebrews of Europe. When the history of this dark era is written, the record of these organizations will constitute the most shameful chapter of the book.

Not only did these Zionist leaders sabotage the rescue efforts we have made, as mentioned above, but their heaviest responsibility lies in the fact that they completely succeeded in confusing the issues of Hebrew national redemption. They persist in insisting that all the Jews the world over are one people, one political entity. Thus, on one hand they have sown division and strife among the Jews in this country who consider themselves, from a political and national point of view, as an integral part of the American nation, and, on the other hand, they have paralyzed any chance of success for the demands of the Hebrew people of Europe and Palestine who definitely constitute a distinct ethno-political entity, since they owe no allegiance to any nation but their own. As is known, the Hebrew Committee of National Liberation tries to defend and to fight for the interests only of the Hebrews in Europe and Palestine, and by no means does it speak for the American Jews, whom we consider part and parcel of the American nation.

All this confusion surrounding our nation's problems and its accompanying slander is very tragic. Our struggle against all these forces is a difficult, uphill fight. We are sorry that, moved by I don't know what motives, without giving us a chance to present our side, you choose to join and spearhead the attack on us. In doing so you did not simply attack a group of young Hebrew men, devoted to their people; you helped to insure that the Hebrew people remain homeless and defenseless.

Already in your follow-up stories after October 3 there are clear indications, not only of retreat, but also that you yourself do not believe in the scurrilous allegations contained in the first story. Why then persist in refusing a full and square retraction appropriate to the dignity of such a public figure as yourself?

Since you have not found it necessary even to acknowledge the letters, telegrams and statements sent to you by Mr. Samuel Merlin, I feel it my duty to tell you that if this letter does not receive your favorable consideration, I shall be compelled to have it given the widest possible circulation, and also to consider taking other steps to protect the advancement of our cause and our good name.

Yours very truly,

PETER H. BERGSON

Chairman

OCTOBER 3, 1944

Reprint from *The Washington Post* of October 3, 1944

Bergson Admits \$1,000,000 Fund Raised, Vague on Its Use

'For Liberation of Jews'

By Gloria Lubar and Edward F. van der Veen

From his \$63,000 residence at 2315 Massachusetts ave. nw., formerly the Iranian Embassy, Peter Bergson, self-styled "ambulance diplomat," boasts his Hebrew Committee of National Liberation with its numerous affiliates has collected one million dollars "from a generous American people." He became vague, however, when a Post reporter insisted he tell what use has been made of the million dollars.

"Relief work has been a small part of our work," Bergson said. "Our major activity is to mobilize the understanding and help of American people for an integral and positive solution of the problems of the Jewish people in Europe."

Bergson (his real name is Hillel Kook) is a slight man with pale-blue eyes, darkish blond hair and a mustache. His voice cracks or squeaks when he gets excited.

He was emphatic when declaring he possessed a "dynamic personality." He added that "we have been responsible for 40,000 Jewish refugees having entered Palestine illegally from Europe during the last seven years."

"I and my workers managed to accomplish this feat through underground methods," he added.

The American Jewish Conference, headed by Rabbi Abba Hillel Silver of Cleveland, and Dr. Stephen S. Wise of New York, formed under a mandate of 64 reputable Jewish national organizations, agrees with Bergson that his groups have undoubtedly collected a million or more dollars in (tax-exempt) contributions from "persons who have mistaken propaganda for performance and advertisement for achievement," but join with British officials in denying his assertion he has been the means of smuggling 40,000 Jews into Palestine.

"The public might be interested in knowing just how much has been collected and what disposition was made of the money," the Interim Committee of the Jewish Conference commented. "To date Bergson has made no such accounting."

British Disapprove

"If Bergson has been responsible in any way for aiding Jewish refugees in their attempts at illegal entry into Palestine, this is certainly looked upon with disfavor by the British government," a high British authority here said. "It leaves wide open an opportunity for 'hotans and jetsam' and Nazis posing as refugees to enter mandated territory without first being investigated."

This official made plain that in matters pertaining to legal entry of Hebrews into Palestine, the British government deals only and directly with the World Zionist Organization, not in any way connected with Bergson's committee.

He emphasized that the British government considers Bergson "persona non grata," and made plain that Britain's only official dealings with him had been of a "military nature."

Bergson, who entered this country in 1941 as a citizen of Palestine, is 34, single, and has been declared physically fit in both British and American Army medical examinations. Shortly after his arrival, he informed the British he wanted to join their army. As Palestine is mandated territory, there can be no British conscription, fighters must volunteer. The British accepted his offer, put him through the physicals, and told him to appear for service. Instead, it is said, Bergson sent a letter saying he had decided he should do his fighting in a Hebrew army.

Classified 1-A

Upon receiving this letter, the British turned the matter over to the American Selective Service, where he was immediately classified 1-A. This classification was affirmed on appeal by the New York City Board of Appeal and is now under advisement by the National Selective Service Board. Bergson's appeal, it is understood, was based on "indispensability."

"It is odd," the British official stated, "that a Jewish brigade has now been formed, but Mr. Bergson has not yet enlisted."

A case concerning Bergson's stay in this country is now before U. S. Immigration authorities.

At the time Bergson first attempted to buy the Iranian Embassy, he declared he wanted it for a Hebrew Embassy. This appeal was turned down by the District Zoning Board on the grounds the proposed "embassy" had not been recognized by the U. S. State Department, District officials state. Bergson later received permission to buy the property when he stated he wanted it as a private residence. Bergson's salary, by his own admission, is \$75 a week. Formerly, he said, it was \$45.

No Business Permit

Investigation by The Post discloses that Bergson neither holds a permit to conduct any sort of business from this highly restricted residential address nor, under the law, can he get one.

The "embassy," castigated by the American Jewish Conference as a "fraud, a buffoonery, and a comic opera drollery, if it were not so tragic," has a telephone switchboard and business office on the first floor. Bergson's private office, and the offices of his private secretary and clerical force, are on the third floor.

Zoning officials, informed the residence was being used for business offices, asserted the license and police departments

would be interested to know Bergson has been operating a business without an occupancy permit.

Bergson, who formerly had declared the \$63,000 "embassy" was purchased for him by friends, admitted to The Post it was paid for out of funds received for by the Hebrew Committee of National Liberation. The second floor, which makes up the living quarters, are beautifully furnished.

Purchased by Fund

Despite Bergson's assertion to the zoning board that the residence was to be a private dwelling, the deed filed September 27, 1944, shows it was purchased by the Hebrew National Liberation Fund, Inc.

Organized Jewry points to the continuous change of sponsors as published in the many full-page advertisements asking for funds. The American Jewish Conference charges names are used without permission, and that other so-called sponsors have repudiated the use of their names on grounds they do not agree with the committee's alleged political affiliations with the Irgun, a terrorist party in Palestine which Bergson has publicly praised.

Senators Scott Lucas (D., Ill.), Harry Truman (D., Mo.), vice presidential candidate, and Senator Albert Chandler (D., Ky) have announced that advertisements had committed some members of the Senate to a point of view of which they had no advance knowledge, and that their names were used without advance permission.

Mrs. Louis D. Brandeis, wife of the late Supreme Court justice, has declared use of her name as sponsor of the American League for a Free Palestine, and the Liberation Committee,

was "completely unauthorized." Forty-six American rabbis also protested against use of their names in literature distributed by the American League.

Senator Robert F. Wagner (D., N. Y.) in an open letter, denounced the Hebrew Committee of National Liberation as "an organization which serves no useful purpose and can only confuse and mislead American public opinion."

Dean Alfange, leader of the Liberal Party in New York, announced his resignation as co-chairman of the Emergency Committee to Save the Jewish People of Europe, because he did "not approve of its political affiliations."

Pierre van Paassen, author, once an active worker with Bergson, has gone on record with a scathing denouncement calling the Emergency Committee a "crude hoax perpetrated on the American public." Paassen accused two of Bergson's organizations of being sponsored by the "Fascist" party in Palestine, the Irgun.

Dr. Francis E. McMahon of the University of Chicago, and 14 other officers also announced their resignation from the Emergency Committee because of "increasing confusion between objectives of the various committees."

Rabbi Herzog, Chief Rabbi of Palestine, has denied any ties with the Emergency Committee.

William Green, president of the American Federation of Labor; R. J. Thomas, president of the U.A.W., CIO; and Max Zaritsky, president of the United Hatters, Cap and Millinery Workers of America, also have denounced the Hebrew Committee of National Liberation.

OCTOBER 8, 1944

Reprint from The Washington Post of October 8, 1944

Bergson's Actions Defended **Hebrew Committee Official** **Replies to Articles in Post**

Pointing out that the Hebrew Committee of National Liberation was formed to win recognition for the Hebrew nation as one of the United Nations in this war, Samuel Merin, secretary-general of the committee, a Palestinian, has replied to The Post series of articles relative to the Liberation Committee, Peter H. Bergson, its chairman, and its fund-raising American committee.

Merin stated that the Liberation Committee had purchased the Hebrew "embassy," at 2315 Massachusetts ave. n.w., "in order that the Hebrew Nation may be represented in a manner appropriate to the dignity of an ancient people."

He stated that the Liberation Committee planned to finance its activities through floating a loan of a million dollars in this country.

The statement follows:

"The series of articles published by The Post in the last few days have done a grave injustice to Peter H. Bergson, chairman of the Hebrew Committee of National Liberation, and serious injury to the cause for which this committee is

working. The impression was given that Mr. Bergson and this committee have raised a large sum of money in this country for their use without offering an accounting to their contributors. The facts completely contradict this impression.

"The Hebrew Committee of National Liberation has made no public appeal for funds at any time whatever. I want to state emphatically as possible that the only source of income was the modest sum totaling about \$5000, contributed by a few sympathetic persons and loans amounting to \$25,000 given us to buy the building we occupy, in order that the Hebrew nation may be represented in the United States in a manner appropriate to the dignity of an ancient people. Of all the members of the Hebrew committee, Mr. Bergson has been least concerned with financial arrangements. His work has been that of a spokesman and representative of the Hebrew nation.

"In order to enable us to push our work with increased tempo and vigor, a Hebrew Liberation Fund has been incorporated in the State of New York. This fund will soon seek a loan of a million dollars. A similar action was taken by Eamon

De Valera in the interest of Irish freedom. During the last war he floated a loan in this country for several million dollars. By means of this loan, the American public contributed to the cause of Irish freedom on a promise that it would be repaid by a grateful Irish nation. We are confident that an equally enthusiastic response by the American public will support our work in behalf of the martyred Hebrew people.

Work Opposed by Some

"It is unfortunate that The Post was misinformed about the public activities of the committee and that it reiterated the charges of those who have been opposing our work, although these charges have been repeatedly disproved and discredited. One of the most malicious of these accusations is that the American organizations with which the members of the Hebrew Committee have been associated have not given a complete accounting of the funds they collected and spent.

"The fact is that every one of these organizations has published quarterly statements of certified public accountants indicating the amount of income and the character of their expenditures. These have been submitted as a matter of course to the eminent leaders of American life who were members of the executive boards of the organizations in question; and, furthermore, they have been freely offered to all persons interested in learning about our work.

"The aims and purposes of the Hebrew Committee of National Liberation, as well as of the American organizations which this committee has founded, were inaccurately presented to the American public in a series of articles by The Post. In order to clarify the confusion existing in the minds of many people, he submitted a summary of the character and activities of these organizations from the time that he and his associates arrived in this country.

Seven Formed Committee

"The Hebrew Committee of National Liberation was formed by Mr. Bergson and six other Palestinians to win recognition for the Hebrew nation as one of the United Nations in this war, and as such entitled to representation on the War Crimes Commission, the United Nations Relief and Rehabilitation Administration, and other agencies dealing with postwar reconstruction. The committee also seeks the establishment of an independent state in Palestine, where Hebrews and Arabs will enjoy equal political status, free from British domination.

"The establishment of a Hebrew committee is the culmination of a series of organizational activities on the part of these Palestinians, who came to this country in 1937 to get American support for measures to alleviate the tragic plight of the Hebrew people.

"At the time of their arrival, the rise of Nazism in the countries of Central and Eastern Europe threatened the lives of the Hebrew inhabitants, and the first effort of the Palestinian group was to get American aid for their work of transporting as many Hebrews as possible to Palestine. For this purpose they organized the American Friends of a Jewish Palestine. The organization raised \$31,385 to provide funds for this work. In order to get permission to send its money abroad, this organization was registered with the State Department and submitted monthly reports of collections and expenditures both in this country and in Europe.

30,000 Sent to Palestine

"In the course of the next two years, more than 30,000 Hebrews were landed on the shores of Palestine, contrary to the wishes of the British administration. Small boats and large steamers were chartered to get these people across the Black Sea and the Mediterranean. Some of these ships landed their human cargoes on deserted beaches in Palestine at night; others sailed right into the harbors. In February, 1940, the SS Sakarya brought 2400 persons into Haifa. These were confined in an internment camp for over six months. Ed Jabotinsky, the leader of this expedition and now one of the members of the Hebrew Committee, was interested along with the immigrants.

"Upon the outbreak of the war, the Palestinians who constitute the Hebrew Committee of National Liberation determined to organize a Hebrew army that would fight in Allied ranks against Hitler. They founded the Committee for a Jewish Army of Statistics and Palestinian Jews in this country.

"This, too, was a purely American organization headed by some of the most eminent men in American life, including Senators Guy M. Gillette, Arthur Capper, James E. Murray and Elbert D. Thomas; Representatives Andrew L. Somers, Louis J. Capozzoli, Thomas H. Caffery, T. D'Alesandro, Jr., John D. Dingell and George Grant; Governors Dwight Griswold, Robert A. Hurley, E. M. Jeffers, Henri F. Schickler, and Lieutenant Governor Charles Folelli; also William Green, Philip Murray, President Frank P. Graham, President Ray Latham Wilbur, Robert R. Nathan, Professor Max Lerner, Professor Reinhold Niebuhr, Professor Constantine Papanicolaou, Hallett Abend, Clare Booths Luce, Taylor Caldwell, Waldo Frank, Ben Hecht, Rex Stout, Eddie Cantor, Mrs. John Gunther, John T. O'Rourke, William Allen White and William Zorach.

Raised \$251,630

"The committee raised \$251,630.66 in the course of three years of its activity. It established offices in Washington and London, as well as in New York, in order to gain the approval of American and Allied governments for its proposal.

"Representative Andrew L. Somers introduced a resolution in Congress requesting the President to direct the Secretary of State to petition the government of Great Britain to permit the organization of all-Jewish military units in Palestine. Public sentiment was mobilized behind this resolution and the press throughout the country came out in editorial support of the Army proposal.

"In England as well as in the United States a large section of Parliament was convinced by this committee of the need and feasibility of having a Hebrew Army as one of the Allied forces.

"Its English supporters included Lord Strabolgh, who heads the sister committee for a Jewish army in London; John D. Mack, M.P., Anurcin Bevan, M.P., Sir Robert Gower, M.P., Comdr. Oliver Locker-Lampson, M.P., Brig. Gen. W. H. Grubb, Sir Maurice Bonham Carter, and the Rev. Prof. W. O. E. Oesterley.

Challenges to British

"Recently 63 members of Parliament demanded a question period in which the Government would be challenged on this issue. The British government compromised by authorizing the creation of an exclusively Jewish brigade in the British army. This has been declared inadequate by the committee.

and efforts are still being made to enlarge this brigade into a full-sized independent force like that of the Greeks, Norwegians and Poles.

"The revelation in November, 1942, by our State Department in official statistics that over one million Hebrews in Europe had been murdered by the Nazis in extermination camps established in Poland and eastern Germany diverted the energies of these Palestinians from the army issue to the need of effective action by United Nations governments in stopping this mass murder.

"They sent out a call for an Emergency Conference to Save the Jewish People of Europe, to which experts in the field of international relations, military affairs, transportation, relief, etc., were invited. A program of findings and recommendations was formulated as a result of the seven days of deliberation by these experts. The public interest evinced by a countrywide news coverage of the Conference, and favorable editorial comment encouraged the formation of the Emergency Committee to Save the Jewish People of Europe. This agency was an American Committee headed by Louis Bromfield, Ben Hecht, Dr. Max Lerner, Representative Will Rogers, Jr., and Madame Sigrid Undset.

Public Sentiment Program

"The emergency committee set about its task of awakening American public sentiment to press for effective measures of saving the Hebrew people of Europe. It was responsible for the introduction of resolutions in both Houses of Congress, which ultimately resulted in the creation of the War Refugee Board and the establishment of emergency refugee shelters in the United States and other countries, thus contributing to the only positive rescue work done since Hitler began his mass murders.

"In the course of its 14 months of activity, the emergency committee raised about a half million dollars. The last statement of its certified public accountant, giving the figures up to June 30, shows that \$423,252.68 was collected and spent by this committee.

"In its educational campaign the committee called upon the people to support its work morally as well as financially, and a generous response was forthcoming.

"The Emergency Committee sent representatives and delegations in England, Palestine and Turkey. Representative Will Rogers, Jr., flew to London to organize a similar committee in England and to negotiate with British officials concerning the program of the Emergency Committee. Arieh Ben Eliezer and Eri Jahostinsky were sent to Palestine and Turkey, respectively, the latter going with the authority of the War Refugee Board to aid in its task of getting the surviving Hebrew people out of the Balkan countries.

More Shelters Sought

"The Emergency Committee is now backing congressional action on a resolution introduced by Senator Gillette asking the President to establish more emergency refugee shelters in this country as temporary havens. In connection with this work, it recently presented a half million signatures to the President and Congress, urging this action and also the establishment of similar refugee shelters in Palestine.

"In order that the Hebrew nation might have adequate representation in the councils of the United Nations at a time when plans and programs for postwar reconstruction were being formulated, Mr. Bergson and his associates organized on May 18, 1944, the Hebrew Committee of National Liberation as the spokesman of the Hebrew people of Eastern Europe and Palestine.

"This committee consists of Palestinians and, as such, it is registered as a foreign agent with the Department of Justice. It has, however, the backing of an American organization called the American League for a Free Palestine, which was established about the same time for the purpose of supporting the aims and activities of the Hebrew Committee. To date the American League has raised \$16,520.78 in membership dues and contributions. Its membership dues are \$1 a year.

"At the recent UNRRA Conference in Montreal, the Hebrew Committee and the American League sent a delegation urging that the Hebrew nation receive representation on the UNRRA Council and membership in the various committees of the council and the administration. Its request was formally presented by the Cuban delegate, but was later withdrawn.

Some Proposals Approved

"Nevertheless, a number of the recommendations made by this delegation were acted upon favorably at the Montreal session of UNRRA, the chief of them being the recognition that the surviving Hebrew people who had previously had the status of Axis nationals would be treated on the same basis as the nationals of the Allied countries.

"We recognize, probably better than anyone else, how much credit for this record of achievement on the part of a handful of Palestinian foreigners is due to the sympathy and understanding of the American people. If ever there were need for proof of the democracy and humanitarianism of this great nation, it is indelibly recorded in the welcome and understanding and support we have received here from the day of our arrival. Whatever may be the result of our efforts, one thing is certain: the Hebrew nation will throughout its future valiant look upon the American people as its truest and most generous friend."

OCTOBER 13, 1944

Reprint from The Washington Post October 13, 1944

EDITORIAL

Bergson Group

A number of good people have protested that the series of news articles about the Hebrew "embassy" reflects unfairly upon the eleemosynary work of the mass of the various agencies which are affiliated with the "embassy" through the person of Mr. Peter Bergson. That was not our intention. One of these bodies, indeed, has been seized in our editorial columns. We refer to the Emergency Committee to Save the Jewish People of Europe. This body, under the active leadership of Mr. Bergson, played a great part in developing public and congressional opinion in support of the Gillette resolution, which resulted in the establishment of the War Refugee Board by executive order of the President. On January 25 we referred to "the industrious spadework" done by the Emergency Committee to Save the Jewish People in Europe in connection with presidential action. The War Refugee Board, as we have hitherto said, is a very necessary agent in saving the Jewish refugees from the Nazi fiends.

There appears, likewise, to be no question about the financing of the emergency fund, in point of fact, the other related committees. In this respect our news stories may have given a misleading impression, particularly by stating that relief work constituted a very small part of the work of the committee, as if the money had been improperly collected. Some readers may have deduced from this statement that funds were raised for relief work when in fact the committee stated clearly in their successive appeals that financial aid was needed in carrying the committee's message to the American people.

Nobody can object to any body of men, in this free country of ours, from prosecuting any cause within our laws. All we have suggested editorially in this connection is that any agency which is collecting funds from the public should be compelled to make a public accounting for them. That is in line with a Post campaign of several years standing. In the case of these associated committees there has been a voluntary accounting by certified public accountants, except in the case of the Hebrew Committee of National Liberation, which has had \$30,000 available to it, \$5000 of which was in the form of unsolicited contributions, the remainder being a loan for the purpose of the initial down payment on its headquarters at the Hebrew "embassy." This committee, however, is registered with the Department of Justice as the agent of a foreign principal.

At the same time The Post is under obligation to its readers

to explain any movement which is appealing for public sympathy and patronage. In this connection we find that the Hebrew Committee of National Liberation from its headquarters at the Hebrew "embassy" has the representative character that it purports to have. It was denounced by the American Zionist Emergency Council on June 2 as "a group of Israelis." Epithets aside, the fact is that under the mandate, the Jewish Agency represents the people of Palestine. The agency is elected as to some of its members by the people of Palestine, as to the others, they are nominated by Zionist organizations throughout the world. The Jewish Agency has nothing to do with the Hebrew Committee of National Liberation. From Palestine there is no evidence that the Hebrew Committee is authoritative. Vastly more, the Jewish Community Council, has repudiated it. On May 26, the Jewish Labor Organization, a body on a par with the American Federation of Labor, cabled from Palestine to Mr. Max Zaritsky, chairman of the American Jewish Trade Union Committee for Palestine, "This group (Bergson's group) must not be allowed to continue to deceive public opinion, and it is necessary that you open the eyes of those following it in good faith but who are ignorant of the facts."

At this point one may drop the designation of Hebrew Committee and Hebrew "embassy" and call it the Bergson group. Now the Bergson group started out with a committee. One of the members was Capt. Jeremiah Hefner, who lives in London. Immediately after the dispatch arrived announcing his name, Captain Hefner insisted that the *Jewish Chronicle* and the *New York Times* print a retraction. Another director is named Arieh Ben Eliezer. This gentleman is now under detention in Palestine on suspicion of being connected with the Irgun, or National Military Organization.

We do not propose to try to trace any tie-up between the Hebrew Committee and the terrorists in Palestine. Indeed, the Hebrew Committee seems to have no mandate either from the Right or the Left in the political life of Palestine. It is seeking to establish its own title in Palestine by enlisting the sympathy of the American people with the Jewish sufferers from Fascist persecution. The American people are not informed on the politics and intestine feuds among the Jews themselves in Palestine. They are likewise not informed of the manifold Zionist organizations, recognized by the Jewish Agency, already in existence of which the mass of the Bergson group is a duplicate. Doubtless in this respect the Bergson group would contend that the previously established organizations have not been persistent and energetic enough in prosecuting the cause of the refugee Jews. The successful campaigning of the Emergency Committee at least to some extent seems to substantiate this contention.

Congressional Record

EXTENSION OF REMARKS

of

HON. ROBERT F. WAGNER

of New York

In the Senate of the United States

Monday, August 28 (legislative day of Tuesday, August 15), 1944

Mr. WAGNER. Mr. President, I ask unanimous consent to have inserted in the Appendix of the Record an address delivered over the Columbia Broadcasting System on Tuesday, the 8th of August, by the senior Senator from Utah (Mr. Thomas).

There being no objection, the address was ordered to be printed in the Record, as follows:

Fellow Americans, pressing reconversion measures with which the Senate Military Affairs Committee are busy have prevented me from speaking to you tonight as I originally planned from the platform of the Second Emergency Conference to Save the Jewish People of Europe.

This second emergency conference, which ended tonight in New York City, had before it—as its name suggests—a most important and urgent task, the task of formulating concrete claims and proposals to effectuate the rescue of the several million Jews surviving in Europe today.

The fact that a Second Emergency Conference to Save the Jewish People of Europe was necessary, following the first one, held just over a year ago, is sad in itself. For, despite the able planning of the first conference and despite the very active work of the crusading emergency committees to save the Jewish people of Europe during the elapsed year, this most tragic problem is still before us awaiting determined and large-scale action by the governments of the United Nations.

We all know well enough the magnitude of the disaster which has befallen the Jewish people of Europe; nearly 25 percent of their total have been murdered. Proportionately this would mean 18,000,000 British casualties, 62,000,000 Russian casualties or 46,000,000 American casualties.

The disaster has not come suddenly. It is the culmination of long decades of persecution and confusion in which nothing is definite and clear, not even the meaning of the term "Jew."

And it is the confusion about their status which has made the wholesale murder of the Jews of Europe possible and has hampered intervention on their behalf.

I believe, therefore, that it is of the utmost importance to the rescue efforts that their position be clarified, at least as to terminology and definition.

There are Jews in Russia and there are Jews in England. Millions of my fellow Americans are Jews. What is their relation to, and what differentiates them from, the Jews of Axis Rumania and Hungary or from the Jews of Poland? Spiritually they are all Jews. But, practically speaking, American Jews are members of a great and mighty free Nation—the United States of America; the Jews of England are English-

men; the Jews of Russia are Russians; but the Jews of Warsaw and Bucharest, like the Jews of Jerusalem, are—what?

This "what" is the stumbling block of all efforts to rescue the Jews who live under that great question mark. The Axis maintain that they are nationals of the country in which they live and that their slaughter is a purely internal affair.

The fact, however, is that these people together with those of their kinsmen who were fortunate enough to make their way back to Palestine, constitute a nation whose national life was suspended for 1,800 years and which is now reborn.

Thus, these people of Europe and Palestine factually constitute the renaissance Hebrew Nation. Consequently, Hebrew nationality does not mean Englishmen who practice the Jewish religion; it most certainly does not mean the millions of Americans, commonly referred to as Jews, who are actually Americans of Hebrew descent and of the Jewish religion. They do not belong to the Hebrew Nation, nor more than President Roosevelt belongs to the Dutch Nation or Mr. Wendell Willkie belongs to the German Nation. They are Americans first, last, and always. Their ancestors way back, 2,000 years ago, were Hebrews.

Justice Frankfurter, for example, is not a Hebrew. He is an American of Hebrew descent, practicing the Jewish religion, exactly as Justice Murphy is an American of Irish descent, practicing the Catholic religion.

This might be an abstract and academic problem as far as Justice Frankfurter and the other millions of Americans of Hebrew descent are concerned. To the Hebrew Nation in Europe it is a problem of the gravest urgency and reality. Indeed, it is a problem of life and death.

Now, if we understand the true status of the Hebrew in Europe we are in a position to take immediate action to check, at last, the continued slaughter of millions more of innocent men, women, and children.

Up to several weeks ago in Hungary, thousands of Hebrews were daily packed into cattle trains which took them to the extermination camps of Poland. The International Red Cross in Geneva has made it known on the authority of the Hungarian Government that all Hebrews in Hungary "holding entrance visas to Palestine will receive permission from the authorities to leave for that country."

This creates an entirely new situation in which the responsibility is thrown on our shoulders and, more particularly, on the shoulders of the British Government.

As an American and as a Christian, I venture to suggest to

the British Government, as the mandatory for Palestine, that it is their inescapable moral duty to answer the Hungarian Government—through the International Red Cross—that every Hebrew will be admitted into Palestine.

I am, of course, aware of the unfortunate disagreements regarding the political status of Palestine which have forced this land to play such a tragically small and passive part at a time when its sons and daughters have undergone the greatest ordeal of their martyred history.

I was happy to learn, therefore, of a proposal made in this direction by the Hebrew Committee of National Liberation which separates the rescue question from the complexity of the Palestine problem.

The Hebrew committee proposes that there be established in Palestine emergency rescue shelters—free ports—into which all Hebrews fleeing their German tormentors should be admitted and kept in a manner similar to the emergency refugee shelter which the President has established at Oswego, N. Y.

At the recent conventions of both the Republican and Democratic Parties, resolutions were passed and planks inserted in both platforms to the effect that the gates of Palestine be thrown wide open to all escaping Hebrews. This represents the will of practically the entire American Nation. Certainly we are all, therefore, for the immediate establishment in Palestine of emergency rescue shelters.

It is creditable that the Hebrew committee, moved by the horrible plight of its people, should concentrate all its efforts to obtain the establishment of emergency rescue shelters. But I venture to suggest that is not enough; that the time is overdue when we of the United Nations must extend to the tormented Hebrew people our brotherly hand of solace and

that this should be done with the dignity due an ancient and honorable nation which, in the time of its sovereign existence, gave us the greatest book of all, the Bible.

It was more than 2 years ago that I first urged that we recognize the Hebrew Nation as one of the United Nations—and a fellow partner in the common war against Axis tyranny.

Let it be made clear that the 3,000,000 Hebrew men, women, and children who have died in this war have not died in vain as senseless victims of German mass murder but that they have died as honored casualties in a world struggle for decent humanity.

Let us recognize the surviving 3,000,000 Hebrews as a renaissance nation whose banner waves among those of the other United Nations.

Let the Hebrew guerrilla bands who are fighting the enemy in Europe and the 30,000 Hebrews in the Palestinian Regiment be given the chance to fight in their own name and under their own banner in a Hebrew Army.

Let us permit their own spokesmen and representatives to participate in the councils of the United Nations where their interests are involved, such as the United Nations Relief and Rehabilitation Administration, the Inter-Governmental Committee on Refugees, and, above all, on the Inter-Allied Commission on War Crimes in London, for it is against the Hebrews that 80 percent of the atrocities in this war have been committed.

And finally, let their spokesmen as representatives of a people who have lost more than one-third of their population in this war participate in the settlement of the peace and in the planning of a better world in which their nation too can live in freedom and with honor, in a world free from the fear of aggression and war.

We reproduce here a speech by Senator Elbert D. Thomas, inserted in the Congressional Record by Senator Robert F. Wagner. The main purposes for which the Hebrew Committee of National Liberation is fighting are clearly formulated in this excellent speech.

This serves to indicate the attitude of outstanding Americans toward the Hebrew Committee and the movement which it represents.

Curiously enough, the Zionist leaders have never come forward to refute these aims, nor have they mentioned any opposition to them.

Recognizing the solution of the age-old problem of the Hebrew people in Europe as one of the objectives of Democracy and as a preliminary condition to permanent peace in the world, I am in accord with the general principles and objectives of the American League for a Free Palestine and agree to become a member of its Sponsoring Committee.

Name Mrs. Louis D. Brandeis
Address 1205 California St
City Washington, D.C.

I enclose herewith one dollar (\$1.00) as my annual membership dues.

(see page 13)

Recognizing the solution of the age-old problem of the Hebrew people in Europe as one of the objectives of Democracy and as a preliminary condition to permanent peace in the world, I am in accord with the general principles and objectives of the American League for a Free Palestine and agree to become a member of its Sponsoring Committee.

J. ^{W. S. Smith} ^{James M. J. Turner}
Name George M. J. Turner
Address George M. J. Turner
City Del. State Del.

(see page 13)

AIRGRAM**American Embassy****Quito, Ecuador****Dated: Oct. 30, 4 p.m., 1944****Despatched: Oct. 30, 6 p.m.****Rec'd: November 6, 6 p.m.****CONFIDENTIAL****Secretary of State,****Washington.****A-493, October 30, 4 p.m., 1944.**

Reference is made to the Embassy's despatch No. 2045 and to the Department's airgram No. A-485 of August 26 and October 25, 1944, respectively.

The Ecuadoran Ministry for Foreign Affairs states that it will today cable instructions to its Consul General in Geneva to request formally of the Swiss Government that it represent Ecuadoran interests in Hungary.

SCOTTEN

711/840.1
COR:nt

JMS-516

PLAIN

London

Dated October 30, 1944

Rec'd 10:20 a.m., 31st.

Secretary of State

Washington

9366, thirtieth.

FOLLOWING FOR MARTHA BIEHLE IGC FROM MALIN IGC:

"This is cable number one of new series. Originals your reports number seven and eight which I read in copy in Washington arrived here in due course during my absence. Your reports number nine, ten and eleven and cables number one and two of new series arrived October 24. Kullmann replied Tolstoy October 11 with copy to you. I have also sent you copies of my answer to Akain application and Wriggin's report on Csechoslovaks in Italy of which you will wish to inform Csechoslovak Relief Committee and O'Connor of Catholics. Please tell latter farther report on camp situation and status of Catholic refugees generally in Italy has been requested. Heathcote-Smith and Preston have been here for two weeks and will stay two weeks more. I have transmitted to former your information on UNRRA in Italy and to latter that on Yugoslavs in Egypt. We have discussed both matters with Hoehler and shall have additional talks next week. Heathcote-Smith joins us in approving proposed shift of Joint Distribution Committee delegates and is standing ready to welcome even more than three as work expands territorially and functionally. Heathcote-Smith asks that his very warm appreciation be expressed for excellent work of Greenleigh and Perlman. We authorize you in consultation with Warren to support Jacobson and Resnik requests of Passport Division and military authorities. We are repeating this to Wriggins. Emerson and Kullmann have just left for month in France, Belgium and Switzerland on suggestion of French Government Valentin-Smith has been appointed Resident Representative in Paris where he will arrange with Emerson and Kullmann for successor in Algiers. Joint Distribution Committee should be informed for possible use in connection Greenleigh whom

we are

we are also telling through Wiggins. Please inform International Migration Service that Emerson soon survey materials for Vignat and Ferriere and that we should like five additional copies of form and instructions. Also ask them when they wish payment and whether in dollars, sterling or Swiss francs".

GALLMAN

BB

JDC-467

PLAIN

Lisbon

Dated October 30, 1944

Rec'd 6:26 a.m., 31st.

Secretary of State

Washington

3301, Thirtieth.

FOR LEAVITT FROM PILPEL JDC 106 WRB 240.

Steamship SALADHIN arrived Istanbul from Costanza
October 28 carrying 547 of whom half from Hungary. Group
proceeding Palestine October 30.

NORWEB

JMS

Miss Chauncey (for the Sec'y) Abrahamsen, Aksin, Cojma, Drury, DuBois,
Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

MB-480

PLAIN

Lisbon

Dated October 30, 1944

Rec'd 8:35 a.m., 31st

Secretary of State,

Washington.

3302, October 30, 6p.m.

FOR LEAVITT FROM PILPEL JDC 105 WRB 239

Beckelman advises that Schwartz cables October 16 and 23 were received during Beckelmans absence from Casablanca. Beckelman wishes know whether he should meet Schwartz New York or Lisbon. Kindly advise.

NORWEB

WFS

Miss Chauncey (for the Sec'y) Abrahamson, Akain, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

JMS-461

PLAIN

Lisbon

Dated October 30, 1944

Rec'd 6:19 a.m., 31st

Secretary of State

Washington

3303, Thirtieth.

FOR LEAVITT FROM PILPEL JDC 107 WRB 241.

Saly advises food procurable within Hungary but funds required for its purchase. Saly requests immediate remittance November and extra grant for relief purposes not only Hungary but elsewhere funds needed.

NORWEB

JMS

Miss Chauncey (for the Sec'y) Abrahamson, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

C
P
Y
Lisbon

Dated October 30, 1944

Rec'd 7:16 p.m.

Secretary of State,
Washington.

3304, October 30, 6 p.m.

This is WRB 242 JDC 108 FROM PILPEL FOR LEAVITT.

Mayer reports approximately 70,000 Jews placed in labor camps outside Budapest, ages men 16 to 60 women 16 to 40. Number of women almost twice that of men. Saly suggests Allies again warn Germans and Hungarians. Representations already made to Vatican asking its protest.

Hungarian delegation including Kastner now in Switzerland. Hungarians' passive in deportations all arrangements made by Nazis. Kastner reports cremation factory idle since end August. Death not immediately imminent.

NORWEB

RR

DCG-449
Distribution of true
reading only by special
arrangement. (Secret W)

Stockholm

Dated October 30, 1944

Rec'd 2:06 a.m.

Secretary of State,

Washington.

4416, October 30, 5 p.m.

Two reports dated October 12 and 22 have now been received from Willenberg in Budapest. This is our No. 99 for War Refugee Board.

First report reflected considerable optimism as to local situation with respect to Jews. While transport of Jews for construction of defense fortifications had been rather extensive, it appeared that this program was carried out comparatively humanely. Jews with Swedish protection were being released from internment and labor camps and the German Legation had promised that this group would be given special treatment. Wallenberg's principal activities included the following.

- (a) The moving of Jews with Swedish protection to non-Jewish homes.
- (b) Developing with the Red Cross preliminary plans for opening a hospital for the Jews.
- (c) Setting up quarters in Zagreb, with the assistance of the Swedish Consul there, for the purchase of needed supplies; so far 300 pairs of shoes had been purchased.
- (d) In collaboration with the Red Cross the international Red Cross, the Zionist Organization and the Jewish Council, developing a program of sending parcels to Hungarian Jews in Germany. This is under way.
- (e) Working out a plan for the importation (?) of paper clothes and old clothing. This was considered urgent.

-2-#4416, October 30, 5 p.m. from Stockholm.

The report of October 22 reported extremely unfavorable developments. The new government ordered all Jews to labor on defense works and cancelled all special privileges for any groups previously exempted. All men between 16 and 60 and women between 16 and 40 were ordered to labor battalions. All Jews who previously enjoyed one type of exception or another were ordered to move back into Jewish quarters within six hours, but this order was partially cancelled. Treatment of the Jews by the Gestapo and Hungarian MAFCS became very severe, and a few thousand were murdered, mostly in labor camps.

The Jewish staff employed by Wallenberg in relief activities completely disappeared on October 17 together with his staff car. The next day he went around on a bicycle locating them in hiding places, bringing them to safer localities, and carrying them food. He now has found all but ten. He then worked out with Hungarian Foreign Minister and is now carrying out program of moving all this staff to specially protected homes.

Foreign Minister has advised Wallenberg that the 4500 Jews under Swedish protection can leave Hungary. German Legation informed him that special group of four or five hundred can get transit visas through Germany but no instructions from Berlin as to remainder. This whole question seems very unsettled and Olsen considers it very dangerous to try to move this group through Germany.

It appears Wallenberg is throwing his full energy into his task and doing remarkably well considering enormous difficulties. Olsen thinks official recognition by WRB of Wallenberg's efforts, which would be forwarded through the Foreign office well justified. Swedish Government continuing to make extremely strong representations to Hungarian Government regarding treatment of Jews.

JOHNSON

WSB

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Y
Stockholm

Dated October 30, 1944

Rec'd 8:55 p.m.

Secretary of State

Washington

4419, October 30, 7 p.m.

Hollander of Swedish section sends following message for Kubowitzki of World Jewish Congress. This is our No. 97 for War Refugee Board.

Parcels program obtained necessary approvals and cost of whole quantity of 100 tons will approximate \$65,000. Please transfer and initial amount of \$25,000 and we will advise you later if more is necessary. We are not requesting Buenos Aires branch for any financial assistance.

Note for WRB from Olsen. Above is program we participated in working out with local mosaic community for shipment of parcels to internees in concentration camps. A trial consignment of few thousand packages being shipped soon and prospects appear very good of satisfactory delivery.

JOHNSON

WSB

C
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P
Y

Stockholm

Dated October 30, 1944

Rec'd 9 p.m.

Secretary of State,
Washington.

4423, October 30, 9 p.m.

This message from Margolis to Leavitt of Joint Distribution Committee is our 95 for WRB and re Department's 2129 of October 23, 10 p.m.

World Jewish Congress here has arranged for 100,000 kilos foodstuffs to be sent as individual parcels to the Resienstadt, Bergen Belsen, et cetera. Has received 8000 names from Zurich congress. Necessary funds requested from congress in New York. Am in close touch with WRB representative here who is most helpful and as soon as additional funds for parcels needed will advise you. He now has balance of 218,000 kronor of our funds against future needs.

JOHNSON

WSB

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

Please refer to your No. 7115 of October 26.

Your excellent analysis and suggestions are greatly appreciated. We here have been giving considerable thought to action along such lines and for several weeks have been working on a project which, if successful, may accomplish some of the objectives mentioned in your cable.

THIS IS WRB BERN CABLE NO. 249.

3:45 p.m.
October 30, 1944

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATE: October 30, 1944
 NUMBER: 3702

SECRET

To Minister Harrison and McClelland.

(1) Reference is made to your 6469 of September 29 and 6964 of October 20.

The following is the substance of a cable received from Amembassy Quito under date of October 20 in regard to matter discussed in your 6469:

QUOTE The Foreign Office of Ecuador states that it has received no specific request for the clarification of telegram under reference and is at a loss to understand the cause of difficulty in interpreting the Ecuadoran consulate's note of May 12, since cable instruction of May 8 seems perfectly clear. The only communication received by the Foreign Office from the Consulate at Geneva concerning the protection of individuals in Germany claiming Ecuadoran nationality was a letter of May 25 requesting INNER QUOTE some opinions and advice END OF INNER QUOTE. On September 7, the Foreign Office replied by airmail letter which presumably has not reached Geneva as yet.

Yesterday the Foreign Office wired the Ecuadoran consulate in Geneva substantially as follows: INNER QUOTE Repeating instructions issued to you previously to arrange for government of Switzerland to ask that German officials respect rights of persons protected by papers and documents of Ecuador. Take steps to obtain action by Swiss Government at once. In addition, in this connection, you are asked to contact the American diplomatic representative END OF INNER QUOTE. UNQUOTE

Department and Board appreciate difficulty pointed out in paragraph 2 of your 6964 and attempts are being made to have Ecuador make a formal request to be presented by Switzerland in Hungary. It is assumed that Swiss QUOTE reluctance UNQUOTE reported by you continues notwithstanding your suggestion that they approach problem in spirit indicated in Department's 2490 of July 21, item 6. Reference is made in this connection to Department's 3996 of October 13 item three.

(2) 155 sephardic Jews now in Belsenbergen in possession of Spanish passports are unable to proceed to Spain in view of military situation. It is suggested that you informally request Swiss officials to grant them temporary admission in Switzerland. Attempts will be made to get Spanish government to present identical request formally.

This is WEB Bern cable No. 243.

STETTINIUS
 ACTING

Miss Chauncey (for the Sec'y) Abrahamsen, Ackermann, Akzin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: October 30, 1944
NUMBER: 7204

CONFIDENTIAL

The first and second paragraphs of Department's message No. 3245 of September 20 (WRB 178) were communicated to German Foreign Office orally by Swiss Legation, Berlin, according to Swiss note dated October 26.

HARRISON

DCR:GPW
10-31-44

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241

Ankara

Dated October 30, 1944

Rec'd 3:43 p.m.

Secretary of State,
Washington.

2077, October 30, noon.

FOR KATZKI TO PREHLE WAR REFUGEE BOARD

ANKARA 173

The Jewish Agency Istanbul is in receipt of a telegram via Geneva dated October 25 from the Jewish Agency representative Krauss in Budapest stating that exit permits for the first group of 2,000 Palestine certificate holders in Hungary will be secured. Krauss states that the projected route of travel is through Switzerland and Portugal. He requests the aid of the WRB in obtaining the necessary transit visas. We suggest that you verify Krauss' report with McClelland in Switzerland. Information received in Istanbul concerning the Jews in Hungary is meager and general, but unconfirmed Turkish newspaper reports that evacuation of Hungary may be in contemplation. Future developments may make advisable renewed inquiry at this time regarding possibilities for emigration from Hungary.

According to Jewish Agency the 2,000 certificate holders are still in Budapest and they are in possession of passports.

STEINHARDT

WTD

Ankara

Dated October 30, 1944

Rec'd. 3:49 p.m.

Secretary of State

Washington

2078, October 30, 1 p.m.

FROM EATZKI TO PEHLE WAR REFUGEE BOARD. Ankara's
No. 174.

Reference is made to the Department's and WRB's circular telegram of October 24 concerning a statement of Governor Thomas E. Dewey on the subject of Poles, Jews, and other non-German nationals in territories under Nazi control.

At our request the Office of War Information in Istanbul has given Governor Dewey's statement general circulation to all Turkish newspapers through the Turkish press service Agence Anatolie and to Ankara radio. The release appeared in Istanbul newspapers beginning October 28.

We shall advise you in due course of final coverage.

STEINHARDT

MM

Miss Chauncey (for the Sec'y) Abrahamson, Aknin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

Ankara

Dated October 30, 1944

Rec'd 4:51 p.m.

Secretary of State,

Washington.

2079, October 30, 2 p.m.

FROM KATZKI FOR PEHLE WAR REFUGEE BOARD

ANKARA NUMBER 175

The Turkish motor vessel SALAHATTIN arrived in Istanbul on October 29 carrying 547 passengers proceeding to Palestine from Rumania. Preliminary information indicates that the group comprises 409 men, 133 women and 5 children. Refugees from Hungary who succeeded in entering Rumania make up the majority of the passengers, including 24 Hungarians who were liberated from the fourth labor mine at Bor, Yugoslavia. It is planned that the emigrants proceed by railroad from Istanbul to Palestine within the next few days under the general agreement between the Ambassador and the Turkish Foreign Office. Hirschmann's reports provide information regarding the assurances given the Ambassador by the Foreign Office which we refer to here as the general agreement. The foregoing is for your information. Additional material will be sent by pouch.

STEINHARDT

WTD

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 352

Information received up to 10 a.m., 30th October, 1944.

1. NAVAL

Convoy of 30 ships from U.K. escorted by ships of the Home Fleet arrived North Russia without loss. One Swordfish lost. Aircraft from one of H.M. Fleet Carriers attacked shipping Norwegian Leads between 26th and 28th and sank one LCT, a mine-sweeper and small tanker and a cargo ship. An A.A. ship, trawler and U-boat were driven ashore and the U-boat subsequently hit by rockets and depth charges from Liberators in Aegean 29th. A Naval party was landed and firmly established on Milo. Aircraft from one of H.M. Escort Carriers supported landing. One aircraft lost but pilot rescued.

German Hospital Ship GRADISCA intercepted yesterday and being taken to Alexandria for examination.

2. MILITARY

WESTERN EUROPE. Good progress along the front 21 Army Group. North of Tilburg, Loon-Op-Zand captured and advances of about three miles made beyond the town to north and west. Allied troops have cut the Breda-Roosendaal Road and now hold Etten and Breda. Heavy fighting between Roosendaal and Bergen-Op-Zoom but Canadians have advanced and captured Moerstraten. On Zuid Beveland Canadians advancing westwards from the Isthmus have reached and passed Goes and Gravenpolder and linked up with U.K. troops in the bridgehead which has been further strengthened and expanded. In Scheldt pocket our troops are in Cadzand and Zuidzande. Total prisoners taken in this sector since first crossing of Leopold Canal now 7,000. West of Meuse Germans have captured Meijel and Liesel in fresh counter attacks.

ITALY. Bad weather still hampering all operations. Slight advance by Eighth Army south of Ravenna.

RUSSIA. In Czechoslovakia Russians have captured Cop and in Hungary have further advanced slightly west of Satul Mare.

3. AIR OPERATIONS

WESTERN FRONT. 28th/29th. Bergen - 180 tons; Cologne - 44.

29th. TIRPITZ off Tromso attacked about 8:45 a.m. by 32 Lancasters (1 missing). 171 tons dropped in partial cloud. One hit (not confirmed) and several near misses claimed. Missing aircraft reported landed in Sweden.

326 escorted R.A.F. heavy bombers (1 missing) dropped 1567 tons on gun positions and strongpoints Walcheren Island. Weather generally clear. Good concentrations reported.

102 escorted medium bombers (1 missing) attacked railway bridges Holland. Results fair to good.

1071 fighters and fighter bombers (9 missing) operated over battle area destroying or damaging 185 road and rail vehicles.

205 escorted medium bombers and 1503 fighters (13 missing) operated against targets in Trier/Strasbourg area. Railway tracks cut in 87 places, 77 locomotives and 517 other vehicles destroyed or damaged. German casualties 25, 0, 9.

29th/30th. 57 Mosquitoes dropped 63 tons Cologne. Six bombed Mannheim. 55 sent on Bomber support (1 missing).

MEDITERRANEAN. 28th. 67 fighters and fighter bombers destroyed or damaged 139 railway and road vehicles in Western Po Valley.