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November 1, 1944

At eight forty-five last night I spoke to Mr. Searles at the White House and told him to tell the President that Lord Cherwell was leaving Wednesday afternoon and that the President might want to see Lord Cherwell before he leaves. I thought that this was a nice thing to do.

At seven minutes to nine Searles called back to say that the President was very sorry but he was so busy with his speeches that he couldn't see Cherwell and tell him that. Cherwell doesn't know that I asked for him to see the President so unless he raises it, I'm not going to say anything. It would just make him feel badly.

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November 1, 1944
9:37 a.m.

HMJr: Hello.

Operator: McCloy.

HMJr: Hello.

John J.
McCloy: Hello.

HMJr: Good morning.

M: How are you?

HMJr: Fine. Look, Jack, do you remember on October 20th you were kind enough to send me over the English handbook.

M: Yes.

HMJr: Now, we've made an analysis which I am sending over to you.

M: Good.

HMJr: Now, I'd like to do with your permission

M: Yeah.

HMJr: is -- I'm having lunch with Cherwell who is leaving after lunch for England.

M: Yes.

HMJr: I'd like to give him a copy of our comments if it's agreeable to you.

M: Well, I think that -- well, the only thing on that is that I'd like to be sure that your comments and our comments jibe.

HMJr: All right.

M: Because we're -- we've got some thoughts on the thing too; whereas, if he should take that back and they should vary from what we'd be sending over, now, we might get into some difficulties.

HMJr: Well

M: If we could clear that -- clear our thought this morning on it and then you could give it to him so that we'd be sure that we were -- we were putting up the same story to him, or at least letting him know that there was another story if there were one.

HMJr: I won't do anything unless it's entirely agreeable to the War Department.

M: Yes. Well, I'll tell you, who -- who over there is the fellow that knows most about it?

HMJr: Besides me?

M: Yes.

HMJr: (Laughs)

M: Besides you -- I meant to add that. Yes, I meant to add that.

HMJr: (Laughs) Well, I can answer your question the way you asked it, the fellow who knows the most about it is White.

M: White. Well, suppose I get a hold of White and tell White what our thoughts are.

HMJr: Yes.

M: And see how they jibe. I would imagine that they'd be pretty much the same as yours.

HMJr: Well, let me send this thing over to you.

M: Yeah. All right.

HMJr: And you glance at it

M: Yes.

HMJr: and if you'll just

M: Then we'll get in touch with you.

HMJr: And if it's not agreeable

M: Yes.

HMJr: but I just felt that here's an avenue of direct approach to the Prime Minister

M: Right.

HMJr: which you might like to

M: It may be very useful.

HMJr: See?

M: It might be very useful.

HMJr: See?

M: Right. Okay.

HMJr: Thank you.

M: You'll get it over right away?

HMJr: It will be there within twenty minutes.

M: Fine. Okay.

MEMORANDUM ON THE BRITISH DRAFT OF
POLICY DIRECTIVE FOR GERMANY

rubbed copy to
Mr McCloy
11/1/44

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1. Examination of the British document suggests that it was intended as a long range program. If this British group of directives was so intended, it does not cover the major questions involved. If, on the other hand, the British document is only intended as an interim program it prejudices the long range decision on important issues. In any event, its 97 pages of detailed instructions, often on unimportant points, is not a satisfactory medium for a high level policy determination. The document confuses principles with details of administration, and thus does not provide a basis on which decisions can be readily reached through the exchange of views.

2. The appropriate document for immediate discussion is the American interim directive. This document is to the large part a statement of principles which after agreement would provide the basis for the preparation of handbooks containing full details for administration. The failure of the British Government to present its views on this document is preventing further progress of combined discussions on the treatment to be accorded Germany. We are faced with the danger that the prolongation of the period in which the military directive operates will seriously prejudice the situation within Germany and limit the effectiveness of long range policies which may be found to be desirable by the three governments.

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3. The following are some of the major policy issues which the British document fails to deal with adequately:

- (a) The elimination or destruction of heavy industry in Germany, specifically the metallurgical, chemical and electrical industries in Germany.
- (b) Future boundaries of Germany.
- (c) Partitioning of Germany.
- (d) Disposition of the Ruhr through internationalization or otherwise.
- (e) Restitution.
- (f) Reparations, including whether there will be reparations in the form of recurring payments.
- (g) A comprehensive educational program.
- (h) A positive program for political decentralization.
- (i) The character of controls to be employed in preventing re-emergence of a powerful industrial Germany.

(j) Agrarian reform including the breaking up of the Junker estates.

(k) The punishment of war crimes and the apprehension of war criminals.

(l) The extradition of war criminals to the scene of their crimes.

4. While it is difficult to evaluate the significance of the detailed policy questions without an understanding of the underlying objectives, the following comments on the British group of directives may indicate the difference in approach:

(a) Administrative convenience is frequently placed above principle in dealing with problems of German occupation.

(b) In defining specifically certain of the powers which the Occupation Commander will have, the document tends to obscure the fact that the Commander-in-Chief will have all the powers of government and has the power to do whatever is necessary to carry out the program determined by the Allies.

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(c) In connection with the punishment of infractions of regulations and instructions of the occupying forces, there is a tendency in the directive to rely on inadequate and indirect punishments and sanctions when there is no occasion for avoiding direct penalties.

(d) The Allied commanders are given too much responsibility for the well functioning of the German economy.

(e) The list of persons to be detained and placed under guard for political and security reasons is totally inadequate and vests too much discretion in the Allied Commander-in-Chief. It gives an appearance of an attempt to shift responsibility.

(f) There is too much political freedom given to the Germans.

(g) The program for keeping the German schools and universities open at any cost ignores the need for a fundamental reorientation of German educational institutions.

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(h) We see no point in giving the Allied Military Commander discretion in making it possible for the German "police" to be able to retain tanks and heavy weapons. This sounds like the beginning of the rearmament of Germany.

(i) If Austria is to be given substantially better treatment than Germany, the treatment to be accorded Austria should be dealt with in a separate set of directives.

Meeting in the Secretary's Office
November 1, 1944, 10:00 a.m.

Present: Secretary Morgenthau
Lord Keynes
Lord Cherwell
Mr. White

The Secretary stated that he had given thought to the question that Lord Cherwell had asked the day previously, namely, whether arrangements for Phase 3 should be taken up together with Phase 2. He said that in his judgment it would be undesirable to do so; that it would be preferable for the discussions on Phase 3 to wait.

Cherwell said he hoped that the present committee operating under the chairmanship of Secretary Morgenthau could be continued inasmuch as it was very helpful to have one place where problems relating to lend-lease operations under Phase 2 could be finally settled if and when they crop up. Also, he hoped that the same committee could continue to function to take up the problems of Phase 3. The Secretary indicated that it was his belief that the present committee was set up as a temporary committee to handle the immediate problems of lend-lease under Phase 2; that if the committee were to undertake problems for Phase 3 that the President would have to indicate that such was his desire. Cherwell thought it might be helpful if Mr. Churchill, when next he spoke to the President, would mention the desirability of continuing the committee.

H. D. White

November 1, 1944
12:15 p.m.

INTERIM DIRECTIVE ON GERMANY

Present: Mr. McCloy
Dr. White
Mr. Pehle
Mr. Luxford
Mrs. Klotz

DR. WHITE: Mr. Secretary, we finished an article for you in Foreign Affairs. I think now it is a very dignified and nice general article. When you read it over there are a couple of paragraphs to note - the B.I.S.

There will also be another article in that, by me, which will be on certain technical aspects of it. They are delighted to have your article in there. It treats of the general aspects. The boys who did most of the work on it were Adler and Bernstein.

Would you like to have Mr. Luxford or Mr. Pehle in this discussion with McCloy, if he is going to discuss the details?

(Mr. Pehle and Mr. Luxford enter the conference)

MR. PEHLE: Good morning, Mr. Secretary.

H.M.JR: Did you participate in this memorandum?

MR. PEHLE: The one to Cherwell? Yes.

H.M.JR: McCloy is on his way over here.

(Mr. McCloy enters the conference)

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MR. McCLOY: I think we feel very much as you do on this business, from the comments that we have got. In the first place, the most important thing to us is that, as you point out, there is a little doubt as to what this really intends to cover - whether it is interim or long-range. If it is long-range - and we don't think it should be long-range - I think you have a very good reason why it should not be long-range at this time - it would be inadequate for the reasons you point out. And as an interim Directive we feel that it has the wrong philosophy entirely.

In other words, instead of giving the commanders a constitution under which they can write their statutes, someone has tried to write out the orders which they want the commanders to put into effect against the German people, in haec verba.

We think that is wrong. They are doing, in other words, down on the staff planning level - they are doing on the governmental level what should be done on the staff military level, and there is no reason why you can't get as much know-how on the staff level as you have on the upper level.

We understand that there is something of a conflict between the Foreign Office and the War Office in London in this very regard, that the War Office has now been educated to the general principle of having a fundamental document which they give to the Combined Commander and let him put into effect. That does not apply to the Foreign Office, who have had experts working for long periods of time on detailed matters relating to police education, or what-not, and they have specified just how they want this to be treated. And they are very proud of those documents. They have been working on them for a long time and they want to have them asserted.

We feel these documents are faulty even in their interim character, in a number of important respects. We think that they are apparently, as you do, more concerned about maintaining the body politic than we think

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should be our principle when we at least first go into Germany. We think that they have not done as much in the way of arrest and detention as should be done. We think that on the education point, as you do, we should stop; and the only practical thing to do is to stop all schools until you can purge, and then start again, rather than just have a gradual system of purging going on at the same time the schools are going on.

H.M.JR: May I interrupt you a minute? I want you to frankly tell me whether you want to use this avenue of approach to Churchill or not. If you do or don't, I would like to make a suggestion. But be very frank.

MR. McCLOY: Yes, I will be very frank. I do.

H.M.JR: Now, let me see if I can't get Cherwell, maybe, to come over a little earlier. We could have some food brought up.

MR. McCLOY: I am afraid I can't do it. I have a date that I can't possibly cancel. I tried to before I came over, but I can't do it. I have to leave here at twelve-thirty at the latest.

H.M.JR: Well, if Cherwell had time, would you want him to drop over and see you before he left?

MR. McCLOY: If that were O.K. - but I don't think it is necessary. We have all worked together on this thing. You can tell it just as well as I can.

H.M.JR: No, I can't. But do you think it would be helpful for me to give this thing to him?

MR. McCLOY: I get this impression from that first paragraph of the first page. I think you do not warn him sufficiently of dealing with long-range problems at the present time.

In other words, I don't think you make two points quite as clear as might be made. First, we don't want

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any long-range discussion at this time, that this document we want him to center on is an interim document at this time. If we get into the long-range business we will never get the interim, which is what we want. So we want to exclude the discussion.

MR. WHITE: I think we could redraft this to bring this out. (Refers to Memorandum on British Draft, attached)

H.M.JR: I only got this this morning. I couldn't give it to you any earlier.

MR. McCLOY: I understand.

Secondly, we want to emphasize our philosophy, which has been the thing we have operated on all along, and this is the same old Foreign Office effort to take the other line, and that is that we only want to give at that level, from the Government level, the general constitution, not the specific order, which the commander is going to follow. And on the staff level, from there down, they can prepare the particular directives that deal with the police, that deal with the education, as long as we have the general principle clearly stated in the fundamental Directive.

H.M.JR: Let me see if I understand you. I want to be a hundred percent clear. I felt that this was such a good avenue. But you are satisfied that I can say to him - and the boys can change this - can you do this between now and one o'clock?

MR. PEELE: Sure.

MR. LUXFORD: Sure.

H.M.JR: ...that this is emphasizing the thing on the interim and not on the long-range. And can I be very frank with him and say that I showed this to you, that it meets with the War Department's approval, that I show him this as a Treasury memorandum?

MR. McCLOY: Yes, that is right. O.K., you can say that.

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H.M.JR: But that you are in complete sympathy with this memorandum. Is that right?

MR. McCLOY: Except for the point that I make.

MR. WHITE: The second one - the first one I see very clearly.

H.M.JR: But that the Army, of course, will approach this thing through regular channels, but you were very glad to have me give him this so it could go directly to Mr. Churchill.

MR. McCLOY: That is all right.

H.M.JR: Am I going too far?

MR. McCLOY: No, that is all right.

MR. PEHLE: Could we state in here that that is the view of our War Department?

MR. WHITE: Yes.

MR. PEHLE: Because they are the active agency in this thing, and it is more important that it is their view.

H.M.JR: I think I had better simply say that verbally. I want to say this is very informal, I only got this this morning, and Mr. McCloy only had a very quick glance at it, but I can quote him as saying it is all right. But of course you will approach the thing through regular channels.

MR. LUXFORD: We could, Mr. Secretary, I think, cover the same point Mr. McCloy is making by saying we must decide at the high level the general principle involved, and leave for staff work the developing of the application.

MR. McCLOY: And we think they have contravened that principle in their Directive.

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MR. WHITE: Mixed up the Directive with the Handbook. Now, the Handbook, your authority is, is something that should be done at the staff level. This is the Directive.

MR. McCLOY: That is right. This is the fundamental Directive by which we moved into every country we have gone into so far. Eisenhower takes that, sends it down to his staff and says, "Now, you prepare the orders."

MR. WHITE: Yes, but the Handbook also was reviewed by you.

MR. McCLOY: It happened to be reviewed by us. It would have been reviewed in ordinary course.

MR. WHITE: Won't it be reviewed in the future?

MR. McCLOY: Yes.

MR. WHITE: Therefore he is confusing the Directive with the Handbook, but that doesn't mean the Handbook is not subject to your review.

MR. McCLOY: That doesn't mean we wouldn't get a look at that Handbook, too.

MR. WHITE: Concentrating on the Directive as something of high policy.

MR. McCLOY: We looked at the Handbook only with the idea of seeing that it conforms with the tone of the Directive. It is very important that we maintain that line.

Then, in addition to that, and it is also apropos of your first point, we have gotten from the State Department - I don't know whether you have gotten it or not - a communication from the President to Secretary Hull in which he makes it very strong that he does not want to go into these questions now, that he wants to give further thought - I mean the question of partition, the question of reparations, the question of the industrialization of the Ruhr. He wants to hold that out for further thought and doesn't want any documents written about that.

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MR. WHITE: You say the Army got a letter of that kind?

MR. McCLOY: I have a copy of the letter which the State Department gave me.

H.M.JR: This was from the President to Hull?

MR. McCLOY: From the President to Hull, and the whole tone is, "Don't go into that business."

MR. WHITE: Is that a recent letter?

MR. McCLOY: Yes, that is a recent letter. But don't tell him that.

Now, there are some of these points here that I don't quite understand what your point is, but I don't know that it is necessary that I should.

MR. WHITE: Well, we are sticking by the Directive.

MR. McCLOY: That is what we want to do; we want to stick by 1067.

MR. WHITE: The American Interim Directive, 1067.

MR. McCLOY: Yes. But those are the important points.

MR. WHITE: That is, there is nothing in here that we don't feel is not in full harmony and does not carry out the Directive which was agreed upon.

MR. McCLOY: Yes, and of course we are all pointed toward that Directive; that is fundamental - basic. Fortunately, we have everybody from the President of the United States, to Secretary of Treasury, to Secretary of State and War, Joint Chiefs of Staff, all have put their hand on that as saying that is the thing. Eisenhower has come back and said that is just what he wanted.

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MR. WHITE: Then why don't they discuss that instead of this?

MR. McCLOY: Because the Foreign Office is so proud of the research work and stuff they have done.

MR. WHITE: Maybe something like that through to Churchill might help.

MR. McCLOY: Eden is a very powerful figure in this - very powerful - more powerful in many respects in this field, so far as his position with the War Cabinet is concerned, than Mr. Churchill. I have gotten several evidences of that.

Now, in some of these - (c), (d), (e), and (f) - "There is too much political freedom given to the Germans" - I don't know what you mean by that, particularly. (Refers to Page 4 of attached memorandum)

MR. PENLE: The Interim Directive provided it wouldn't let them organize politically. The British Directive says they can go right along and start organizing.

MR. McCLOY: That is all right so far as we are concerned.

MR. WHITE: I think we were careful, Jack, not to have anything in here that we didn't feel was--

MR. McCLOY: That is right - with the 1067.

Now, there is one other thought that is fundamental here that we are all fuzzy about. The English definitely take the line they think they are going into a country where there will be a government, and they are going to have control of that government. We have taken, perhaps, too purely the other line, that there will be no government. "I am a jealous God and there are no other gods but Me" - that the military government is the only government that exists in Germany, and although we can use functionaires

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throughout Germany, they are instruments only, and they are responsible to the military. Yet we, at the same time, say to the General, "You are not responsible for the fundamental economy of the country," and we sort of recognize that the Germans themselves will have to cover a certain field there, subject to our stepping in. What is the actual juridical relationship between the military government and whatever remains of the German government?

MR. WHITE: I should think the legal theory, the political theory, behind that would be that the military government being supreme, carves out an area which it says, "That is residual, and you can have any powers you want within that - we may change that residual area, but you may do anything you want within that area."

MR. McCLOY: That is exactly the simile I used the other day, like the Interstate Commerce clause.

But his Directives take a different philosophy on that and we would want to object to their complete acceptance of the doctrine that there is a government there, that we would only sit off on the side lines.

MR. PEHLE: And we have limited powers.

MR. McCLOY: In respect to that government - only such powers as you can prove in a document.

MR. WHITE: Any powers which are not specified revert to the Federal Government. Did you want that point expanded?

MR. McCLOY: You mentioned it here. I don't know whether you sharpened it up as well as it might be. Is that clear?

MR. PEHLE: Sure.

MR. McCLOY: You might read that before your luncheon. That is a little thing I jotted down. (Hands the Secretary Memorandum of November 1, attached)

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H.M.JR: I will explain it to him that this is something we have prepared, and that you have read it, and that in principle you have approved it.

MR. McCLOY: In principle, that is the way we feel.

H.M.JR: Well, thank you very much.

(Mr. McCloy leaves the conference)

H.M.JR: If you fellows (White, Pehle, and Luxford) will be ready about one-thirty I will have you join us.

MEMORANDUM ON THE BRITISH DRAFT OF
POLICY DIRECTIVE FOR GERMANY

1/1/44
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1. Examination of the British document suggests that it was intended as a long range program. If this British group of directives was so intended, it does not cover the major questions involved. If, on the other hand, the British document is only intended as an interim program it prejudices the long range decision on important issues. In any event, its 97 pages of detailed instructions, often on unimportant points, is not a satisfactory medium for a high level policy determination. The document confuses principles with details of administration, and thus does not provide a basis on which decisions can be readily reached through the exchange of views.

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- (a) The elimination or destruction of heavy industry in Germany, specifically the metallurgical, chemical and electrical industries in Germany.
- (b) Future boundaries of Germany.
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- (g) A comprehensive educational program.
- (h) A positive program for political decentralization.
- (i) The character of controls to be employed in preventing re-emergence of a powerful industrial Germany.

- 3 -

(j) Agrarian reform including the breaking up of the Junker estates.

(k) The punishment of war crimes and the apprehension of war criminals.

(l) The extradition of war criminals to the scene of their crimes.

4. While it is difficult to evaluate the significance of the detailed policy questions without an understanding of the underlying objectives, the following comments on the British group of directives may indicate the difference in approach:

(a) Administrative convenience is frequently placed above principle in dealing with problems of German occupation.

(b) In defining specifically certain of the powers which the Occupation Commander will have, the document tends to obscure the fact that the Commander-in-Chief will have all the powers of government and has the power to do whatever is necessary to carry out the program determined by the Allies.

- 4 -

(c) In connection with the punishment of infractions of regulations and instructions of the occupying forces, there is a tendency in the directive to rely on inadequate and indirect punishments and sanctions when there is no occasion for avoiding direct penalties.

(d) The Allied commanders are given too much responsibility for the well functioning of the German economy.

(e) The list of persons to be detained and placed under guard for political and security reasons is totally inadequate and vests too much discretion in the Allied Commander-in-Chief. It gives an appearance of an attempt to shift responsibility.

(f) There is too much political freedom given to the Germans.

(g) The program for keeping the German schools and universities open at any cost ignores the need for a fundamental reorientation of German educational institutions.

- 5 -

(h) We see no point in giving the Allied Military Commander discretion in making it possible for the German "police" to be able to retain tanks and heavy weapons. This sounds like the beginning of the rearmament of Germany.

(i) If Austria is to be given substantially better treatment than Germany, the treatment to be accorded Austria should be dealt with in a separate set of directives.

1 November 1944.

MEMORANDUM:

Subject: The British Draft Policy Directives for Germany.

1. Examination of the British document does not disclose whether it was intended as a long-range program or for the immediate period after the surrender and occupation of Germany.

2. It is the U. S. view that this is not the moment to discuss a long-range view. The wishes of other United Nations must be considered before the long-range policy toward Germany can be crystallized. Until we have entered a considerable portion of Germany and know the conditions that are existent there, it is impossible to formulate final policy with respect to the treatment of Germany.

3. Further, the directives as presently written are too detailed to be considered on a governmental level. As written these directives would be protocol between the U. S., U. K. and U.S.S.R., and it would be most difficult to modify, change or vary such agreements as conditions require.

4. The substance of the British directives are matters of detail primarily to be considered on an operational level such as the Control Council for Germany or at SCAEF. It is desirable that EAC consideration should be given on a broad overall level providing guidance to the military commanders to enable them to formulate detailed plans.

5. The British approach treats Germany on the basis of an armistice rather than unconditional surrender or complete military defeat, and retains German administrative structures and organs to an extent greater than is desired.

6. Conditions throughout Germany may not be uniform and in the light of this consideration the British document does not insure to the zone commanders the full freedom of action which in the U. S. view is essential.

7. It is considered that JCS 1067 is the proper approach to the immediate requirements in that it will provide the zone commanders with all the guidance necessary at this time.

November 1, 1944
12:38 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Miss Tully: Hello.

HMJr: Grace.

T: Yes, Mr. Secretary.

HMJr: Good morning.

T: Good morning, sir.

HMJr: You most likely are familiar with the fact that we, in the Treasury, have been working with State and War on the so-called American handbook for the Army.

T: Yes.

HMJr: That job was finished, you remember I gave

T: Yeah.

HMJr: ... you -- now we're working on one that the British Army are using.

T: Uh - huh.

HMJr: And in discussing it with the Army, they tell me that the President wrote a letter to Mr. Hull as to just what he does or doesn't want taken up at this time.

T: Uh huh.

HMJr: And that State furnished Army with a copy and I'd like to have a copy also.

T: Uh huh.

HMJr: So that I can know what is in the President's mind.

- 2 -

T: All right. Fine. When was that sent? Do you know?

HMJr: Well, I gathered it was sent quite recently.

T: Quite recently.

HMJr: Yes.

T: Uh huh.

HMJr: On this very subject.

T: Yeah, the American handbook.

HMJr: Well, no, this is -- well, now we're working on the British handbook.

T: Yeah, the British.

HMJr: But what the President did or didn't want included in these matters at this time.

T: Uh huh. I see. All right, fine, I'll see if I can check up and see what was sent to them.

HMJr: Yes, and if I could get it fairly soon

T: Uh huh. All right, sir.

HMJr: Thank you.

T: Bye, Mr. Secretary.

November 1, 1944.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I got Charles Collins on the phone at Atwater 9-4630, New York, at 12:12 P.M. today and expressed your regret that you would not be able to make the speech. He did not question the decision but said that if you should find later that you would be able to speak they would appreciate it if you would let them know. I said I would report that to you.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Date
November 1, 1944

TO Herbert Gaston
FROM Secretary Morgenthau.

Would you mind calling Charles Collins in New York, Atwater 9-4630, and tell him that I'm very sorry that I will not be able to accept his very kind invitation to speak in New York Sunday afternoon. If he presses you for a reason, you can give him any good excuse that comes into your head. I would appreciate it if you would do this for me.

For your information I have not heard from Hannegan. I am not following him up again. I'm not going to make any more effort to give that speech. I have told Luxford and DuBois to give it to anybody else they think could make good use of it.

Mr. Luxford
Mr. DuBois

November 1, 1944

Secretary Morgenthau

I want to thank you for all the trouble you have gone to to prepare that speech. It is a very excellent speech. Evidently Mr. Hannegan is not interested in my giving it. Therefore, you are free to give it to anybody else that you wish. Again thanks, not only for your efforts but your interest. *File*

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November 1, 1944
3:59 p.m.

Operator: Operator:

HMJr: You say Mr. Hannegan wants to talk to me?

Operator: Yes. He's not on your private wire though.

HMJr: What wire is he on?

Operator: He's on Executive 6400. He called on the regular switchboard.

HMJr: Well, that's all right.

Operator: All right. Go ahead.

HMJr: Hello.

Robert Hannegan: Hello. This is Bob Hannegan.

HMJr: Really?

H: Yes, sir.

HMJr: I thought you'd gone to Europe or Russia.

H: Oh, God, no, but I might as well. I'm running around like a -- I'm running around like a wild man.

HMJr: Well

H: In addition to that I've been going to a doctor three times a day.

HMJr: Well, what's the trouble?

H: Oh, I had a sinus infection and then I went up in an airplane and it forced it back into my ears.

HMJr: Well, that's too bad.

H: And I had that infection in my ears. You know I -- I got your message about that meeting. What I did -- I want to report to you that I immediately contacted Fitzpatrick, the State Chairman.

HMJr: Yeah.

H: And told him that you would be willing to go to those -- to a meeting.

HMJr: Yeah.

H: He said he would let me know if they could arrange a meeting.

HMJr: Yeah.

H: He didn't notify me until this morning that they didn't have any meeting or they couldn't make arrangements for a meeting.

HMJr: I see. Well, I -- I felt very badly because I called you up Saturday and I thought that the fact that I was anxious to speak for Roosevelt I could have had an answer promptly.

H: Yes.

HMJr: But that -- that's all right.

H: Well, you see, I -- I -- that -- I left that up to the State Committee, you see?

HMJr: Yeah.

H: And -- and I -- I -- when I talked with you on the phone, I went downstairs to the State Committee within five minutes time

HMJr: Ah

H: to Fitzpatrick and Oscar Ewing.

HMJr: Yeah.

H: Oscar Ewing who has come here, is working with him downstairs -- and I went down with him to ask them about -- I told them that if they could arrange a meeting that you would be glad to go there.

HMJr: Well, look, Bob, it's all right but I made the offer and today's Wednesday afternoon. I called you Saturday and I just didn't know whether -- where I was at and I was holding the thing open.

H: Yes.

HMJr: But that's all right.

H: Well, I -- I'm sorry about that but I didn't

HMJr: Yeah.

H: I mean, I'm sorry I didn't get to call you right back but I stayed after them. I sent down there to them twice to see if they could arrange a meeting....

HMJr: Well

H: with their plans.

HMJr: Well, it's

H: I've been running around like a -- a -- a -- running here -- Jesus, I've got -- well, you know how it is the last week.

HMJr: Well, I thought I could do some good and -- but evidently they don't and that's that.

H: Well, no, it's not that but they just don't have any -- as I gathered, they've got certain plans for their other meetings

HMJr: Yes.

H: and they wouldn't -- unless they could have the right kind of a meeting

HMJr: Yes.

H: there, they -- they didn't want to schedule another one in addition to the ones they had unless they had the right kind of a meeting there. Now, you see they've had -- they had a meeting set up already -- as I understand it, they had one for Truman and one for Wallace....

HMJr: Yeah.

H: there in Harlem.

HMJr: Yeah. Okay.

H: How is everything else? I think -- I think we're -- I think things are going better.

HMJr: Well, I hope so.

H: Yeah.

HMJr: Take care of yourself.

H: Okay.

HMJr: Good bye.

H: Bye.

SECRET

November 1, 1944.

MEMORANDUM FOR THE SECRETARY'S FILES:

This afternoon, Secretary Morgenthau furnished Lord Cherwell with a copy of our memorandum on the British draft of policy directive for Germany. Also present were Messrs. White, Pehle and Luxford.

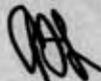
The Secretary, in furnishing the memorandum to Lord Cherwell, stated that it represented the views of the Treasury. He said that Mr. McCloy, Assistant Secretary of War, had gone over it and had said that the War Department would agree fully with the principles set forth in the memorandum. He also stated that he had spoken to Mr. McCloy about the desirability of furnishing the memorandum to Lord Cherwell, and Mr. McCloy had felt that it would be an excellent thing for this memorandum to go to Mr. Churchill through Lord Cherwell.

It was explained to Lord Cherwell that we did not feel that we were prepared to formulate at this point a long range program for Germany, and it was important therefore that we work out an interim program; and that we found it very difficult to use the lengthy and detailed British document as the basis for discussing the general principles involved in formulating an interim program.

Lord Cherwell examined our memorandum. He stated that he agreed that we should focus on the general principles involved before attempting discussions on the details which could be handled at staff level; and that it was his impression that the United Kingdom military authorities had started out wrong. He indicated his general approval with respect to the contents of the memorandum. He said that he felt that word should be passed down the line that the United Kingdom policy was in accord with the United States policy as set forth in the American draft of the interim

- 2 -

directive and that the British should prepare their papers in accordance with that policy. At this point, it was suggested that if the British agreed with the policy as set forth in our interim directive, there was no necessity for them to write another. Rather, work could be commenced, at staff level, on a handbook covering the details of administration. Lord Cherwell stated that he subscribed to this view.



Game copy of this to Lad Chewell
with McCloy's approval.

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NOV 1 1944

MEMORANDUM ON THE BRITISH DRAFT OF
POLICY DIRECTIVE FOR GERMANY*

Revised copy -

1. Examination of the British document suggests that it was intended as a long range program. We are not prepared to make decisions on these long range issues at this time. Moreover, the British document does not cover the major questions involved. If, on the other hand, the British document is only intended as an interim program it prejudices the long range decision on important issues. In any event, its 97 pages of detailed instructions, often on unimportant points, is not a satisfactory medium for a high level policy determination. The document confuses principles with details of administration, and thus does not provide a basis on which decisions can be readily reached through the exchange of views. We feel strongly that we should confine our discussions now to the major policy decisions needed for the interim period and leave the details to be worked out at a staff level.

2. The appropriate document for immediate discussion is the American interim directive document. This document is

* Germany and Austria in the Post-Surrender Period - Sept., 1944

to the large part a statement of principles which after agreement would provide the basis for the preparation of handbooks containing full details for administration. The failure of the British Government to present its views on this document is preventing further progress of combined discussions on the treatment to be accorded Germany. We are faced with the danger that the prolongation of the period in which the military directive operates will seriously prejudice the situation within Germany and limit the effectiveness of long range policies which may be found to be desirable by the three governments.

3. The following are some of the major policy issues which the British document fails to deal with adequately and which must be dealt with in any long range program:

- (a) The elimination or destruction of heavy industry in Germany, specifically the metallurgical, chemical and electrical industries in Germany.
- (b) Future boundaries of Germany.
- (c) Partitioning of Germany.
- (d) Disposition of the Ruhr through internationalization or otherwise.

- 3 -

(e) Restitution.

(f) Reparations, including whether there will be reparations in the form of recurring payments.

(g) A comprehensive educational program.

(h) A positive program for political decentralization.

(i) The character of controls to be employed in preventing re-emergence of a powerful industrial Germany.

(j) Agrarian reform including the breaking up of the Junker estates.

(k) The punishment of war crimes and the apprehension of war criminals.

(l) The extradition of war criminals to the scene of their crimes.

4. While it is difficult to evaluate the significance of the detailed policy questions without an understanding of the underlying objectives, the following comments on the British group of directives may indicate the difference in approach:

- 4 -

(a) Administrative convenience is frequently placed above principle in dealing with problems of German occupation.

(b) In defining specifically certain of the powers which the Occupation Commander will have, the document tends to obscure the fact that the Commander-in-Chief will have all the powers of government and has the power to do whatever is necessary to carry out the program determined by the Allies.

(c) In connection with the punishment of infractions of regulations and instructions of the occupying forces, there is a tendency in the directive to rely on inadequate and indirect punishments and sanctions when there is no occasion for avoiding direct penalties.

(d) The Allied Commanders are given too much responsibility for the well functioning of the German economy.

- 5 -

(e) The list of persons to be detained and placed under guard for political and security reasons is totally inadequate and vests too much discretion in the Allied Commander-in-Chief. It gives an appearance of an attempt to shift responsibility.

(f) There is too much political freedom given to the Germans.

(g) The program for keeping the German schools and universities open at any cost ignores the need for a fundamental reorientation of German educational institutions.

(h) We see no point in giving the Allied Military Commander discretion in making it possible for the German "police" to be able to retain tanks and heavy weapons. This sounds like the beginning of the rearmament of Germany.

(i) If Austria is to be given substantially better treatment than Germany, the treatment to be accorded Austria should be dealt with in a separate set of directives.

TOP SECRET

11/2/44 - copy to 43

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

Casey to give
to Col -
1 - NOV 1944

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Subject: Lend-Lease Requirements for British Dominions

1. The War Department has reviewed the requirements of Australia, New Zealand and India for food, raw materials and civilian goods under lend-lease in Stage II as set forth in the document entitled "Amplification of Material in Chapter 4, Lend-Lease Requirements of Australia, New Zealand, and India." Such examination has been made with reference to the probable effect of these requirements upon military programs.

2. In general, the tabled quantities do not represent a sufficiently large segment of total supply to interfere with meeting our presently known United States and International Aid military requirements. However in the case of items in tight supply it is obvious that the acceptance of these requirements will aggravate the present shortage and will intensify the conflict between military and civilian demands, thereby endangering the fulfillment of military programs. Subject to the reservations above and to the exceptions hereinafter noted it may be said that the items and quantities referred to can be made available.

3. With respect to the categories of food, raw materials and certain manufactured items, the following comments are made, and as to items not commented upon no interference is noted:

a. Food. In the case of India this item is not sufficiently broken down to permit comment. Any procurement of meat would adversely affect the short United States civilian supply.

Tobacco. The situation is presently so bad that the lend-lease shipments have virtually been stopped. It is not believed that VE-Day will bring much improvement.

Canned Fish. (Australia) Could not be obtained without interference with military procurement. Inferior grades are now being sent to military areas in Pacific.

Artificial Sausage Casings. (Australia) This procurement would adversely affect civilian supplies.

Coca Cola Concentrate. (Australia) Availability depends upon sugar supply which is expected to be tight in Period I and is at present rationed.

TOP SECRET

Regraded Unclassified

- 2 -

b. Raw Materials.

Tin Plate. Should not be approved beyond present supplies going to these areas, in view of the critical position of our pig tin supplies.

Metals. Any requirements for wire rope would necessarily have to be limited, as a continued tightness is anticipated after VE-Day.

Pulp and Paper. Period I requirements for pulp and paper products total \$9,000,000. Current United States shipments to Australia in 1944 are at annual rate of approximately \$6,400,000. Requirements for first quarter 1945 remain approximately the same as the 1944 annual dollar value. Of this quantity approximately 1½ million dollars a year or 15,000 tons is for pulp. This pulp requirement would normally be satisfied from Canada. The United States needs for high grade Canadian pulp have resulted in a switch of lower grade Southern pulp being delivered to Australia in exchange for high grade Northern pulp for the United States from Canada. This pulp is used for such items in the United States as wet strength map paper, and the need for such a requirement from Canada after VE-Day should drop drastically. Eliminating this consideration after VE-Day there appears to be no justification for furnishing Australia with almost 90% more pulp and paper products after Period I than is being currently delivered. The consistent policy of FEA, concurred in by the War Department, is to have Australia satisfy its requirements from Canada. Australian domestic paper production has been expanded, and it is contemplated it will be further expanded. Of all of the requirements listed for Period I, printing and writing papers remain at the current level of approximately 3½ million dollars annually.

	<u>Current 44 - 45 Annual Requirement</u>	<u>Period I Requirement</u>
Pulp	\$1,500,000	\$2,000,000
Fine & Ptg. Paper	3,500,000	3,500,000
Wrapping, Tissue & all other	<u>1,500,000</u>	<u>3,500,000</u>
Total	\$6,500,000	\$9,000,000

It is recommended that increases be given in other grades, and it is recommended that the \$2,000,000 of pulp be denied practically in full. Not over \$5,000,000 worth should be made available in paper and paper products to Australia.

India is receiving approximately 4 to 5 million dollars per year of printing papers from the United States currently. It is recommended that the bulk of its requirement be satisfied from Canada, which appears to be current FEA policy, and that India not be allowed to switch or add to its requirements of printing paper so as to obtain packaging and wrapping papers which will be in desperately short supply during Period I in the United

States both for military and essential reconversion needs.

Chemicals.

Chrome. Can only be allowed to the extent of \$300,000 because of the high military urgency for the uses of these materials in the United States.

Miscellaneous.

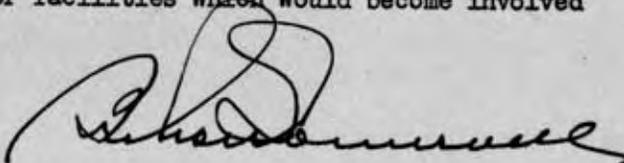
Carbon Black. Because of United States requirements for use in rubber, it is not believed that more than \$750,000 of carbon black can be provided without interference with military and essential civilian programs.

c. End Products.

Coal Mining Machinery - Underground. (Australia) Should not exceed the value or the quantity scheduled for 1943, namely, \$300,000.

Textiles. (Australia and India) Cotton and rayon tire cord and fabric production versus requirements overall will not justify supplying more than the current requirement now going to these countries.

4. Since the requirements have been stated in dollar values by broad categories and with only general inclusive descriptions, it is impossible to determine what effect their acceptance would have upon the reconversion of the individual industrial groups or facilities which would become involved thereby.



for
Robert P. Patterson,
Under Secretary of War.

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 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

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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</u> (Cont'd)		
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</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>\$102.0</u>	

NEW ZEALAND

The 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. Stronuous 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
			1,250,000

Tobacco

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	<u>\$84,000,000</u>	

November 1, 1944.

My dear Mr. Liebson:

I want to congratulate you and others of Business Men for Roosevelt, Inc., on the success of the dinner last Friday evening at which I had the privilege of speaking as well as of listening to the President's broadcast under the most favorable and inspiring circumstances.

It was a great and sympathetic audience that you provided. The audience testified pretty thoroughly, I thought, both to the standing and the sincerity of the men who organized the event.

Personally I hope that Business Men for Roosevelt, Inc. may continue after this successful political campaign to carry on the extremely valuable function of rallying the support of all the people behind the President's leadership in the difficult days that still lie ahead of us.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Laurence S. Liebson
Executive Secretary
Business Men for Roosevelt, Inc.
Hotel Delmonico, 502 Park Avenue
New York 22, New York

HGG/mah
[Handwritten signature]

BUSINESS MEN *for* ROOSEVELT INC.

HOTEL DELMONICO

502 PARK AVENUE, NEW YORK 22, N. Y.

Volunteer 5-2500—Extension 305

October 29, 1944



Answer

ANDREW J. HIGGINS
Honorary President

J. LOUIS REYNOLDS
Chairman, Executive Council

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- Phillip E. Wilcox

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

Dear Mr. Morgenthau:

May I add my personal thanks to those of every member of Business Men For Roosevelt, Inc., for your very fine address at The Waldorf-Astoria. Not only for your speech, but also for your great enthusiasm and cooperation which assured the success of that event.

We had anticipated from 400 to 450 guests, but the last-minute rush increased that to well over 500. As you observed, those present were responsible, intelligent persons who approved completely the context of your speech and its delivery.

Our work shall continue: industriously and wisely in the cause of the President and his administration -- even long past his re-election.

I should like very much to receive a letter from you expressing your personal opinion of your reception and the dinner. Also regarding our organization, as far as your own knowledge or information permits.

Very sincerely yours

Laurence S. Liebson

Laurence S. Liebson
Executive Secretary.

LSL-rc.

IN PROCESS OF FORMATION

The DISPENSABLE man



We're not going to vote for you, Tom Dewey.

We thought you might like to know why . . .

It's not that we're straight-ticket Democrats. Some of us, in fact, are Republicans who'll be voting for a Democrat for the first time.

But we all agree on one thing: we don't think you have what it takes to be President of the United States. Not these days, anyhow.

Most of us have watched you come along politically, under the forced draft of your party's elders, and wondered whether you'd let yourself be talked into running in '44. We're sorry you accepted. After all, you've been an executive a total of only two years. If we as business men were hiring someone for the Presidency, we'd certainly demand more executive experience than that.

And since you were nominated, we've listened to you most carefully—from Philadelphia, Hollywood, Oklahoma City—and we're forced to conclude that you don't seem to have the *stature* for the biggest job of them all.

We've yet to see you come forward with a single working program for handling the country's toughest problems of the next four years. Where is *your* plan for reconversion of industry to the products of peace? Where are *your* proposals for expanding our international trade? What will you do about assuring full production and full employment? Everyone says you wait, before making up your mind on

big issues, until you see the results of public opinion polls. The people, Tom, don't want a *follower* right now. They want a *leader*.

We have yet to hear a good reason for voting for you, young man. You attack the President in every speech but when you finally do come out in favor of some things, they turn out to be collective bargaining, social security and other benefits Roosevelt gave this country years ago.

No, we haven't found any *substance* in your campaign. Certainly not in your many attempts to convince us that the President is a Communist, or a tool of the Communists. (Your brain trust slipped, there, son. Nobody believes that kind of wild talk any more.) And we're disturbed at the Hooverism in your philosophy which impelled you to term our lend-lease program "an end to free government in the U.S." and to call the President's 50,000 plane goal for 1942 "a publicity stunt." (Did you know we turned out 47,873 that year—and 85,946 in '43?)

No, Tom Dewey, the next four years are going to take a *man* in the White House. We've got a man now—and we think we'd better keep him. What's more, we think he's a *great* man.

Franklin Delano Roosevelt is the kind of a man school children a hundred years from now will learn about with awe—and reverence.

We hope, for the sake of the country, that you turn out to be that kind of man yourself, some day . . .

BUSINESS MEN for ROOSEVELT, INC.

ANDREW J. HIGGINS,
Honorary President

J. LOUIS REYNOLDS,
Chairman, Executive Council

HOTEL DELMONICO, 502 PARK AVENUE
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Sympathetic business men are urged to support our newspaper and radio campaign in key states. Time is short. Send your check today—now . . .

BUSINESS MEN FOR ROOSEVELT, INC.

502 Park Avenue, New York 22, N. Y.

Here's my check for \$_____ to help your campaign.

NAME _____

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(Contributions are neither solicited nor accepted from corporations or government employees.)

Prepared by
GREEN-BRODIE, Advertising
420 Madison Ave.,
New York 17, N.Y.

November 1, 1944

My dear Mr. Secretary,

Alan and I are just beginning to get used to the real world after our wonderful weekend in New York. I think it was the most fun we ever had. In addition to the good-time (and food!) aspects of the expedition, there was the great pride we had in being with you at such a time, and our pleasure in your gracious thoughtfulness in arranging it. Your hospitality was so warm, careful, and complete that "Thank you" seems an inadequate expression of our feelings about it.

We were sorry that Mrs. Morgenthau was not well enough to make the trip, and hope she is better now. It is a pity she missed anything so pleasant.

It was all indeed lovely. We send our warmest thanks and regards, and hope more than ever that you will come to share with us in your earlier bounty.

Sincerely yours,

Adrienne Mayer Barth

71

○ Ltr to heads of all banking
institutions in the United States

November 1, 1944

25

Gentlemen:

On November 20, 1944, the Treasury will open the Sixth War Loan Drive. The goal for this drive will be \$14 billion, of which \$5 billion is to come from the sale of securities to individuals.

Since January 1, 1944, the direct costs of the war have exceeded \$69 billion. The critical phases of the war are still ahead of us and for that reason we can not expect any material reduction in expenditures during the next several months. The \$14 billion is, therefore, urgently needed.

As in the last three War Loans, sales will be confined to investors other than commercial banks. It is our wish, in this connection, to eliminate from the drive as far as possible those subscriptions which are speculative in character. You will remember that I included the following statement in the formal announcement of the drive on October sixth:

"In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942. However, the Treasury requests the banks not to make loans for the purpose of acquiring the drive securities later for their own account."

Loans to facilitate investment in Government securities are a proper part of the financing mechanism when they are in accordance with the joint statement referred to above. This statement, you will recall, was in part as follows:

"...subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowings from banks. Such loans will not be subject to criticism but should be on a short term or amortization basis fully repayable within periods not exceeding six months."

In this connection it will be appreciated if you will examine the subscriptions for marketable issues presented through your bank to see if the amounts thereof are in excess of the ability of the subscribers to pay. If in your opinion such subscriptions are in excess of ability to pay or appear to have been submitted for the purpose of acquiring the securities for resale shortly after the drive, you will please submit the circumstances and all available information to the Federal Reserve Bank of your district, as fiscal agent of the United States, from which you will receive instructions as to the disposition to be made of each case.

Another matter with respect to which I should also appreciate your continued cooperation is that of the transfer of funds for the purchase of Government securities. There has been a great improvement on this account since the Third War Loan. Over 10,000 banks have qualified to pay for customers' bond purchases by credit to a War Loan Deposit account, and if all the banks will urge clients to place orders for Government securities where funds are on deposit--making allocation of statistical credit when desired--transfers of funds can be continued at a satisfactory low level during the Sixth War Loan.

May I take this opportunity to express my deep appreciation of the great help you and other

- 3 -

bankers have given the Treasury in promoting the sale of securities, in acting as sales agencies in the continuous sale of savings bonds, and in connection with its other war financing operations. We in the Treasury are looking forward to your continued cooperation in the task ahead of us.

Sincerely,

Secretary of the Treasury

October 16, 1944
DWB:NLE

75 ✓

THE WHITE HOUSE
WASHINGTON

November 1, 1944.

For: SECRETARY MORGENTHAU

From: MRS. ROOSEVELT.

NOV 5 AM 8 30
SECRETARY OF TREASURY
OFFICE

C
O
P
Y

76

5712 Kenwood Avenue, Apt. 2
Chicago (37), Illinois.
October 29, 1944.

Mrs. Eleanor Roosevelt,
The White House,
Washington, D. C.

Dear Mrs. Roosevelt:

I am writing this letter as a citizen who, along with many thousands of Americans, listened last evening to the Chicago address delivered by the President at Soldier's Field. While unable to gain admission to the field proper we stood outside and were warmed by the re-affirming of those basic principles we all believe in, and were greatly heartened by the constructive program outlined.

Last evening's meeting was of particular interest to me coming as it did just twenty-four hours after my parents in Montreal had been notified by our Navy Department that my brother, Richard, was "missing in action". The shock of the news along with the seeming confusion and anguish so plainly discernable during wartime was at first almost overwhelming. That was why it was so heartening to hear the President's reassuring and courageous program outlined in his speech. Our boys will not have died in vain if such a program is carried out. We must not fail this time to enforce our rights and see to it that economic security is for all.

I know how very busy you and the President are just now, but I did want to write and let you know just how keenly I personally feel toward the maintenance of those principles for which our boys are fighting and which were outlined last evening by the President here in Chicago.

For myself I do not know what my next step will be, but I shall probably once again try to enlist. Perhaps my heart surger is healed

Wishing you and the President every success and happiness, I am

Sincerely,
DONALD C. DELVIN.

NOV 1 1944

By Dear Jack:
Dear Mr. McCloy:

With further reference to a replacement on Ed Foley and your memorandum of October 18th, I still have this matter under consideration and am endeavoring to locate within the Treasury a suitable candidate. I hope to be in a position to advise you definitely in about another week.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable John J. McCloy,
Assistant Secretary of War,
War Department,
Washington, D. C.

CSB:em

Note
Mentioned this to the Secretary
but was told to hold up
until after hat no
DWB questions
Bell

78

CHARLES S. BELL

TELEPHONE 332

ROOM 3424

19 October 1944

MEMORANDUM FOR MR. NORSENTRAU:

As I telephoned you the other day, Ed Foley is leaving the Army to take a job with the Contracts Termination Commission, headed by Hinkley.

We have seen the Theater Commander's approval to his relief but only on the condition that we give him a replacement. The man he has there, he thinks, is not familiar enough with financial and economic problems to undertake the directorship of the Subcommission dealing with the matter. According to the cable we have received from the Theater they feel that a considerable reorganization of the financial and fiscal procedures of the existing Italian Government is due and they want a man of considerable capacity and experience to handle the job. As things are going now I think he would not have to be in uniform.

Before looking on the outside for such a man, I wonder whether you could give me any suggestions as to whom we might take on. I am aware that you have already aided us materially and that you are pretty thin for help yourself but I would appreciate any suggestions you could give me.

J.J.McC.

November 1, 1944.

Dear Mr. Patton:

I have given thoughtful attention to your letter of October 25 and have also read a newspaper clipping in which you refer to Treasury surplus-disposal policy.

You are in my opinion much too critical of Mr. Olrich, whom I believe to be sincerely endeavoring to serve the public interest. What he has said in the two addresses you mention seems to me to be entirely consistent with what the President wrote in signing the surplus disposal act (H.R. 5125). I quote from the President's statement:

"It is with considerable reluctance that I have decided to sign this bill. While I am in full accord with the declared objectives of the bill which are to aid reconversion from a war to a peace economy and to facilitate the orderly disposal of surplus property, I have considerable doubt whether many provisions of the bill will not make extremely difficult the accomplishment of its objectives. There is danger that the confused methods of disposition and the elaborate restrictions imposed by the bill will in many instances delay rather than expedite reconversion and reemployment. Our surplus property should speedily be placed into channels of disposition which should provide the most jobs and the greatest good for the greatest number."

I doubt that you can have fully appraised the difficulties that we shall face in attempting to apply the provisions of the bill with respect to the preferred

- 2 -

classes named in it or the delays and uncertainties that these provisions will cause.

I don't think any system which would disorganize markets for any considerable time could be other than injurious to all sections of the public.

The procedure now being followed in surplus disposal by Treasury Procurement have had my approval.

Thinking you may not have had access to the complete text of the speeches by Mr. Olrich to which you referred, I am enclosing copies.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

P. S. Please remember you have an invitation to come and see me anytime.

Mr. James G. Patton
President, Farmers Educational and Cooperative Union
430 Munsey Building
Washington 4, D. C.

DIVISION 82
PRESS INTELLIGENCE
O.W.I.
1194 - Soc. Sec. Bldg.

PH. _____

SY. ~~HT~~

P.M.
New York City

DATE

P.

OCT 22 1944

Patton Defends Surplus Disposal

PM's Bureau

WASHINGTON, Oct. 21.—James G. Patton, president of the National Farmers' Union, today denounced what he called an unjustified attack on the Surplus Property Act by E. L. Olrich, assistant to the Secretary of the Treasury.

Patton said Olrich was a prominent underwear manufacturer and that his complaint was that the law "provides special opportunities for acquiring Government property to farmers, veterans, small business men, co-operative organizations, political subdivisions, and charitable and educational institutions."

"Mr. Olrich's idea of what would be good for the country," Patton said, "is, obviously, to open the surplus stores of Government material to wholesale raids by those big business enterprisers who are able to buy in huge quantities at low prices and to resell at which traffic will bear."

25

October 28, 1944.

Dear Mr. Fatten:

Your letter of October 28, regarding recent speeches made by Mr. Clivick, of the Procurement Division, has been received in this office during the Secretary's absence. However, I shall be very glad to bring your communication to Mr. Neugebauer's attention just as soon as he is again at his desk.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Mr. James G. Fatten,
President, Farmers Educational and
Cooperative Union of America,
428 Nancy Building,
Washington 4, D. C.

GEF/abs

Olrich
28-0-2

FARMERS EDUCATIONAL AND COOPERATIVE UNION
of America

NATIONAL OFFICE
2801 E. 42TH AVE.
DENVER 14, COLO.

October 25, 1944

ADDRESS REPLY TO
WASHINGTON OFFICE
430 MURPHY BLDG.
WASHINGTON 4, D. C.

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

Dear Mr. Secretary:

In the past week, Mr. E. L. Olrich, one of your assistants, has made two speeches that are deeply disturbing to those of us who hope to see this country make a smooth transition from a war-time to a peace-time economy. Specifically, members of the National Farmers Union are deeply concerned over Mr. Olrich's position and fear that it represents the position of the Treasury Department. This I am unwilling to believe, hence am writing you in the hope that you will clarify the matter.

Mr. Olrich's speeches in Boston and New York are alike in tenor and there is no necessity to go into detail about what he said. The two principal points of concern are (1) his assertion that the Treasury, in effect, is going to do just about what business interests tell it to do in the disposal of surplus property (2) his attacks on the preferences required by the law for farmers, veterans, small business, cooperatives, agencies of local government and educational and charitable institutions.

I do not believe that you agree with Mr. Olrich in his intemperate criticisms of the Surplus Property Act and his obvious refusal to accept any other than the generally discredited big business view of what is in the public interest, and should appreciate your informing me as to the considered position of the Treasury in this matter.

Sincerely,

James G. Patton
James G. Patton
President

JGP/mlb

CC: President Roosevelt



TREASURY DEPARTMENT

WASHINGTON 25

October 28, 1944



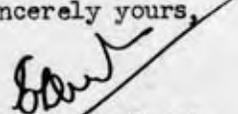
Mrs. H. S. Klotz
Private Secretary
to Secretary of Treasury
Treasury Department
Washington 25, D. C.

Dear Mrs. Klotz:

I have sent over the copy of the speech that I made for the New York Chamber of Commerce, and I have underscored items pertaining to the small business and the consumer in it. I have also underscored in my Boston speech the items that deal with the farmer and the consumer.

I think you will agree with me that there is nothing in either of these talks, which in any way is detrimental to the interest of the farmer, and I think my objections to the Board are not as severe as those of the President in vetoing the Bill.

Sincerely yours,


E. L. Olrich
Assistant to the Secretary



IN REPLY
REFER TO FILE NO.

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON (25)



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FOR INFORMATION OF THE EDITOR

RELEASE NO. 10-161

Please release after 2 P.M. - October 23, 1944.

Disposal of Government Surplus Property - The Government's Position

Ernest L. Olrich

U. S. Chamber of Commerce - Marketing Conference
New York City - October 23, 1944.
Waldorf-Astoria Hotel

The Government's point of view with regard to the disposal of surplus property can perhaps be best conveyed to you by a review of some of the policies which have been established to date and some pertinent comment on these policies. While I am familiar with the thinking of the Surplus War Property Administration and am acquainted in a general way with the activities of the other disposal agencies, I want to make clear at the outset that I speak officially only for the Office of Surplus Property of the Treasury Procurement Division which is responsible for the disposition of consumer goods.

Before discussing our policies directly, I shall describe the principal objectives which have been our guides during the few months of our existence. Policies are right or wrong, good or bad, only as they aid or hinder the attainment of predetermined objectives.

Our chief objectives have been;

1. To avoid introducing any serious dislocations into the national economy.
2. To promote production and employment of labor.
3. To effect a broad and equitable distribution of surpluses.
4. To see that small and large businesses have an equal opportunity to buy from us.
5. To see that the government obtains a fair return from the sale of property.

You will note that I have mentioned last the subject of income from the sale of property. This is to emphasize the fact that we do not have as our major objective the largest total number of dollars we can obtain from our selling activities. To be sure, we are well aware that the property placed in our care belongs to all the citizens of the country. But we believe that these citizens would prefer to have us sacrifice some income, if in so doing, we prevent harmful effects in trade and employment. We shall do everything we can to maximize income from our activities, consistent with the first two objectives I have just stated.

We look upon our tasks as one not of recovering all we can out of this huge war production but rather as one of recovering all we can, compatible with the public good.

The goods which are being, and will be, turned over to us were produced for one purpose -- to aid in winning the war. If every last item of these goods

were to be destroyed in the process of winning the war, no one would think twice about it. In other words, no one would complain about the cost to the government of all this property if it were entirely used for its original military purpose.

It is important that we carry over this thought in connection with the disposal of those goods which for one good reason or another prove to be surplus to the needs of the military services and are not required for their original purpose. We should not worry about their cost to the government to the point where, in trying to recover large sums in the disposal of the goods, we incur what are actually greater costs through introducing instability and unemployment into our industrial system. Any revenue which must be sacrificed because the disposal of the property involved would cause undesirable economic dislocation should be accepted as a cost of war. We do not believe in adopting a disposal policy, procedure or practice which results in an increase in unemployment and a decrease in purchasing power.

You can see that to us the problem resolves itself into one of minimizing, if not entirely eliminating, the conflict between the product of wartime labor hours and the product of postwar, or peacetime labor hours. We consider the wartime labor hours to be "ghost" hours which must not be allowed to haunt the economic and business scene, with the coming of peace.

Actually up to the present time, we have had to give little thought to the first two objectives. We have not as yet had enough surplus property declared to us, either in total or in particular fields, so that our methods of disposal would be likely to introduce any serious economic dislocations or interfere with production and the employment of labor.

The time will come, however, when we will receive quantities so large that careless disposition can produce very harmful effects on the commercial structure and system of the country. We intend to protect you as business men, and to protect citizens generally, from any calamity of this sort, in three chief ways:

1. By continuing to make studies which will provide the data necessary to guide the responsible officials in the right direction as regards disposal policies and procedures.
2. By retaining (if we are able) as the responsible officials the broadly-experienced men from the active business world who are now so ably carrying on in our Washington office and in our regional offices.
3. By calling on such business executives as you for advice whenever we have surplus inventories in dangerously large lots.

You should not infer from my statements about large quantities of surplus property that we know even approximately, except in certain narrow fields, what the volume of these surpluses is to be. I regret that I cannot give you a few figures which would have some meaning but to do so is absolutely impossible.

Some forecasts as to the total volume of surplus property have been made by others. We have made no forecasts because we think there are too many question marks in the situation, particularly with regard to consumer goods. For example, how long is the war in Europe to continue? In the Pacific? How much property will be manufactured for the military services before the end of the war? How much will be destroyed? How large reserves of supplies will the military services retain after the war for their own use? Questions such as these must be

be answered before one can feel competent to predict the size of surplus inventories, except in the case of such property as manufacturing plants.

Regardless of how large the inventories of surplus property may be and of what their composition may be, we shall endeavor to dispose of them with the public good upper-most in our mind. We shall attempt to see that our activities are for the benefit of the nation as a whole, insofar as we are permitted to do so.

I have digressed for too long a time already but before taking up the subject of policies, I want to assure you that we are going about our work with due humility. As if we were not ourselves aware of the difficulties confronting us in trying to attain the goals I have been describing, we receive communications from time to time whose purpose is to keep our ego and confidence within proper limits. One friendly soul, for example, recently wrote to me as follows: "You may have had considerable experience with large corporations like Marshall Field's and Munsingwear, Inc., but it is quite evident that you have had no experience in the kind of job you are attempting to do at this time. When you make a statement that you and your organization contemplate disposal of this surplus material with regard for the interest of the taxpayer, the manufacturer, the merchant and the employee you make yourself appear as silly as a pimple on the end of your nose. It is impossible to do business in public office as you would in private business and you do not have to take my word for it because there is already too much evidence already on the books."

Now let me turn to some of the policies we have been attempting to follow up to the present time. These policies are not one hundred per cent effective yet because perfection in operating a nation-wide selling organization cannot be attained in a matter of three or four months. We believe, however, our mistakes are getting to be fewer and fewer in spite of the constantly increasing volume of transactions we are handling.

A major policy of the Office of Surplus Property is to sell through regular trade channels except in those instances when non-regular channels will pay a higher price for the merchandise. By a regular trade channel is meant one which regularly handles the merchandise in question. To the extent that we price our merchandise correctly and advertise it effectively to regular dealers in that merchandise these dealers should be expected to absorb most, if not all, of it. So-called speculators as a rule, like to buy below the market and make extraordinary profits. We do not consider a non-regular dealer a speculator if he is willing to pay as much as or more than a regular dealer for the same merchandise.

You will agree with me, I think, that it is not a simple matter to define a speculator, if the definition is to be used as a guide in determining whom not to sell to. Actually, the individual who buys at a lower than fair-market price is not speculating nearly so much as the dealer who pays the going price. He reduces the risk in his purchase by buying at the lower price.

Up to this time we have not sold direct to consumers. It has been our thought that any attempt to set the government up in the retail business on a national scale would be inefficient and uneconomical. We have believed that consumers can best be served by purchasing from their regular retail sources of supply and that our energies should be devoted to seeing to it that retail sources of supply have access to our merchandise either directly or through the medium of their wholesalers.

Our policy with regard to the level of trade to approach is to sell to that level (manufacturer, wholesaler, or retailer) or combination of levels which will result in (1) most equitable distribution geographically and according to need, (2) speediest distribution to the extent that speed is important, (3) greatest protection of trade-mark value for the manufacturer, (4) highest return to the Government considering other pertinent factors, and (5) most satisfactory service to the consuming public.

Our pricing policy is like that of other sellers of comparable types of merchandise. We test markets carefully in order to establish a fair price for our offerings, considering the level of trade to which we are selling. Our prices are competitive. We do not attempt to offer bargains. It is surprising (or isn't it) how many concerns think that they ought to be able to buy from the Government at a lower price than they must pay to private sources of supply. We try to set our prices in such a way that all types of outlets — wholesalers, mailorder houses, chain stores and large retailers will be able to buy from us and resell in competition with one another.

We have attempted to encourage the participation of small business concerns in the disposal of surplus property. We fix our lot sizes with this end in view. Our pricing is scrutinized carefully in an attempt to insure that small businesses are not handicapped by this factor. We advertise to small concerns. We have considered that we are on the road to performing our duty satisfactorily if we enable the small manufacturer and the small wholesaler to buy from us. In other words, we cannot reach the small retailer directly. In the interest of efficiency and economy of operation, we reach him through the wholesaler and jobber — his normal source of supply. The latter can be served properly if we attain good distribution among wholesalers, large and small.

As to methods of sale, we employ four, — the auction, sealed-bid, negotiation and fixed-price. The auction method is used where it is the typical method for the property involved. For example, horses are sold in this way. The sealed-bid method has been used by us to a considerable extent but the trend has been toward the negotiation and fixed-price methods. The sealed-bid method has appealed because it has seemed to be the "safe" one to use. Presumably everybody has a chance to buy and the winning bids represent the highest price that can be obtained for the goods. Much time is consumed by this method, however, and for various other reasons as well, it is attractive neither to us as sellers nor to many business concerns as buyers.

Currently, greater emphasis is being placed on sale by negotiation and by the fixed-price method. In the case of small lots of property the wide selling and advertising of which would be wasteful, we approach several prospective buyers in order to determine what a reasonable price is then proceed to sell at that price. While this method would seem to lay us open to the charge of favoritism toward a few concerns, it can be defended on the grounds of efficiency and economy. If the property involved is not in short supply and the market is tested adequately before we sell, there seems to be little ground for criticizing it. The fixed-price method is the typical method of most vendors of merchandise. Like them, we endeavor to place a fair price on our merchandise and then advertise it appealingly to all prospective purchasers. As merchandise is declared to us in larger and larger quantities we shall make more and more use of this method.

I hope that these remarks have given you an adequate idea of our philosophy and general point of view in approaching the tremendous problems which face us.

And may I emphasize to you at this point that these problems are quite different from those which must be solved by any manufacturer, wholesaler or retailer. They make the job more than ordinarily difficult and at the same time more than ordinarily interesting.

Imagine yourself in the position of having no control over the kind of merchandise stocked on your shelves and counters, in forward stock and in reserve. And no control over the amount of merchandise! And no control over the time when merchandise moves into your store! And no net profit figures, nor even gross profit figures, to use as a guide to your merchandising activities! That is exactly the position we are in.

In the Office of Surplus Property, we have no control over what types of merchandise we are required to sell nor over the quantities. We cannot be regarded by prospective buyers as a regular resource for specific items, for we may have large quantities of an item today and none tomorrow. We have merchandise for which there is a ready market, merchandise for which there is a small or doubtful market and merchandise for which there is simply no market at all. Let me list a few examples in the latter two categories - disc wheels for gun carriages, ice grinders to be attached to special rubber tired treads of high-speed military tractors, hole seabards, smoke generators, and World War I spurs. Ingenuity now and then takes an item out of the "no market" classification, as for example in the sale of the spurs for use as a premium on a kids' radio program. Numerous are the items, however, which no amount of ingenuity can move out of our hands. On top of all this we have to act within the limits of certain government restrictions. I hasten to add that I am not unaware that now and then you too must heed government regulations.

In closing I want to say a word or two about the Surplus Property Act of 1944 recently passed by Congress and signed by the President. In my opinion, there are certain features of this bill which may prove to be undesirable. One can readily infer that this may be true by reading the twenty objectives in Section 2 at the beginning of the Act. In such a long list, it is not surprising to find considerable duplication and not a little contradiction.

The provisions of the bill are such, I believe, that it may be impossible to carry on the orderly disposal of property which we have attempted up to date. It may be impossible to do the clean job of merchandising and selling which is necessary if we are to encourage such people as you to go ahead courageously with your plans and thus produce and give employment to the maximum degree.

The President himself in signing the bill said, in part,

"There is danger that the confused methods of disposition and the elaborate restrictions imposed by the bill will in many instances delay rather than expedite reconversions and unemployment. Our surplus property should speedily be placed into channels of disposition which should provide the most jobs and the greatest good for the greatest number.

"But we must be in a position to get on with the organization of our plans for the disposition of surplus war property. I have, therefore, concluded that it would be best to let the bill become law in the hope that after the Surplus Property Board provided for the bill has had some experience in operating under it, the Congress will give careful consideration to needed changes which may be suggested by the Board."

The President, in these words, has taken a very realistic view of the situation. Just as soon as any weaknesses in the Act become evident, the necessary amendments should be passed at the earliest opportunity.

Whatever the authority may be under which we are operating, I can assure you that each member of the disposal organization will give one hundred per cent of his effort to the job at hand. We ask your cooperation!



OFFICE OF
SURPLUS PROPERTY

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON (25)



RELEASE NO. 10-155

FOR INFORMATION OF THE EDITOR:

This becomes official on October 16, 1944 after 2 P.M.

Disposal of Surplus Consumer Goods

Ernest L. Olrich

Boston Conference on Distribution - October 16, 1944
Statler Hotel - Boston, Mass.

For several years I have had the pleasure of attending the Boston Conference on Distribution and have derived a great deal of benefit from the discussions carried on at these sessions. Knowing as I do the significance of this annual gathering, I am very happy to participate in this program at this time.

I assume that this group is more interested in the broader phases and implications of our activities than in such narrower subjects as our organization and procedures. There is a strong temptation to talk about the latter, for we have had a very exciting and interesting time these past few months attempting to build the Office of Surplus Property of the Treasury Procurement Division in a way that would reflect credit on the government and make us favorably known and respected among such people as you.

However, I will merely say that up to this time we have succeeded in assembling an organization of business men and in establishing policies and procedures which place us in a position today to carry the current load in an efficient manner. We know that much spade work still remains to be done but we are confident that we shall be capable of carrying the load in the future as it becomes progressively greater and more difficult.

As leading business executives of the country, you are naturally interested in being informed as to what effect the disposal of surplus war property is likely to have on our economy as a whole. Unfortunately, there are so many variables in the picture that one cannot forecast with satisfactory accuracy just how great an influence our disposal activities will have during the reconversion period and the years following. However, it may be helpful to indicate to you some of our thoughts on this subject. Please bear in mind that I am speaking for only one of the disposal agencies and that my concern is largely with surplus consumer goods.

And may I emphasize at this point that I am making my remarks in all humility. Even if I were not naturally humble, I could not be entirely lacking in this quality, for I am reminded from time to time that I am not going to perform miracles. One kindly soul, for example, recently wrote to me as follows:

"You may have had considerable experience with large corporations like Marshall Field's and Munsingwear, Inc., but it is quite evident that you have had no experience in the kind of job you are attempting to do at this time. When you make a statement that you and your organization

contemplate disposal of this surplus material with regard for the interest of the taxpayer, the manufacturer, the merchant and the employee you make yourself appear as silly as a pimple on the end of your nose.

"It is impossible to do business in public office as you would in private business and you do not have to take my word for it because there is already too much evidence already on the books."

Size of Surpluses

The extent of the impact of surplus property disposal on the economy obviously hinges in large part on the size of the surpluses and their nature. We are seriously handicapped in making predictions as to the economic repercussions of our activities because we have no way of knowing how large the surpluses will be and what sort of property they will include. Others have forecast totals ranging from a few billion dollars to a hundred billion. We have made no such forecasts because we think there are too many question marks in the situation, particularly with regard to consumer goods. For example, how long is the war in Europe to continue? In the Pacific? How much property will be manufactured for the military services before the end of the war? How much will be destroyed? How large reserves of supplies will the military services retain after the war for their own use? Questions such as these must be answered before one can feel competent to predict the size of surplus inventories, except in the case of such property as manufacturing plants.

Nature of Surpluses

What types of goods will make up the surplus inventories is another important question to consider in trying to measure the probable effects of disposal activities on general business conditions. If most of the goods are of such a nature that there will be neither industrial nor consumer demand for them, they will have little or no effect on the economy. If on the other hand, the goods are of a type which is readily marketable, their disposal can have decided effects, good or bad, on the health of the economy. Here again we cannot at this time make a reasonable forecast as to what types of consumer goods will be turned over to us. We are, therefore, again handicapped in predicting what the effect of our activities on the economy will be.

I do not want you to infer that we have adopted a "nothing can be done about it" attitude with regard to planning future disposals and that, therefore, we may fail to give adequate consideration to the undesirable economic effects of our activities. On the contrary, we are gathering together in advance all the data we can which will help us in making wise decisions when the large surpluses are actually placed in our hands. Although we cannot tell you exactly how we shall proceed in specific cases as regards disposal of surplus consumer goods, we can assure you that uppermost in our minds will be the avoidance of serious dislocations in our domestic economy.

"Public Good" the guide

We look upon our task as one not of recovering all we can out of this huge war production but rather as one of recovering all we can, compatible with the public good. In our opinion, that qualification "compatible with the public good" is very important. Let me explain.

There are many people who believe that the success of our disposal activities should be measured in terms of the total financial return we can realize for the government. They believe we should dispose of the goods at the highest price possible and as quickly as possible. Another group of critics believes that we should not be concerned with the total financial return but rather should dispose of some, if not all, of the goods either by outright donation or by selling at bargain prices. Those who want us to give surplus goods away are for the most part motivated by humanitarian impulses. Those who believe the property should be sold at bargain prices hold to the view that the taxpayer has already paid for the goods once and therefore is entitled to purchase them when surplus at a low cost.

On the surface the points of view of both these groups are sound. That is, seemingly strong arguments can be raised in their favor. However, both of them, it seems to me, can be questioned from the standpoint of their compatibility with the public good. Surplus property which reaches the hands of consumers, regardless of the method by which it gets there, may take away the market from some other source of supply. As markets for other goods are decreased, fewer goods are manufactured and unemployment is increased. Unemployment means loss of purchasing power and further loss of markets. It is because we are thinking along these lines that we define our objective as recovering all we can out of the disposal of surplus property, compatible with the public good.

The goods which are being, and will be, turned over to us were produced for one purpose -- to aid in winning the war. If every last item of these goods were to be destroyed in the process of winning the war, no one would think twice about it. In other words, no one would complain about the cost to the government of all this property if it were entirely used for its original military purpose.

It is important that we carry over this thought in connection with the disposal of those goods which for one good reason or another prove to be surplus to the needs of the military services and are not required for their original purpose. We should not worry about their cost to the government to the point where, in trying to recover large sums in the disposal of the goods, we incur what are actually greater costs through introducing instability and unemployment into our industrial system. Any revenue which must be sacrificed because the disposal of the property involved would cause undesirable economic dislocation should be accepted as a cost of war. We do not believe in adopting a disposal policy, procedure or practice which results in an increase in unemployment and a decrease in purchasing power.

You can see that to us the problem resolves itself into one of minimizing, if not entirely eliminating, the conflict between the product of wartime labor hours and the product of postwar, or peacetime labor hours. We consider the wartime labor hours to be "ghost" hours which must not be allowed to haunt the economic and business scene, with the coming of peace.

Our nice-sounding intentions are easier to utter than to live up to. We have most difficult problems to solve. Strong as may be our desire not to harm the economy, it is quite another thing actually to make the decisions which will produce this result. We are not naive enough to believe, nor do we intend to imply, that we shall not compete to some extent with other sellers. It is impossible for us to make sales without in some degree interfering with the sales of others. Even some of our current sales of short-supply items will result in a deferment of future purchases by the buyers. What we want to avoid is policies which will

result in serious and dangerous dislocations of the economy. With this objective in mind, we must strive to make our offerings in the right amounts, at the right time, to the right markets and at the right price. We have already initiated studies which should be useful to us in arriving at sound decisions. For example, we have surveyed the surgical instrument, farm machinery, automotive and other fields. We ask that other government agencies and business concerns cooperate and be patient with us as we try to work out the policies which will be most satisfactory to all concerned.

Although I am speaking somewhat in generalities, I hope I am giving you an adequate idea of our basic philosophy with regard to the disposal problem. We have nothing to conceal from you. We want you to know how we are thinking just as we want to know how you business leaders are thinking. Only as complete information moves in both directions can we attain our common goal.

Policies followed to date

You may be interested in learning of some of the policies we have been attempting to follow up to the present time. These policies are not one hundred per cent effective yet because perfection in operating a nation-wide selling organization cannot be attained in a matter of three or four months. We believe our mistakes are getting to be fewer and fewer in spite of the constantly increasing volume of transactions we are handling.

A major policy of the Office of Surplus Property is to sell through regular trade channels except in those instances when non-regular channels will pay a higher price for the merchandise. By a regular trade channel is meant one which regularly handles the merchandise in question. To the extent that we price our merchandise correctly and advertise it effectively to regular dealers in that merchandise these dealers should be expected to absorb most, if not all, of it. So-called speculators as a rule, like to buy below the market and make extraordinary profits. We do not consider a non-regular dealer a speculator if he is willing to pay as much as or more than a regular dealer for the same merchandise.

Up to this time we have not sold direct to consumers. It has been our thought that any attempt to set the government up in the retail business on a national scale would be inefficient and uneconomical. We have believed that consumers can best be served by purchasing from their regular retail sources of supply and that our energies should be devoted to seeing to it that retail sources of supply have access to our merchandise either directly or through the medium of their wholesalers.

Our policy with regard to the level of trade to approach is to sell to that level (manufacturer, wholesaler, or retailer) or combination of levels which will result in (1) most equitable distribution geographically and according to need, (2) speediest distribution to the extent that speed is important, (3) greatest protection of trade-mark value for the manufacturer, (4) highest return to the Government considering other pertinent factors, and (5) most satisfactory service to the consuming public.

Our pricing policy is like that of other sellers of comparable types of merchandise. We test markets carefully in order to establish a fair price for our offerings, considering the level of trade to which we are selling. Our prices are competitive. We do not attempt to offer bargains. It is surprising (or

isn't it) how many concerns think that they ought to be able to buy from the Government at a lower price than they must pay to private sources of supply. We try to set our prices in such a way that all types of outlets -- wholesalers, mail-order houses, chain stores and large retailers will be able to buy from us and resell in competition with one another.

We have attempted to encourage the participation of small business concerns in the disposal of surplus property. We fix our lot sizes with this end in view. Our pricing is scrutinized carefully in an attempt to insure that small businesses are not handicapped by this factor. We advertise to small concerns. We have considered that we are on the road to performing our duty satisfactorily if we enable the small manufacturer and the small wholesaler to buy from us. In other words, we cannot reach the small retailer directly. In the interest of efficiency and economy of operation, we reach him through the wholesaler and jobber -- his normal source of supply. The latter can be served properly if we attain good distribution among wholesalers, large and small.

As to methods of sale, we employ four: - the auction, sealed-bid, negotiation and fixed-price. The auction method is used where it is the typical method for the property involved. For example, horses are sold in this way. The sealed-bid method has been used by us to a considerable extent but the trend has been toward the negotiation and fixed-price methods. The sealed-bid method has appealed because it has seemed to be the "safe" one to use. Presumably everybody has a chance to buy and the winning bids represent the highest price that can be obtained for the goods. Much time is consumed by this method, however, and for various other reasons as well, it is attractive neither to us as sellers nor to many business concerns as buyers.

Currently, greater emphasis is being placed on sale by negotiation and by the fixed-price method. In the case of small lots of property the wide selling and advertising of which would be wasteful, we approach several prospective buyers in order to determine what a reasonable price is and then proceed to sell at that price. While this method would seem to lay us open to the charge of favoritism toward a few concerns, it can be defended on the grounds of efficiency and economy. If the property involved is not in short supply and the market is tested adequately before we sell, there seems to be little ground for criticizing it. The fixed-price method is the typical method of most vendors of merchandise. Like them, we endeavor to place a fair price on our merchandise and then advertise it appealingly to all prospective purchasers. As merchandise is declared to us in larger and larger quantities we shall make more and more use of this method.

Complexity of problem

Without intending to complain, we believe our problems have to date been and will continue to be more complex than those of most private concerns. Think of the situation in which we find ourselves. We have nothing to say about what merchandise we receive for disposal, how much of it we shall receive, when we shall receive it, where it is located, or whether it is new or used. We do not obtain merchandise to fill existing market needs. Rather we must try to find market needs for the merchandise we obtain. Most of the property placed in our hands has been designed for purposes of waging war and has no equivalent civilian use. Much of it has been superseded by improved designs. A large proportion of our inventories is composed of used goods, the marketing of which obviously presents special problems.

If our problems have been plentiful to date, they are certain to be more plentiful in the future. I do not refer alone to the ordinary difficulties which will be present in attempting to carry on our disposal activities without causing dislocations in the peacetime economy. New difficulties will be presented when we endeavor to carry out the provisions of the Surplus Property Act of 1944 which became law early this month.

We shall, of course, do our best in carrying out these provisions. However, I must confess to you frankly that I believe the Act, unless amended, may interfere seriously with the disposal of surplus property for the maximum benefit of the nation as a whole. Although the extent of interference will depend upon the nature of the regulations established by the Surplus Property Board, at best it will be too great. I should like to devote my closing remarks to some comments on the bill and some of the reasons why I think its provisions may be impractical and harmful.

The objectives of the Act are twenty in number. In such a long list, it is not surprising to find considerable duplication and not a little contradiction. As I have said, we have up to this time thought in terms of the welfare of the whole nation rather than of particular groups. We have had as our criteria for making decisions the probable effects of those decisions on markets and jobs, or employment. The Act provides special opportunities for acquiring government surpluses for farmers, veterans, for small business men, for cooperative organizations, for political subdivisions, and for charitable and educational institutions. It is difficult to reconcile these special opportunities for these groups with the welfare of the country as a whole and with several of the objectives of the Act.

No one is more sympathetic than I with the needs of tax-supported and non-profit charitable institutions, farmers, veterans, and small business concerns but I believe that their needs should be given consideration along with the needs of all other groups. If in catering to the needs of these groups, the economy as a whole is disturbed, these groups may themselves be hurt more than they are helped. It would be far better to permit the administration charged with responsibility for disposing of surplus property -- whether an individual or a board -- to make its own decisions as to who should receive property and under what conditions, using as its principal guide the standard of compatibility with the public good.

Several objectives of the Act call for disposal policies which will maintain and encourage private industry and individual initiative. The opportunities extended to special groups, just mentioned, interfere with the attainment of these objectives. A very great deterrent to a confident private enterprise would be the holding by government of large quantities of commodities, which, so long as they are held, are a weight hanging over the market. Yet the Act provides for the holding of large stocks of commodities and by its provisions retards the disposal of others.

It seems to us that it is desirable to restore civilian industry and employment at the earliest opportunity. Yet, here again the Act may interfere with such a goal. In the case of a particular type of property, it may be determined that the quickest and most satisfactory procedure would be to sell to the original manufacturers. However, if hundreds of thousands of veterans decide to set themselves up in business to handle that type of product they can, as veterans and small businesses, buy on at least equal terms with large, established buyers and they may be financed in addition by the Smaller War Plants Corporation. Thus we might with

the one hand be trying to sell quickly through very large buyers and with the other be taking away their market from them and upsetting their dealer organizations.

According to the Act, a Board of three is given general supervision and direction of the care, handling and disposition of surplus property and the transfer of surplus property between Government agencies. It is difficult to see how a Board of this sort can carry on these supervisory and directing duties any more effectively than a single administrator, if indeed it can do so as effectively. But that is their problem. Certainly surplus property disposal activities have thus far been very ably directed by one man. Other successful war agencies too have been administered by one man.

The Board may, if it wishes, prescribe regulations which would relieve the disposal agencies of almost all necessity for making decisions as to how disposal of property should be effected. In my opinion, only broad rules should be laid down at the top and the more specific decisions affecting particular lots and types of merchandise should be made as they are now by executives in the disposal agencies who are experienced in the marketing of the goods placed in their charge. What action the Board may take under this provision cannot be predicted at this time. There is no question, however, that it will be subject to great pressure from many groups seeking to further their own selfish aims.

Another particularly unfortunate provision of the Act states that a person employed by any disposal agency shall not during the time of such employment or for two years thereafter act as counsel, attorney or agent, or be employed as representative by any business, in connection with any matter involving the disposition of surplus property by the agency in which such person was employed, if this person during his employment with such agency ratified, approved or authorized the disposition of any surplus property. The apparent intent of this section is commendable. How the courts will interpret it cannot be anticipated. But its practical result may be to force the resignation of most of the business men who have at considerable sacrifice been willing to help in disposing of surpluses in a business-like way and in a way which has redounded to the benefit of the taxpayer. Likewise it is my considered opinion that it will deter business men from taking on any such responsibility in the future. Since practically all business concerns are likely to feel that they may want to buy surplus property in the next few years, they may be unwilling to permit their executives to work for the disposal agencies in Washington or elsewhere.

I dislike concluding this talk on this sour note. Frankly, however, I would be doing less than my duty if I were not to warn you of some of the complications which it seems fair to state will affect the efficient disposal of surplus property and thus the total economy of which your businesses are a part. Let me repeat a portion of the statement made by President Roosevelt at the time he signed the Surplus Property Disposal Act, "It is with considerable reluctance that I have decided to sign this bill. While I am in full accord with the declared objectives of the bill which are to aid reconversion from a war to a peace economy and to facilitate the orderly disposal of surplus property, I have considerable doubt whether many provisions of the bill will not make extremely difficult the accomplishment of its objectives. There is danger that the confused methods of disposition and the elaborate restrictions imposed by the bill will in many instances delay rather than expedite reconversion and reemployment. Our surplus property should speedily be placed into channels of disposition which should provide the most jobs and the greatest good for the greatest number.

"But we must be in a position to get on with the organization of our plans for the disposition of surplus war property. I have, therefore, concluded that it would be best to let the bill become law in the hope that after the Surplus Property Board provided for in the bill has had some experience in operating under it, the Congress will give careful consideration to needed changes which may be suggested by the Board."

I hope that the Surplus Property Board will be able to resist selfish pressures from without, which we have already experienced in a small way, and establish regulations as flexible and wise as those in effect to date have, in my opinion, been. In any event I can promise you that my staff and I will endeavor to do everything in our power to see that our activities are consonant with the best interests of all the citizens of the nation. Thank you.

NOV 1 1944

My dear Lieutenant Heitkamp:

I thank you for your letter of October 4.

Having one boy in the Army in Europe and another in the Navy I am certainly not going to do anything to make it tougher for them if I can help it.

I have not been able to find out who it is that has been publicizing (incorrectly) the "Morgenthau plan." I have not given out anything, nor made any statements. In so far as I have made any recommendations they have been made to my superior officer, your Commander-in-Chief.

I am very much concerned, however, lest the fruits of your victory be thrown away through a desire to reconstruct business as usual.

Sincerely,

Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Lieutenant R. L. Heitkamp, 0465933
A-22nd F.A.B.U.
A.P.O. 254, C/o Postmaster
New York, New York

From the front
October 4th, 1942
(First day of the
World Series.)

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

Dear Sir:

For God's sake quit giving
the Germany people an incentive
to fight!

Unconditional surrender is a
hard enough bargain to strike
without such promises as your
plan for Germany. I agree with
your plan but why publicize it.

Imagine how hard the Texan
would fight if the other forty-
seven states tried to take their
state rights away. - - so it is
with Germany!

Germany still has a lot of

...and you people with
Germany, demobilization,
do not make it
for us!

Planning is essential but the
probability is unessential.

Stay with us a little longer
and it will be all over -

Confidentially we do not give
them what happens to

Germany after we defeat them on
Bullfield so long as we

get back home but quick!
See our point? Don't make

Germany a "tougher nut to crack."

Sincerely yours,
K. L. Neikamp
1st Lt FA

NOV 1 1944

My dear Captain Markoff:

I have had many letters on the subject of dealing with Germany, but none that I read more appreciatively than yours.

The publication of the so-called "Morgenthau plan" was not my doing and I have issued no statement on the matter.

However, I have made no secret of the fact that I believe in using all humane and practical means to prevent Germany's making war on us again.

It is my hope that the wide discussion of "plans" attributed to me may have the good result of clarifying American thinking on the subject.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Captain Benjamin Markoff, O-1576334
4288 Q.M. Bn.
A.P.O. 511, C/o Postmaster
New York, New York

HEG/mah

Capt Benjamin Markoff
O. 1578334 APO 511
c/o Postmaster, N.Y.

4268 Qm 3A104
APO 511, P/M N.Y.

October 16, '44

Henry Morgenthau
% White House
Wash. D. C.

STAND BY YOUR GUNS
HENRY!

Dear sir:

I am sure that you have been deluged with numerous letters from all over the world regarding the practical stand to make Germany an agricultural country!

As an officer of the United States Army serving 15 months overseas and close to four years in the service, I am not in a position to be active politically nor will circumstances permit me to detract from my varied duties - to dedicate all my energies to remonstrate, and "educate" those who believe in a strong Germany after the war!

I should like to remind those Americans at home with all the comforts of modern science and all the luxury money can buy even now, when American blood flows so freely wherever the sun sets; that I do not want my children or even my grand children to have to fight our NAZI Germany again.

To prevent this recurrence, every machine that can potentially produce weapons of war must be transferred on a quota basis to those countries who have been greatly ravished by the HUNS.

Do the exponents of a New Great Democratic Germany know that even for years after the armistice is signed the standards of American security will still be on German soil and the subject of finance and

Since when is the economy of Germany so important to the rebirth of French Industry? Dutch, Belgian, Danish, Norwegian, Polish, Czech, Greek, Italian, or Russian for that matter? Each of these countries would benefit more ^{directly} from intensification of their local resources.

Fact, but the most potential argument of all - our powerful practical ally Russia. Regardless what the rest of the world may desire by means of wishful thinking, the Russians are a very pragmatical people and waste little energy in vote-getting-histrionics and tirades. They are not going to tolerate another war with Germany ever! When Russian soldiers are killed while policing occupied Germany will they use kid glove treatment in preventing repetitions? NO!

Whereas it is true that if Germany maintained her powerful industries, she could pay reparations! That farce of ~~an~~ international bookkeeping by which we paid two dollars in cash for every dollar paid on account of reparations! Will not Americans be out of jobs by the millions, if Germans produce manufactured products to "pay reparations! Will not millions of British, French and all our allies lose earning capacity for internal industrial activity and a balanced budget by their illusion? ^{remain} ^{marginally} yours

OFFICE OF
THE SECRETARY OF THE TREASURY

November 1, 1944

LOSSES OF U. S. NAVAL AIRCRAFT IN THE PACIFIC
THEATER DURING THE MONTHS OF SEPTEMBER & OCT.:

300 planes, approximately

LOSSES OF ENEMY AIRCRAFT IN PACIFIC THEATER
DURING THE MONTHS OF SEPTEMBER AND OCTOBER:

2,594 planes destroyed

PLANE LOSSES (U.S.A.A.F.) SINCE PEARL HARBOR:
(Up to October 2, 1944)

14,600 planes lost on combat missions

9,900 planes lost overseas from other than
combat causes

17,500 planes lost in continental U.S.
(11,000 lost in wrecks; 2,500 no
longer fit for flying, but useful
in various phases of ground instruction;
4,000 worn out from use for training
purposes)

ENEMY PLANE LOSSES SINCE PEARL HARBOR:
(Up to October 2, 1944; these figures apply
to enemy losses inflicted by the U.S.A.A.F.
only)

27,000 planes definitely destroyed

6,000 probably destroyed

10,000 damaged

P.B.M.

SECRET

A-500

11:05 a.m.

Nov. 1, 1944.

AMEMBASSY

QUITO

Information contained in your 1015 of October 20 is appreciated.

Amlegation Bern reports that a communication dated August 30 conveying Ecuadoran request that bearers of Ecuadoran papers in Hungary be protected by Switzerland has been received by Swiss Government from Ecuadoran consulate, but that Swiss reply stated that since Ecuadoran interests are not represented in Hungary by Switzerland, they could not consider this request.

As you note from foregoing, it is essential that, in addition to the specific request to protect persons with Ecuadoran passports, Ecuador requests Switzerland generally to secure the representation of Ecuadoran interests in Hungary. Please cable as soon as such request will have been cabled from Quito to Switzerland.

Stettinius

Acting

10/27/44

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Akzin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

CABLE TO ^{AM}EMBASSY LONDON FOR MANN

The following message under date of October 30 has been received from Katski:

QUOTE The Jewish Agency Istanbul is in receipt of a telegram via Geneva dated October 25 from the Jewish Agency representative Krausz in Budapest stating that exit permits for the first group of 2,000 Palestine certificate holders in Hungary will be secured. Krausz states that the projected route of travel is through Switzerland to Portugal. He requests the aid of the WRB in obtaining the necessary transit visas. We suggest that you verify Krausz's 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.

QUOTE According to Jewish Agency the 2,000 certificate holders are still in Budapest and they are in possession of passports. UNQUOTE

The substance of the message has been cabled to Harrison and McClelland with the following instruction:

QUOTE Please verify above information and, if correct, please take all necessary steps to ensure speedy Swiss action to enable the certificate holders from Hungary to reach Switzerland without delay. You may assure Swiss authorities that this Government will use its best efforts to secure the unimpeded progress of the certificate holders to Palestine. UNQUOTE

Please represent to British authorities the Board's view that this unexpected chance to rescue some of the doomed Jews in Budapest, if verified, confronts Great Britain and United States with an opportunity that may not be allowed to end in failure by reason of any hesitation or delay on the part of either of our two governments. This Government is determined to spare no effort in interceding with Swiss, French, Spanish, and Portuguese officials in the interest of securing speedy transportation of the certificate holders in accordance with the suggested routing and is prepared to recommend to the Allied military and shipping authorities to make possible their speedy transportation by rail and by boat.

It is earnestly hoped that British authorities will view the situation in an identical light and will take similar steps to make possible the early departure of the certificate holders for Palestine.

Please advise Department and Board of British reaction.

This IS WRB LONDON CABLE NO. 19

5:25 p.m.
November 1, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, ~~Akatz~~, Cohn, DuBois, Friedman, Hodel, Lesser, Mannon McCormack, Files.

BAksin:tmk 11-1-44

EJF-251
Distribution of true
reading only by special
arrangement. (SECRET W)

London

Dated November 1, 1944

Rec'd 9:50 a.m., 2nd

Secretary of State

Washington

9440, November 1, 5 p.m.

FOR PERLE FROM MANN

Governor Dewey's statement of October 19 is being broadcast in German by the ABSIE. The statement is being used principally in connection with the President's warning of March 24 and Secretary Hull's warning of October 10. It is also being given to the BBC for its overseas service and to the British press. Due to overwork in the code room the circular telegram containing the statement was received here on October 25 but decoded and delivered to me on October 30. Accordingly there has been some difficulty in getting full publicity. Hereafter messages to be publicized should be sent US URGENT as it is extremely difficult to get them publicized after they have lost news value. Local office of OWI has been very cooperative.

GALLMAN

WSB

PLAIN

Lisbon

Dated November 1, 1944

Rec'd 4:41 a.m., 2nd.

Secretary of State,
Washington.

3825, November 1, 5 p.m.

FOR LEAVITT FROM PILPEL JDC 110 WRB 244.

War Refugee Board Stockholm telegram 96
to Washington repeats Laura Margolis October 30
to United States. Please consult and advise
us what answer we should send Margolis reference
OSE matter.

NORWEG

WSB

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Aksin, Cohn, Drury,
DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack,
Pehle, Files.

RA-209

PLAIN

Lisbon

Dated November 1, 1944

Rec'd 4:38 a.m., 2nd

Secretary of State

Washington

3826, November 1, 5 p.m.

FOR LEAVITT FROM PILPEL JDC 109 WRB 243.

Consulate here again cabled State Department requesting Reuben Resnik's validation North Africa and Italy basis military authorization Resnik holds to Mediterranean theater Greenleigh urges Resnik's soonest arrival Rome.

NORWEB

WSB

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Altsin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Pehle, Files.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATE: November 1, 1944
NUMBER: 4455

CONFIDENTIAL

Advice has been received from Boheman that Madame Kollontay has informed him privately that her government is concerned as to what Americans are doing and might do with regard to Baltic peoples, with particular reference here to WRB activities.

We assumed, in reference to current messages concerning American Red Cross Latvian refugee project, as mentioned in our 4395 of October 28, and WRB interest in Lithuanian refugee relief (Department's 2069, October 14) that Treasury license will not be issued without clear agreement on political implications and that close attention is being given to the policy considerations involved. In this connection we refer to Moscow's 4020, October 21 and our 42, October 23, to Moscow, transmitted to the Department as our 4314, of October 23.

An investigation of the refugee situation here gives ground for the belief that there is some anti-Soviet agitation there among Estonians and anti-Soviet feeling is common. It is not open to doubt that within the Latvian refugee group there are Nazi sympathizers and collaborators.

JOHNSON

CR:MAS:EPR 11/4/44

RB-33
Distribution of true
reading only by special
arrangement. (SECRET -W)

Stockholm

Dated November 1, 1944

Rec'd 6:55 p.m.

Secretary of State,
Washington.

4457, November 1, 9 p.m.

New Hungarian Foreign Minister has given formal assurances to the Swedish Minister in Budapest (Legation's 4426 October 31, 1 p.m.) that Swedish protective papers issued to Hungarian Jews will be respected and that the new Hungarian Government recognizes and will continue the policies of the previous government with respect to the treatment of such Hungarian Jews. This is our number 1014 WRB. Such assurances were given in response to recent intervention of Swedish King.

JOHNSON

JMS

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

The following is the substance of a message received from WRB'S representative in Ankara under date of October 30:

QUOTE The Jewish Agency Istanbul is in receipt of a telegram via Geneva dated October 25 from the Jewish Agency representative Krausz in Budapest stating that exit permits for the first group of 2,000 Palestine certificate holders in Hungary will be secured. Krausz 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 Krausz's 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.

QUOTE According to Jewish Agency the 2,000 certificate holders are still in Budapest and they are in possession of passports. UNQUOTE

Please verify above information ~~and~~, if correct, please take all necessary steps to ensure speedy Swiss action to enable the certificate holders from Hungary to reach Switzerland without delay. You may assure Swiss authorities that this Government will use its best efforts to secure the unimpeded progress of the certificate holders to Palestine.

Please advise Department and Board of correctness of Ankara report and of steps undertaken by you in this matter.

THIS IS WRB BERN CABLE NO. 255.

5:25 p.m.
November 1, 1944

BAkzin:tmh 11-1-44

EK-82

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

Bern

Dated November 1, 1944

Rec'd 7:19 p.m.

Secretary of State,

Washington.

7268, November 1, 6 p.m.

FOR WRB FROM McCLELLAND FOR WORLD JEWISH CONGRESS
FROM ABRAHAM SILBERSCHIN.

"Received American visa today. View lack of time and traffic difficulties via Spain arrival on time only possible via Paris. Cable if you booked air place for me. If not, book immediately and confirm. Also please cable exact date opening and duration conference because rumors here of prorogation." 17.30

HARRISON

RB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 1, 1944
NUMBER: 7269

SECRET

The following message from McClelland for WRB is transmitted.

The Swiss received a message from their Legation in Budapest on the 27th of October which stated that an agreement had been arrived at between the Governments of Germany and Hungary according to which the emigration of about 8,000 Jews from Hungary would soon be authorized and that by the 15th of November this would have to be carried out. Means of transportation to the frontier of Switzerland would be furnished by the Germans and the Hungarians.

The Swiss Political Department on the 31st of October instructed its legation in Budapest that these refugees would be received in Switzerland, this instruction following approval by Federal Council and in order to offset any possible use by the Germans or the Hungarians of lack of readiness on the part of the Swiss as an excuse not to allow these people to depart. The decision was in line with assurances which in August were given to us (see message dated August 12 from the Legation, Number 5248).

All pertinent information with regard to documentation, composition, and ultimate destination of the group was requested urgently by wire of the Swiss Legation in Budapest on the 28th of October and again on the 1st of November, since it is not clear whether all of the 8,000 are holders of Palestine certificates, or whether only a part of them hold such certificates.

November 1 conversations with Chief of Federal Police and with representative for relief and refugee affairs of the Political Department reveal that the Swiss are concerned seriously regarding the practical difficulties which are involved in receiving and housing a group of this size, even temporarily, at such short notice. Switzerland has received more than 25,000 new refugees during the past six weeks, they pointed out, (chiefly women and children from Valdosola in Italy and from the combat zones in France) while, on the other hand, only 8,000

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people have departed:-. 2000 French civilians and 6000 military escapees. It would be difficult to solve the problem of fuel, blankets, and housing sufficient to properly take care of 8,000 people in winter; in addition, many of the refugees may be clothed inadequately. Accordingly, the Swiss are anxious that steps be taken as soon as possible for the evacuation of such Hungarian refugees. The practicability of furnishing Swiss trains for the transportation at once to Marseilles or to some other French seaport of all those who are eligible for emigration to Palestine is being looked into by the Swiss. Therefore, it would be wise if the board at once could study the problem of obtaining one or more ships for Palestine; in addition, the Swiss would appreciate any efforts which could be made toward evacuation to North Africa or some other territory of Allied choice of all or a part of those who are not destined for Palestine.

Radio Budapest, evidently reversing the decision which was reported in Paragraph 1 of October 24 telegram from the Legation, Number 7049, repeated several times during the evening of the 29th of October and the morning of the 30th of October, instructions addressed to all Hungarian authorities, the army, and the police, to the effect that protective documents or foreign passports should be respected and that future Jewish holders of such documents should not be sent to compulsory labor service; and, in addition, that rights of extraterritoriality should be enjoyed by foreign Consulates, Legations, and premises of ICRC.

Now it seems probable that the majority of the 50,000 male Jews reported as being deported as labor (see message from the Legation dated October 25, Number 7088) are being sent to western Hungary for work along the Austro-Hungarian border, on fortifications there.

It is very difficult to believe that the release of 8,000 Jews has suddenly been decided upon in view of the recent intensified anti-Jewish stand taken by the Szalassy regime as well as the consistent refusal of the Germans to allow the departure of even the initial group of 2,000 holders of Palestine certificates.

We will keep you informed with reference to this matter.

11-3-44

DCR:LCW:CR

HARRISON

DCG-147

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

Ankara

Dated November 1, 1944

Rec'd 10:27

Secretary of State,

Washington.

2101, November 1, 8 p.m.

FROM KATZKI TO PERLE WAR REFUGEE BOARD. ANKARA's No. 176.

Pursuant to the understanding between Ambassador Steinhardt and the Turkish authorities a special railroad train was made available for the transportation to the Syrian border of the passengers of the vessel SALAHATTIN (see Ankara's 175, October 30) and the entire group departed from Istanbul for Palestine on October 31.

STEINHARDT

EEC

■

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 355

Information received up to 10 a.m., 1st November, 1944.

1. NAVAL

One of H.M. Frigates torpedoed off N.W. Ireland (r) this morning whilst escorting homeward convoy.

2. MILITARY

WESTERN EUROPE. Second Army troops have made good progress on wide front to line of Dintel Mark Canal west of Oosterhout. Canadians have captured the causeway to Walcheren from South Beveland. South of Scheldt Canadians have reached eastern outskirts Knocke. On eastern flank Nijmegen salient U.K. troops have retaken Liesel and repulsed further German counter-attacks.

ITALY. Further crossings of Ronco have been made S.E. of Forlì.

RUSSIA. In Northern Hungary Russians have captured several towns and localities N.W. of Debrecen and in Southern Hungary have captured Fecskemet and two other places S.S.E. Budapest.

3. AIR OPERATIONS

WESTERN FRONT. 30th/31st. Cologne. 3,937 tons including about 600 incendiary.

31st. 101 escorted Lancasters (1 missing) dropped 531 tons through cloud on synthetic oil plant Bottrop. Bombing believed accurate. 24 escorted Mosquitoes (1 missing) dropped 11 tons on Gestapo Headquarters Aarhus, Denmark, practically demolishing building, and 43 Thunderbolts attacked a supply dump N.E. of Saarburg with excellent results. 194 aircraft (1 missing) carried out offensive patrols over N.W. Germany.

31st/1st. Bomber Command sent out 651 aircraft:

Cologne	508 (2 missing)
Hamburg	49 (1 missing)
Bomber support, etc.	94

Thick cloud over Cologne. Sky markers well placed, and bombing believed concentrated. Extensive fire glow visible through cloud.

MEDITERRANEAN. 30th. Bad weather seriously curtailed operations. 189 fighter bombers and fighters attacked communications battle area Italy, while other fighters attacked objectives Albania and Yugoslavia. 4 aircraft missing.

4. HOME SECURITY

31st. During the morning 11 flying bombs plotted. Two and at least one Heinkel destroyed.

Regraded Unclassified

November 2, 1944
8:57 a.m.

HMJr: Hello.

James
Townsend: Hello.

HMJr: Jim?

T: Yes.

HMJr: Henry Morgenthau.

T: Yes, Mr. Secretary.

HMJr: How are you?

T: Fine.

HMJr: I just called up to see how things are for Monday.

T: They're coming along very nicely.

HMJr: Yeah.

T: Now, there will be some details, I presume, that the Secret Service will -- will look over when they get here.

HMJr: Yeah.

T: We have gone -- on the lighting situation

HMJr: Yeah.

T: we're -- we've just finished up on that work yesterday.

HMJr: Yeah.

T: And that was to be sure that if we needed lights, we'd a sufficient number and strength. We've got six thousand watt bulbs as they come around the circles there and then we have two flood lights of a thousand watts which will take care of everything.

HMJr: Well, the principal thing that I was interested in: has there been publicity in each of these towns?

T: There's been publicity in the papers fairly well. We are putting in a -- I think we're going to try to finance a page ad in the evening paper which reaches practically every home in the county.

HMJr: I see.

T: Now that would be a full page ad which would -- will give pretty -- plenty -- much of publicity to it. But it is well advertised already over the radio and one thing another.

HMJr: How about Beacon and Newburgh and Kingeton?

T: I -- I've been in touch with them and asked them to give it publicity. Mr. Hatch -- uh -- Bill called me the other day and said that we could turn it loose several days ago. He wanted me to notify them.

HMJr: I know.

T: I mean, the hour and so on.

HMJr: Well, would you mind giving those fellows a ring?

T: I'll do that.

HMJr: And make sure that -- well, not later than Saturday, that they have some publicity.

T: Yeah, I'll do that. I -- I'm quite sure that they are getting it in Kingston but I wouldn't know about Newburgh but I will -- I mean Orange County -- but I will do that.

HMJr: I mean, I think it's important.

T: Yeah. That's fine and I'll see that that's done.

HMJr: Right.

T: How are you?

HMJr: Fine. I'll be home Friday night.

T: Yeah, you will? Well, I'll tell you we're -- on Saturday if it's easier, maybe you can give me a ring because you're out quite a bit.

HMJr: Yes.

T: I'll be in Saturday

HMJr: All right.

T: from -- well, we're distributing -- making a little distribution -- I might be out a little bit early in the morning to the bank, but after that I'll be home -- back.

HMJr: I'll -- I'll give you a call.

T: Thank you.

HMJr: Bye.

T: Good bye.

November 2, 1944
9:30 a.m.

GROUP

Present: Mr. Blough
Mr. Pehle
Mr. Gaston
Mr. O'Connell
Mr. C.S. Bell
Mr. Luxford
Mrs. Klotz

H.M.JR: Mr. Gaston?

MR. GASTON: I noticed an article - a quotation from Alf Landon in the paper yesterday. I suppose you saw that thing?

H.M.JR: Yes.

MR. GASTON: I wrote out a telegram to him just for purposes of examination, but I am inclined to think that it wouldn't do any good.

H.M.JR: Well, it pleases me that you just thought about it, Herbert, because I was thinking about it all night.

MR. GASTON: Well, I was, too. (Hands the Secretary draft of proposed telegram)

H.M.JR: Is this Harrisburg, Illinois?

MR. GASTON: Yes.

H.M.JR: I like it. Now, I would go one step further. Didn't he say something about soldiers dying?

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MR. GASTON: Oh, yes, he said that.

H.M.JR: If we are going to do this, I would say, "By what military authority do you quote that one single soldier died on account of this misrepresentation, not only by you, but by other people?"

MR. PHELE: They will pick up a story that came back from Europe.

H.M.JR: United Press didn't quote any military authority.

MR. PHELE: I think it is very much a mistake to respond and dignify Alf Landon.

H.M.JR: I don't agree with you at all.

MR. GASTON: I am not certain, Mr. Secretary.

H.M.JR: You fellows are perfectly willing to pour this stuff on and have me be the mouth-piece.

MR. PHELE: Mr. Secretary, that isn't fair. It just is not fair. There is nobody who would like to see your position protected any more than I would, but I don't think it tends to protect your situation.

H.M.JR: This is the first suggestion that has come to me to protect me.

MR. PHELE: The issue is whether it does serve to protect you, Mr. Secretary. In my view it does not.

H.M.JR: But this is the first time that anybody has given me a suggestion to handle the situation.

MR. GASTON: It is a very difficult situation. I don't know whether it is possible to do anything. It is a very difficult situation because these fellows put you in a terrible hole. Of course, he can very well answer that if you didn't say this, then you are very negligent in not having denied it heretofore, because, while it wasn't

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stated in just this way, in substance it has been printed in the newspapers all over the country.

MR. O'CONNELL: It existed long before the statement of yesterday. I had thought, after we had thought it all over, that you had come to the conclusion that there was no way in which you could meet that sort of stuff by making a public statement, or doing anything about it, that it had been decided that there was nothing to do. I saw a draft of a statement which was prepared by Joe DuBois and Harry White and those people several weeks ago.

It was my understanding that because of the unfortunate way the thing had developed, the Secretary was in the position of not being effectively able to defend himself other than by keeping quiet. There is nothing new about the fact that Mr. Landon has put, in a different type of phrase, a statement that has been made by a lot of other people for the past several weeks.

MR. GASTON: Of course, he makes it in a way that it is possible to deny. That is, he puts it as if the Secretary had made a public statement. Of course, it is possible to deny that. His obvious come-back would be to say that this has been printed in every medium in the country, practically, and had never hitherto been denied, and he has a right to accept it as true. You could come back then and say, "Yes, it is true it has been printed, and if any damage has been done it has been done by those people, including Mr. Landon, who have been circulating it."

H.M.JR: Why is my statement unfair?

MR. PERLE: Because as I understood your statement you gave the impression that people were urging you to stick your neck out and then when it got out that they didn't want to see you protected.

H.M.JR: I repeat myself. You people put words in my mouth and this is the first suggestion that has been given to me how to answer some of this criticism.

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MR. PEHLE: I beg your pardon. I understood from your statement that you had said that people had urged you to make that kind of statement and then--

H.M.JR: No, no, no.

MR. PEHLE: Then I misunderstood you, Mr. Secretary.

The reason I object to that statement being made is that I don't think it will serve to protect you; I think it will hurt. Landon is in a position to come back - and Dewey will pick it up - saying, "Why didn't you deny that a long time ago?" - because this has been in the papers and Dewey has mentioned it, and everything, for months.

H.M.JR: I will tell you why I am interested in this. I will take all the time necessary. I will get the other two boys in who have been working on it. I read Dewey's statement two or three times and he slurred over the thing so that there just wasn't anything - and he hooked up the President and me so you couldn't say anything, do you see?

Now, what I have been thinking sort of subconsciously is that maybe if we gave these people enough rope they would become so wild in their statements that there would be something you could answer, see? If you read what Dewey said - the thing is blurred.

MR. PEHLE: Intentionally.

H.M.JR: Yes. And I never felt that Dewey would ever attack me on account of the relationships that I had with him when he was District Attorney. I mean, where I helped him when he needed help. But that might not count in the next few days.

Now, the President told me that when he was running for Vice President Harding made a statement about him which was untrue; he telegraphed Harding and Harding retracted it.

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MR. GASTON: Yes. Of course, Harding is a different animal from this organization. This might open up a chance to bring to these people that if any damage has been done, that it has been done by those who have been circulating the statement, knowing or stating that it was causing damage and causing the deaths of people. Here is Landon saying this is causing the deaths of thousands of soldiers. Then he convicts himself of participating in something which is causing the death of American soldiers by continuing to put forward the statement.

MR. PEHLE: I think that is better, but I still think you come back to the proposition that if the newspaper reports didn't represent the Administration or Mr. Morgenthau's point of view, and there was some possibility of their doing damage, that the Republicans will say they should have been denied a long time ago.

H.M. JR: Let these two boys come in cold. I would like to hear them.

MR. GASTON: If the statements didn't have any truth in them we could present a regular reason for not having denied them.

MR. PEHLE: But they do have a grain of truth.

MR. GASTON: That, of course, is the prime difficulty. But the secondary purpose of a thing like this would be to have them make a statement on which you could base the reply that the damage was done by those who are repeating it, and some of them are deliberately doing it after claiming that it does do damage.

(Mr. Luxford enters the conference)

H.M. JR: Luxford, Mr. Gaston has given me that as a suggested statement, and without telling you where anybody else stands, if you don't mind, I would like to read this to you. This is to Landon: "Associated Press dispatch dated November 1 attributed to you the following sentence

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as part of an address: 'I refer to that statement made by Secretary Morgenthau, virtually from the White House steps, when he proposed that Germany be reduced to Eighteenth Century agriculture. That would mean starvation for twenty-five or thirty million Germans.'

I am supposed to say that would mean that?

MR. GASTON: No, that is inside the quote.

H.M.JR: (Continuing) "I made no such statement from the White House steps or any such time or place and I shall expect you to correct your misrepresentation without delay."

MR. LUXFORD: I don't think he is worthy of a reply.

MR. GASTON: That ducks the question, Lux. This thing is being used by people all over the country. Landon has stated it in a manner which is more susceptible of reply than most others.

MR. LUXFORD: Mr. Secretary, I am afraid the President is conscious of the fact that you have been criticised for weeks on this subject and has apparently wished to avoid further discussion of it. He is taking it on the chin.

H.M.JR: Who is?

MR. LUXFORD: I say he is taking it on the chin in the sense that he won't allow a reply to go out on the merits.

MR. GASTON: You mean he is taking it on the Secretary's chin!

MR. LUXFORD: In any event, it is on a political chin.

MRS. KLOTZ: I heard what he said, but, after all, you are in his Cabinet.

MR. GASTON: Of course, it is entirely obvious that the weak point of making any such challenge is that the

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stories generally printed do fairly closely summarize what was circulated in confidential channels.

MR. LUXFORD: It is like "Clear it with Sidney," that Arthur Krock published. No matter how much you deny it, it will be used constantly.

MR. GASTON: That is getting off the track.

H.M. JR: They have denied that.

MR. LUXFORD: Hannegan denied it and it didn't do a bit of good.

MR. GASTON: That is just saying that denials don't do any good, but let's stick to cases somewhat comparable to this. They are accusing us of making a public statement. Now, it wasn't made in a public statement, but the general statement that they are hanging on the Secretary is pretty close to the confidential thing that was circulated.

Now, this sort of a statement might check some of their more reckless statements, and it might give you an opportunity to say - sticking to the fact that no public statement was made - to say, first, that the two leading Republican papers in the U.S. say that no such damage was done as these fellows are claiming - that the story is silly - that it is doing damage. Both the Herald Tribune and the Chicago News said that. And then you can say that if damage was done, it is being done by men like Landon who are engaged in disseminating that statement.

MRS. KLOTZ: If this does nothing else, it will open the thing for discussion. Then you will have to answer others, you see.

MR. LUXFORD: That is what worries me about it. This isn't going to be the end of it.

MR. GASTON: The real question is that by stirring this thing up you do get damage to the campaign. You stir up a chorus. You get the dogs to howling when you

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make a challenge like this which is, on its face, accurate. Now, is that going to do good or do damage? One thing to do is to ignore the thing during the campaign and then to go as far as we can to tell the truth in a subsequent speech, and I called the Secretary's attention to a spot in which that could be done, which is at Cincinnati on November 17. I don't know whether you saw my memorandum or not.

H.M. JR: No, I didn't, Herbert.

MR. GASTON: Well, the Cincinnati Foreign Affairs group, a branch of this organization before which the President spoke in New York, is having a two-day institute sponsored also by the Crosley station, WLW of Cincinnati, and the Cincinnati Inquirer. They offer you full time on WLW for anything that you may say, and they want to have you the principal speaker at the evening session opening this two-day institute on November 17.

Now, it would be possible then, the campaign being over, to refer to this whole thing and to say you have kept silence under these statements because you did not want to do what they claimed that you were doing - interfere with the war effort.

MR. LUXFORD: Mr. Secretary, what worries me about this is your denial, unaccompanied by what you did say, and what you do think isn't going to be very meaningful. People are going to say, "Well, certainly this thing wasn't cooked up out of nothing" - that you must have said something - "Why don't you tell us what you said?" And you are in no position to do that.

I also have a feeling, and I know a number of other people have, that Dewey is still going to try to pull this Election out of the fire by any desperate means he can find. He tried it last night on the Communist issue. If you start this thing going again on the German issue, somebody may leak the Quebec agreement. That may be leaked before this Election is over, and it could be used, I think, to injure us.

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H.M.JR: Well, the worst thing that he did last night - let's digress a minute. You remember when he used the word "Dubinsky" they started to boo, thinking he was going to quote him unfavorably, and he has got them so any Jewish name he mentions now, they boo.

MR. LUXFORD: Sure. I am afraid that some of the boys will leak the Quebec agreement if this thing gets hot again - hot by your denying it or doing anything else - because that is the kind of a thing that Dewey can play up - secret diplomacy, and not coming out with all that has happened. I think the Democrats are afraid of it, too. You probably heard Quentin Reynolds last night. He, in effect, predicted a political Reichstag feier.

He said that Dewey is desperate and that he will stop at nothing between now and the close of the campaign.

MR. GASTON: I am very certain that I could handle this thing in such a way, using this as an opener, as to help the Secretary's position substantially. I am very sure of that. But I am not so sure about the campaign, and I am just a little bit afraid that it is going to hurt the campaign. I know, using this as an opener, that I can make a come-back that will help you very substantially. It will put your position, as it is, before the public. But I am just afraid that it is not going to help the campaign. That is my doubt.

MRS. KLOTZ: You just have a few more days. You can do it right afterwards.

H.M.JR: Well, whatever I did, I wouldn't do it without consulting Steve Early.

MR. GASTON: Oh, I think that is right. I thought of that. You see, the purpose of this would be, when they come back and say, "Why didn't you deny it before, that this has done these things," then you can tell them who has done the damage, if a damage has been done; first, that these two great Republican newspapers say there hasn't been

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any damage done, "But if there has been damage done, it has been done by the people who are circulating it; and you, Landon, have spread this thing believing, as you say, that it is doing damage and it is sacrificing the lives of soldiers."

"In other words, whether it is a fact or not that you have cost the lives of American soldiers, you have intended to do that. You have convicted yourself of that."

MR. LUXFORD: Herbert, it was a Democratic Administration that leaked the story; that is perfectly clear. That whole thing, as Dewey would say, sprung from the "tired old men" working in Roosevelt's Cabinet. What Landon was saying was only repeating what had been said by high Cabinet officials.

MRS. KLOTZ: Let the President know that during the campaign you took this by not letting it out, but he should do something about it; that you have taken this, this, and this during the campaign, but he has got to do something right after. It will be a whole lot more effective.

MR. LUXFORD: Have a press conference after it is all over.

MR. GASTON: Why did Landon make this speech in Harrisburg, Illinois? He is speaking to Germans!

H.M.JR: Have you expressed yourself, Joe?

MR. O'CONNELL: I thought I did. I thought that the telegram should not be sent because I felt it would invite an answer which we are not in a position to make, or which we should probably have made, if at all, several weeks ago. And I thought the decision was made then to sit tight and take it. I just don't see the second chapter of this thing that way, that it would be helpful, particularly between now and the Election.

H.M.JR: The objective is to re-elect Roosevelt, and I don't think this telegram is going to help him.

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MR. O'CONNELL: And it might possibly hurt.

H.M.JR: So I appreciate, Herbert, very, very much your thinking of me, but I have got from now until Tuesday only to think of the President. I don't think this will help him.

MR. GASTON: I think you are right. I brought it up only because I thought we ought to examine the question of what we can do. I think there is something we can do right after the Election.

H.M.JR: I am not sure of that, but that we will talk about after Elections. The President isn't going to let me talk about the Quebec agreement.

MRS. KLOTZ: No, but you can at least get over to the people that you didn't say that.

MR. GASTON: We can say some things without telling--

H.M.JR: The thing that I think I must do is what is in preparation, to steel myself to take this thing until the day Germany collapses; then the day Germany collapses, that is the day I am going to talk.

MR. LUXFORD: I was hoping you could have a book ready that would justify it and there would be no if's, and's, and but's about it.

H.M.JR: When can I have a look at that?

MR. LUXFORD: When we quit writing speeches.

H.M.JR: Haven't you got anything on it?

MR. LUXFORD: Yes, we are working on it, but it isn't in form yet.

H.M.JR: O.K. Many thanks, Herbert.

(Mr. Luxford leaves the conference)

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MR. O'CONNELL: I have two or three small items. We are removing France from the category of enemy for purposes of permitting exchange of communications, as of this Saturday, by agreement with the British and others. All it really means is the present existing prohibition on communications between here and France will have been lifted on Saturday.

It does not change the status of blocked accounts or frozen funds, but it is a relaxation of the existing controls. We had contemplated permitting France access - or indicated that we would license such transactions as powers of attorney, and things of that sort, but we were advised yesterday from the field that the French have no existing controls which would permit us to go that far. That is our information from France, so our action will merely permit communications; it won't permit any transactions at all.

Another thing I might mention, the President has to decide by the first of December whether or not to extend the operation of the famous renegotiation statute for six months. Under existing law it terminates on the first of January next year unless by the first of December the President decides that competitive conditions have not been restored, in which event he can extend it six months.

The consensus of view among the agencies which have the authority to renegotiate is that he should extend it, and if you agree - and I see no reason why we wouldn't - we are in the process of preparing a joint memorandum from all the renegotiating agents to the President, with a proclamation for him to sign, maybe about the middle of this month.

I am informed by Schmidt that Lazard Freres are probably going to go ahead on that change in their partnership in spite of what we told them. We have not gotten an application for a license, but it looks as though--

H.M.JR: You told them what I suggested?

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MR. O'CONNELL: It was told in no uncertain terms both to their attorney and one of the partners who came down afterwards, André Meyer.

H.M.JR: You told them we thought it was a mistake?

MR. O'CONNELL: Very definitely. And while they didn't say so in so many words, the clear implication was that they had, to all intents and purposes, completed arrangements subject to our license, and that they are probably going to go ahead. So I have a little short memo on it, but there is no need to give it to you.

The only other thing I might mention, I had a call from Colonel Foley yesterday, from Mr. Hinckley's office, the Office of Contract Settlement, and I gathered from that that he is working for Hinckley. I haven't seen him for six weeks.

H.M.JR: I haven't seen him at all, but Mr. McCloy phoned me several times and told me, in connection with getting somebody to take Foley's place in Italy. I gathered he has been de-commissioned or discharged from the Army.

MR. O'CONNELL: That I don't know. I didn't know whether he had been detailed over there or put on inactive duty.

H.M.JR: Taken out of uniform.

MR. BELL: The memo said he would be relieved when he got a replacement.

MR. O'CONNELL: I haven't seen him, I guess, for six weeks. He called because he was looking for some suggestions as to a man to help them set up an organization to handle the review of the appeals from contract settlement cases. They have a tremendous problem there.

H.M.JR: Don't let them take anybody from Treasury.

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MR. O'CONNELL: No, sir. He was suggesting that, and I didn't suggest anyone to him. He had been groping for a man. In fact, he asked me whether I thought Randolph Paul would be interested in the assignment. I told him I doubted very much if he would, but he could ask him.

The job is to set up an organization which would be comparable to the Board of Tax Appeals, because under the legislation you have to set up a complete system, semi-judicial, of appeal boards to hear appeals of contractors. We opposed that provision in the legislation, but it is in the legislation.

I wasn't attempting to give you Foley's problem, but from the standpoint of contract settlement, it is one of the many messes that will be involved in termination of war contracts which might have been avoided if the legislation had been better. It will bog down the whole operation. It is too bad.

That is all I have. I have talked too long.

MR. PEHLE: With regard to Germany, I gave Mrs. Klotz last night - I don't know whether you read that stuff--

MRS. KLOTZ: Sure, I didn't sleep.

MR. PEHLE: ...two reports that came to us through official channels about what is going on - extermination. They are very well done - very restrained language - and they are done by people who were there, who know. Now, we are going to, in any event, make those public. But the question is whether there is any possibility of getting the "Book of the Month" who put out that lousy Moulton book to sort of clear the air by putting this out as a pamphlet, because this ought to be required reading for the people of the United States. I think it would do an awful lot of good. Don't you think so? (To Mrs. Klotz)

MRS. KLOTZ: Oh, yes. These people were there.

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H.M.JR: I haven't seen the thing, but I gather that Harry Sherman was quite upset at the criticism I made. Do you know him?

MR. PERLE: Yes, I do. I don't know whether you will look at this stuff, but Mrs. Klotz has it. I would like your reaction, because I think it is very powerful, Mr. Secretary, and I think it would do an awful lot of good if we can get it out. If you agree, I will take it up with Harry Sherman.

MR. GASTON: He does quite a bit of pamphleteering at the expense of the Book of the Month Club. I think it is quite likely he would handle it that way.

H.M.JR: Do you mind if I correct you - at the expense of the Treasury?

MR. GASTON: Both, yes.

H.M.JR: How is the forgotten man?

MR. BLOUGH: I feel quite forgotten, Mr. Secretary. Dan Bell has set up a committee of Mr. Gaston, Mr. O'Connell, Mr. Sullivan, and other top people around. We have had one session; we are having another tomorrow. In the meantime - yesterday we met with Stam, my group, and today we are meeting again with him. I think we are going to get along all right for awhile, again. We sort of keep putting off the evil day.

Our first report will probably be an economic report to the Joint Committee in that it will go into not what should taxes be, but what is the budget likely to look like, what are the factors and the economic conditions or situations after the war, and what is the revenue picture likely to look like under the present tax law at different levels of national income. We will give them that to chew on and hope they will really chew it over, because if they understand that, they will be in a much better position to go into any tax studies.

I think in connection with amount, with the Committee, we ought to hold off on any tax suggestions or program until the Joint Committee has looked into this other material and then asks for some help. I don't know - of course, you never know when it is going to blow up, but I think things are going all right. The more time we can get with you to go into the matter, the better we like it. Of course, I know how much you love taxes!

H.M.JR: If it hadn't been for that break-down we would have talked all day to Los Angeles.

MR. BLOUGH: I am sure of that, sir!

H.M.JR: That doesn't mean I love you any the less.

MR. BLOUGH: Thank you, sir.

H.M.JR: Charles?

MR. BELL: The Chicago Defender has requested OWI for information on colored people working for the Government. OWI has asked us for a statement of colored people here and part of their work, some sketches on some outstanding ones.

H.M.JR: Is the Defender a Negro paper?

MR. BELL: Yes. I have cleared it with Charlie Shaeffer. If you have no objection, I will let it go, possibly for political purposes.

H.M.JR: Let it go.

MR. BELL: Bersinger is a captain in the Army. Did you want him?

H.M.JR: Yes.

MR. BELL: He is about ready to come over.

H.M.JR: He is for Ted Gamble, but I would like to see him in the first instance and introduce him around to the girls.

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MRS. KLOTZ: He is very handsome.

MR. BELL: Charlie Adams' brother died this week in battle. I thought you might want to send a little note to him. (Secretary signs letter to Mr. Charles Adams)

The Procurement picture doesn't improve any. In view of this Section 27, the field offices are getting a little bit worked up now, and many of the men in the sales organization are thinking about resigning before the Board is appointed. I don't think Joe has been able to get anything out of Biddle's outfit yet.

MR. O'CONNELL: Not up to yesterday. Of course, I still have the letter you signed, Mr. Secretary, because our understanding with the Attorney General's office is we won't send it to them until we know we can get the right answer.

H.M.JR: I asked three times if I could get in on this thing and they said no, they were not ready.

MR. O'CONNELL: We are not. The situation looks better in terms of getting the right answer out of it.

MR. BELL: Well, Duncan was over yesterday. He is the main fellow down there in the absence of Olrich, and he is very much exercised over the whole thing.

Mr. Secretary, there is a general feeling that Wales in the Tax Legislative Counsel's office should be promoted to Stanley Surrey's office.

H.M.JR: I can't do that on the run. I need Dan Bell's presence.

MR. BELL: Danny is for that.

11/2/44 - Not sent
159
Keep

Press Release

Secretary Morgenthau today made public the following telegram sent by him to a Republican campaign speaker:

"Alfred M. Landon
C/o Republican National Committee

~~I refer to~~ An Associated Press despatch dated November 1 ~~which~~ attributes to you the following sentences as part of an address said to have been delivered at Harrisburg, Ill.: 'I refer to that statement made by Secretary Morgenthau virtually from the White House steps when he proposed that Germany be reduced to 18th Century agriculture. That would mean starvation for 25 or 30 million Germans.' I have made no such statement either from the White House steps or at any other time or place and I shall expect you to correct your misrepresentation without delay.

Henry Morgenthau, Jr.
Secretary of the Treasury."

11/2/44 - Not sent
KSP

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Handwritten signature

Henry Morgenthau, Jr.
Secretary of the Treasury."

November 3, 1944¹⁴⁰
10:31 a.m.

HMJr: Yes.

E. R. Stettinius: I'm sending you by special messenger now

HMJr: Yes.

S: the German treatment memorandum

HMJr: Fine.

S: the President's memorandum to us

HMJr: Yeah.

S: of October the 20th.

HMJr: I see.

S: Now, with that I'm taking the responsibility on my own, now, of sending you a copy of our memorandum to the President

HMJr: Fine.

S: which this answers.

HMJr: I see.

S: But I am doing that with your understanding that that's something Mr. Hull took up with the President privately on a Sunday morning.

HMJr: I understand.

S: You know?

HMJr: I understand.

S: And I'm talking to you cryptically because I'm not authorized -- I'm -- I just wanted you to receive it on that basis. You see?

HMJr: Well, what you're saying to me is that you're giving me this on your own

S: On my own authority.

HMJr: On your own authority and

S: But I'm giving you the -- yeah, you see what I mean?

HMJr: And I'm to

S: You aren't to -- you aren't to use it unless we have another talk, huh?

HMJr: No, you have my word.

S: Right, old boy. Thank you, Henry.

HMJr: Thank you.

112
November 2, 1944
10:52 a.m.

HMJr: Hello.
Operator: Mr. Stettinius is out of his office for a few minutes.
HMJr: All right. See if Miss Tully is available.
Operator: Right.

10:53 a.m.

HMJr: Hello.
Operator: Miss Tully is not there but Mrs. Brady is on the wire.
HMJr: Uh -- no -- well, I'll speak to Mrs. Brady but it's

Operator: All right.

White House
Operator: Mrs. Brady.

Dorothy
Brady: Hello.

HMJr: Good morning.

B: Good morning, Mr. Secretary.

HMJr: This is a follow-up on Grace. I asked her yesterday about a letter that the President sent to Mr. Hull that had to do with, as I understood it, something that -- on the Army

B: Oh, yes, she had us look that up and didn't she get a chance to call you back?

HMJr: No.

B: Well, things were pretty hectic, but we don't have anything on it. That was about those British handbooks, wasn't it?

HMJr: Well, it was something the President wrote to Mr. Hull about the treatment of Germany.

B: About what?

HMJr: As I gathered, he wrote recently a letter to Mr. Hull in which he said that immediate objectives in treating Germany -- nothing to do with the British handbook.

B: Oh, well, that isn't what you told her, is it?

HMJr: No, I said -- yes -- and I told her I was working on the British handbook and I wanted a copy of what he sent Mr. Hull, I gathered, during the last week.

B: Oh, on the treatment of Germany?

HMJr: Yeah.

B: Well, that's a different thing.

HMJr: No, and I was working on the British handbook -- British Army handbook, you see?

B: Uh huh.

HMJr: Anything that he -- and the State Department had sent the Army a copy, you see?

B: Uh huh.

HMJr: In regard to this, and it came up in connection with my working on a British handbook.

B: Yes. Well, you don't know what date it would be, do you?

HMJr: It must have been within the last week or ten days.

B: Within the last week or ten days -- well, we'll make another look on that angle.

HMJr: No, it's something to do, which I gathered he said that -- about treatment of Germany immediately and in the future -- more distant.

B: All right. We'll take a look.

HMJr: You see?

B: Yes, sir. I have it.

HMJr: Does that make it more clear?

B: Well, yes. That puts a different light on it.

HMJr: Well, he can't have written so many letters to Mr. Hull in the last week or ten days.

B: Well, I know, but we -- that didn't have anything to do with what we were looking up.

HMJr: No - no, but it was what I was working on

B: Yes, I know, but I mean we were looking up something that had to do about British handbooks.

HMJr: No, no.

B: Okay.

HMJr: Got it?

B: Yep.

HMJr: Thank you.

B: All right.

November 2, 1944
12:40 p.m.

Edward R.
Stettinius: Hello, Henry.

HMJr: Ed, did you and Harry get together?

S: We -- Harry and I had a date

HMJr: Yeah.

S: and then we had to call it off. It was left that he was to call me at the latter part of the week....

HMJr: Oh.

S: and set his own time.

HMJr: Oh, well, I wanted to know how it went. Do you remember when we were talking, I asked you on that Wall Street Journal story.

S: Yeah. I got the answer on Flynn and there was -- I've investigated that and there have been no conversations here with him.

HMJr: There has not been?

S: None.

HMJr: Okay.

S: I have just left a press conference in which I said that the country needed the wise and experienced leadership of the President

HMJr: Good.

S: for an early peace -- for an early victory and a sound peace.

HMJr: Fine. I'm delighted. I'm sure that will be helpful.

S: Well, I don't know that it will help but I'm delighted that it's done.

HMJr: Pardon?

S: I'm -- I say I was very happy and took great
pride in doing it.

HMJr: Yeah. Well, I'm awfully glad.

S: All right, old boy.

HMJr: I'll be seeing you.

S: Thank you, Henry.

HMJr: Bye.

147
November 2, 1944
2:25 p.m.

HMJr: I, through Mrs. Klotz, have been talking with the War Department about arranging for you to go on a steamer.

Lord Keynes: Oh, that's awfully good of you.

HMJr: Now, the first thing they want to know is have you approached the State Department?

K: Not yet.

HMJr: Not yet. So we're starting, so to speak, with a clean

K: Yes, I haven't spoken to anybody except you at the moment.

HMJr: Well, then we will take it up with the State Department, you see, but we wanted to be sure because the War Department already is getting quite fussy about it.

K: I see.

HMJr: But we'll start with the State Department.

K: Probably I ought to let them know before long the sort of date and then they can know what is available.

HMJr: Well, would you do that?

K: What -- it's a little difficult -- I mean, in a week's time it will be easier.

HMJr: Well, I don't

K: I'd say somewhere about November 27th is probably the sort of date.

HMJr: I don't think the date makes much difference.

K: I see.

HMJr: Ah

K: If it is agreed in principle, we can fix the date later.

- 2 -

HMJr: Ah -- I'll tell you what might help -- hello?

K: Yes.

HMJr: As long as -- if Lord Halifax would mention it to Stettinius

K: Yes.

HMJr: then I will follow up with Stettinius and with the War Department.

K: I'll get him to do that. I'm going to tea with him today.

HMJr: Well, supposing you ask him to mention it to Stettinius and then after he's done that, if you'd have somebody in your office call Mrs. Klotz.

K: I will.

HMJr: And then she'll follow up, but we've located the right people in the War Department.

K: Yes.

HMJr: And they will be friendly about it.

K: Yes. Thank you very much.

HMJr: And then -- well, we'll leave it that way.

K: I've just written you a letter.

HMJr: Right.

K: I needn't bother you with that on the telephone, which shall come along to you in the course of today. Am I right in thinking you are going away tomorrow until after the election?

HMJr: That's right.

K: That's right?

HMJr: That's right.

K: That's what I was working on.

- 3 -

HMJr: Now, I'm sorry because I can't go to Mr. Brand's party because I'm going to stay up in the country until the President comes back.

K: Which day will that be? You mean not until about Friday?

HMJr: I don't think it will be until Friday.

K: I see.

HMJr: Yes.

K: So there won't be another meeting of your committee before Friday?

HMJr: Not if I'm to be there.

K: Yes.

HMJr: But I'm here all day tomorrow.

K: Yes. I don't think anything's ready tomorrow.

HMJr: I see.

K: If there is, I'll find out from Sinclair. I -- I haven't anything ready. It's only on the other side -- on the munitions side.

HMJr: Right.

K: But I'll send you my letter along and then you -- you'll see how things stand with us.

HMJr: Thank you.

K: There's this little point about the Navy that Cherwell mentioned.

HMJr: Well

K: That's in my letter.

HMJr: Right.

K: Right.

HMJr: Thank you.

K: Thanks very much.

HMJr: Bye.

K: Bye.

November 3, 1944
2:52 p.m.

HMJr: Hello.

Operator: Mr. Stettinius.

HMJr: Hello.

Edward R.
Stettinius: Yes, Henry.

HMJr: Ed, I -- does anybody listen on your wire?

S: Let me -- let me be sure, now. All clear.

HMJr: You know this morning when I asked you for a certain document, I told you that I had asked Miss Tully for it.

S: Yes.

HMJr: Well, I just got word -- just now -- that the President did not want this circulated. See?

S: Yes.

HMJr: So I am putting it in an envelope and sending it back to you.

S: All right.

HMJr: And nobody knows I have it.

S: That is, both

HMJr: Both.

S: Both of them?

HMJr: Both of them.

S: All right, old boy.

HMJr: And after election I'm going to have a heart-to-heart talk with the President on it.

S: Right.

HMJr: And a lot of other things.

S: Right, sir.

HMJr: And if he has a Cabinet Committee, either he has to have confidence in us or we shouldn't be around.

S: All right, sir.

HMJr: But I do appreciate very much your having confidence in me to send it over.

S: Well, I've got all the confidence.

HMJr: And I assure you that your confidence will not be misplaced.

S: Thank you, Henry.

HMJr: Right.

S: Right, old boy.

November 2, 1944
3:10 p.m.

TREASURY DEPARTMENT REORGANIZATION

Present: Mr. D.W. Bell
Mr. C.S. Bell
Mr. Gaston
Mr. O'Connell
Mr. Bartelt
Mr. Schoeneman
Mr. Cake
Mrs. Klotz
Mr. Pehle

MR. D.W. BELL: Mr. Secretary, this is more for the purpose of getting some instructions as to how far we ought to go. There are a number of statements of the agencies that have fiscal functions, in whole or in part. (Hands copy of proposed reorganization chart to the Secretary)

The first general group you will find are supervisory agencies like the Board of Governors of the Federal Reserve System. The question is whether or not anything should be done there, whether you would like to be a member of the Board of Governors again. That is something we should get at this time.

The same thing is true of the Open Market Committee. You may recall that Walter Stewart suggested two or three years ago that the Treasury really ought to be the Federal Open Market Committee - it concerns the market of Government securities - that we ought to have control of it.

The Bureau of the Budget is next, and the one you mentioned, which ought to be in the Treasury. Now, the Bureau of the Budget has two main functions--

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H.M.JR: Do you mind if I go along each one at a time? At this stage I have no interest in the Board of Governors.

MR. D.W. BELL: Then that would be true of the Open Market, because they pretty well go together. Some day I should think that the Secretary of the Treasury ought to be back on the Board.

H.M.JR: You do think so?

MR. D.W. BELL: I do, very strongly. They are dealing with our problem more than any other problem in the economy, and I think you not only ought to be on the Board, but have authority to appoint an alternate so we will know what is going on at all times. But I think you will have a lot of difficulty getting there.

H.M.JR: I think approaching this from the theoretically ideal approach, I guess we should be.

MR. D.W. BELL: The ideal Treasury setup - there isn't a doubt in my mind.

H.M.JR: All right. This Open Market Committee - I don't know.

MR. D.W. BELL: I think if you are on the Board you know what is going on on the Committee. The chances are that if you are on the Board you will be a member of the Committee.

H.M.JR: Why not let's shoot for the ideal, then if we get twenty-five percent, that is good government.

MR. GASTON: That is one of the alternative courses. One is to shoot for a broad program hoping you will get some part of it; the other is to cut your program way down in the hopes you can get what you ask for.

H.M.JR: I would rather shoot for the ideal.

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MR. D.W. BELL: Of course, if you shoot for the big program they will probably accuse you of grabbing for power.

H.M.JR: No, it isn't personal; it is for whoever sits in this chair.

MR. D.W. BELL: I appreciate that, but that wouldn't be the charge on the Hill.

H.M.JR: That doesn't make any difference. I would much rather shoot for the ideal rather than have somebody like Ruml come along and say, "Well; your program is incomplete; you didn't have this or that," or have somebody from this group out at the University of Chicago say, "Well, why didn't he put this in?" - you know.

MR. D.W. BELL: There have been several suggestions lately, one in the Fortune article and another one - a local group.

MR. BARTELT: Yes, the National Citizens Committee, as I recall it.

MR. D.W. BELL: They made suggestions that we have a strong Treasury; one went so far as to put the Board of Governors, the Federal Reserve System in the Treasury, and the whole Bureau of the Budget.

MR. GASTON: Yes, that was really an impressive article.

H.M.JR: I don't think I saw that.

MR. D.W. BELL: We have it, if you would like to read it.

MR. GASTON: It made the Treasury Department strictly the number-one domestic department. It was a sort of super-advisory department over all domestic functions.

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MR. D.W. BELL: That is right. It had two super departments; one was the State Department over all foreign economy, and the Treasury Department was the second, over all domestic economy, making them the two strongest departments in the Cabinet.

H.M.JR: That is Bernard Baruch's strong opinion.

MR. GASTON: It made the Secretaries of State and Treasury really Assistant Presidents. It put them in an entirely different class from all other members of the Cabinet.

H.M.JR: Baruch did say that he thought State and Treasury should from now on constantly grow in power. I think he helped on the Hill.

MR. D.W. BELL: You would be interested in that article. It was very well written.

H.M.JR: Well, let's shoot for the ideal.

MR. D.W. BELL: Now, the Bureau of the Budget has two functions, mainly; one is preparing the budget estimates for the various departments, and getting up the budget for the President. The other is a sort of management program that they have undertaken as an arm of the President. They send people into the various departments to investigate what they are doing with a view to improving administrative procedure - with a view to economy. I don't know that there has been much economy along that line. There is a question here of whether, if you take it over, you should take over the whole organization, or whether you just take over strictly the fiscal end. I would be inclined to take over the whole thing and then economize by eliminating the management arm; take over the whole Bureau of the Budget and economize by eliminating entirely the management arm. I think it will be eventually just like the General Accounting Office. The departments don't want to see an agent of the Bureau of the Budget come in their doors. They are always telling them how to run their business. They are not inviting any more because everything they touch is sacred.

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H.M.JR: Where does this leave you - taking over the whole Bureau?

MR. D.W. BELL: If you are going to take anything, I would suggest that you recommend that the whole Bureau of the Budget be transferred to Treasury.

MR. C.S. BELL: You will possibly have a much easier time if you just take over the estimates and leave the organizational work where it is. It was created within the last three or four years and it would be an awful headache to get rid of it.

MR. GASTON: I think it would be extremely illogical to try to split it up that way.

MR. C.S. BELL: It wouldn't necessarily have to be called the Bureau of the Budget - that part left in there.

MR. GASTON: I think the whole idea of taking it over is to put that function of general supervision over fiscal matters and economy in the Treasury.

MR. PEHLE: Wouldn't you have just as big a fight trying to take over part of it, Charlie?

MR. C.S. BELL: When we had it before it was only estimates. This is something that has grown up largely through this Brownlow group - Chicago ClearingHouse.

MR. GASTON: It should be swallowed or cleared, in my opinion.

MR. SCHOENEMAN: What would be advice to the President on proposed legislation - non-fiscal?

H.M.JR: I don't see any rhyme or reason for its going through the Bureau of the Budget. I think the President should have a Legislative Counsel.

MR. O'CONNELL: That is really the function of the Bureau of the Budget in this field. It may not be properly named.

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H.M.JR: The way Rosenman was to him in Albany. His Legislative Counsel should advise him on those things.

MR. D.W. BELL: I don't quite agree with that, because I think you find ninety-nine and four-tenths percent of the legislation involves the expenditure of money and some of it very important fiscal problems - most of it very important fiscal problems - and I think whoever passes on the budget estimates ought to pass on the legislation.

H.M.JR: I don't agree with you. I think the President should have a Legislative Counsel.

MR. D.W. BELL: Then there should be a liaison between because otherwise you will get what went on last week on the two billion dollar farm program. You never heard of it until it hit the press.

MR. GASTON: Under your new system anything fiscal ought to come to the Treasury Budget for comment; it ought to come to the Treasury, in any event.

MR. O'CONNELL: There is no inconsistency between doing what Dan wants to do and also having a Legislative Counsel for the President, because there is a lot of legislation, certainly, which has to be coordinated as far as the over-all Government is concerned and is not necessarily fiscal. I agree there should be some organization in the office of the President to act as a clearinghouse for all legislation; and on fiscal things - of course, they should also be coordinated and cleared with the Treasury.

MR. GASTON: Whether the Budget is over here or not.

MR. D.W. BELL: I don't think we should go back to the old scheme of allowing every department head to go to Congress without clearing it and tying it in with the Administration program.

H.M.JR: But why don't they clear it through a Legislative Counsel? Look, Dan, as a matter of fact, how many times does the Bureau of the Budget really influence legislation?

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Mr. D.W. BELL: Oh, Mr. Secretary, not an awful lot. I know when I was there we had many conferences with the departments and got them to take bad provisions out of the bills, and cut down many of the appropriation requirements through our efforts. And we coordinated it with other departments, and many times the legislation was killed because it conflicted with something somebody else was doing.

H.M.JR: Well, may I say, for the benefit of these gentlemen here, so they don't misunderstand, and they get it directly from the horse's mouth - I have only one thing in mind, see, for whoever is here, and that is this: I am impressed with the fact that this Government has to borrow about five billion dollars a month for twelve months after the fighting stops in Europe.

Now, whoever is going to do that is going to have one hell of a time, and he has got to have both feet on the ground and a solid foundation underneath, and he can't be worrying. And in order to impress the public with the authority of his position and his sincerity, he has to hold the purse strings. He really has to be the watchdog. And you cannot, I cannot, whoever is here cannot, go to the public time after time when the patriotic motive of War Bonds no longer exists and have somebody in the audience get up and say, "Mr. Morgenthau, what about this boondoggling, and this and that?" and simply say, "I am sorry, I don't control it."

Now, I didn't talk to Keynes on this, but I have been talking to them about the British expenditures and they say they have lost complete control of it - they just don't know. I said, "Well, we have here, too." He says it is going to be very gradual to get the thing back. He said, "On the boat I have written a very, very strong memorandum to Sir John Anderson pointing out why he must get these things back. So, I mean, the Treasury in any country that has been through war is no different, and I think this is part of the road back to peace and prosperity."

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I want to approach it on that basis and not on the basis of more power. But I think - and I am thinking out loud - that the position of the Secretary of the Treasury is far stronger if he goes to Congress and says, "I am giving you a complete program and in order to borrow this money successfully, I, the Secretary of the Treasury, have to be in the position to say, before the request goes to Congress" - no, I was thinking of this stupid article - they blame me for the deaths - it is so stupid. But for the administrative end, somebody has to be able to do it.

Don't let anybody tell you the Secretary of the Treasury is grasping for power, but I don't need some outsider to tell this group what we have to do. Now we were prepared for War Bonds several years in advance, and we ought to be prepared in part for the road back to peace - to lay this thing before the President and the Congress. And I think we need a lot of backing from some conservative people like Mr. Baruch. Don't misunderstand me, I don't want more work, personally - but just so you understand me, see? If anybody tells me I am grabbing for it, I will spit in his eye.

MR. D.W. BELL: I think this is the charge that will come out of it on the Hill.

MR. GASTON: Well, maybe the way to do this is not to have the Treasury propose it, but to have some outside organization come in with it.

H.M.JR: They have.

MR. D.W. BELL: That would help, probably. I don't know how they would get it on the Floor of the Congress, though.

MR. GASTON: Go to the President with it.

H.M.JR: The Secretary of the Treasury ought to be surrounded with sufficiently intelligent people to make his recommendations, have enough foresight to see this thing. Anyway, I just wanted you to get it from me.

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Now, what about the General Accounting Office?

MR.D.W. BELL: Well, that is something that has been a little difficult to touch all along. Here for the record, they have the function of prescribing an accounting system throughout the Government, and of course, that doesn't belong with the auditor at all. It ought to be in the fiscal office. They also have the authority to settle all claims for and against the United States. Under the present procedure they can authorize the payment of millions of dollars of money out of the Treasury without administrative audit or subsequent audit. That is wrong in principle. I doubt if you can do anything with the General Accounting Office.

H.M.JR: Under a complete program would it be in?

MR. D.W. BELL: It ought to be in.

MR. GASTON: Yes, it violates the principle of the separation of functions under the constitution. It is an administrative function.

MR. D.W. BELL: But the minute you touch the General Accounting Office in any recommendation of this kind it raises a red flag immediately on the Hill.

Now, the Bureau, Comptroller of Currency, has to do with national banks. We have two other agencies, one the Board of Governors of the Federal Reserve System, and the FDIC, all of which examines banks. There is complete coordination of their functions, and not any duplications.

Some day, it seems to me, there ought to be a complete study of the banking systems that are controlled in Washington. It doesn't only mean the commercial banks, but I should think it ought to include the banks we have under the Farm Credit Administration as well as the Federal Savings and Loan Associations, the home Loan Banks, and so forth, which ought to be brought into some coordination here in Washington. I don't say, necessarily, that the banking belongs in the Treasury as a supervisory agency.

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It has been suggested that the Comptroller of the Currency take over the examination functions of the Federal Reserve Board and the FDIC. It has also been suggested that the FDIC is a corporation which does very little now other than collect the money and pay out a few banks. It ought to be in the Treasury.

H.M.JR: I think there should be one agency and I think it should be the Comptroller of the Currency in the Treasury.

MR. D.W. BELL: I don't see why the Federal Reserve Board needs to examine banks. Of course, what we ought to have, discussing banks, we ought to have one banking system, in my opinion - all Federalized. It should have been done in '33 when we had the opportunity, but politics got into it then.

H.M.JR: This thing will end up like a report on the reorganization of the fiscal functions of the Government.

MR. D.W. BELL: would you like to include all of the banking in one paragraph?

H.M.JR: Yes, sir.

MR. D.W. BELL: Securities and Exchange Commission: When we discussed this with you last week you suggested that the Securities and Exchange Commission also be brought into the Treasury. I think that might very well go to the Federal Reserve Board. They already have margin requirements, and they have the Open Market Committee. Why not give them all of the money market, capital market, and everything? I should think that might very well--

MR. PEHLE: Is the Board of Directors directly responsible to Congress?

MR. D.W. BELL: It is independent.

MR. PEHLE: Why should a Governmental function like

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the SEC be performed outside the Federal Government system?

MR. D.W. BELL: I don't think it would be. The SEC is independent and makes report to Congress although the President appoints the head like the Governors of the Federal Reserve System.

MR. PEHLE: The people on the Board of Governors aren't even Federal civil servants.

MR. D.W. BELL: Neither are the Commissioners on the Exchange Commission.

MR. PEHLE: But I mean the SEC is a regular agency of the Government, but the Board of Governors is part of the banking system of the country.

MR. GASTON: They are all appointed by the President, John.

MR. PEHLE: The board of Governors has always thought of itself when it was convenient as a non-Governmental organization - when it wasn't convenient - aren't they right in between a Governmental and non-Governmental agency?

MR. GASTON: The Board of Governors, I think, is strictly a Governmental agency.

MR. D.W. BELL: The only distinction is that they are paid out of assessments on the banks. You might argue that for the Comptroller of Currency for about ninety percent of it - I think it just depends on how much supervision--

H.M.JR: Leave that one in suspense.

MR. D.W. BELL: The President can exercise as much jurisdiction over the Board as he wants to.

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MR. O'CONNELL: Why do you want to decide where it is to go if it isn't to be in the Treasury? We are only deciding on the reorganization of functions to go to the Treasury. We can leave SEC where it is if we don't want it.

H.M.JR: Well, I would-like to see what you will do with some of the agricultural lending agencies, and that sort of thing. What are you going to do with the Office of Coordinator of Inter-American Affairs?

MR. D.W. BELL: That has fiscal functions. The next one there is the Foreign Economic Administration. Now that has - what does that have, John? Lend-Lease Administration, the Office of Foreign Relief and Rehabilitation, the Office of Economic Warfare, Office of Foreign Economic Coordination, former Foreign Procurement Activity, War Food Administration, Commodity Credit, Export-Import Bank, Petroleum Reserves, U.S. Commercial - so you can see what a mess that is.

H.M.JR: What are you suggesting for that?

MR. D.W. BELL: I am not suggesting anything. I don't know. Certainly you ought to have a lot to say about Lend-Lease and any activity that the Commodity Credit or the U.S. Commercial carried on abroad. Some of that stuff is just economic in character and not too much fiscal.

H.M.JR: Should I make a suggestion to the President that we have a sort of board of Directors to aid in foreign lending in which the Secretary of the Treasury would be the Chairman?

MR. D.W. BELL: Set up a committee composed of three or four departments of which the Secretary would be Chairman.

H.M.JR: That would satisfy me.

MR. D.W. BELL: That would probably be better and would fit into some of these other things down here.

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MR. GASTON: Well, what I think about the Foreign Economic Administration is that it is a mess of illogical hash. Whatever happens, it ought to be abolished, some of its functions should go back to State, some to Treasury - but it should not exist, that Foreign Economic Administration.

H.M.JR: May I differ with you to this extent. I would let it live for another year, and then when its work - or two years - and then when its work begins to peter out - but I think it is too early, really. I think the main work is still ahead of them. I think it is so big--

MR. BARTELT: If the Bureau of the Budget should be returned to the Treasury it would get certain control, by that means, over their activities.

MR. PEHLE: That isn't what you want, Mr. Secretary - a veto power over certain of their fiscal activities such as Lend-Lease.

H.M.JR: Well, for the moment, I have that. If we can regularize that - for the moment the President is doing that with me. If some suggestions through a committee where these things would clear, and I would have a veto power on these things, I think that would be good fiscal practice.

MR. D.W. BELL: I think the committee we suggested before was good.

H.M.JR: Let's include that. Now, mind you, this is my first blush. When I say this, it doesn't mean - well, there will be a half dozen more meetings. But I am pleased with the method of preparation and presentation. Whoever is responsible for this, I compliment them.

MR. D.W. BELL: Mr. Cake is the boy who has worked night and day on that.

H.M.JR: Take a bow, Mr. Cake.

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MR. GASTON: I think that committee idea is one that is very valuable and could be used in several directions. I think it could be used in connection with the agricultural lending agencies and with some others. Membership by the Treasury on a committee which will have to give final approval to general policies of these fiscal agencies that are specialized, such as Farm Credit in Agriculture--

MR. D.W. BELL: I think that is right. We can't take control over all of these fiscal activities throughout the Government; we have to do it either through committees or being represented on the Board of Directors.

H.M.JR: Again quoting the British, as near as I can make out they have Cabinet Committees which function this way. The President starts these things, and then if the public doesn't like them they kind of peter out. But I think there should be Cabinet Committees and where it is money, I think the Secretary of the Treasury should be Chairman. The English have a full-time permanent Secretary of the Cabinet.

MR. D.W. BELL: The Secretary of the Treasury of England you never hear of. You always hear of the Chancellor.

H.M.JR: But they have a Secretary of the Cabinet who prepares the agenda.

MR. D.W. BELL: That would be a great improvement here, if we just had an agenda.

H.M.JR: He keeps a record.

MR. D.W. BELL: This is Office of Coordinator of Inter-American Affairs. You know what that is, but it has a number of things under it that you wouldn't think of, such as the last line there - it has jurisdiction over the institute of Inter-American Affairs, Inter-American Transportation, Inter-American Educational Foundation, the Radio Corporation. So there are a number of corporations there. I don't think we would be too much interested in that except for the amount of money they got. Any time they got large sums of money, then we might be interested.

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H.M.JR: As Eddy says, if the Budget was over here we would have a control through that.

Mr. GASTON: That is another agency that shouldn't exist.

MR. D.W. BELL: That should be part of the State Department.

MR. GASTON: Sure, so far as their functions are proper.

MR. D.W. BELL: That is right. It should be a division in the State Department if you are going to have it at all.

The next is the Office of Economic Affairs, Division of Financial and Monetary Affairs. Well, you can see what they do. They have to do with foreign loans and investments, Alien Property Custodian, property control measures, certification of disposal of foreign properties, responsible on matters pertaining to Foreign Funds - I suppose that is the liaison.

MR. PEHLE: In other words, this is the State Department group that handles the liaison with other agencies.

MR. D.W. BELL: This came under Feis before he left, didn't it?

MR. PEHLE: No, I think under Acheson and Meltzer and that group.

MR. D.W. BELL: I don't think it is anything you are so much interested in, but if you had something like a committee up here to handle these things, you would get part of that.

Now the Home Loan Bank Administration, the Farm Credit Administration, and the Surplus Property Board: In the first two you will have others such as the RFC and all of its subsidiaries and all of the Farm Credit subsidiaries. The question there is whether - take the RFC, certainly that

shouldn't come under the Treasury, but should we be represented on the Board of Directors? You remember, we were at one time.

H.M.JR: I think that for RFC, the Home Owners Loan, Farm Credit, any of these lending agencies, there should be a Cabinet Committee which the Secretary of the Treasury would be Chairman of. Now, look at the way I organized - you weren't any of you on this thing I am doing on Lend-Lease for the British - I had Frank Coe appointed as Secretary for the American side. He runs all of the thing. He runs it beautifully. He keeps everybody together and keeps everybody posted. He is of tremendous assistance. The English have an opposite number.

Now, what I am thinking about is, supposing we had all the lending agencies, I would have for myself an assistant to devote himself to that work, who would keep me posted and would do nothing else. Again quoting the English, the Chancellor of the Exchequer had a Parliamentary Secretary who does nothing but contact the Hill. But I would have an assistant to myself who would devote himself just to the lending agencies.

MR. D.W. BELL: I think it would be very good.

H.M.JR: An Assistant to the Secretary of the Treasury who would do nothing but devote himself to overseas loans; one would be domestic loans and the other would be external loans. And the man would have a full-time job just watching external loans and domestic loans. I think that makes sense.

MR. GASTON: I think that makes decided sense, and as a supplement to that I would take all of these agencies and have them, for budget purposes and personnel purposes, and other routine administrative purposes, have them located in one of the departments of the Government. Farm Credit is in Agriculture. I think that is all right.

I would take your Home Loan Bank group and put that in Interior or Commerce for general administrative and budget purposes. I would put it in Commerce and have it supervised by that Cabinet Committee such as the Secretary suggests.

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H.M.JR: No, but as Assistant to the Secretary of the Treasury, he would have a full-time job.

(The Secretary holds telephone conversation with Dean Acheson, as follows:)

November 2, 1944
3:39 p.m.

HMJr: Hello.

Dean
Acheson: Henry.

HMJr: Speaking.

A: This is Dean Acheson. Redvers Opie

HMJr: Pardon?

A: Redvers Opie at the British Embassy....

HMJr: Yes.

A: telephoned me a few moments ago

HMJr: Yes.

A: and says that a reporter from the Herald-Tribune, whose name is Tom Twiddy

HMJr: Twiddy, yes.

A: has appeared there a short time ago with a series of questions relating to these Lend-Lease talks....

HMJr: Yes.

A: which indicate that he has picked up some information around town.

HMJr: Yes.

A: They have stalled him off on the grounds that they couldn't find anybody to talk with him

HMJr: Yes.

A: and he was coming back at four o'clock.

HMJr: Yeah.

A: Now, Opie would like very much to say that there are the perennial talks that occur toward the beginning of every year about requirements and that sort of thing going on.

HMJr: Yeah.

A: And that he thinks that it's much better for him to go and talk to some official in the American Government, naming someone. He hopes that the statement that we talked about the other day would be given out.

HMJr: Yeah.

A: Now, I asked Frank Coe the status of that statement

HMJr: Yes.

A: and he says that it has run into trouble

HMJr: Yes.

A: by reason of various people objecting to what was said in it.

HMJr: Yes.

A: That Herbert Gaston had it and probably it's about dead now.

HMJr: Well, we're here on budget matters but Herbert Gaston is here. Would you hold the wire just a minute while I repeat what you said? Hello?

A: Yes, sir.

HMJr: (Talks aside.) Just a moment, please.

A: Yes.

HMJr: You don't want to see him, do you, Dean?

A: No, I certainly don't.

HMJr: Well, what you really want -- well, I think -- I think Opie has got to say something along the lines that you said.

A: Yes.

HMJr: Then the question is who to refer him to.

A: Yes.

HMJr: And if it's Lend-Lease, could we refer him to Crowley?

A: Well, if we refer him over to Lend-Lease, I think probably the best fellow to send him to would be Oscar.

HMJr: Right.

A: I think Oscar could handle it

HMJr: Right.

A: with a little more knowledge of it.

HMJr: And Oscar has been -- yeah, why not do it that way and then tell Oscar if he runs into any trouble on it, that he'd keep Herbert Gaston posted.

A: Yes.

HMJr: See? How's that?

A: I think -- I think that's the thing to do, Henry, rather than to get him over here, then we'd get all

HMJr: No, I think -- I'd refer him to Oscar and I'll have Gaston warn our Press Room that there's something like this may be coming.

A: Yes.

HMJr: See?

A: Now, do you want Oscar to say anything about a committee or about you or anything like that?

HMJr: Well, is Twiddy going up to the British Embassy or is he going to telephone?

A: No, he was going to go up there to try and see Opie at four o'clock.

HMJr: Well, let me get a little -- I'll have Gaston just see whether he can't clear that there is such a committee with Steve Early. Never mind because we've cleared this thing with State.

A: That's right.

HMJr: So if Gaston could clear something with Steve Early it would be good. Then we'd be prepared to get a favorable statement out instead of something -- a political one.

A: Yeah. All right. Then I'll just tell Opie.

HMJr: You tell Opie. Put Oscar on notice and Gaston will contact Oscar just as soon as he can.

A: All right. Fine.

HMJr: Does that sound all right to you?

A: I think that -- I think that's the best way to do it.

HMJr: Yes.

A: First rate.

HMJr: Because, I mean, I don't want to give out anything that isn't agreeable to the White House.

A: Yes.

HMJr: Well

A: There's -- the release that we got up was quite agreeable to us but ran into trouble somewhere else.

HMJr: Well, I don't know where it ran into trouble but

A: I think the Army or Navy felt

HMJr: Army or Navy, yes.

A: that they weren't on the committee and didn't like what we said about them.

HMJr: Yeah. Well, thank you so much for calling.

A: All right, Henry.

HMJr: Thank you.

H.M.JR: Herbert, I think this thing, if you don't mind - he likes that statement you wrote. He didn't say it, but the idea was to hell with the Army and Navy if they don't like that statement. But he thought we ought to say there is a Committee.

MR. GASTON: Yes, well, we can say that. There are two lines of objection. Crowley didn't want to say that you were presiding. He thought it was better to leave that out.

H.M.JR: That is strange.

MR. GASTON: Gates, in the Navy, didn't want to be listed because he said he wasn't a full-time member of the Committee, that he was just dealing with certain phases; and the same objection was made by Patterson in War, that he wasn't a real member of the Committee. He wanted to get the thing up in a way without saying the membership of the Committee, just saying inter-departmental discussions between the agencies concerned over Lend-Lease.

H.M.JR: It is unimportant that I am presiding. Crowley didn't like that?

MR. GASTON: For your own sake he thought we ought to leave it out.

H.M.JR: I think an inter-departmental committee is all right. You know Twitty is a man who was up at Bretton Woods. He is a smart boy.

MR. GASTON: That is Herald Tribune?

H.M.JR: Yes.

MR. D.W. BELL: Why don't you just call it a discussion going on between the various agencies concerned and the British?

MR. GASTON: Just inter-agency discussions going on.

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H.M.JR: See if you can get Steve. If you can't get Steve, get Hasset, who is very good. I find Hasset gives you yes or no.

Would you mind taking this on?

MR. GASTON: No, not at all.

(Mr. Gaston leaves the conference)

MR. D.W. BELL: I don't think we are particularly interested in Surplus Property. They may get some large receipts and we would be interested from that standpoint, but I think we have pretty good control over the things throughout the Government.

MR. O'CONNELL: It is certainly true that while we don't know what the receipts will be, whatever receipts there are, are not subject to disposal by Surplus Property. They do go right into the Treasury.

MR. D.W. BELL: Oh, yes, I think we have the same liaison, the same control, as over any other receipt that comes into the Government. They have to come to us for that.

This is the Banking and Financing Agencies: I think we can handle Federal Reserve Banks, of course. We have got as much control there as we want. Under that authority they do anything we want them to, of a fiscal character.

The Postal Savings Division of the Post Office Department has been mentioned a good many times, particularly by Frank Walker, as not being a postal matter and therefore should not be under the Post Office Department, but should be transferred into the Treasury.

It got rumored around last year that there was some consideration being given to that, but a great many people on the Hill got disturbed and Frank dropped it, thought it was politically too hot to recommend to Congress that it be transferred.

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It seems to me that is a function that might very well be in the Treasury, and sometime we might work it so we can have postal savings deposits through the commercial banks and tie them into savings bonds without issuing the bonds, but just issuing the pass book. We might even go so far as to have their taxes paid through the postal savings accounts.

H.M.JR: My God, Dan, we are going back to '33. He would love that idea - the President would. He always wanted this Australian system where you pay your taxes and vote, and do everything on one day. If you don't show up they charge you two pounds. If you show up you get your two pounds back. That is the way they get around the head tax. If you don't show up at the county seat on Election Day it costs you two pounds. But you do everything; you do all your business, including voting, on that one day.

MR. D.W. BELL: I am in favor of that.

Well, that is something that might be included as an ideal setup.

MR. PEHLE: In an ideal setup why wouldn't the fiscal functions of the Federal Reserve Banks be in the Treasury where the money comes from to pay for them?

MR. D.W. BELL: They are in the Treasury.

MR. PEHLE: No, I am talking about all the Federal Reserve Banks in New York that are filled with employees paid for by the U.S. Treasury.

H.M.JR: You want to take over the Federal Reserve Banks.

MR. PEHLE: That might be a good idea, too, but I am talking about all the work they do for the Treasury Department. Why don't we do it ourselves?

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MR. D.W. BELL: Well, we got rid of the old Sub-Treasury system in '20. I don't think we ever want to go back to the Sub-Treasury system. It is too awkward and a little difficult.

MR. PEHLE: Well, it seems sort of funny to have the Federal Reserve Bank of New York, always on the other side of questions that come up, staffed with employees who are all in the Treasury and, in effect, on the Treasury pay roll.

MR. D.W. BELL: I don't think we have any trouble with the Federal Reserve Banks as fiscal agents. The trouble we have with the Federal Reserve Banks is outside of the fiscal agency functions.

MR. BARTELT: They are not on the Treasury pay roll, they are on the Government pay roll. We reimburse them.

MR. D.W. BELL: No, we don't reimburse them for anything; only items such as the old Sub-Treasury handled, such as cashing the checks.

MR. PEHLE: What percentage of employees are, in effect, paid for by the Treasury?

MR. D.W. BELL: All of those working on Public Debt issues.

H.M.JR: Seventy-five percent.

MR. D.W. BELL: Probably not that high, but it is large.

MR. PEHLE: Used to pay Opie's salary out of the Foreign Funds appropriation.

H.M.JR: Is that what burns you?

MR. PEHLE: Yes.

H.M.JR: Well, I am going to pass that one.

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MR. D.W. BELL: Now, the rest down here in this group are large corporations, including RFC. Then you have the War, Navy, and U.S. Maritime Commission, guaranteed loans - the last one.

Now, that is handled by the Federal Reserve Bank, or the Federal Reserve Board and Banks, as fiscal agents of the United States. We should, of course, have had a hand in that and didn't. You remember the Executive Order was issued without our knowing anything about it when we were working on another angle and trying to work it out through the commercial banks. But it was issued and we had nothing to do with it at all. But we should have had. I should think this whole group might be handled just like you suggested over here with the committee.

H.M.JR: How far does that take us?

MR. D.W. BELL: Down to three which are lending agencies and there, again, I think we can do pretty much the same way.

H.M.JR: I think it is a good time to stop. Don't let anybody see this until after Elections!

MR. D.W. BELL: No, we won't.

You have the Office of the Alien Property Custodian, about which we have had a great deal of discussion, War Relocation Authority - I assume that will go out; Maritime Commission has a great many fiscal operations such as loaning and collecting of interest and principal on loans, that is 1920. I shouldn't think we want to get into that. That is pretty well decided by Congress and we have very good liaison with them.

H.M.JR: I tell you, gentlemen - may I again compliment you on the way this thing has been handled.

MR. D.W. BELL: I will ask you some questions on the very last page. There are the non-fiscal things of the Treasury. We might want to do something about them.

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One is Procurement, one is Bureau of Narcotics, U.S. Secret Service, U.S. Coast Guard - of course, they will come back to the Treasury after the war is over, automatically. Now they are non-fiscal. If we want a strictly fiscal organization, there is a question whether you would want any of those departments - possibly Secret Service.

Now, Secret Service has a responsibility for the protection of the President and his family, and also protection of the White House and the grounds, but in addition, it has jurisdiction over counterfeiting of our securities, which is certainly closely related to fiscal.

H.M.JR: I think those agencies which have to do with the protection of the revenue, we can rightfully say they belong in the Treasury.

MR. D.W. BELL: That is the Intelligence Section of the Bureau of Internal Revenue and Customs.

H.M.JR: Narcotics, Alcohol Tax--

MR. D.W. BELL: That is part of the Revenue setup. I should think you ought to leave that. We didn't put that on here. But the Bureau of Narcotics is an enforcement agency and doesn't have much to do with the Revenue.

H.M.JR: Well, I would like to think about that. Of course, the greatest question of all is the Coast Guard. I don't know that Coast Guard should be under the Treasury.

MR. D.W. BELL: I think it has lost its original purpose of protecting the Revenue. I think it has gotten into other fields.

H.M.JR: I don't know why it shouldn't stay as part of the Navy, under the same organizational setup as the Marines. This Admiral Waesche would kill them!

MR. PERLE: Yes, they want to come back.

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MR. D.W. BELL: It is nice to have them in the Treasury, it is a nice organization. But from an organizational standpoint, I agree it certainly doesn't belong here any more.

H.M.JR: The remarks I made, like about Waesche - please caution everybody up and down the line that this is strictly a Treasury matter we are discussing, and I don't want to see it in Jerry Kluttz' column, or Riley's. So, please, everybody, caution all the stenographers and everybody up and down the line, will you, please? But this is a good start. I am going to take this and study it some more. Then we will have a look.

This is the approach I like. By discussing this with you for an hour I understand it better and maybe you people understand how I feel about it a little bit better.

MR. D.W. BELL: Would you like to have us do any work in drafting anything? If you want anything drafted, do you want it in the form of just a memorandum for the use of the President, or do you want it in the form of bills, or Executive Orders?

H.M.JR: I think just as a memorandum to the President.

MR. D.W. BELL: Now, most anything you want done here can be done under the War Powers Act, but it is only an emergency transfer and it is good for - what, six months after the war?

MR. O'CONNELL: Whatever function is transferred will revert to its former status six months after the war, but it is a method by which you could do, without legislation, almost anything.

H.M.JR: No, I would like to fight this thing through Congress.

MR. D.W. BELL: I think that would be the cleanest way. I think if you do some of these things under the War Powers Act the question would be raised immediately as to whether that is what the War Powers Act was intended for.

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MR. O'CONNELL: I will say, Mr. Secretary, that there have been some thirty-one Executive Orders under the War Powers Act transferring functions. Although they are relatively small in each case, they go much further than anything we have discussed here.

H.M.JR: No, I would rather do it through Congress - fight it through. Another thing, if you fight it through Congress and these things are done, then these other agencies can't go back to the President and try to get him to redraft an Executive Order - which has been done, too.

MR. PENLE: I have heard of that!

Mr. Secretary, if this is done by legislation it seems to me it raises a question about this committee setup. In other words, if you try to freeze in the legislation these committees which come and go pretty fast, it is a question of whether the committee shouldn't be an informal working arrangement. What you really want is a veto power on fiscal action. In other words, where you put the power in the Secretary of the Treasury to veto fiscal action and don't set up a committee consisting of a lot of disinterested people. At least it is worth thinking about.

MR. D.W. BELL: Do you think that power could be put in the President, authorize the President to set up Cabinet Committees to control these activities?

MR. PENLE: He has that power.

H.M.JR: No, I don't agree with you at all. I want these committees to have a permanency that you can only get through an Act of Congress. I have been on too many committees that last from one week to three months.

MR. PENLE: I agree with that. I think that has been the history of these committees, that they just don't keep going. Now, if you can solve that by legislating them into existence - I don't know.

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MR. D.W. BELL: You would like to have a memorandum?

H.M.JR: Definitely.

Everybody who has worked on it, thank you. And mum's the word; the enemy is listening.

I. FEDERAL SUPERVISORY AGENCIES

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCE OF ADMINISTRATIVE FUNDS	TURNING OVER	REMARKS
BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM	INDEPENDENT	DETERMINES GENERAL MONETARY, CREDIT, AND OPERATING POLICIES FOR THE SYSTEM AND FORMULATES RULES AND REGULATIONS FOR CARRYING OUT PURPOSES OF FEDERAL RESERVE ACT, AND SUPERVISES FEDERAL RESERVE BANKS AND MEMBER BANKS. HAS THE POWER TO EXAMINE MEMBER BANKS OF FEDERAL RESERVE SYSTEM.	FEDERAL RESERVE ACT, DECEMBER 23, 1913 (48 U.S.C. 221)	SEMI-ANNUAL ASSESSMENTS ON THE FEDERAL RESERVE BANKS IN PROPORTION TO THEIR CAPITAL STOCK AND SURPLUS.	MEETS WITH SECRETARY AND OTHER TREASURY OFFICIALS TO DISCUSS MATTERS OF MUTUAL INTEREST AND MAKES RECOMMENDATION ON MATTERS OF FISCAL POLICY.
FEDERAL OPEN MARKET COMMITTEE	INDEPENDENT	UNDER REGULATIONS OF THE COMMITTEE, FEDERAL RESERVE BANKS ENGAGE IN OPEN OPERATIONS INVOLVING PURCHASE AND SALE OF OBLIGATIONS OF U. S. AND CERTAIN OTHER SECURITIES, AND BILLS OF EXCHANGE AND BANKERS' ACCEPTANCES ELIGIBLE FOR DISCOUNT BY FEDERAL RESERVE BANKS.	FEDERAL RESERVE ACT, DECEMBER 23, 1913 (12 U.S.C. 221)	MEMBERS OF COMMITTEE ARE MEMBERS OF BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM.	MEETS WITH SECRETARY AND OTHER TREASURY OFFICIALS TO DISCUSS MATTERS OF MUTUAL INTEREST AND MAKES RECOMMENDATION ON MATTERS OF FISCAL POLICY.
BUREAU OF THE BUDGET	EXECUTIVE OFFICE OF THE PRESIDENT	PREPARES AND ADMINISTERS THE BUDGET; STUDIES IMPROVEMENT AND ECONOMY IN ADMINISTRATIVE MANAGEMENT OF THE GOVERNMENT; COORDINATES AND ADVISES PRESIDENT ON PROPOSED LEGISLATION AND EXECUTIVE ORDERS; STUDIES IMPROVEMENT IN STATISTICAL SERVICES; AND COORDINATES WORK PROGRAMS OF THE EXECUTIVE BRANCH TO AVOID DUPLICATION AND EFFECT ECONOMIES.	BUDGET AND ACCOUNTING ACT, - 1921 (31 U.S.C. 11-16)	APPROPRIATIONS OF CONGRESS	LIAISON WITH TREASURY ON MATTERS OF LEGISLATION AFFECTING TREASURY OPERATIONS AND FINANCING, AND LIAISON ON FINANCIAL REPORTING OF GOVERNMENT AS A WHOLE.
GENERAL ACCOUNTING OFFICE	INDEPENDENT	COUNTERSIGN WARRANTS OF SECRETARY OF TREASURY; PRESCRIBES SYSTEMS FOR ADMINISTRATIVE APPROPRIATION AND FUND ACCOUNTING; RENDERS ADVANCE DECISIONS ON QUESTIONS OF APPROPRIATION EXPENDITURES; SETTLES ALL CLAIMS FOR AND AGAINST THE U.S.; RECOVERS DEBTS DUE U.S.; AND INVESTIGATES ALL MATTERS INVOLVING RECEIPT, DISBURSEMENT, AND APPLICATION OF PUBLIC FUNDS.	BUDGET AND ACCOUNTING ACT, - 1921 (31 U.S.C. 41)	APPROPRIATIONS OF CONGRESS	COUNTERSIGNATURE OF TREASURY WARRANTS; AUDIT OF TREASURER'S ACCOUNT; AND LIAISON ON MATTERS OF FINANCIAL REPORTING OF GOVERNMENT AS A WHOLE.
BUREAU OF COMPTROLLER OF CURRENCY	TREASURY	SUPERVISES AND EXAMINES NATIONAL BANKS (INCLUDING ORGANIZATION, CONSOLIDATION, AND ADMINISTRATION OF THOSE THAT FAIL). ALSO SUPERVISES SAWS, TRUST COMPANIES, AND BUILDING AND LOAN ASSOCIATIONS NOT CHARTERED UNDER FEDERAL HOME LOAN BANK ACT AND CERTAIN CREDIT UNIONS. HAS RESPONSIBILITY FOR ISSUE AND REDEMPTION OF FEDERAL RESERVE NOTES AND FEDERAL RESERVE BANK NOTES.	ACT OF FEBRUARY 25, 1863 (12 STAT. 66)	(A) APPROPRIATIONS OF CONGRESS FOR THE COMPTROLLER'S OFFICE. (B) ASSESSMENTS ON NATIONAL BANKS FOR EXPENSES OF EXAMINATIONS.	
SECURITIES AND EXCHANGE COMMISSION	INDEPENDENT	SUPERVISES REGISTRATION OF SECURITY ISSUES AND SUPPRESSES FRAUDULENT PRACTICES IN SALE OF SECURITIES. REGULATES TRADING IN SECURITIES, BOTH ON STOCK EXCHANGES AND OVER THE COUNTER. REGULATES PUBLIC UTILITY HOLDING COMPANIES. SUPERVISES INDENTURES USED IN PUBLIC OFFERING OF NEW SECURITIES. REGISTERS AND REGULATES INVESTMENT COMPANIES AND ADVISERS.	SECURITIES EXCHANGE ACT OF 1934 (15 U.S.C. 78)	APPROPRIATIONS OF CONGRESS.	LIAISON ON MATTERS OF MUTUAL INTEREST WITH TREASURY.
FOREIGN ECONOMIC ADMINISTRATION	OFFICE FOR EMERGENCY MANAGEMENT	UNIFIES AND CONSOLIDATES GOVERNMENTAL ACTIVITIES RELATING TO FOREIGN ECONOMIC AFFAIRS, AND OPERATES CLEARING HOUSE FOR REPORTING FOREIGN EXPENDITURES ABROAD. THE ADMINISTRATION ENCOMPASSES THE OFFICE OF LEND-LEASE ADMINISTRATION, THE OFFICE OF FOREIGN RELIEF AND REHABILITATION OPERATIONS, THE OFFICE OF ECONOMIC WARFARE, FOREIGN ECONOMIC OPERATIONS OF OFFICE OF FOREIGN ECONOMIC COORDINATION, AND FORMER FOREIGN PROCUREMENT ACTIVITIES OF THE WAR FOOD ADMINISTRATION AND COMMODITY CREDIT CORPORATION. INCLUDED IN THE ADMINISTRATION ARE ALSO THE EXPOSE IMPORT BANK OF WASHINGTON, PETROLEUM RESERVE CORPORATION, RUBBER DEVELOPMENT CORPORATION AND U. S. COMMERCIAL COMPANY.	EXECUTIVE ORDER NO. 5320 OF SEPTEMBER 25, 1943	APPROPRIATIONS OF CONGRESS FOR THE UNINCORPORATED AGENCIES.	LIAISON ON MATTERS OF FINANCIAL REPORTING, AND MATTERS OF ECONOMIC AND MONETARY POLICY AFFECTING FINANCIAL TRANSACTIONS ABROAD, WITH TREASURY.
OFFICE OF COORDINATOR OF INTER-AMERICAN AFFAIRS	OFFICE FOR EMERGENCY MANAGEMENT	SERVES AS CENTER FOR COORDINATION OF CULTURAL AND COMMERCIAL RELATIONS FOR HEMISPHERE DEFENSE. FORMULATES AND EXECUTES PROGRAMS (WITH STATE DEPARTMENT) FOR EFFECTIVE USE OF FACILITIES IN FIELDS OF ARTS AND SCIENCES, EDUCATION, TRAVEL, RADIO, PRESS AND CINEMA TO FURTHER NATIONAL DEFENSE IN WESTERN HEMISPHERE. FORMULATES AND EXECUTES PROGRAMS IN COMMERCIAL AND ECONOMIC FIELDS TO FURTHER COMMERCIAL WELL BEING IN HEMISPHERE. ASSISTS IN WAR AND NAVY PROGRAMS TO HELP AMERICAN REPUBLICS TO INCREASE THEIR MILITARY AND NAVAL ESTABLISHMENTS. HAS JURISDICTION OVER INSTITUTE OF INTER-AMERICAN AFFAIRS, INSTITUTE OF INTER-AMERICAN TRANSPORTATION, INTER-AMERICAN NAVIGATION CORPORATION, INTER-AMERICAN EDUCATIONAL FOUNDATION, INC., AND PRECINRADIO, INC.	EXECUTIVE ORDER NO. 6840 OF JULY 30, 1941	APPROPRIATIONS OF CONGRESS	
OFFICE OF ECONOMIC AFFAIRS, DIVISION OF FINANCIAL AND MONETARY AFFAIRS	STATE	INITIATES AND COORDINATES POLICY AND ACTION IN MATTERS PERTAINING TO: INTERNATIONAL FINANCIAL AND MONETARY POLICY, AGREEMENTS, AND ARRANGEMENTS; FOREIGN LOANS AND INVESTMENTS; PROJECTS AND PROGRAMS FOR FOREIGN INDUSTRIALIZATION AND LONG RANGE ECONOMIC DEVELOPMENT; THE ALIEN PROPERTY CUSTODIAN AND PROPERTY CONTROL MEASURES OF THE UNITED NATIONS; CERTIFICATION OF DISPOSAL OF FOREIGN PROPERTIES IN U. S.; ALSO CERTAIN RESPONSIBILITIES IN MATTERS PERTAINING TO FOREIGN FUNDS CONTROL. HAS PRIMARY RESPONSIBILITY FOR POLICY AND ACTION IN APPLICATION OF FOREIGN FUNDS CONTROL MEASURES IN ENEMY OCCUPIED COUNTRIES AND ITALY; CONTROL OVER IMPORTED SECURITIES; AND SERVICING OF DOLLAR BONDS.	PRESUMABLY SECRETARY OF STATE	APPROPRIATIONS OF CONGRESS	LIAISON PARTICULARLY WITH TREASURY, COMMERCE, JUSTICE, AGRICULTURE, FOREIGN ECONOMIC ADMINISTRATION, ALIEN PROPERTY CUSTODIAN, EXPORT IMPORT BANK OF WASHINGTON.

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCE OF ADMINISTRATIVE FUNDS	SPENDING POWER	REMARKS
FEDERAL HOME LOAN BANK ADMINISTRATION	NATIONAL HOUSING AGENCY	SUPERVISES THE FEDERAL HOME LOAN BANK SYSTEM AND FEDERAL SAVINGS AND LOAN ASSOCIATIONS AND ADMINISTERS THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION AND HOME OWNERS' LOAN CORPORATION (IN LIQUIDATION)	(A) FEDERAL HOME LOAN BANK ACT, JULY 22, 1932 (15 U.S.C. 602) (B) HOME OWNERS' LOAN ACT, JUNE 13, 1933 (12 U.S.C. 1461) (C) TITLE IV NATIONAL HOUSING ACT, JUNE 27, 1934 (12 U.S.C. 1724)	ASSESSMENTS AGAINST FEDERAL TRUSTE, LOAN BANKS AND OTHER AGENCIES UNDER THE ADMINISTRATION AND CHARGES AGAINST INSTITUTIONS EXAMINED.	
FARM CREDIT ADMINISTRATION	AGRICULTURE	SUPERVISES THROUGH 12 DISTRICTS THE FARM CREDIT ADMINISTRATION SYSTEM COMPOSED OF THE 12 FEDERAL LAND BANKS, THE 12 FEDERAL INTERMEDIATE CREDIT BANKS, THE 12 PRODUCTION CREDIT CORPORATIONS AND LOCAL PRODUCTION CREDIT ASSOCIATIONS, THE 1 CENTRAL AND 12 DISTRICT BANKERS' COOPERATIVES, THE 1 REGIONAL AGRICULTURAL CREDIT CORPORATION, AND ACTIVITIES REGARDING LAND BANK COMMISSION LOANS, EMERGENCY CROP AND FEED LOANS, AND COOPERATIVE RESEARCH AND SERVICE.	FEDERAL FARM LOAN ACT OF JULY 17, 1916 (12 U.S.C. 641) AND VARIOUS SUBSEQUENT LEGISLATION AND EXECUTIVE ORDERS.	ASSESSMENT AGAINST MEMBER INSTITUTIONS FOR SUPERVISION AND EXAMINATIONS.	
SURPLUS PROPERTY BOARD	OFFICE OF WAR MOBILIZATION	HAS GENERAL SUPERVISION AND DIRECTION OVER THE CARE, HANDLING AND DISPOSITION OF SURPLUS PROPERTY AND THE TRANSFER OF SURPLUS PROPERTY BETWEEN GOVERNMENT AGENCIES. THE BOARD DESIGNATES GOVERNMENT AGENCIES TO ACT AS DISPOSAL AGENCIES FOR SURPLUS PROPERTY EXCEPT THAT THE U.S. MARITIME COMMISSION IS THE SOLE DISPOSAL AGENCY FOR CONVERSION OF VESSELS TO MERCHANT USE. THE DESIGNATED DISPOSAL AGENCIES HAVE RESPONSIBILITY AND AUTHORITY FOR THE DISPOSITION OF PROPERTY DECLARED SURPLUS AND FOR THE CARE AND HANDLING OF SUCH PROPERTY PENDING ITS DISPOSITION. SUCH PROPERTY WILL CONSIST OF VESSELS, PLANTS, AGRICULTURAL COMMODITIES, REAL ESTATE, CONSUMER GOODS, ETC.	SURPLUS PROPERTY ACT OF 1944 (PUB. 457, 78 CONG.)	APPROPRIATIONS OF CONGRESS.	

FUNDING ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCE OF ADMINISTRATIVE FUNDS	BORROWING POWER	REMARKS
FEDERAL RESERVE BANK	BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM	ACTS AS DEPOSITARIES AND FISCAL AGENTS OF THE UNITED STATES; ACTS AS FISCAL AGENTS OF THE UNITED STATES IN ARRANGING LOANS TO CONTRACTORS, SUBCONTRACTORS, AND OTHER ENGAGED IN BUSINESS DEEMED NECESSARY FOR THE PROSECUTION OF THE WAR, UNDER GUARANTEES BY THE WAR DEPARTMENT, NAVY DEPARTMENT, AND MARITIME COMMISSION.	FEDERAL RESERVE ACT, DECEMBER 23, 1913 (12 U.S.C. 221)	SUBSCRIPTIONS TO CAPITAL STOCK BY MEMBER BANKS AND EARNINGS.	
POSTAL SAVINGS DIVISION	POST OFFICE	MANAGEMENT AND INVESTMENT OF POSTAL SAVINGS FUNDS AS THE AGENT OF THE BOARD OF TRUSTEES; SUPERVISION OF BUSINESS TRANSACTIONS AT POSTOFFICES; ADMINISTRATIVE EXAMINATION OF ACCOUNTS OF POSTMASTERS AND OTHER FISCAL AGENTS OF THE SYSTEM; SUPERVISION OF THE SALE OF UNITED STATES SAVINGS BONDS AND WAR SAVINGS STAMPS AT POSTOFFICES. PROVIDES FACILITIES FOR THE DEPOSIT OF SAVINGS AT INTEREST, WITH THE SECURITY OF THE UNITED STATES FOR REPAYMENT ON DEMAND.	ACT OF CONGRESS, JUNE 23, 1910 (36 STAT. 99 U.S.C. 794,753)	APPROPRIATIONS FROM POSTAL REVENUES.	SECRETARY OF THE TREASURY ACTS AS MEMBER OF THE BOARD OF TRUSTEES. TREASURER OF UNITED STATES HAS AUTHORITY OF RESERVE FUNDS, INVESTMENTS, AND COLLATERAL OF SYSTEM.
BANKS FOR COOPERATIVES	FARM CREDIT ADMINISTRATION, DEPARTMENT OF AGRICULTURE	PROVIDES CREDIT FOR FARMER COOPERATIVES; MAY BORROW FROM AND DISCOUNT PAPER WITH FEDERAL INTERMEDIATE CREDIT BANKS, OTHER BANKS FOR COOPERATIVES, OR COMMERCIAL BANKS. EXTENDS CREDIT TO FARMER COOPERATIVE ASSOCIATIONS BY PURCHASING COMMUNITY CREDIT CORPORATION LOAN DOCUMENTS, DRAFTS OR OTHER INSTRUMENTS.	FARM CREDIT ACT OF 1933 (48 STAT. 237,251)	INITIAL CAPITAL SUBSCRIBED BY GOVERNOR OF FARM CREDIT ADMINISTRATION FROM FUNDS AVAILABLE IN THE REVOLVING FUND AUTHORIZED BY THE AGRICULTURAL MARKETING ACT (48 STAT. 237,254). CAPITAL IS ALSO FURNISHED BY BORROWING ASSOCIATIONS REQUIRED TO SUBSCRIBE TO CAPITAL STOCK OR TO MAKE PAYMENTS INTO THE GUARANTY FUND. ADMINISTRATIVE EXPENSES FROM EARNINGS.	AUTHORIZED TO BORROW FROM AND DISCOUNT OR REDISCOUNT WITH OTHER BANKS FOR COOPERATIVES, FEDERAL INTERMEDIATE BANKS, AND COMMERCIAL BANKS. AUTHORIZED TO ISSUE DEBENTURES. DENOMINATION IS NOT FIXED BUT MAY VARY.
FEDERAL INTERMEDIATE CREDIT BANKS	FARM CREDIT ADMINISTRATION, DEPARTMENT OF AGRICULTURE	PURCHASES AND DISCOUNTS AGRICULTURAL PAPER, MAKES LOANS TO COMMERCIAL BANKS/INSTITUTIONS FOR PRODUCTION CREDIT ASSOCIATIONS AND BANKS FOR COOPERATIVES; FINANCES AGRICULTURAL PRODUCTION AND MARKETING BY DISCOUNTING AND PURCHASING SEASONAL AND SHORT TERM AGRICULTURAL PAPER.	AGRICULTURAL CREDIT ACT, MARCH 4, 1923 (42 STAT. 1454)	ADMINISTRATIVE FUNDS PROVIDED BY EARNINGS. ORIGINAL CAPITAL MADE AVAILABLE THROUGH SUBSCRIPTION OF CAPITAL STOCK BY THE TREASURY. ADDITIONAL FUNDS PROVIDED BY A REVOLVING FUND FOR SUBSCRIPTION TO CAPITAL STOCK AND PAID-IN SURPLUS. PRINCIPAL SOURCE, HOWEVER, IS FROM SALE OF COLLATERAL TRUST DEBENTURES.	SUBJECT TO APPROVAL OF FARM CREDIT ADMINISTRATION MAY BORROW FROM ANY SOURCE, MAY ISSUE AND SELL COLLATERAL TRUST DEBENTURES OR OTHER SIMILAR OBLIGATIONS NOT TO EXCEED TEN TIMES THE SURPLUS AND PAID-IN CAPITAL.
FEDERAL LAND BANKS	FARM CREDIT ADMINISTRATION, DEPARTMENT OF AGRICULTURE	MAKES LONG-TERM FIRST MORTGAGES, FARM LOANS THROUGH FARM ADMINISTRATION LOAN ASSOCIATIONS FOR THE PURCHASE OF LAND AND BUILDINGS, FARM OPERATIONS, AND FOR LIQUIDATION OF INDEBTEDNESS.	FEDERAL FARM LOAN ACT, JULY 17, 1916 (39 STAT. 362)	ADMINISTRATIVE FUNDS PROVIDED FROM EARNINGS AND FUNDS RECEIVED THROUGH SUBSCRIPTION OF CAPITAL STOCK AND PAID-IN SURPLUS BY THE TREASURY, PROCEEDS FROM SALE OF FARM LOAN BONDS, PROCEEDS FROM SALE OF SECURITIES HELD FOR INVESTMENT, PROCEEDS FROM SALE OF PROPERTY, FUNDS RECEIVED FROM BORROWERS, AND FUNDS RECEIVED FROM THE TREASURY THROUGH INTEREST REDUCTIONS.	LIMITED IN THE SALE OF FARM LOAN BONDS TO TWENTY TIMES THE AMOUNT OF CAPITAL AND SURPLUS. NO LIMITATION IN THEIR SHORT TERM BORROWING FROM OTHER SOURCES.
PRODUCTION CREDIT ASSOCIATIONS	FARM CREDIT ADMINISTRATION, DEPARTMENT OF AGRICULTURE	PROVIDES FUNDS TO CAPITALIZE PRODUCTION CREDIT ASSOCIATIONS.	FARM CREDIT ACT, JUNE 16, 1933 (48 STAT. 237)	ADMINISTRATIVE FUNDS THROUGH EARNINGS, SALE OF CAPITAL STOCK AND INTEREST INCOME ON INVESTMENTS. GOVERNOR OF THE FARM CREDIT ADMINISTRATION HAS AUTHORIZED TO SUBSCRIBE TO CAPITAL STOCK OUT OF A REVOLVING FUND (APPROPRIATION) CREATED FOR THAT PURPOSE.	NO PROVISION FOR BORROWING AUTHORITY.
FEDERAL HOME LOAN BANKS	FEDERAL HOME LOAN BANK ADMINISTRATION, NATIONAL HOUSING AGENCY	PROVIDES SHORT AND LONG-TERM CREDIT TO MEMBER INSTITUTIONS AND NON-MEMBER MORTGAGEES; ALSO MAKES LOANS DIRECT TO HOME OWNERS.	FEDERAL HOME LOAN BANK ACT, JULY 22, 1938 (47 STAT. 755)	ADMINISTRATIVE FUNDS DERIVED FROM EARNINGS, SALE OF CAPITAL STOCK TO MEMBER INSTITUTIONS AND TO THE SECRETARY OF THE TREASURY (RECONSTRUCTION FINANCE CORPORATION FUNDS). AN EQUIVALENT AMOUNT OF RFC NOTES WERE CANCELLED BY THE SECRETARY OF THE TREASURY.	MAY ISSUE DEBENTURES, NOT GUARANTEED BY THE UNITED STATES, NOT TO EXCEED FIVE TIMES THE TOTAL PAID-IN CAPITAL OF ALL HOME LOAN BANKS AND NOT TO EXCEED TOTAL NOTES AND OBLIGATIONS OF MEMBER BANKS.

PARENT ORGANIZATION	FUNCTIONS OF FINANCIAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCES OF ADMINISTRATIVE FUNDS	BORROWING POWER	REMARKS	
HOME OWNERS LOAN CORPORATION (IN LIQUIDATION)	FEDERAL HOME LOAN BANK ADMINISTRATION, NATIONAL HOUSING AGENCY	GRANTED EMERGENCY LONG-TERM MORTGAGE LOANS TO DISTRESSED URBAN HOME OWNERS; NOW IN LIQUIDATION, BUT HAS BEEN DELEGATED THE ACTUAL OPERATION OF THE WAR HOUSING PROGRAM AND OPERATION OF THE CONVERTED DWELLINGS. THE LATTER INVOLVES NEGOTIATING LEASES WITH HOME OWNERS, SUPERVISING ALTERNATIVES TO PROVIDE ADDITIONAL DWELLINGS SPACE, RENTING TO WAR WORKERS, AND MANAGEMENT OF PROPERTIES UNDER LEASE.	HOME OWNERS LOAN ACT, JUNE 13, 1933 (48 STAT. 128; 12 U.S.C. 145)	ADMINISTRATIVE FUNDS DERIVED FROM OPERATIONS AND ORIGINAL CAPITAL THROUGH SALE OF CAPITAL STOCK TO THE SECRETARY OF THE TREASURY (FUNDS MADE AVAILABLE BY RFC; AN EQUIVALENT AMOUNT OF NOTES CANCELLED BY THE SECRETARY OF THE TREASURY).	AUTHORIZED TO ISSUE BONDS, GUARANTEED BOTH AS TO PRINCIPAL AND INTEREST UP TO \$4,750,000,000.	APPROVAL OF THE SECRETARY OF THE TREASURY IS REQUIRED ON ALL FINANCING.
FEDERAL NATIONAL MORTGAGE ASSOCIATION	RECONSTRUCTION FINANCE CORPORATION, DEPARTMENT OF COMMERCE	PURCHASES MORTGAGES INSURED BY THE FEDERAL HOUSING ADMINISTRATION; MAKES AVAILABLE TO INDIVIDUALS AND INSTITUTIONAL INVESTORS OBLIGATIONS ISSUED BY THE ASSOCIATION.	TITLE III OF THE NATIONAL HOUSING ACT, JUNE 27, 1934 (48 STAT. 1246, C.64)	ADMINISTRATIVE FUNDS DERIVED FROM OPERATIONS AND SUBSCRIPTION TO CAPITAL STOCK AND PAID-IN SURPLUS BY THE RECONSTRUCTION FINANCE CORPORATION.	AUTHORIZED TO ISSUE AND HAVE OUTSTANDING NOTES, DEBENTURES, BONDS, OR OTHER SUCH OBLIGATIONS NOT TO EXCEED (1) TWENTY TIMES THE AMOUNT OF ITS PAID-UP CAPITAL AND SURPLUS, AND IN NO EVENT TO EXCEED (2) THE CURRENT UNPAID PRINCIPAL OF MORTGAGES HELD BY IT PLUS THE AMOUNT OF ITS CASH ON HAND AND THE VALUE OF ITS INVESTMENTS. SUCH OBLIGATIONS ARE NOT GUARANTEED BY THE UNITED STATES.	
THE R.F.C. MORTGAGE COMPANY	RECONSTRUCTION FINANCE CORPORATION, DEPARTMENT OF COMMERCE	MAKES LOANS ON INCOME PRODUCING PROPERTIES, EITHER FOR CONSTRUCTION OR REFINANCING; PURCHASES MORTGAGES ON PROPERTIES INSURED UNDER TITLES I AND IV OF THE NATIONAL HOUSING ACT. ALSO MAKES LOANS TO DISTRESSED HOLDERS OF FIRST MORTGAGE BONDS AND CERTIFICATES.	SEC. 30 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, JANUARY 31, 1935 (49 STAT. 3)	ADMINISTRATIVE FUNDS DERIVED FROM OPERATIONS, SALE OF ITS STOCK AND BORROWINGS FROM THE RECONSTRUCTION FINANCE CORPORATION.	NO AUTHORITY TO ISSUE GUARANTEED OBLIGATIONS.	
EXPORT-IMPORT BANK OF WASHINGTON	FOREIGN ECONOMIC ADMINISTRATION	ENGAGED IN GENERAL BANKING; PURCHASES, SELLS, RENEGOTIATES, AND DISCOUNTS, NOTES, DRAFTS, BILLS OF EXCHANGE, ACCEPTANCES, AND OTHER EVIDENCE OF INDEBTEDNESS; ISSUES LETTERS OF CREDIT AND LENDS MONEY IN ASSISTING IN THE DEVELOPMENT OF FOREIGN TRADE; MAKES ADDITIONAL CREDITS AVAILABLE TO COUNTRIES OF THE WESTERN HEMISPHERE FOR THE PRODUCTION OF STRATEGIC AND CRITICAL MATERIALS AND TO IMPROVE AND EXTEND TRANSPORTATION FACILITIES; AND MAKES LOANS TO ASSIST THE STABILIZATION OF ECONOMIES OF THE UNITED NATIONS.	EXECUTIVE ORDER 5581, FEBRUARY 2, 1934 ISSUED UNDER NATIONAL INDUSTRIAL RECOVERY ACT JUNE 16, 1933 (48 STAT. 195, SEC. 2(A))	ADMINISTRATIVE FUNDS DERIVED FROM EARNINGS ON LOANS, FROM SALE OF CAPITAL STOCK TO AND THROUGH BORROWINGS FROM RECONSTRUCTION FINANCE CORPORATION.	AUTHORIZED TO BORROW FROM THE RECONSTRUCTION FINANCE CORPORATION WHEN REQUESTED BY THE SECRETARY OF THE TREASURY WITH THE APPROVAL OF THE PRESIDENT BY LOANS OR SALE OF PREFERRED STOCK TO AN AMOUNT NET EXCEEDING \$700,000,000.	BORROWINGS ARE SUBJECT TO APPROVAL OF THE SECRETARY OF THE TREASURY.
WAR DEPARTMENT NAVY DEPARTMENT UNITED STATES MARITIME COMMISSION	WAR DEPARTMENT) NAVY DEPARTMENT) INDEPENDENT)	GUARANTEED LOANS ARRANGED BY FEDERAL RESERVE BANKS TO CONTRACTORS, SUBCONTRACTORS, AND OTHERS ENGAGED IN BUSINESS OR OPERATIONS DEEMED TO BE NECESSARY, APPROPRIATE, OR CONVENIENT FOR THE PROSECUTION OF THE WAR.	AUTHORIZED IN APPROPRIATION ACTS OF DEPARTMENT OR AGENCY.			

Parent Organisation	Functions of Fiscal Interest	Basic Authority for Functions	Source of Administrative Funds	Borrowing Power	Remarks	
Commodity Credit Corporation	War Food Administration, Agriculture	Finances the purchase of food, feed and fibers for lend-lease export, and helps to finance the domestic production of commodities formerly imported. Prior to the war was engaged principally in making loans to farmers on agricultural commodities stored on farms and in warehouses, to stabilize the price of farm production, bring about orderly marketing thereof and accumulate supplies during years of abundance for use in years of shortage. During the war operations were expanded to increase production of food, feed, and fiber for war needs. Numerous loan, purchase, and sales programs are in operation. Agricultural commodities accumulated under loan and purchase programs are sold for agricultural and industrial uses. Programs are determined by War Food Administrator subject to approval of the President.	National Industrial Recovery Act (48 Stat. 195)	Original capital by allocation from National Industrial Recovery funds. Additional capital subscribed by Reconstruction Finance Corporation for which R.F.C. notes were cancelled. Appropriations by Congress for restoration of capital impairment on basis of annual appraisals by Secretary of the Treasury.	May issue bonds, notes, debentures and similar obligations within limitation fixed by Act of July 16, 1943. All borrowings subject to approval of Secretary of the Treasury. Guaranteed by U. S.	Annual appraisals of assets made by Secretary of the Treasury under Act of March 8, 1938 as basis for appropriations to restore capital impairment or for return of excess earnings to Treasury.
Farm Security Administration	War Food Administration, Agriculture	Makes rehabilitation loans to low income farm families and also loans to cooperatives for relocation corporations. Provides shelter, medical care, and sanitary facilities for migrant workers. Handles the liquidation of resettlement projects started under original program of the administration. Makes loans and supplies technical assistance to farmers in the western states under a water facilities, conversion, and utilization program.	Emergency Relief Appropriation Act of April 5, 1935 (49 Stat. 115) and Executive Order 7027 of April 30, 1935.	Appropriations of Congress.	Funds for loans obtained by advances from R.F.C. on notes secured by the assets of the Farm Security Administration.	Collections deposited in Treasury for repayment to R.F.C. with excess remaining to General Fund.
Regional Agriculture Credit Corporation	Farm Credit Administration, Agriculture	Formerly in liquidation. One corporation reactivated for new activity in financing production of essential war-time food and fiber. Loans are made in certain regions on all crops and in some regions on specified crops upon recommendation of the War Food Administrator.	Emergency Relief and Reconstruction Act of 1932 (12 U.S.C. 1148)	Capital and administrative expenses supplied by Reconstruction Finance Corporation for which R.F.C. notes are cancelled by Treasury.	May discount or borrow with the approval of the Governor of the Farm Credit Administration, from the Reconstruction Finance Corporation or Federal Intermediate Credit Banks.	
Federal Farm Mortgage Corporation	Agriculture	Makes first and second mortgage loans on farm property up to 75 per cent of appraised normal value. The funds for the land bank commissioner loans are furnished by the corporation and such loans become its property. Also assists in financing operations of Federal Land Banks.	Federal Farm Mortgage Act (12 U.S.C. 1020)	Original subscription of capital stock by Reconstruction Finance Corporation, for which R.F.C. notes were cancelled by Treasury.	May issue bonds guaranteed by the United States up to given limitation. Such bonds may be issued in such manner and sold at such price as may be prescribed by the corporation with the approval of the Secretary of the Treasury.	Secretary of the Treasury or an officer of the Treasury designated by him is a member of the Board of Directors.
Farm Credit Administration	Agriculture	Makes loans to farmers for the production and orderly marketing of certain farm products, from the Agricultural Market Act Revolving Fund; and makes loans to farmers for any purpose in connection with producing and marketing crops, from emergency crop and feed loan appropriations. Also makes Land Bank Commissioner's loans through the Federal Farm Mortgage Corporation.	Act of June 15, 1929 (46 Stat. 14) and Act of July 1, 1938 (40 Stat. 635)	Assessment against member institutions of Farm Credit system for supervision and examinations.		
Rural Electrification Administration	Agriculture	Provides complete financing for rural electric systems determined to be sound financial risks. Such loans finance construction and operation of distribution lines to reach local populations and may be made to finance generating plants and transmission lines when necessary to provide REA-finance distribution system with adequate power at reasonable rates. Such loans are made to persons, public bodies, cooperatives, non-profit and limited-dividend associations. Loans may also be made for wiring, appliances and plumbing on property of rural consumers and to finance purchase and installation of electrical and plumbing appliances.	Emergency Relief Appropriation Act of 1935 (49 Stat. 114) and Executive Order 7037 of May 11, 1935. Statutory recognition in REA Act of May 20, 1936 (7 U.S.C. 901)	Annual appropriation of Congress.	May borrow under Congressional limitation for its lending program. Such borrowings being made available through loans from the Reconstruction Finance Corporation upon approval of the President.	
Warrior Loan Corporation	Commerce	Provides loans for rehabilitation of property damaged or destroyed by floods or other catastrophes in years 1936 to January 22, 1947.	Act of February 11, 1937 as amended (15 U.S.C. 605)	Original subscription to capital stock by Reconstruction Finance Corporation for which Reconstruction Finance Corporation notes were cancelled upon transfer and delivery of stock to Secretary of the Treasury. Earnings of corporation.		Board of Directors appointed by the Reconstruction Finance Corporation.

Parent Organisation	Functions of Fiscal Interest	Basic Authority for Functions	Source of Administrative Funds	Borrowing Power	Remarks
Smaller War Plants Corporation	War Production Board	Nobilises production capacity of small business concerns to be used effectively to augment war production. In furtherance of this, takes prime contracts and sub-contracts, leases machinery, lends money, aids in the disposal of surplus material and equipment to small business, and assists in the solution of technical and financial problems. Also arranges for securing of contracts by small business by recommendation and assistance in negotiation. Participates with other agencies in facilitating the prompt and equitable settlement of claims of small prime and sub-contractors arising from termination of war contracts.	Act of June 11, 1942 (50 U.S.C. 1104)	Capital provided by appropriation of Congress. Earnings of corporation.	Board of Directors appointed by Chairman of War Production Board.
Federal Public Housing Authority	National Housing Agency	Provides housing for persons engaged in war activities in localities in which the President finds that an acute shortage of housing exists or impedes which would impede war activities, and is authorized to acquire land and to construct and operate projects to provide such war housing. In this connection is authorized to utilize local public housing agencies in construction and operation of projects, and to revise contracts for financial assistance previously entered into with local public housing agencies in connection with low rent housing and slum clearance projects in areas necessary to provide public housing for war workers. Also contracts for financial assistance (in form of capital loans and annual subsidies) to aid local public housing agencies in development and administration of low-rent housing and slum clearance projects of the former U. S. Housing Authority. Administers non-farm housing projects developed by Farm Security Administration for families not deriving principal income from operation of farms. Now performs functions, powers and duties relating to public housing projects performed by Federal Works Agencies.	U. S. Housing Act of 1927 (42 U.S.C. 1403)	Original subscription to capital stock by Secretary of the Treasury. Receives appropriations for capital loans and annual subsidies to local public housing agencies. Funds for administrative expenses deposited with Treasury from funds of the corporation.	Within prescribed limitation may issue notes, debentures or other obligations guaranteed by the United States with approval of the Secretary of the Treasury.
Division of Territories and Island Possessions, Puerto Rico Hurricane Relief Loan Section	Interior	Makes adjustments and collections on debts owed by farmers of Puerto Rico to the United States.	Public Resolutions 59 (49 Stat. 926) 60 (49 Stat. 928) August 27, 1935	Appropriations of Congress.	
Office of Indian Affairs	Interior	Provides funds for financing Indians in farming, stock raising, and other enterprises, educational purposes and to assist old and indigent Indians who have trust land and no other source of liability.		Appropriations of Congress.	
Tennessee Valley Associated Cooperatives, Inc.	Independent	Administers a grant to the State of Tennessee by the Federal Emergency Relief Administration for use in financing cooperatives in Tennessee Valley area.		Capital provided by Federal Emergency Relief Administration grant. Earnings of corporation.	Capital stock owned by United States.

IV. INSURANCE AGENCIES

Parent Organization	Functions of Fiscal Interest	Basic Authority for Functions	Source of Administrative Funds	Borrowing Power	Remarks
Federal Deposit Insurance Company	Insures deposits (up to \$5,000 for each depositor) of all banks entitled to insurance benefits; pays off depositors of insured banks closed without adequate provision for claims; acts as receiver for suspended national banks and also for state banks when appointed; and prevents development and continuance of unsafe or unsound banking practices. May make loans or purchase assets of insured banks to facilitate mergers or consolidations. Examines insured banks not members of Federal Reserve System and national banks or member banks of Federal Reserve System by written consent of authorities having jurisdiction.	Banking Act of 1933 (12 U.S.C.)	(a) Original subscription to capital stock by Secretary of Treasury (from appropriation) and by Federal Reserve Banks. (b) Assessments against insured banks and earnings of corporation.	May issue debentures or other obligations not to exceed more than 3 times amount received in payment of capital stock and assessments on banks for the year 1936. No guarantee by U. S.	Funds of corporation deposited with Treasurer of U. S. Borrowings, if required, subject to approval of Secretary of Treasury.
Federal Savings and Loan Insurance Corporation	Guarantees safety of repurchasable (withdrawable) investments and credited earnings up to \$5,000 for each investor in insured thrift and home financing institutions. All Federal savings and loan associations are insured, and state chartered building and loan, savings and loan, and homestead associations, and cooperative banks are eligible for insurance. May make loans to, and purchase assets of, or contribute to insured institutions to prevent default.	Title IV of National Housing Act, June 27, 1934 (12 U.S.C. 1724)	(a) Original subscription to capital stock by Home Owners Loan Corporation. (b) Earnings of corporation.	May issue notes, bonds, or debentures under such terms and conditions as the Federal Home Loan Bank Commissioner may determine. No guarantee by U. S.	Funds deposited with Treasurer of U. S.
Federal Housing Administration	Insures lending institutions against losses incurred on two general types of loans: Those for the repair, alteration, or improvement of real property - which may or may not be secured by collateral - and those secured by mortgages on structures designed primarily for residential use. The insured institutions are banks, trust companies, personal finance companies, mortgage companies, building and loan associations, etc. For the duration of the war new construction is limited to defense areas.	National Housing Act, June 27, 1934, (12 U.S.C. 1702)	The mutual mortgage insurance fund, the housing insurance fund, premiums collected under authority of Sec. 2 (f) Title I, of the national housing act, as amended and war housing insurance funds are available for administrative expenses of the Federal Housing Administration.	May issue debentures guaranteed by the United States, in payment of insured losses. There are various limitations on the amount which can be issued against the various funds.	
War Damage Corporation	Provides, through insurance, reinsurance, or otherwise, reasonable protection against loss of or damage to property, real and personal, which may result from enemy attack, including any action taken by the military, naval, or air forces of the United States in resisting enemy attack. Utilizes facilities of casualty insurance companies which participate with the corporation in the net operating gain or loss arising from insurance.	Section 5 (d) of the Reconstruction Finance Corporation Act, as amended, and 5 (g) of the Reconstruction Finance Corporation Act as amended.	Original subscription to capital stock and paid-in surplus by Reconstruction Finance Corporation. Earnings of corporation.		
Federal Crop Insurance Corporation (in liquidation)	Provides insurance protection to wheat and cotton growers against unavoidable hazards	Federal Crop Insurance Act of February 16, 1938 as amended (7 U. S.C. 1940)	Annual appropriation of Congress. Premium collections were calculated to pay indemnities.		
Veterans Administration	Administers provisions of Title III of World War Veterans Act of 1924 relative to insurance of National Service Life Insurance Act of 1940, of the Soldiers and Sailors Civil Relief Act of 1940 and the adjudication of claims for benefits thereunder and for the issuance of certificates and the preparation and adjudication of all claims for adjusted compensation benefits.	World War Veterans Act, 1924 (38 U.S.C. 423) National Service Life Insurance Act of 1930 (38 U.S.C. 801) and Soldiers and Sailors Civil Relief Act of 1940 (50 U.S.C. 540)	Appropriations of Congress.		Investments of moneys of insurance funds made by the Secretary of the Treasury.
Shipping Administration					This agency has insurance functions which are explained with the other functions of agencies under the heading "Other Agencies."
U. S. Maritime Commission					This agency has insurance functions which are explained with the other functions of agencies under the heading "Other Agencies."

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCES OF ADMINISTRATIVE FUNDS	BUDGETARY POWER	REMARKS
INLAND WATERWAYS CORPORATION	DEPARTMENT OF COMMERCE	OPERATES GOVERNMENT-OWNED INLAND, CANAL, AND COAST WIDE WATERWAYS SYSTEM AS A COMMON CARRIER IN THE TRANSPORTATION OF FREIGHT ON THE MISSISSIPPI RIVER; ON THE ILLINOIS WATERWAYS; ON THE MISSOURI RIVER; ON THE WARRIOR RIVER SYSTEM, AND ITS SUBSIDIARY, THE WARRIOR RIVER TERMINAL COMPANY AS A SWITCHING FACILITY BETWEEN FORT BIRMINGHAM, ALABAMA AND FORT ENCLEY, ALABAMA.	ACT OF CONGRESS, JUNE 3, 1924 (49 U.S.C. 154; 43 STAT. 360)	ADMINISTRATIVE FUNDS PROVIDED BY INCOME FROM OPERATIONS, AND INVESTMENTS.	MAY INCUR OBLIGATIONS, BORROW MONEY FOR TEMPORARY PURPOSES, AND ISSUE NOTES OR OTHER EVIDENCES OF INDEBTEDNESS THEREFOR, NOT TO EXCEED TWENTY-FIVE PERCENTUM OF THE ASSETS.
PANAMA RAILROAD COMPANY	INDEPENDENT	OPERATES RAILROAD, STEAMSHIP LINES, TERMINALS, HOTELS, ETC.	ACT OF JUNE 28, 1902 (38 STAT. 481)	ADMINISTRATIVE FUNDS PROVIDED FROM OPERATING REVENUE. CERTAIN ADVANCES WERE MADE FROM APPROPRIATED FUNDS FOR WHICH NOTES OF THE COMPANY WERE GIVEN TO THE UNITED STATES.	
TENNESSEE VALLEY AUTHORITY	INDEPENDENT	MAINTAINS AND OPERATES A SERIES OF DAMS; GENERATES AND DISTRIBUTES ELECTRIC POWER; DEVELOPS, MANUFACTURES, AND TESTS FERTILIZER; ENGAGED IN THE MANUFACTURE OF WAR MATERIALS, AND MAKES LOANS TO MUNICIPALITIES AND COOPERATIVES.	ACT OF MAY 18, 1933 (48 STAT. 38)	ADMINISTRATIVE FUNDS PROVIDED FROM OPERATING INCOME, DIRECT APPROPRIATIONS, AND ALLOCATIONS FROM FUNDS APPROPRIATED TO THE PRESIDENT.	AUTHORIZATION TO ISSUE BONDS NOT TO EXCEED \$61,500,000 EXPIRES ON JANUARY 1, 1941 (33 STAT. 4005) EXCEPT FOR REFUNDING PURPOSES OR TO PROVIDE FUNDS FOR CONTRACTS ENTERED INTO PRIOR TO JANUARY 1, 1941.
ALASKA RAILROAD	DIVISION OF TERRITORIES AND ISLAND POSSESSIONS; DEPARTMENT OF THE INTERIOR	MAINTAINS AND OPERATES RAILROADS, RIVER BOATS, HOTELS, HOSPITALS, AND PROMOTES ALASKAN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT.	ACT OF MARCH 12, 1914 (38 STAT. 305)	PROVIDED FROM OPERATING INCOME.	

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCES OF ADMINISTRATIVE FUNDS	BORROWING POWER	REMARKS
BARBER, INC. (IN LIQUIDATION)	FOREIGN ECONOMIC ADMINISTRATION EXPERIMENTAL DESIGN, ENGINEERING AND CONSTRUCTION IN WATERCRAFT AND AIRCRAFT FOR WAR AND COMMERCE.	(15 U.S.C. 606b)	ALLOCATION FROM LEND-LEASE APPROPRIATIONS.		
PETROLEUM RESERVE CORPORATION	FOREIGN ECONOMIC ADMINISTRATION ACQUIRES RESERVES OF CRUDE PETROLEUM FROM SOURCES OUTSIDE THE UNITED STATES, INCLUDING THE PURCHASE OF STOCK IN CORPORATIONS OWNING SUCH RESERVES OR INTERESTS THEREIN, AND STORES, TRANSPORTS, PRODUCES, PROCESSES, MANUFACTURES, SELLS, MARKETS, AND OTHERWISE DISPOSES OF SUCH CRUDE PETROLEUM AND PRODUCTS DERIVED THEREFROM. ALSO IS AUTHORIZED TO CONSTRUCT AND OPERATE OUTSIDE THE UNITED STATES SUCH REFINERIES, PIPELINES, STORAGE TANKS AND OTHER FACILITIES AS ARE NECESSARY IN CONNECTION WITH THE PROGRAM.	SECTION 5 (D) RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606 b)	ORIGINAL SUBSCRIPTION TO CAPITAL STOCK BY RECONSTRUCTION FINANCE CORPORATION.		AUTHORIZED TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION WITHOUT LIMITATION.
RUBBER DEVELOPMENT CORPORATION	FOREIGN ECONOMIC ADMINISTRATION CARRIES ON ACTIVITIES RELATING TO EXPLORATION, DEVELOPMENT AND PROCUREMENT OF CRUDE RUBBER, SALATA, CRYPTOSTESIA, GUMMULE, AND OTHER GUMS OF SIMILAR UTILITY IN AREAS OUTSIDE THE CONTINENTAL UNITED STATES. ALSO PROCURES LIQUID LATEX, SOAP RUBBER AND RUBBER PRODUCTS IN FOREIGN COUNTRIES.	PRIVATELY ORGANIZED CORPORATION ACQUIRED BY THE DEFENSE SUPPLIES CORPORATION AND TRANSFERRED TO RECONSTRUCTION FINANCE CORPORATION, SECTION 5 (D) RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.		AUTHORIZED TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION UNDER TERMS AND CONDITIONS DETERMINED BY DIRECTOR OF WAR MOBILIZATION.
UNITED STATES COMMERCIAL COMPANY	FOREIGN ECONOMIC ADMINISTRATION SERVES AS CORPORATE AGENT OF FOREIGN ECONOMIC ADMINISTRATION FOR PROCUREMENT AND DEVELOPMENT OF STRATEGIC MATERIAL AND ESSENTIAL FOOD STUFFS OUTSIDE THE UNITED STATES. THE OPERATION OF CERTAIN SPECIAL PROJECTS FOR THE ARMY AND NAVY IN WAR ZONES, THE EXECUTION OF CERTAIN KINDS OF ECONOMIC WARFARE AGAINST THE ENEMY AND FACILITATES TRADE WITH AREAS WITH WHICH DIRECT COMMERCIAL DEALINGS HAVE BEEN CUT OFF OR RESTRICTED BY WAR.	SECTION 5 (D) RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.		UNLIMITED BORROWING POWER FROM RECONSTRUCTION FINANCE CORPORATION.
LEND-LEASE ADMINISTRATION	FOREIGN ECONOMIC ADMINISTRATION CARRIES ON PROGRAM RELATING TO SALE, TRANSFER, EXCHANGE, LEASE-LEND, OR DISPOSING OTHERWISE TO THE GOVERNMENT OF ANY COUNTRY WHOSE DEFENSE THE PRESIDENT DEEMS VITAL TO THE DEFENSE OF THE UNITED STATES. ANY "DEFENSE ARTICLES WITHIN THE MEANING OF THE LEND-LEASE ACT.	LEASE-LEND ACT, (22 U.S.C. 411)	APPROPRIATIONS OF CONGRESS.		
DEFENSE SUPPLIES CORPORATION	RECONSTRUCTION FINANCE CORPORATION ENGAGES IN PRODUCTION AND ACQUISITION OF STRATEGIC AND CRITICAL MATERIAL, BOTH DOMESTIC AND FOREIGN. MAKES LOANS TO PRIVATE ENTERPRISES TO FINANCE, DEVELOP, PRODUCE AND TRANSPORT WAR MATERIALS.	SECTION 5 (B) OF RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.		UNLIMITED AUTHORITY TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION.
METALS RESERVE COMPANY	RECONSTRUCTION FINANCE CORPORATION ENGAGES IN PRODUCTION, ACQUISITION, STORING, SELLING AND OTHERWISE DEALING IN STRATEGIC AND CRITICAL MATERIALS (PRIMARILY METALS AND MINERALS) NECESSARY IN CONNECTION WITH THE WAR PROGRAM.	SECTION 5 (D) OF RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.		UNLIMITED AUTHORITY TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION.
RUBBER RESERVE COMPANY	RECONSTRUCTION FINANCE CORPORATION ACQUIRES RESERVE STOCKS OF CRUDE RUBBER UNDER CONTRACT IN THE MARKET. EXPORTS CRUDE RUBBER AND ACTS AS DISTRIBUTOR TO THE RUBBER INDUSTRY. ARRANGES FOR THE CONSTRUCTION OF OPERATING AND MANUFACTURING PLANTS THROUGH THE NEGOTIATION OF CONTRACTS AND FINANCING OF EXPENDITURES. PURCHASER, UNDER CONTRACT, SOAP RUBBER FOR DISTRIBUTION TO THE RUBBER RECLAIMING INDUSTRY.	SECTION 5 (D) OF RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.		UNLIMITED AUTHORITY TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION.
INTER-AMERICAN NAVIGATION CORPORATION (IN LIQUIDATION)	OFFICE OF COORDINATOR OF INTER-AMERICAN AFFAIRS SUPPLEMENTS EXISTING FACILITIES WITH A SMALL-CARGO VESSEL PROGRAM BY MEANS OF CONTRACTS EXECUTED WITH LOCAL SHIPBUILDING AND SHIP REPAIRING FIRMS. NOW IN LIQUIDATION.	ACT OF JULY 25, 1942 (35 STAT. 707)	ADMINISTRATIVE FUNDS SUPPLIED FROM SALE OF STOCK TO THE GOVERNMENT AND BORROWINGS FROM THE RECONSTRUCTION FINANCE CORPORATION.		
INSTITUTE OF INTER-AMERICAN AFFAIRS	OFFICE OF COORDINATOR OF INTER-AMERICAN AFFAIRS OPERATES PROJECTS FOR MALARIAL CONTROL, IMPROVEMENT OF WATER SUPPLIES, CONSTRUCTION OF SEWAGE SYSTEMS, AND OTHER PROJECTS CENTERED AROUND AREAS OF STRATEGIC MILITARY IMPORTANCE IN SOUTH AND CENTRAL AMERICA.	ACT OF DECEMBER 17, 1941 (35 STAT. 818)	FUNDS SUPPLIED BY ALLOCATION FROM THE OFFICE OF THE COORDINATOR OF INTER-AMERICAN AFFAIRS.		

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCES OF ADMINISTRATIVE FUNDS	BORROWING POWER	REMARKS
INSTITUTE OF INTER-AMERICAN TRANSPORTATION	OFFICE OF CO-ORDINATOR OF INTER-AMERICAN AFFAIRS	IN ORDER TO ASSIST AND IMPROVE MEANS AND METHODS OF TRANSPORTATION IN THE WESTERN HEMISPHERE, HAS POWER TO OWN, USE OR CONSTRUCT, PURCHASE, LEASE, CHARTER, SELL, OPERATE, OR DEAL IN MEANS, METHODS, OR AID, OF TRANSPORTATION OR CONVEYANCE; PARTICULARLY THE REHABILITATION OF THE MEXICAN NATIONAL RAILWAYS.	JUNE 26, 1942 (56 STAT. 996)	FUNDS ARE PROVIDED BY ALLOCATIONS OUT OF APPROPRIATIONS TO THE COORDINATOR AND TO THE PRESIDENT'S EMERGENCY FUNDS.	
FRENCHMAGIA, INC.	OFFICE OF CO-ORDINATOR OF INTER-AMERICAN AFFAIRS	ASSISTS IN DISSEMINATION AND INTERCHANGE OF INFORMATION THROUGH THE DEVELOPMENT AND OPERATION OF COMMUNICATION FACILITIES IN SOUTH AMERICAN COUNTRIES.	JULY 20, 1942 (55 STAT. 819)	FUNDS ARE PROVIDED BY ALLOCATIONS OUT OF APPROPRIATIONS TO THE COORDINATOR AND TO THE PRESIDENT'S EMERGENCY FUNDS.	
PUERTO RICO RECONSTRUCTION ADMINISTRATION	DEPARTMENT OF THE INTERIOR	INITIATED PROJECTS FOR BOTH RELIEF AND PERMANENT RECONSTRUCTION. FINANCES SUGAR, MILK, AGRICULTURAL, AND OTHER CROPS. CONSTRUCTS ROADS, COMMUNITY CENTERS, BUILDINGS, AND IMPROVEMENTS.	ACT OF APRIL 8, 1935 (49 STAT. 115)	FUNDS PROVIDED BY DIRECT APPROPRIATIONS AND ALLOCATIONS.	
MOIN ISLANDS COMPANY	DEPARTMENT OF THE INTERIOR	OPERATES SUGAR CANE PLANTATIONS, SUGAR FACTORIES AND DISTILLERIES.	ACT OF MAY 12, 1933 (15 U.S.C. 724)	FUNDS PROVIDED BY ALLOCATION AND TRANSFER OF APPROPRIATIONS FROM OTHER AGENCIES.	MAY BORROW OR RAISE MONEY FOR ANY OF THE PURPOSES OF THE CORPORATION WITHOUT LIMIT AS TO AMOUNT. THESE BORROWINGS ARE NOT GUARANTEED BY THE UNITED STATES.
FEDERAL SURPLUS COMMODITIES CORPORATION	WAR FOOD ADMINISTRATION, AGRICULTURE	ORIGINALLY CONCERNED WITH RELIEF AND DISPOSAL OF SURPLUS AGRICULTURAL COMMODITIES, LATTERLY CONCERNED WITH TEXAS TIMBER SALVAGE AND A GENERAL COMMODITY PURCHASE PROGRAM FOR LEND-LEASE.	FEDERAL EMERGENCY RELIEF ACT OF 1933 (15 U.S.C. 721)	ORIGINALLY GRANTS FROM FEDERAL EMERGENCY RELIEF ADMINISTRATION. LATER TRANSFERS OF FUNDS FROM APPROPRIATIONS (SEC. 35 OF ACT OF AUGUST 24, 1955).	BORROWINGS HAVE BEEN MADE FROM RECONSTRUCTION FINANCE CORPORATION AND DISASTER LOAN CORPORATION.
DEFENSE HOMES CORPORATION	FEDERAL PUBLIC HOUSING AUTHORITY, NATIONAL HOUSING AGENCY	ENGAGED IN CONSTRUCTION OF HOUSING IN WAR PLANT AREAS AND OPERATION OF COMPLETED HOUSING ON A RENTAL BASIS.	SEC. 5 (D) OF RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 666)	CAPITAL FROM APPROPRIATED FUNDS.	CONFINES ITS BORROWINGS FROM RECONSTRUCTION FINANCE CORPORATION.
OFFICE OF ALIEN PROPERTY CUSTODIAN	OFFICE FOR EMERGENCY MANAGEMENT	CONTROLS OR VESTS FOREIGN OWNED PROPERTY AND ONCE VESTED SUCH PROPERTY IS HELD, USED, ADMINISTERED, LIQUIDATED, SOLD OR OTHERWISE DEALT WITH IN THE INTEREST AND FOR THE BENEFIT OF THE UNITED STATES.	TRADING WITH THE ENEMY ACT, AS AMENDED	APPROPRIATIONS OF CONGRESS.	LIAISON WITH TREASURY DEPARTMENT ON MATTERS AFFECTING FOREIGN FUNDS CONTROL. CERTIFICATION MADE TO SECRETARY OF TREASURY AS TO NECESSARY PROPOSED ACTION IN CASE OF BUSINESS ENTERPRISES OF FOREIGN NATIONALS.
WAR RELOCATION AUTHORITY	OFFICE FOR EMERGENCY MANAGEMENT	PROVIDES FOR REMOVAL FROM DESIGNATED AREAS OF PERSONS WHOSE REMOVAL IS NECESSARY IN THE INTEREST OF NATIONAL SECURITY, AND FOR THEIR RELOCATION MAINTENANCE AND SUPERVISION. MAKE SUCH EXPENDITURES, INCLUDING THE MAKING OF LOANS AND GRANTS AND THE PURCHASE OF REAL PROPERTY AS MAY BE NECESSARY.	EXECUTIVE ORDER #102 OF MARCH 18, 1942	APPROPRIATIONS OF CONGRESS.	
WAR SHIPPING ADMINISTRATION	OFFICE FOR EMERGENCY MANAGEMENT	CONTROLS THE OPERATION, PURCHASE, CHARTER, REQUISITION, AND USE OF ALL OCEAN VESSELS UNDER CONTROL OF THE UNITED STATES EXCEPT COMBATANT AND AUXILIARY VESSELS, AND EXCEPT VESSELS UNDER CONTROL OF OFFICE OF DEFENSE TRANSPORTATION. ALLOCATES VESSELS FOR USE BY ARMY, NAVY AND GOVERNMENTS OF UNITED NATIONS. PROVIDES MARINE INSURANCE AND REINSURANCE AGAINST LOSS OR DAMAGE OF VESSELS. REPRESENTS THE UNITED STATES IN DEALING WITH BRITISH MINISTRY OF WAR TRANSPORT AND SIMILAR AGENCIES OF ALLIED NATIONS. VESSELS UNDER CONTROL OF THE ADMINISTRATION CONSTITUTE A POOL TO BE ALLOCATED FOR USE OF THE ARMY, NAVY AND OTHERS IN COMPLIANCE WITH STRATEGIC MILITARY REQUIREMENTS.	EXECUTIVE ORDER 9054 ISSUED UNDER FIRST WAR POWERS ACT	CHIEF SOURCE FUNDS APPROPRIATIONS OF CONGRESS.	COLLABORATES WITH MILITARY, NAVAL AND CIVIL DEPARTMENTS OF GOVERNMENT PERFORMING FUNCTIONS WITH WARTIME OVERSEAS TRANSPORTATION.
U.S. MARITIME COMMISSION	INDEPENDENT	CARRIES OUT A LONG RANGE SHIP CONSTRUCTION PROGRAM WHICH WAS ACCELERATED BY THE WAR. THE GREAT BULK OF SHIPPING FACILITIES UTILIZED IN THE MERCHANT SHIP BUILDING PROGRAM WERE CONSTRUCTED UNDER JURISDICTION OF AND ARE OWNED BY THE COMMISSION. GRANTS DIFFERENTIAL SUBSIDIES IN CONSTRUCTION AND OPERATION OF VESSELS TO BE USED IN ESSENTIAL SERVICE ROUTES OR LINES IN FOREIGN COMMERCE OF THE UNITED STATES, TO AVOID HAVING OWNERS PLACED AT SUBSTANTIAL DISADVANTAGE IN COMPETITION WITH CONSTRUCTION OR OPERATION OF FOREIGN VESSELS. INCLUDES MORTGAGES ON ALL TYPES OF PASSENGER AND CARGO VESSELS, TUGS, TOWBOATS, BARGES, DREDGES, AND FISHING VESSELS OWNED BY CITIZENS OF THE UNITED STATES.	MERCHANT MARINE ACT 1936 (46 U.S.C. 111)	APPROPRIATIONS OF CONGRESS.	UNDER LIMITATIONS MAY ISSUE DEBENTURES GUARANTEED BY UNITED STATES.

PARENT ORGANIZATION	FUNCTIONS OF FISCAL INTEREST	BASIC AUTHORITY FOR FUNCTIONS	SOURCES OF ADMINISTRATIVE FUNDS	BORROWING POWER	REMARKS
FEDERAL PRISON INDUSTRIES, INC.	BUREAU OF PRISONS, JUSTICE	PROVIDES EMPLOYMENT FOR INMATES OF PRISONS INVOLVING THE PRODUCTION OF ARTICLES FOR CONSUMPTION IN PRISONS OR FOR SALE TO FEDERAL AGENCIES. THIS INCLUDES MANUFACTURE OF ARTICLES OR PERFORMANCE SERVICE FOR THE WAR AND NAVY DEPARTMENTS, MERCHANT MARINE, AND COAST GUARD, SUCH AS OPERATING LAUNDRIES, REWEAVING MATERIALS, SALVAGING METALS, ETC.	ACT OF JUNE 23, 1934 (18 U.S.C. 744)	ORIGINAL CAPITAL CREATED BY TRANSFER OF FUNDS AND ASSETS FROM PRISON INDUSTRIES WORKING CAPITAL FUND OF INDUSTRIAL DIVISION OF BUREAU OF PRISONS.	
UNITED STATES HOUSING CORPORATION (IN LIQUIDATION)	FEDERAL HOME LOAN BANK ADMINISTRATION, NATIONAL HOUSING AGENCY	PROVIDED HOUSING FOR WAR WORKERS IN WORLD WAR I.	ACT APPROVED MAY 16, 1918 (40 STAT. 550) AND ACT OF JUNE 4, 1918 (40 STAT. 595)	ORIGINAL CAPITAL PROVIDED BY APPROPRIATION OF CONGRESS.	
UNITED STATES SPRUCE PRODUCTION CORPORATION (IN LIQUIDATION)	WAR DEPARTMENT	ENGAGED IN STIMULATION OF SPRUCE PRODUCTION FOR AIRCRAFT PRODUCTION DURING WORLD WAR I.	ACT MAKING APPROPRIATIONS FOR SUPPORT OF THE ARMY (40 STAT. 888)	CAPITAL PROVIDED BY APPROPRIATION OF CONGRESS.	
DEFENSE PLANT CORPORATION	RECONSTRUCTION FINANCE CORPORATION	ENGAGED IN THE CREATION, EXPANSION, CONVERSION AND FINANCING OF PLANTS AND FACILITIES FOR PRODUCTION AND DISTRIBUTION OF WAR MATERIAL AND SUPPLIES.	SECTION 5 (D) OF RECONSTRUCTION FINANCE CORPORATION ACT (15 U.S.C. 606b)	CAPITAL SUPPLIED BY RECONSTRUCTION FINANCE CORPORATION.	UNLIMITED AUTHORITY TO BORROW FROM RECONSTRUCTION FINANCE CORPORATION.

BUREAU OR OFFICE

FUNCTIONS

BASIC AUTHORITY FOR FUNCTIONS

PROCUREMENT DIVISION

DIRECTS THE NEGOTIATION OF CONTRACTS FOR SUPPLIES AND SERVICES FOR GENERAL REQUIREMENTS OF THE GOVERNMENT, INCLUDING THE OPERATION OF VARIOUS CONTRIBUTING FUNCTIONS SUCH AS FEDERAL STANDARD STOCK CATALOG ACTIVITY AND FREIGHT RATE AND TRAFFIC INFORMATION. SPECIFICS AND DIRECTS WAREHOUSE ACTIVITIES IN BOTH WASHINGTON AND THE FIELD. COORDINATES AND SUPERVISES THE DISPOSITION OF SURPLUS, SEIZED, AND FORFEITED PROPERTY. PREPARES AND MAINTAINS CURRENT OFFICIAL SPECIFICATIONS FOR MINIMUM REQUIREMENTS OF COMMODITIES IN GOVERNMENT USE WHICH ARE MANDATORY FOR OBSERVATION IN FEDERAL PROCUREMENT ACTIVITIES. PROCURES STOCKS OF STRATEGIC AND CRITICAL MATERIAL, AS BASICALLY APPROVED BY THE ARMY AND NAVY WARITIONS BOARD. PROCURES ASSIGNED CLASSES OF MATERIAL, EQUIPMENT AND SUPPLIES REQUIRED FOR NATIONS ENTITLED TO BENEFITS OF LEASE-LEND ACT. BUYS CLOTHING, MEDICAL AND OTHER SUPPLIES FOR RELIEF OF THE DESTITUTE FOR DISTRIBUTION BY THE RED CROSS OVERSEAS. RENEGOTIATES CONTRACTS CONTINUED BY THE PROCUREMENT DIVISION IN COOPERATION WITH THE WAR AND NAVY DEPARTMENTS AND THE UNITED STATES WRITING COMMISSION.

EXECUTIVE ORDER No. 6166 OF JUNE 10, 1933, PURSUANT TO ACT OF MARCH 3, 1933 (40 U.S.C. 276).

BUREAU OF NARCOTICS

ENGAGED IN THE INVESTIGATION, DETECTION, AND PREVENTION OF VIOLATIONS OF THE FEDERAL NARCOTIC AND MARIJUANA LAWS, AND THE OPIUM POPPY CONTROL ACT OF 1942. ISSUES PERMITS TO IMPORT CRUDE NARCOTIC DRUGS AND TO EXPORT DRUGS FOR PREPARATIONS MANUFACTURED THEREFROM UNDER LAW AND DETERMINES QUANTITIES OF DRUGS TO BE MANUFACTURED FOR MEDICAL PURPOSES. ISSUES LICENSES FOR PRODUCTION OF POPPIES FOR MANUFACTURE OF OPIUM PRODUCTS WHENEVER SUCH PRODUCTION AND MANUFACTURE IS NECESSARY FOR MEDICAL AND SCIENTIFIC NEEDS. IN COOPERATION WITH THE PUBLIC HEALTH SERVICE DETERMINES QUANTITIES OF CRUDE OPIUM AND COCA LEAVES TO BE IMPORTED FOR MEDICAL AND OTHER LEGITIMATE USES. COOPERATES WITH THE DEPARTMENT OF STATE IN DISCHARGE OF INTERNATIONAL OBLIGATIONS CONCERNING TRAFFIC IN NARCOTIC DRUGS AND SUPPRESSION OF ABUSE OF SUCH DRUGS.

ACT OF JUNE 14, 1930 (5 U.S.C. 282)

UNITED STATES SECRET SERVICE

HAS RESPONSIBILITY FOR PROTECTION OF THE PRESIDENT, HIS FAMILY, AND THE PRESIDENT-ELECT. MAINTAINS THE PERMANENT POLICE FORCE FOR THE WHITE HOUSE. HAS RESPONSIBILITY FOR THE DETECTION, ARREST AND DELIVERY TO THE PROPER JURISDICTION OF PERSONS ENGAGED IN THE COUNTERFEITING, FORGING, OR ALTERING OF ANY OF THE OBLIGATIONS OR OTHER SECURITIES, AS WELL AS THE COINS, OF THE UNITED STATES OR OF FOREIGN GOVERNMENTS. MAINTAINS FORCE FOR SAFEGUARDING THE PAPER CURRENCY AND OTHER GOVERNMENT SECURITIES AND OBLIGATIONS DURING PROCESS OF MANUFACTURE AT THE BUREAU OF ENGRAVING AND PRINTING AND IN DISTRIBUTION TO GOVERNMENT AGENCIES IN WASHINGTON AND IN THE VAULTS OF THE MONEY HANDLING DIVISIONS OF THE TREASURY DEPARTMENT.

ACT OF JUNE 23, 1860 (12 STAT 102) AND ACT OF JULY 11, 1862 (12 STAT 533).

UNITED STATES COAST GUARD (REVERTS TO TREASURY FROM NAVY AFTER CLOSE OF WAR)

DURING PEACETIME IS RESPONSIBLE BROADLY FOR MARITIME LAW ENFORCEMENT AND ASSISTING, SAVING, AND PROTECTING LIFE AND PROPERTY ON THE SEA AND IN NATIONAL EMERGENCIES AND DISTRESS, AND IN MAINTAINING A STATE OF PREPAREDNESS FOR NATIONAL DEFENSE. AN IMPORTANT FUNCTION OF THE COAST GUARD FROM THE STANDPOINT OF THE TREASURY DEPARTMENT IS THE PROTECTION OF THE CUSTOMS REVENUE AND THE PREVENTION OF SMUGGLING OF NARCOTICS AND OTHER CONTRABAND.

ACT OF JANUARY 28, 1915 (14 U.S.C.1).

November 2, 1944
4:25 p.m.

HMJr: How are you?

Ambassador
Patterson: You called me.

HMJr: Well, the reason I'm calling you is that I'm not going to have the pleasure of being able to see you today and I won't be here on the eighth.

P: Yes.

HMJr: So, therefore, I just wanted to call up and say, "Hello".

P: Well, that's fine.

HMJr: And I wanted to wish you good luck.

P: Oh, that's fine. I'm looking forward to it. You tell Ellie I'm going across just like a small boy with a great adventure and I'm all crammed up. I've been through my basic training and indoctrination here in office six weeks and I've been thinking of you a good deal but I didn't think you would want to call me in but I just didn't know. I didn't want to leave the country without reporting to the Secretary of the Treasury.

HMJr: Well, now, I don't know. Of course, we do have quite a number of people there with Winant

P: Yes.

HMJr: who do look after financial matters.

P: Yeah.

HMJr: And they are quite good.

P: Yeah.

HMJr: And right now I don't know any particular financial problem for the country you're

P: Well, I wasn't thinking about that especially, Henry. I thought maybe that you might have something in mind, knowing these thirty years, that you might want me to do

HMJr: Well, there may be.

P: I've worked for you and you know -- you know me so well that I thought maybe, well, here's

HMJr: Well, that's very nice and if there is anything, I won't hesitate to write.

P: Oh, no.

HMJr: But we have a small group there in the Embassy that are very good.

P: Well, I assumed you had them throughout the world.

HMJr: No, no, but we do have them in London.

P: We've got a hot potato there and a lot of dynamite in Yugoslavia.

HMJr: That's right.

P: And -- at least the President says so and you probably know it as well as he does.

HMJr: Yeah.

P: And I'm going to give it all I've got.

HMJr: Yeah. Well, King Peter is not one of my favorite youths.

P: (Laughs) I never saw the boy.

HMJr: Well

P: But my letter of credence is to him.

HMJr: Well, that much I'll pass on to you.

P: All right. That's enough for me. How's Ellie?

HMJr: I'll tell you -- fine -- I'll tell you something else.

P: Yes.

HMJr: The one thing that will make a hit with him -- if you can talk about movie stars -- he's more interested in that than anything else.

P: Oh, hell, I can do that.

HMJr: Yeah, I know you can.

P: Oh, I can do that....

HMJr: And

P: You mean that, do you?

HMJr: Oh, I'm not kidding.

P: Uh huh.

HMJr: No, the two things he's interested in: movie stars and racing.

P: Well, I don't know about the latter but I'll give him an earful on movie stars.

HMJr: Well, you'll get somewhere with that.

P: Henry, I think we're all right, don't you for next week?

HMJr: Oh, definitely.

P: It's just a question of whether the college is a landslide.

HMJr: Yes.

P: Well, give my love to Ellie.

HMJr: Thank you, and mine to your wife.

P: I'll do it. Thank you for calling me, Henry.

HMJr: Good bye.

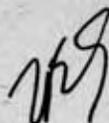
P: Bye.

TO:

The Secretary

Steve Early was out. I talked to Oscar Cox, who was against a release and said he could and would handle the thing with Twitty by telling him this was an old story. We are again reviewing Len-^aLease matters with the British as has frequently been done before. All the agencies affected, including State, Treasury, FEA, War and Navy, have been in on the discussions.

I agreed to this plan, which I think better than to make it appear by a White House release that something momentous is on.



FROM: MR. GASTON

11/2/44

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

*Copy to Mr. 193
Coaday - 11/3/49 -*

REFERENCE

TELEPHONE EXECUTIVE 2020

2nd November 1944.

Dear Mr. Secretary,

Thank you very much for the book; Lydia has sniffed it and declares it smells good.

I think I mentioned to you last week that I might be going to Ottawa over the Election. That plan has not come off, since those dates did not suit the Canadian Treasury. I seem to remember that you told me that you also were expecting to be away from Washington for a few days from tomorrow. Relying on that, I am putting off the preparation of the material I promised you until the weekend. If that is all right with you, it would help me to have a short delay. Like yourself, I am finding that I am basically tired, and there were over a hundred papers on my desk last night which I had not looked at or disposed of. So I am spending today quietly working at my hotel on all sorts of small matters, without going to meetings or attending to any major questions. So unless I hear from you otherwise, I will not push myself to have the material ready until you return after the Election.

One matter remains, however, which I may have to raise with you before you go away. As, I think, Cherwell told you at luncheon yesterday, we seem to have reached some sort of deadlock with the Navy. For some days now we have had no contact whatever. They give us to understand that they are preparing a list of what they propose to do, unilaterally and without discussion, and then take the result to you without having given us an opportunity to see it. That does not seem nearly so satisfactory as the course taken by the War Department. It

- 2 -

would be very kind if you would have a word with Mr. Forrester on the matter. May I bring Sir Robert Sinclair round to see you, if nothing has happened in the meantime to make it unnecessary, tomorrow, Friday, morning?

Sincerely yours,

Keynes

The Hon. Henry Morgenthau, Jr.

November 2, 1944
4:33 p.m.

HMJr: James.

Secretary
Forrestal: Yes.

HMJr: Henry, speaking.

F: Right.

HMJr: Look, I just have a letter from Lord Keynes in which he's telling me what he -- writing me what he's told me now twice. They're disturbed about how you people in the Navy are going to proceed in regard to this Lend-Lease.

F: Yes.

HMJr: And their understanding is that you are forwarding something to me without showing it to them. Now, I don't know a thing about it and I'm calling you direct.

F: Well, I think that's correct. I think we're sending -- I went over a letter -- I think I signed a letter yesterday, as a matter of fact, to you, Henry.

HMJr: Well, it didn't come. I haven't gotten it.

F: Uh huh.

HMJr: But they sort of felt they hadn't had their day in court.

F: Well, I think the first -- as I recall -- wait a minute; I'll get -- ask Horn. Horn -- I went over it with him. Our thought was we'd send you -- and see whether you approved the procedure that we were following and then take it up with them.

HMJr: I see.

F: (Talking over his inter-office communication system: I was speaking to Mr. -- to the Secretary of the Treasury, Admiral. He said that Keynes had complained to him that we had not shown the British the letter that we are proposing to send to Mr. Morgenthau. I don't know why we should, as a matter of fact. Has that gone to Mr. Morgenthau? Answer: I don't know whether you signed

F:
Cont'd.

it or not. F: Yes, I signed it last night. That -- as I remember it -- in that letter we outlined what we thought we could do and asked Mr. Morgenthau if we -- if that procedure was satisfactory to him before we were taking it up with the British. Answer: That's right. F: Uh huh.) Henry, I think that letter is probably in your shop and if not, I'll-- I'll pursue it here and see that you get it this afternoon.

HMJr: Well

F: Right.

HMJr: I mean, it wasn't here up until five minutes ago. Hello?

F: Yes.

HMJr: I'm not -- don't misunderstand me -- I'm not criticizing how you proceed. I'm just passing you on what the British said.

F: Well, I, frankly, don't see why the -- my response to Lord Keynes is that his understanding is correct and

HMJr: Yeah.

F: we don't see why the

HMJr: Well, the only thing is that the Army proceeded differently, but when the thing comes over we'll have a look at it and then we'll let you know.

F: All right, Henry.

HMJr: How's that?

F: That's okay.

HMJr: I thank you.

F: Bye.

Copy to Dr. White 11/3/44

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Op-12/bbs
EC)L11-7/EF13
Serial 0397712

THE SECRETARY OF THE NAVY
WASHINGTON

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2 NOV 1944

My dear Mr. Secretary:

The Navy Department is now prepared to inform the British that, in conformity with the request contained in paragraph 13, page 12 of "British Requirements for the First Year of Stage II", due note will be taken of Admiralty requirements (less aeronautical, which are handled separately) when initiating or revising production schedules. In doing so, it is planned to set forth the general and specific conditions contained in this letter and its enclosure but not the financial considerations which I am including herein for your information. Before our subcommittee replies to the British I would appreciate your informing me whether this procedure is satisfactory to you.

The naval requirements of the British (less ship repair and fleet air arm needs) total \$416,000,000. The ship repair estimate submitted by the British Naval Committee totals \$100,000,000 and in addition there is included an estimated \$50,000,000 for contingent or "spot" requirements and \$5,850,000 for services. In addition there is in the Army list, but excluded by the War Department from its estimates because the Navy builds them, a requirement for LVT's (Amphibious Tractors) at a cost of \$32,000,000. Thus the grand total (less aeronautical material) of the detailed requirements presented to the Navy Department is \$603,850,000.

Aside from certain specific exceptions which will be noted later, it is planned to condition our reply to the British as follows:

- (a) The material is to be used in the tasks assigned to the British at the Quebec Conference.
- (b) The actual assignment of material will be made exactly as at present through the Munitions Assignment Board machinery wherein the needs of the moment of all bidders are considered in the light of approved operations.

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- (c) The requirements as set forth are considered to supplant or include all previous requirements submitted for 1945.

The situation with regard to the various British stated requirements is shown in detail in the enclosure. It will be seen that, subject to the broad conditions above and the specific conditions set forth in the enclosure, the total estimates for U. S. Navy planning purposes total \$371,508,000. It is again emphasized that this excludes all naval air requirements (including material desired from the Bureau of Aeronautics) but includes \$32,000,000 worth of LVT's from the British Army requirements.

I assume that I may hear from you in the near future as to whether the proposed form of the reply to the British Naval Committee is considered satisfactory by you.

With cordial regards,

Most sincerely,

James Forrester
James Forrester.

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

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COMMENTS ON BRITISH NAVAL LEND-LEASE REQUIREMENTS
 FOR THE CALENDAR YEAR 1945

1. As a breakdown of the British Naval requirements contained in "British Requirements for the First Year of Stage II", the British Navy members of the committee furnished a pamphlet of requirements dated 11 October 1944. This breakdown, under the headings used in the above publication, is commented upon as follows. These comments are in addition to the broad conditions set forth in the letter of which this is the enclosure.

a. Ships and Craft

Total British Requirement - 177 ships & craft

Value: \$157,700,000.00

Comment:

The availability of ships and craft will depend on the strategic situation and combined operational needs. It is probable that little of the British requirements in this category can be met. If the British need eventuates, it is probable that the following can be furnished:

	<u>Value</u>
32 LCI(L)s	\$15,800,000.00
100 LCVPs	1,000,000.00
Total	<u>\$16,800,000.00</u>

As it may be possible to fill some of the other requirements, a total planning figure of \$75,000,000 is suggested.

b. Guns and Mountings

Total British Requirement \$18,900,000.00

Comment:

This includes requirements for 40mm guns amounting to about \$13,000,000. The British requirements for this equipment are now under study by the Munitions Assignment Committee (Navy). From present indications production will fall short of U. S. requirements until at least the middle of 1945. It is suggested that the planning figure be reduced by \$8,000,000.

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c. Ammunition

Total British Requirement \$50,900,000.00

Comment:

This includes a large number of special type fuses which probably cannot be furnished in full.

d. Torpedoes

Total British Requirement \$9,000,000.00

Comment:

This requirement is for 720 aircraft torpedoes which can be used only on U. S. built planes and is, therefore, dependent on the degree to which the British requirement for torpedo planes will be met.

e. Depth Charge Stores

Total British Requirement \$1,119,000.00

Comment:

The Mark III Y Guns are out of production. This reduces the above planning figure by \$542,000.

f. Fire Control Equipment

Total British Requirement \$9,800,000.00

Comment:

Mark XIV mod. 2 Sights are out of production. This reduces the above planning figure by \$2,500,000.

g. Engines: Total

Total British Requirement \$6,850,000.00

Comment:

None.

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ENCLOSURE

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h. Engine Spares

Total British Requirement	\$91,670,000.00
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Comment:

Automatic flow of spares for U. S. equipment will be furnished on the same basis as they are supplied to U. S. vessels.

i. Radio and Radar

Total British Requirement	\$32,000,000.00
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Comment:

This equipment is at present in short supply, particularly the latest types. It is probable that British requirements cannot be met in full. This reduces the above planning figure by about \$12,000,000.

j. Naval Stores

Total British Requirement	\$ 5,750,000.00
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Comment:

Electrical equipment is in short supply. This will probably reduce the above planning value by about \$750,000.

k. Works and Other Items

Total British Requirement	\$ 1,305,000.00
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Comment:

None.

l. Victualing Stores

Total British Requirement	\$21,000,000.00
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Comment:

British Naval Supply Depots will not be stocked in excess of stocks carried by comparable U. S. Naval Supply Depots.

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ENCLOSURE

TOP SECRETm. Raw Materials

Total British Requirement	\$1,000,000.00
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Comment:

None.

n. Miscellaneous Bulk Naval Stores

Total British Requirement	\$9,000,000.00
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Comment:

Same as above for Victualing Stores.

o. Medical and Dental Stores

Total British Requirement	\$ 500,000.00
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Comment:

None.

2. SHIP REPAIRS The value of ship repairs and services is not given in the British total requirements. The breakdown furnished the Navy Department totals \$105,850,000.00. No such drain on our ship repair facilities can be accepted even for planning purposes. An acceptable planning figure is considered to be \$30,000,000.00. Also, the British breakdown includes \$50,000,000.00 for contingent or spot requirements. It is considered that this should be eliminated for planning purposes.

3. AMPHIBIOUS TRACTORS A requirement for \$32,000,000.00 worth of amphibious tractors was included by the British in the Army requirements. As these are procured by the Navy Department this figure should be added to the planning value of the Navy Department total.

4. Total requirements (less aeronautical) on the Navy Department are as follows:

(a) Total from "British Requirement for the First Year of Stage II"	\$416,000,000.
Added for ship repairs	100,000,000.
Added for "spot" requirements	50,000,000.
Added for LVT requirements	32,000,000.
Added for services	5,850,000.
Total	<u>\$603,850,000.</u>

Total \$603,850,000.

(b) Deductions for planning purposes:

Ships and craft	\$ 82,700,000.
Guns and mountings	8,000,000.
Y-Guns	542,000.
Fire Control	2,500,000.
Radio and radar	12,000,000.
Electrical equipment	750,000.
Ship repairs and services	75,850,000.
Spot requirements	<u>50,000,000.</u>

Total \$232,342,000.

(c) Total for planning purposes: \$603,850,000.
232,342,000.

Total \$371,508,000.

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ADDRESS REPLY TO
COMMANDING GENERAL, ARMY AIR FORCES
WASHINGTON 25, D. C.

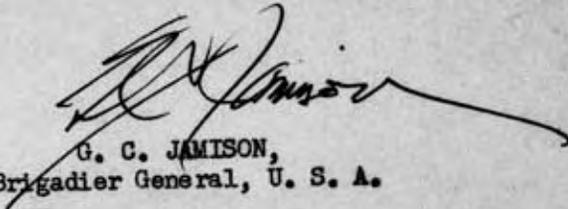


ATTENTION:
HEADQUARTERS, ARMY AIR FORCES
WASHINGTON

2 November 1944

MEMORANDUM FOR MR. MORGENTHAU:

In conformance with instructions issued by Mr. Lovett this date, the attached document is forwarded covering the subject of air items of equipment for the United Kingdom during the first year of STAGE II.


G. C. JAMISON,
Brigadier General, U. S. A.

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Mr. Henry J. Morgenthau, Jr.

Chairman, British-American Committee on Lend-Lease

Dear Sir:

In accordance with the directions of your Committee in its meeting on 19 October 1944, we have examined the British requirements for air items for the first year of STAGE II, assumed to be co-terminous with the calendar year 1945. Our conclusions are as follows;

1. The Army Air Forces and the U. S. Navy accept the British requirements as listed in attached schedules as a production requirement or a requirement from surplus stocks subject to annotations contained in the schedules and undertake to make all practicable efforts to provide the specified quantities.

2. In some categories there are included quantities of material specified only by type and dollar value. This is also true of the spot items. In accepting these dollar values, it is understood that the ability of the Army Air Forces and the U. S. Navy to deliver the particular items which will be specified later, will depend on the production or stock conditions existing at the time. It is agreed that the Army Air Forces and the U. S. Navy will make diligent effort to deliver the specified items after the firm requirements have been established to the extent consistent with overall production possibilities for all purposes at the time of filing of the firm requirements. It is understood that acceleration or delay in production (as set out in the operative version of Joint Aircraft Committee Schedule WX and corresponding schedules for ancillary equipment) will be shared proportionately by all Services which share in the allocation of the item up to the full agreed allocation. It is further

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agreed that the burden of meeting changed commitments which are later necessitated by strategic considerations, approved by the Combined Chiefs of Staff and activated by the Combined Munitions Assignments Board, will be shared proportionately by all Services which share in the allocation of the item.

3. It is understood that the British forces will receive, in addition to the quantities listed in the attached schedules, any deficit there may be at the end of 1944 on supplies scheduled for that year subject to assignment by the Munitions Assignments Board, provided production permits.

4. There are certain items of U. S. Army type for which additional production is impracticable within the period and the British do not press for further facilities. Such items have been accepted by the Army Air Forces and the U. S. Navy as requirements with the understanding that the U. K. must bid for these items before the Munitions Assignments Board on the basis of operational urgencies in accordance with existing procedures.

5. It is agreed that the U. K. will accept combat-serviceable equipment of the type and kind suitable for re-issue to the Army Air Forces and the U. S. Navy for use against Japan with the understanding that spares will be furnished on the same scale as for the U. S. Services.

6. Subject to the above and the remarks in the attached schedules, the Army Air Forces and the U. S. Navy agree that the items in the quantities stated, or in the values indicated on the attached schedules, are accepted for production or from stocks concurrently with the requirements of the Army Air Forces and the U. S. Navy and all other known military requirements at the time of acceptance.

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7. It is understood that the agreements reached herein, as far as deliveries are concerned, fall within and are subject to, the established procedures of the Combined Munitions Assignments Board. It is agreed that estimated schedules of deliveries will, insofar as practicable, be prepared and agreed with the British as soon as possible.

8. It is agreed that the training schools for the Royal Air Force and Fleet Air Arm provided through the agencies of the Army Air Forces and the U. S. Navy will continue to operate during the first year of STAGE II at such a rate as may be shown to be necessary to provide air crews for use during the war against Japan. The cost of these services is in addition to the estimated value of the items in the schedules or otherwise specified.

9. The attached schedules provide for such share of new developments as might properly be assigned to the British forces in the first year of STAGE II, and for unforeseen contingencies and spot items. The British estimate that the figure of 200 million dollars shown will cover such requirements.

10. In the interest of the most efficient utilization of shipping at the disposal of the two countries and depending upon the production or stock position at the time, the U. K. undertakes to continue to supply air items of reciprocal aid within the limits prevailing at the time of the defeat of Germany.

11. The U. S. representatives also recommend that as a condition of the acceptance of the scheduled U. K. requirements by the U. S., the U. K. accept the responsibility for furnishing

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reciprocal aid throughout the British Empire and Commonwealth
as required by the common interest.

Respectfully,

UNITED STATES

BRITISH

R. P. Patterson

Robert P. Patterson
Undersecretary of War

Robert A. Lovett

Robert A. Lovett
Assistant Secretary of War for Air

H. H. Arnold

H. H. Arnold
General, U. S. A.
Commanding General, Army Air Forces

Artemus L. Gates

Artemus L. Gates
Assistant Secretary of Navy for Air

Aubrey W. Fitch

Aubrey W. Fitch
Vice Admiral, U. S. Navy
Deputy Chief of Naval Operations (Air)

C. L. Courtney

C. L. Courtney
Air Chief Marshal
Royal Air Force

C. P. Fairley

C. P. Fairley
Director General
British Air Commission

R. P. Willock

R. P. Willock
Air Vice Marshal
Acting Head, Royal Air Force Delegation

G. F. Somerville

G. F. Somerville
Admiral,
Head, British Admiralty Delegation

The page covering U.S. Navy-cognizance aircraft and necessary corrections
in total dollar value have been inserted with the approval of all signers.

E.M.C. Abel-Smith

E.M.C. Abel-Smith,
Captain, Royal Navy

Herbert D. Riley

Herbert D. Riley,
Commander, U.S. Navy

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ALLOCATIONS OF AIR EQUIPMENT

For the First Year of STAGE II
(Co-terminous with the Calendar Year 1945)

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S U M M A R Y

	<u>Approximate</u> <u>Dollar Value</u>
AIRCRAFT & NORMAL INITIAL SPARES (A.A.F.)	\$496,005,000
AIRCRAFT & NORMAL INITIAL SPARES (U.S.N.)	230,451,185 - 238,580,405
AIRCRAFT SUPPLEMENTARY MAINTENANCE SPARES	100,000,000
RADIO AND RADAR	218,008,001
AIRCRAFT COMPONENTS AND EQUIPMENT	340,000,000
BOMBS	50,927,600
NEW DEVELOPMENTS & SPOT ITEMS	<u>200,000,000</u>
	\$1,635,391,786 - 1,643,521,006

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<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>AIRPLANE COST</u>	<u>SPARES COST</u>	<u>TOTAL</u>	<u>REMARKS</u>
1	B-24	100	\$ 28,500,000	\$ 9,300,000	\$ 37,800,000	Attached cost includes airframe, engine, propeller, GFE, Ordnance, and signal equipment, subject to change. A fixed 10% has been added to cover A.A.F. costs of handling, transportation in the U.S., modification, and flight delivery of aircraft. Spares are figured on the basis of JAC Case 1850 with 10% added for delivery costs.
2	P-51	1117	82,100,000	39,500,000	121,600,000	
3	P-47	324	42,200,000	18,100,000	60,300,000	
4	G-54	20	7,700,000	3,000,000	10,700,000	
5	G-47	1184	154,000,000	51,200,000	205,200,000	
6	UC-45	136	9,700,000	4,300,000	14,000,000	
7	Gliders, CG-4A	1400	37,500,000	7,700,000	45,200,000	
8	OQ-3	240	350,000	105,000	455,000	
9	Link Trainer (AN-F-18)	150	675,000	75,000	750,000	
			<u>\$362,725,000</u>	<u>\$133,280,000</u>	<u>\$496,005,000</u>	

- NOTE: 1. Aircraft requirements of the Royal Air Force and Royal Navy for U. S. Navy type aircraft are listed on the next page.
2. It has been agreed that allocations of Helicopters will be considered March 1, 1945 and that the AAF will take cognizance of British stated requirements for 200 R-6 and 40 R-5 models in planning 1945 production.

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AIRCRAFT PRODUCED UNDER COGNIZANCE OF U.S. NAVY

<u>Serial No.</u>	<u>Item</u>	<u>Quantity</u>	<u>Value</u>	<u>Remarks</u>
1.	Corsair (FG)	323-383	\$43,762,301 - \$51,891,521	Assignment of all items subject to stipulations of Fitch - Courtney - Abel-Smith Agreement of October 31, 1944.
2.	Hellcat (F6F)	574	\$63,758,772	
3.	Wildcat (FM)	240	\$17,197,680	Value listed includes airframe, engine, propeller, GFE, Ordnance, radio and radar, subject to change. A fixed 10% has been added to cover U.S.N. costs of handling, transportation in the U.S., modification and flight delivery of the aircraft. Spares are figured on the basis of J.A.C. Case 1850, with 10% added for delivery costs.
4.	Avenger (TBM)	434	\$64,926,834	
5.	Liberator - Cargo (RY-3)	111*	<u>\$40,805,598</u>	
			\$230,451,185 - \$238,580,405	

* Including any planes of this type which may be delivered in 1944.

Note by British Representatives: The total quantity of Corsairs and Avengers offered are only some 50% of the stated British requirements. The Admiralty reluctantly accepts these offers and does so only since the Navy Department reports that further provision on British account would immediately have a serious adverse effect on units already in the combat area. The United Kingdom does not at present, and cannot in the time available, produce comparable types of aircraft. The British may accordingly wish to invoke paragraph 2 of this agreement should the course of operations confirm their view that there may well be a strong tactical justification for larger assignments of these types to the British, and will then put forward a special case for review by the Combined Chiefs of Staff.

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AIRCRAFT SUPPLEMENTARY
MAINTENANCE SPARES

<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>	<u>REMARKS</u>
Supplementary Maintenance Spares	Undetermined	\$100,000,000	These spares are over and above spares supplied with new aircraft and are for airplanes previously assigned. It does not include radio and radar spares which are handled separately.

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RADIO AND RADAR

<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>	<u>REMARKS</u>
1	AN/APN-1	6,400	\$ 4,012,800	
2	AN/APN-4 or 9	10,500	7,612,500	
3	AN/APS-13	6,685	16,712,500	
4	AN/APS-15	120	2,058,000	
5	AN/APQ-5B	85	425,000	
6	SCR-718	30	21,000	
7	AN/APR-2	2,600	1,409,200	
8	SCR-522	10,510	13,074,440	
9	SCR-578	14,610	5,464,140	
10	SCR-269G	4,410	5,441,940	Newer model AN/ARN-7 furnished.
11	AN/APA-23	30	105,000	
12	AN/APQ-9	25	35,625	
13	AN/APR-4	700	3,500,000	
14	AN/APR-5A	50	75,000	
15	AN/APT-4	200	550,000	
16	AN/APT-5	200	396,000	
17	AM-14/APT	50	42,350	
18	AM-18/APT	50	42,350	

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<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>	<u>REMARKS</u>
19	AN/APR-2	15	\$ 30,000	
20	AN/APA-31	85	51,000	
21	AN/ARC-5	2,980	6,615,600	VHF Components for this equipment not in production
22	AN/PPN-2	3,750	1,875,000	
23	AN/CPS-1	12	2,296,800	
24	TCS	2,000	4,400,000	
25	AN/TPS-2	50	250,000	
26	AN/APN-3	1,000	10,000,000	
27	AN/APS-2	200	2,860,000	
28	AN/APS-4	2,150	35,475,000	
29	AN/APX-1	1,660	1,103,900	
30	SCR-720	1,500	22,863,000	
31	SCR-729	2,760	2,136,240	
32	LRTR	1,000	1,500,000	
33	AN/ARR-3	1,528	670,792	
34	AN/CRT-1	23,674	2,249,030	
35	SCS-51: RC-103	5,400	3,175,200	
	ANR/5	5,400	9,271,800	
	RC-193	5,400	259,200	

TOP SECRET

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<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>	<u>REMARKS</u>
36	AN/CPN-2	30prs.	\$ 720,000	
37	AN/CPN-8	10	119,840	
38	SCS-51 (Ground): MRN-3	45	191,835	
	CRN-2	45	641,250	
39	AN/TPS-1B	50	250,000	
40	Wire Recorder Model 50	40	32,000	
41	Corner Reflectors	137,000	274,000	
42	Spares	-	12,000,000	Overall dollar value appears reasonable. Availability cannot be determined without detailed breakdown of items required.
43	Test Equipment	-	5,000,000	
44	Tubes	-	10,000,000	
45	AN/TPS-10	15	900,000	
	Handling and Delivery Costs.....		<u>19,818,909</u>	
	Total (Includes Handling & Delivery Costs)..		\$218,008,001	

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Regraded Unclassified

AIRCRAFT COMPONENTS
AND EQUIPMENT

<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>\$ VALUE</u>
<u>A. ENGINES</u>			
1	Merlin 68,300 & 301	10,630	202,000,000
2	Wright R-2600	531	10,000,000
3	Lycoming O-290	454	1,000,000
<u>B. ENGINE ACCESSORIES</u>			
4	No. 9 Carburetor Parts	513	
5	PR-78-A2	583	
<u>C. CERTAIN MERLIN ENGINE ACCESSORIES</u>			
6	I.A.E. Pumps (1H-C Pump)	4,000	
7	Heywood Compressors	3,250	
8	Heywood Compressor Drives	800	
9	Lockheed Pump Drives	400	
10	Gear Boxes (Pairs)	2,700	
11	Radiator Sets (Single Stage)	1,686	
12	Complete Circular Power Plant Tanks	6,000	
13	Exhaust Manifold Engine Sets	9,500	
14	Radiator Flap Rams	11,400	
15	Thermostatic Switches	10,200	

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TOP SECRET

<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>\$ VALUE</u>
<u>C. MERLIN ENGINE ACCESSORIES (Continued)</u>			
16	Idler Cut-Off Rems	10,400	
17	Worth Oil Dilution Valves	18,240	
18	Pressure Maintaining Valves	2,950	
<u>D. PROPELLERS AND ACCESSORIES</u>			
19	23EX for Lancasters, Lincolns, Tudors and Mosquitos	14,250	
20	4G8 Governors (Lancasters, Lincolns, Tudors and Mosquitos	6,050	
21	E.G.R. Governors (Wellington)	350	
<u>E.D. TURRETS AND GUNS</u>			
22	.5 in. Browning Guns	5,400	
23	Martin 250 CE for Lancasters & Lincolns	790	
24	Turrets for Sunderland IV		
	a. 250 CE 23A	35	
	b. 250 CE 2B & C	63	
<u>F. INSTRUMENT & MISCELLANEOUS EQUIPMENT</u>			
25	Bombsight T1 B	3,000	
26	Artificial Horizons	18,000	
27	Direction Indicators	12,000	

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TOP SECRET

TOP SECRET

<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>\$ VALUE</u>
<u>F. INSTRUMENTS & MISCELLANEOUS EQUIPMENT (Cont'd)</u>			
28	Altimeters Mk. XIV A, B and B.P.	18,000	
29	Gyro Fluxgate Compass	3,600	
30	Gyros for H2S	6,000	
31	Horizons & Indicators Al Mk IX	700	
32	Engine Speed Indicators	20,500	
33	Drift Meter Mk. VI and B3	7,720	
34	Gyro Gun Sights .5" Control Units	3,000	
35	Air Termometers C.13A and C.13B	20,500	

G. PHOTOGRAPHIC EQUIPMENT

36	Aircraft Cameras Type K24	6,000	
37	Aircraft Cameras Type K20	1,000	
38	" " Type K17	320	
39	" " Type K22	80	
40	Cameras Ground Kodak 35	675	
41	G.S.A.P. Cameras	5,400	
42	Bromide Paper	12,323	
43	Panchromatic Film	609,600	

CLC. [Signature]

TOTAL CLASS "B" THROUGH "G" - - - - - 127,000,000
 (including Miscellaneous Accessories, equipment, and raw materials not specified abv)
 TOTAL CLASS "A" THROUGH "G" - - - - - 340,000,000
 (Includes 10% added for handling and delivery costs)

BOMBS

<u>SERIAL NO.</u>	<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>
1.	Tallboy (Medium)	(Number) 700	\$ 3,990,000 (est)
2.	1,000 lb. M. C. (GP)	(Number) 120,000	16,987,200
3.	500 lb. M. C. (GP)	(Number) 240,000	19,730,400 *
4.	Oil Bomb	(Long tons) 13,140 (All in first half)	10,220,000

TOTAL (Includes 10% added for handling and delivery costs) \$50,927,600

* Due to the anticipated shortage in U. S. production of 500 lb. bombs, the U. S. members consider that capacity British production should be maintained so long as the shortage exists.

TOP SECRET

TOP SECRET

NEW DEVELOPMENTS
AND SPOT ITEMS

<u>ITEM</u>	<u>QUANTITY</u>	<u>VALUE</u>
New Developments and Spot Items	Undetermined	\$200,000,000

TOP SECRET

TOP SECRET

TOP SECRET

COPY NO. 2

LEND LEASE IN STAGE II

AUSTRALIA

At the Combined Committee meeting on the 30th October, it was arranged that the Australian, New Zealand and Indian representatives should, if they wished, produce further statements showing the manner in which their non-munitions requirements under Lend Lease in the first year of Stage II would be increased if some relaxation took place in the rules regarding the eligibility of civilian requirements.

The memo below, by the Commonwealth of Australia, War Supplies Procurement, furnishes this additional information in respect of Australia.

(Signed) A.^W. Snelling

Washington, D.C.
2nd November, 1944

ADDITIONAL ITEMS FOR AUSTRALIA

Further to the points raised at the meeting at the U.S. Treasury under the chairmanship of Secretary Morgenthau on 30th October, 1944, the following is submitted, namely,

1. Any observations made should not be interpreted as critical of any American Government instrumentality. It is appreciated that with demand in excess of supply and having regard to the prior claims of the military forces of the United States, adjudications upon urgency of need are necessary. Furthermore, on questions pertaining to civilian materials, American domestic political implications, especially in respect of some items, are understood. Any requests submitted for re-examination of some aspects of policy and procedure as regards Stage II of the War are put forward with the idea that it may be found practicable to remedy some of the lacks which may have been unavoidable in Stage I. The major difficulties experienced by Australian instrumentalities fall into two broad categories - difficulties arising from the determination of percentages of eligibility and difficulties in implementing allocations.

2. Time has been taken up both at the Australian end and in Washington because of the policy of arriving at determination of percentage eligibility over a considerable number of items in the non-munitions field. By way of example it may be stated that 6% of a requisition for 7,294,000 pounds of a value of \$437,640.00 was reduced to 6,894,000 pounds of a value of \$416,280.00. A requisition for Triethanolamine for 34,000 lbs. of a value of \$5,870.00 was reduced to 25,500 lbs. of a value of \$4,335.00. 22%, on the average, of 5 chemical items required in compounding synthetic rubber, were eliminated from Lend-Lease, the value not being a material factor. In the case of gum rosin, there was a reduction of 8%. In the case of printing and writing paper, 70% was conceded as eligible under Lend-Lease, with 30% being rejected. Other cases could be cited. The time taken up in adjudicating percentage determinations in such cases varies from 3 weeks to 5 months, during which time procurement has been delayed. A further important point is that where a portion of a given item is excluded from Lend-Lease, split procurement results, the portion conceded as being eligible under Lend-Lease being procured by U.S. Treasury Procurement, the ineligible portion being procured either by cash purchase on behalf of the Australian Government or by an issuance of an import license to an Australian import house. This dual or triple method of procurement applies even where the one allocation may be made by the War Production Board. Delays in procurement procedure entailing the loss of valuable time would be obviated if there could be an advance determination of eligibility over a broad field ahead of operations in Stage II of the War. In such advance determinations, it is asked that regard might be had to the all-out character of the Australian War effort involving every section of the community, data respecting which is set forth in the earlier submission.

3. The figures of 102 million dollars for non-munitions items for the calendar year 1945 as included in the earlier submission were predicated upon the presently accepted conception of Lend-Lease eligibility. In the event that it be found practicable for the American authorities to liberalize this conception and to eliminate differentiation on a percentage basis as between military, war industrial, and civilian requirements, the following is a list of the principal items and the additional money value, (over and above the 102 million dollar figure) which would be involved.

<u>Item</u>	<u>Value</u> (In millions of dollars)
Seeds, Essential oils & Miscellaneous Food Products	1.5
Wood Pulp	1.0
Paper	2.4
Raw Cotton, including Linters	.4
Abrasive Grains & Plastics	2.1
Bearings	1.0
Cotton Piece Goods	4.5
Tobacco	8.6
Business Machines & Office Equipment	<u>1.2</u>
	<u>22.7</u>

By way of comment upon the above figures and those previously submitted it should be observed that there are many imponderables in the present strategic position in the Pacific which might change the overall situation necessitating an amendment of some of the figures as the pace in Stage II of the war accelerates.

4. It would also be greatly appreciated if procedure could be devised to facilitate the implementation of allocations. Under present conditions it may be noted that,
- (a) Allocations have been made by War Production Board within the period to which the allocations apply.
 - (b) Unless contracts are let within the period the allocation is liable to forfeiture. The time remaining within the quarterly period is frequently inadequate.
 - (c) When a Lend-Lease requisition under an approved allocation reaches Treasury Procurement Department, that Department frequently finds difficulty in inducing manufacturers to accept a contract due to a combination of factors including competition of American civilian requirements and/or resistance of manufacturers to renegotiation.
 - (d) These difficulties are accentuated where split procurement as between Lend-Lease orders and commercial orders is entailed. As the competition of American civilian demands tends to be accentuated, steps to assure the implementation of allocations would be highly advantageous.

November 1st, 1944

NOV 2 1944

My dear Mr. Fahey:

Again the Treasury Department is making a special appeal to the country for the purpose of financing a war being waged simultaneously on opposite sides of the world. The Sixth War Loan, as you know, opens officially on the 20th of November, almost one month to the day after General MacArthur's forces have returned to even an old score in the Philippines -- about three weeks after an overwhelming defeat of the Japanese navy in their own home waters.

As in the past, we are again turning to the savings and loan associations of the country in the firm confidence that they, like the other issuing agents of the Treasury Department, will give their wholehearted support in the sale of obligations of the United States Government to the public. The achievement of these associations in the past, and particularly during the previous drives, is convincing evidence that their country's faith in them is well justified.

In connection with the Sixth War Loan, the Treasury Department urges that the Federal Home Loan Bank Administration bring to the attention of all associations the need for their unqualified support. I send my personal congratulations to these organizations on their record of past performance in this line.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. John H. Fahey, Commissioner
Federal Home Loan Bank Administration
101 Indiana Avenue, N. W.
Washington, D. C.

November 2, 1944.

My dear Mr. Fahey:

I thank you for sending me copies of the campaign literature put out as a bank letter by the University Bank of Kansas City.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable John H. Fahey
Commissioner, Federal Home Loan Bank Administration
101 Indiana Avenue, N. W.
Washington 25, D.C.

HEG/mah



NATIONAL HOUSING AGENCY
FEDERAL HOME LOAN BANK ADMINISTRATION

101 INDIANA AVENUE, N. W.
 WASHINGTON 25, D. C.



FEDERAL HOME LOAN BANK SYSTEM
 FEDERAL SAVINGS AND LOAN
 INSURANCE CORPORATION
 HOME OWNERS' LOAN CORPORATION
 UNITED STATES HOUSING CORPORATION



OFFICE OF
 THE COMMISSIONER

- goston -

October 31, 1944.

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

My dear Mr. Secretary:

Here are a couple of photostats of an
 alleged Bank Letter being put out by the University
 Bank of Kansas City, Missouri.

The statements made in this publication
 with reference to Federal Deposit Insurance Cor-
 poration and Government bond issues are such that
 I certainly feel that this material should be
 brought to your personal attention.

Sincerely yours,

John H. Fahey,
 Commissioner.

Enclosures.

Condensed Statement of
THE UNIVERSITY BANK

63rd and Brookside, Kansas City, Mo.

At the Close of Business Sept. 30, 1944

RESOURCES

Cash and Due From Banks.....	\$1,199,557.25
U. S. Obligations (par or less).....	2,204,050.00
Municipal and Other Bonds (par or less).....	75,755.75
Loans and Discounts.....	62,166.93
First Mtg. Real Estate Loans.....	323,684.99
Overdrafts.....	287.41
Furniture and Fixtures.....	1.00
Total.....	\$3,865,503.33

LIABILITIES

Capital.....	\$ 100,000.00
Surplus and Undivided Profits.....	52,503.41
Reserved for Contingencies.....	13,152.50
Accrued Interest and Taxes Payable.....	7,854.09
United States Deposits.....	61,632.17
Other Deposits.....	3,630,361.16
Total.....	\$3,865,503.33

The above statement is correct.

LOGAN F. WYRICK,
Vice-Pres. and Cashier.

Over 94% of Our Deposits in Cash, Bonds
and Due from Banks.

J. R. BREED
President

LOGAN F. WYRICK
Vice-Pres. and Cashier

DIRECTORS

- | | |
|------------------------|--------------------------|
| ARTHUR L. LAND | HARVEY B. POSEY |
| MAX G. MILENS | W. M. HALLIBURTON |
| F. F. BUSHMEYER | |

The University Bank does not own nor
has it ever made a single FHA Loan.

**A Bank is No Better
Than the Government**

The
**UNIVERSITY
BANK**

63rd and Brookside
Kansas City, Missouri

Member Federal Deposit Insurance Corp.

Save Time, Gas and Tires
Bank By Mail

BUY WAR BONDS

"Do Men Gather Grapes of Thorns or Figs of Thistles?"

For years this bank has printed on its statement "A Bank is No Better Than the Government." With from fifty to seventy-five per cent of the total deposits in all the banks in the United States now invested in government bonds, the people of our country should realize the truth of this statement.

In the coming campaign much will be said by the New Dealers how they have made all our banks sound. Like all the rest of the New Deal's economic schemes, the effect of this statement depends upon the gullibility of the masses.

I have for years believed the depositor should be guaranteed the return of his deposits, exactly as I believe in the sanctity of all contracts.

But these insurance funds cannot be left in the hands of politicians who believe in permanent deficit spending, this money spent like all other tax money with nothing left but the pyramiding of government bonds. These bonds now held in the depositors' insurance funds only represent money that has already been spent and should the emergency arise that certainly does not obviate the fact that in order to make use of these assets, the government will have to resort to the printing-press or make additional assessments. For real money, will be required to meet these insurance obligations.

Yes, some will say, but there have been few bank failures and all depositors have been paid. This is a fact, but like all the rest of the New Deal's economics, there has been no test period, for they have in the past twelve years been covering their deficits by continually selling more bonds, using also their increasing currencies as a revolving fund for their bond inflation.

The New Dealers would like for you to believe that during the depression most of our banks were unsound but under their fiscal policies they are now all sound.

In times of business depression people become panicky, and during our last depression like in others they called upon our banking structure to do the impossible, and that was to turn fifty billion of bank deposits into currency when there was but five billions of currency available. So for this reason many banks failed simply because they could not liquidate their assets fast enough to repay their withdrawal demands.

In the depth of the depression our government debt was twenty billions; it is now well over two hundred billions, what government bonds our banks owned at that time were the securities upon a solvent nation. It is true that some of the securities that our banks held were slow and some in trouble but they were at least honest obligations.

So let's compare those conditions with the present New Deal's economics, now that our debt is over two hundred billions and from one-half to three-quarters of all our depositors' money is invested in government bonds.

The money is gone, scattered to the four winds of the earth, much has been loaned to foreign countries who have repudiated millions of their past debts. This is called "Our good neighbor policy."

Other billions have been squandered in giving union labor monopolistic and coercive powers which has increased the cost of our war and debts tremendously, paying our farmers for crops not raised, establishing collective farm projects, building great groups of apartment buildings in some of our cities, socialistic utility, and loan corporations in competition with tax-paying private enterprises, W.P.A., F.W.A., C.C.C., class subsidies, huge bureaucracies employing mostly men who have been business failures in the past, filling the office buildings in our towns and cities. In fact, the New Deal's waste and extravagance is beyond comprehension.

Yet, say the New Dealers, our banks are all sound

now. Yes, just as sound as the government. The bankers have little fear about paying their depositors, the New Dealers have plenty of paper and ink and from past performance have proven they know how to use it, but what kind of money?

And you, Mr. Banker must remember your merchandise represents dollars and the value of your bank stock is also junior to your depositors' dollars. If every banker in our country had been doing his duty for the past twelve years in educating his customers along sound government fiscal policies, there would be no question about the results in the coming election, but they have lacked the guts to tell the truth for fear of New Deal reprisals, and the loss of a few customers preferring to take the easy route, for it takes little brains to buy government bonds with which to pay expenses and dividends, then more bonds to pay the interest on the bonds you already hold, kidding yourselves that real profits can come from bookkeeping.

Our banks are now just as sound as the integrity and brains of our people. If they are going to continue their economic delirium thinking along lines of paying our war workers thirty-five dollars a week unemployment insurance, most of whom in the past have been receiving three times their worth, and loaning millions of our ex-service men four or five thousand dollars facing as we are a three hundred billion debt, how will our debts ever be paid and when?

Under the cajolery of our New Dealers we have become a nation of Utopian dreamers, believing that prosperity can be attained with little work of exorbitant wages. So naturally with each new promise of our King Midas we find ourselves deeper and deeper in debt.

The socialistic governments of Russia and Germany are degrading to individuality, and to our form of

government, but what successes they made proves beyond doubt that they are not all together in the wrong, for the reason they have taught their people to work, maybe they have had to work too hard, but we must not forget whatever they accomplished has been done by hard work.

In comparison our New Dealers who are racing our farm of government towards paternalism and socialism are promising security to our people with little work.

It is indeed a cruel illusion when the masses of any nation become the followers of economic promises beyond the ability of a nation to pay. For no government can permanently give to its people a bit more than the people provide for themselves or can a nation long survive where a few accept individual responsibility and the masses demand from their government money they do not earn.

Regardless of who is our next President, if the truth of our peace-time future were told it would be analogous to Mr. Churchill's statement during England's darkest hour. His only promise was "blood, sweat and tears" for the willful waste and social economics of the past twelve years must be paid from the earnings of an industrious and thrifty people. If it were not so vital, the punishment of this colossal task belongs to the New Deal, but for the sake of solvency of our nation it can no longer be left with deficit spenders who have no fear of billions of debts.

In the coming election the question before the American people is simple. Do they desire Liberty and Freedom or a paternalistic, regimentated, dictatorial form of government? The former is a government that is a servant to its people, the latter is one where the people are but slaves to their government. Patrick Henry said, "Give me liberty or give me death," and this should be the answer of the American people.

J. R. GREED

"Clear Everything With Sidney"

The following is an excerpt from an article written by Louis Budenz appearing in the Saturday Evening Post, Aug. 26, 1944.

Mr. Hillman played a most important and strategic role at the Chicago Democratic National Convention in promoting PAC's policies and candidates. He proved himself master of the art of "padding" conversations, trading and back-room wire-pulling, and that Democratic bosses look like novices. He did not succeed in securing a renomination for Vice-President Henry A. Wallace as the first choice for that office. But he was able to secure the nomination of former United States Supreme Court Justice Louis J. Brandeis, Director of the Office of War Mobilization, who came to Chicago convinced that he had White House approval for the Vice-presidential nomination, and the Inside track among Democratic leaders. After Mr. Hillman vetoed his candidate, Mr. Brandeis took himself out of the race, saying that he did not "contradict the wishes of the President." Senator Charles McNary, of Missouri, was PAC's second choice for Vice-President and many PAC delegates at the convention voted for McNary. It became clear that Wallace could not make it. Immediately after his nomination, Mr. Hillman pledged to Senator McNary PAC's "complete and wholehearted support."

"Birds of a Feather Flock Together"

It is denied that the New Deal has the militant support of Sidney Hillman, the C.I.O. and his political action committee. The Hoover gang, the Kelley gang, all labor racketeers and racketeers, combine with most of the socialists and communists in our country. These facts alone should be enough to make any sane person wanting to be good citizens in our toiling country, to vote the way the company they keep.—JRB.

WALLACE ASKS FIFTH COLUMN

Wallace's Campaign Called Link of Communists, New Deal.

CHICAGO, Sept. 25 (AP)—A speech in New York last night by the Communist Party's general leader, urging support of President Wallace's fourth term bid was described today by AN M. London as the product of "an organized fifth column in this country."

Wallace, 1934 Republican presidential nominee, said the speech "betrayed the intentions, if any is necessary, of the close tieup between Communist groups and the Roosevelt administration."

"We are therefore confronted with the unprecedented and alarming situation in American history where a foreign power through an organized fifth column in this country is trying to control the election of an American President."

BROWDER BARB AT DEWEY

An Anti-Communist Cannot Guide European Relations, He Says.

CHICAGO, Sept. 24 (AP)—Earl Browder, president of the Communist Political Association, tonight described Gov. Thomas E. Dewey as carrying "the flag of anti-communism" and asserted that President Roosevelt had "built a solid foundation of unity with all our Allies."

In an address prepared for delivery at a "peoples rally for unity and victory" at the Chicago stadium, Browder said:

"Do you think that Mr. Dewey, who carries the flag of anti-communism, can successfully guide our country's relations with Europe, in every country of which the Communists will be essential partners in the democratic coalitions forming their governments?" . . .

"Communists are the leaders of the Soviet Union and the great Red army which gave Hitlerism its mortal blow on the eastern front . . . Communists take part in the great Yugoslav liberation movement, along with all other democratic parties . . . Communists are in the new Rumanian government, which took that country out of the war on Hitler's side, and put it into the war on the side of the United Nations" . . .

"It does not appear that Mr. Dewey and Mr. Bricker are nearly so much concerned with the problems of winning the war as they are with winning the election . . ."

How Long Is a Minute? How Big Is a Billion?

24 hours in a day
60 minutes in an hour

1,440 minutes in a day
365 days in a year

7,200

8,640

4,320

525,600 minutes in a year

1,944 years since Christ's birth

2,102,400

2,102,400

4,730,400

525,600

1,021,766,400

A little over a billion minutes since the birth of Christ. Promising something for, nothing is even more poisonous than our three hundred billion debt.

216
November 2, 1944.

My dear Dr. Fisher:

I was greatly pleased by your letter of October 30. You can be sure that I always enjoy hearing from you.

The good news that you are going to vote for the President's re-election naturally gratified me and of course I approve the grounds on which you reach your decision as being of first importance.

Yet I think that comparisons on the domestic front ought to cause you to come to the same conclusion.

There is a segment of business, I know, that always talks of Franklin Roosevelt as being "hostile to business". Mainly, I think, that is because his methods are not those of some groups that claim for themselves the right to speak for business. You would, I believe, agree with me that he must reach his own decisions as to what is good for the American people and the American economy. My own judgment has been that private enterprise has never had a better friend in the White House and that often he has had to wage a double warfare, fighting off the foes of private enterprise on the one hand and its ill-advised friends on the other.

It seems to me the record is pretty convincing that private enterprise has not suffered under him but has actually been rescued from serious peril.

I think the campaign of education of which you speak is being carried on pretty effectively. Our people are rather good judges of men and events.

In all sincerity,

Yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. Irving Fisher
Box 1825
New Haven 8, Connecticut

Carton 237

PROFESSOR IRVING FISHER
Box 1825
NEW HAVEN 8, CONNECTICUT

PERSONAL

October 30, 1944

Secretary Henry A. Morgenthau
Treasury Department
Washington, D.C.

My dear Secretary Morgenthau:

Reading your speech at the Waldorf gave me a good deal of comfort.

I had already decided--reluctantly--to vote for Roosevelt, but almost wholly on the basis of our foreign relations including what Nelson well calls his "know-how" for the peace settlement. You know how much this means to me since the days in 1920 (when you trained for your present job by being my Secretary of the Treasury!).

But I have been most profoundly disturbed by his listening so much to enemies of our American system of private enterprise. You reassure me greatly; for I have faith in your sincerity when you express such confidence that he favors that system.

I feel at least sure that, after the war is over, when there can be no excuse for the present signs of hostility to business, you will yourself do your best to make good on your present assurances--not only because you are sincere but as a matter of good faith with us voters.

I am confident that several others in the cabinet will join you in giving pro-private enterprise advice to the

Secretary Morgenthau -2- October 30th, 1944
President. Moreover, under the Constitution, the Secretary of the Treasury is, unlike any other cabinet member, a "little president" directly responsible in some ways to Congress.

If you are right as ^{to} the President's own attitude, I must conclude (as I had fondly hoped might turn out to be the case) that he has not led his associates but has been led by them into his apparent hostility to business.

Time was when he sought my advice on the depression and unemployment. But it soon developed that other "brain-trusters" led him away toward "the left". Had Professor Rogers lived (I first suggested him to the President) this might not have occurred.

You must realize that the great mass of business men most sincerely and emphatically believe the present administration is anti-business and that the bureaus in Washington are full of anti-business officials. The vigorous statements of LaVarre are not the only evidence which reaches the desks of these business-~~ment~~--and mine.

The tax system is certainly anti-business; and business-- some of it--survives under it chiefly because of the war exigencies and because of government assistance. This often offsets the taxes on expansion. But not always. Already, according to the releases of the Department of Commerce, a million small private businesses have been put out of business. We seem headed toward State Socialism and the country, including many half-baked economists and soft-headed Washingtonians are trying to steer

Rogers on LaVarre

Secretary Morgenthau

-3-

October 30th, 1944

us into State Socialism on the Russian model. They are saying under their breath, "Roosevelt is only the Kerensky of the Revolution". And I am not one of those who thinks we cannot learn anything from Russia. Nor is Eric Johnston.

If every voter had as much confidence in your sincerity and prognostications as I, the President would be re-elected overwhelmingly, despite the anti-third term and anti-fourth term sentiment which I share.

He will probably be elected anyhow. But I wish there could be some very definite assurance before the election from the President himself that our private enterprise system is not to go by the board.

When you and Randolph Paul supported the spendings tax I had high hopes; and had this tax (which, of course, is, in effect, an income tax with expansion--savings--exempted) been proposed as a measure in place of and not in addition to existing income taxes it would have had the support of Senator Taft and others.

As you yourself are clearly in favor of the continuance of our American System of Private Enterprise which has made this country great economically and as you are so close to the President, I am now beginning to hope that the present anti-expansion taxation may be abandoned after the war.

In order to preserve our American system of private enterprise it seems to me we need at least the following four policies as measures:

Secretary Morgenthau

-4-

October 30th, 1944

(1) Virtual abolition of all income taxes on corporations (Randolph Paul told me he agreed. So does Ruml. So does Leon Henderson.)

(2) The spendings tax in place of income taxes-- the rates to be high enough to yield whatever revenue is needed.

(3) A domestic monetary reform to fit in with the international monetary measures which will, we hope, grow out of Bretton Woods--such domestic reform should prevent both inflation and deflation in the future.

I know no effective way to do this in America except by adopting "100% Money". (Professor Angell agrees. So do 400 other economists. So do some bankers such as von Windegger, President of the Plaza Bank of St. Louis. So do some important labor leaders. I believe you'd find Eccles willing. I know Jerry Voorhis in the House would be more than delighted and would have the following of many congressmen. The President's adviser Currie--I first recommended him--would be more than willing.)

In England with her centralized and unified banking system there are other methods available (though not so completely effective). Lord Keynes will, I am sure, bring about monetary stabilization there if you and others bring it about here and the rest of the world would follow.

Secretary Morgenthau

-5-

October 30th, 1944

(4) A campaign of education of the masses in America on the lessons of our own history as to private enterprise and the dangers of throwing it away in order to imitate Russia (whose success so far as it exists comes from imitating us!). I am now working with others to conduct such a campaign of education and hope later to consult you about it, as well as about the other three measures, which certainly come within the scope of your department.

May I add a more personal word before closing? I have followed, with admiration and pleasure, your splendid career from the time you made good with me in a very humble capacity. You have been granted, and have availed yourself of, wonderful opportunities. I now see Opportunity knocking anew on your door. For if you can put over sound tax reform and monetary stabilization, your name will go down in history as having accomplished more for your country than any predecessor in your high office, even Alexander Hamilton.

Finally, if either our anti-expansion taxation is continued or if another great depression (due to neglect of safeguarding against deflation by monetary reform) is allowed to occur, whoever may be most responsible, we shall surely lose most of our American system of private enterprise. Thousands of our people seriously fear this calamity and I am one of them.

I hope my deep interest in these--your--problems as well as in the Peace problem on which we once worked so hard

Secretary Morgenthau

-6-

October 30th, 1944

together, may be sufficient excuse for so long a letter to
so busy a man.

As ever.

Very sincerely,

Irving Fisher

IF:M

*acked by A. Bell
11-8-44*

*Go to A White
to tell page 243
there is something
in it he should
know
Mr White
said no.*



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
ECA

November 2, 1944

CONFIDENTIAL

My dear Mr. Secretary:

As chairman of the interdepartmental Executive Committee on Economic Foreign Policy, I am enclosing herewith a document outlining the new status and functions of the Subcommittee on Private Monopolies and Cartels which has been approved by the Executive Committee.

It is desired to invite your attention particularly to the first paragraph on page two, which reads as follows:

"Agencies of the Government dealing with various aspects of international cartel problems should be informed by the Executive Committee regarding the new status and functions of the Cartel Committee and, in accordance with the Bureau of the Budget recommendations approved by the President, those agencies should be advised to make available to that Committee such information relating to international cartel problems and policy as may be requested."

It would be very much appreciated if you would bring this matter to the attention of the appropriate members of your agency and, in accordance with the recommendations approved by the President, make available to the Cartel Committee such information as may from time to time be requested.

The

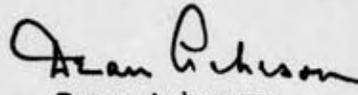
The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



-2-

The Cartel Committee will also be prepared to consider any question within its jurisdiction which your agency may desire to refer to it in accordance with paragraph 2B on page two of the enclosed document.

Sincerely yours,


Dean Acheson
Assistant Secretary

Enclosure:

Secret document
ECEFP D-52/44
with attachment

CONFIDENTIAL²⁴⁵

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CONFIDENTIAL

ECEFP D-52/44

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Committee on Private Monopolies and Cartels

STATUS AND FUNCTIONS OF THE CARTEL SUBCOMMITTEE

(As approved by the Executive Committee on
Economic Foreign Policy on September 29,
1944)

ECEFP D-52/44
September 20, 1944

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY
Committee on Private Monopolies and Cartels

STATUS AND FUNCTIONS OF THE CARTEL SUBCOMMITTEE

The Executive Committee on Economic Foreign Policy (ECEFP) has established this Committee as one of its temporary subcommittees and assigned to it the duty of preparing a program for international cartel discussions. Shortly preceding the establishment of ECEFP, the Bureau of the Budget had submitted to the President a memorandum of findings and recommendations with respect to the international cartel work of various agencies. The recommendations contemplated that this Committee, as a subcommittee of the then projected Executive Committee on Economic Foreign Policy should facilitate consistency of operating decisions with established cartel policy and that any agency proposing to take major action involving international cartels should submit such proposals to the Cartel Committee for inter-agency consultation and advice to the State Department. This memorandum was approved by the President. A copy of the memorandum is attached hereto as Exhibit I.

In view of the differences in scope between the functions of this Committee as defined by ECEFP and as envisaged by the Bureau of the Budget, there is set forth below a description of the status and functions which appear to the Committee to be involved in these recommendations:

1. Status of the Committee

A. The Committee should be a permanent subcommittee of ECEFP. It should maintain close contact with agencies dealing with various aspects of international cartels and keep the Executive Committee advised regarding important developments and major action proposed in this field.

B.

-2-

- B. Agencies of the Government dealing with various aspects of international cartel problems should be informed by the Executive Committee regarding the new status and functions of the Cartel Committee and, in accordance with the Bureau of the Budget recommendations approved by the President, those agencies should be advised to make available to that Committee such information relating to international cartel problems and policy as may be requested.
- C. The Committee's membership should continue as at present constituted. A member of the Treasury Department was recently added pursuant to the recommendation of the Bureau of the Budget. The Committee should be authorized to invite the participation of temporary members or advisors when particular topics are being considered. In this manner a representative of the War Department would be invited to participate with the Committee in discussions of particular interest to that department.

2. Functions of the Committee

- A. The Committee should continue to perform its present function of preparing a program for international discussion about cartels and combines, and should make formal policy recommendation on international cartels to the Executive Committee.
- B. Subject to policies approved by the Executive Committee and to such directions as it may prescribe, the Committee may make recommendations to the agencies concerned upon matters relating to international cartels and combines which are referred to it by the member Departments

or

-3-

or considered upon its own motion. These recommendations should be purely advisory, the function of the Committee being to thresh out problems in the cartel field and arrive at conclusions which, because agreement has been reached and because of the quality of reasoning with which they are supported, commend themselves to those who have administrative responsibility.

- C. It is requested that the Executive Committee will inform its other subcommittees of the responsibilities of the Cartel Committee and will ask their effective collaboration to insure consistency of policy. To the same end the Chairman and Secretariat of the Cartel Committee should be requested to maintain appropriate liaison with the Secretariat of the Executive Committee and with the Chairmen and Secretariats of other subcommittees of the Executive Committee.
- D. The disposal of Government war plants and other publicly held property may raise policy issues with regard to international cartels in a number of areas with which the Executive Committee is concerned. Disposal plans for the aluminum, magnesium, synthetic rubber, nitrate, and certain other industries, are of particular interest to the Cartel Committee. It is, therefore, requested that the Cartel Committee be authorized to submit to the Executive Committee recommendations concerning the relation of property disposal policy to cartel policy for transmission to appropriate Government agencies.
- E. The Committee should prepare for consideration of the Executive Committee a suggested program about the cartel

and

-4-

and combines aspects of policy to be followed in liberated and enemy areas both during the period of military occupation and in the subsequent peace settlement, with emphasis on the latter. The primary purpose of this work should be to widen the area of agreement about such matters among interested agencies of the Government.

EXHIBIT I

HDS

ok

FDR

4-19-44

C
O
P
YEXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the BudgetC
O
P
Y

Washington, D. C.

April 15, 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Cartel Work of Federal Agencies

At your request we have had discussions with various agencies engaged in investigations of cartels. Our findings and recommendations can be stated briefly.

1. Investigation within the U.S. of cartels is now being carried on predominantly by Justice and the resultant data is available to all interested agencies. Additional cartel data is accumulated by agencies other than Justice, largely as a by-product of their normal operations. The personnel involved is small, however, and the Attorney General agrees that there is no serious duplication.

The concentration in Justice of the domestic investigation of cartels can be maintained through the appropriation controls. In order that Justice may operate as the central repository of cartel data within the U. S., all agencies should transmit such data to Justice.

2. Investigation abroad of cartels will have expanded importance as new sources of information are opened up in liberated and enemy areas. The Foreign Service of State should be prepared to render investigatory assistance to all agencies concerned.

3. Analysis of data, recommendation of policy, and operating decisions involving cartels are responsibilities of several agencies which now, quite appropriately, have small staffs to utilize pertinent facts in their discharge of such responsibilities.

4. Recommendations on U. S. foreign policy involving cartels are now made to State by the Special Committee

on

- 2 -

on Private Monopolies and Cartels which that Department sponsors. Each agency represented thereon is able to contribute its own specialized knowledge and opinion. Because Treasury and War have substantial interests in cartel matters, it is recommended that they be represented on this interdepartmental committee.

5. Determination of U. S. foreign policy involving cartels, made in the light of recommendations by the Special Committee, is the exclusive responsibility of State. When present plans of the Department to establish a general inter-agency committee on foreign economic policy materialize, the Special Committee should become a subcommittee of the new group. This would have the double value of assisting State in its formulation of policy and of keeping the responsible agencies currently informed on relevant foreign policy.

6. Consistency of operating decisions with established cartel policy is not assured by present administrative arrangements. The Special Committee and any general inter-agency committee on foreign economic policy should facilitate such consistency. Any agency proposing to take major action involving cartels should submit such proposals to the Special Committee for interagency consultation and advice to the State Department.

If you concur in these recommendations, I shall attempt to work out the appropriate arrangements with the agencies involved.

/s/ Harold D. Smith

Director

EST:EO
JCM&WCD;mr/cbh
4/4/44

Attachment: ECEFP D-52/44

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

New Terms of Reference for the
Committee on Private Monopolies and Cartels

At its meeting on September 27 the Executive Committee decided that the Committee on Private Monopolies and Cartels should be continued as a permanent committee with the following terms of reference:

1. To perform its present function of preparing a program for international discussion about cartels and combines, and make formal policy recommendations on international cartels to the Executive Committee.

2. To maintain close contact with agencies dealing with various aspects of international cartels and to keep the Executive Committee advised regarding important developments and major action proposed in this field.

3. To make recommendations to the agencies concerned upon matters relating to international cartels and combines which are referred to it by the member departments or considered upon its own motion, with the qualifications that such recommendations shall be (a) purely advisory, (b) subject to policies approved by the Executive Committee and to such directions as it may prescribe, and (c) transmitted through the Secretariat which shall be responsible for keeping the Executive Committee fully informed and referring to it cases which warrant its attention.

4. To submit to the Executive Committee recommendations concerning the relation of property disposal policy to cartel policy for transmission to appropriate Government agencies.

5. To prepare for consideration of the Executive Committee a suggested program about the cartel and combines aspects of policy to be followed in

liberated

- 2 -

liberated and enemy areas both during the period of military occupation and in the subsequent peace settlement, with emphasis on the latter. The primary purpose of this work should be to widen the area of agreement about such matters among interested agencies of the Government.

Membership of the Committee shall continue as at present constituted. The Committee shall be authorized to invite the participation of temporary members or advisers when particular topics are being considered.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 159 and 160 --
Aircraft Despatched -- for the weeks ended
October 13th and October 20th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

November 2, 1944.

STATEMENT NO. 159

Aircraft Despatched from the United States
Week Ended October 13, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator B VI	India	India		5	
Liberator GR VI	India	India		1	
Liberator GR VI	U.K.	U.K.		2	
Liberator GR VIII	U.K.	U.K.		1	
Liberator GR VIII	Bahamas	Nassau		1	
* Catalina IV B	U.K.	U.K.		1	
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		5	
Dakota IV	India	India		6	
Dakota IV	S. Africa	S. Africa		2	
Boston V	M. E.	M.E.		31	
<u>NORTH AMERICAN</u>					
Mitchell II	Canada	Canada			3
Mitchell III	U.K.	U.K.		11	
Mitchell III	Bahamas	Nassau		1	
Mustang	N.W. Africa	Casablanca	11		
<u>GRUMMAN</u>					
Avenger	India	Cochin		2	
Hellcat	India	Cochin		13	
Wildcat	India	Cochin		2	
<u>BEECH</u>					
Beechcraft UC 45	India	Cochin		2	
Beechcraft UC 45	N.W. Africa	Algiers		8	
<u>FAIRCHILD</u>					
Fairchild UC 61	N.W. Africa	Algiers		15	
<u>STINSON</u>					
Reliant	India	Cochin		2	
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi		32	
<u>CURTISS</u>					
Kittyhawk	Australia	Sydney		18	
<u>WACO</u>					
Glider	India	Calcutta		152	
<u>VOUGHT-SIKORSKY</u>					
Corsair	India	Cochin		15	
Wooden Corsair Replicas	U.K.	U.K.		3	
			275	67	3

* Exported to U.K. on September 26.

Movements Division, British Air Commission

October 19, 1944.

mmh
File V-17

STATEMENT NO. 160

Aircraft Despatched from the United States
 Week Ended October 20, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		3	
<u>CONSOLIDATED</u>					
Liberator GR VIII	Bahamas	Nassau		1	
Liberator B VI	India	India		14	
Liberator B VI	Canada	Canada			1
Liberator GR VIII	U.K.	U.K.		3	
Liberator GR VI	India	India		4	
<u>NORTH AMERICAN</u>					
Mitchell II	Canada	Canada			7
Mitchell III	U.K.	U.K.		6	
Mitchell III	Bahamas	Nassau		2	
Mustang	U.K.	U.K.	5		
Mustang	N.W. Africa	Casablanca	6		
<u>DOUGLAS</u>					
Boston V	M.E.	M. E.		23	
Dakota IV	U.K.	U.K.		4	
Dakota IV	India	India		16	
<u>VOUGHT-SIKORSKY</u>					
R-4-B Helicopter	U.K.	U.K.	5		
<u>GRUMMAN</u>					
* Hellcat	U.K.	U.K.	1		
* Wildcat	U.K.	U.K.	1		
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	5		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	29		
<u>BEECH</u>					
UC-45 Beechcraft	India	Karachi	4		
			<u>Total:</u>	56	76
					8

* with radio equipment.

Movements Freight I
 British Air Commission/Rafdel.

October 26, 1944
 mmh
 File V-17

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

November 2, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended October 25, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

CM B

FEDERAL RESERVE BANK
OF NEW YORK

November 1, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended October 25, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

COPY

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended October 25, 1944 Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE				
	DEBITS				CREDITS				Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	Total Debits	Gov't Expenditures (a)	Official Canadian Account	Other Debits	Total Credits	Proceeds of Sale of Gold	Securities (Official) (b)	Transfers from Official Australian Account					Other Credits (c)
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	382.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September	1516.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
October													
November													
December													
1945													
January													
February													
March													
April													
May													
June													
July													
August													
Week Ended													
October 4, 1944	15.4	6.3	-	9.1	7.9	-	-	1.0	6.5	- 7.5	-	-	-
October 11, 1944	59.4	3.5	-	55.9	10.7	-	-	-	10.7	- 48.7	-	-	-
October 18, 1944	7.8	6.3	-	1.5	2.6	-	-	-	2.6	- 5.2	-	-	-
October 25, 1944	19.3	4.1	7.4	7.8	29.3 (h)	-	-	-	29.3 (h)	+ 10.0	-	-	-

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.0 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$ 2.0 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 20.0 million in connection with the expenses of our armed forces abroad.

LONDON.—A GOVERNMENT SPOKESMAN INDICATED IN COMMONS THAT THE BRITISH GOVERNMENT FAVORS CONFISCATING SOME, IF NOT ALL, OF THE MODERN EQUIPMENT OF GERMANY'S FACTORIES AFTER THE WAR TO PREVENT THE GERMANS FROM REARMING FOR ANOTHER CONFLICT.

GEORGE WALL, AN UNDERSECRETARY OF THE FOREIGN OFFICE, SAID THE EXTENT OF THIS CONFISCATION WOULD DEPEND ON SECURITY FACTORS AS WELL AS OTHER CONDITIONS PREVAILING AT THE END OF THE WAR. HE EMPHASIZED, HOWEVER, THAT ANY DECISION ON THE QUESTION WOULD HAVE TO BE TAKEN BY JOINT AGREEMENT AMONG ALL THE ALLIES.

11/2--S1243P

11/3/44

Read this clipping to Miss Seavers, Mr. Stettinius' secretary, and told her the Secretary would like to have Mr. Stettinius cable and ask for the full text of this statement.

*Rec'd from Mr Stettinius
on 11/8/44*

November 2, 1944

Dear Arthur:

I want to thank you very much for the trouble you have gone to in trying to get a statement from General Eisenhower through Mr. Daniell and Mr. Middleton.

These gentlemen confirm my own opinion, namely, that there are many reasons why the Germans are fighting so hard now, and the least of these is the gossip about the memoranda which I submitted to the President on the future treatment of Germany.

I have no intention of making any public statement in the immediate future, but I may wish to do so at some later date. At that time, would it be agreeable to you if I used all or part of either Mr. Daniell's statement or Mr. Middleton's statement?

Sincerely yours,

H. H. Henry -

Mr. Arthur H. Sulzberger,
Publisher,
New York Times,
New York, New York.

The New York Times
Times Square

ARTHUR HAYS SULZBERGER
PUBLISHER

October 31, 1944

Personal

Dear Henry:

The enclosed seems to be the best we can get, but it certainly ought to be satisfactory from your standpoint. I don't quite see how we can make a story out of it as it is sort of thin.

Yours,



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

L

Mr. Duboyes

PW3 VIA PREWI NYC149 PARIS 82 RTP 31 1305 PRESS NEWYORK TIMES NY
JAMES SORRY MOVE BEEN SO SLOW ANSWERING YOUR INQUIRY REGARDING EFFECT
PUBLICATION MORGENTHAU PLAN FOR GERMANY BUT THAT WAS TOUGH ONE STOP
THERES BEEN GOOD DEAL DEBATE ON POINT YOU RAISED BUT BEST
OPINION SEEMS TO BE THAT NAZI LEADERS ARE FIGHTING FOR THEIR LIVES
ANYWAY THAT GERMAN RESISTANCE WAS BOUND TO STIFFEN AT FRONTIER AND THAT
IT DOESNT MAKE MUCH DIFFERENCE WHATS SAID OUTSIDE REICH STOP ANYWAY
THERES NO WAY OF PROVING EITHER SIDE OF DEBATE

DANIELL... 944A EB

Mr. Dulles

PU4 VIA PREMI NYC151 PARIS 85/82 31 1410 PRESS NEWYORK TIMES NEWYORK
CITY

PARA SERVICE JAMES DONT THINK MORGENTHAUS PLAN HAD ANY DIRECT AFFECT
ON GERMANS WHOD BEEN TOLD REPEATEDLY BY BERLIN THEYLL HAVE TERRIBLE TIME
IF ALLIES WIN STOP INDIRECTLY STATEMENT MAYVE BEEN USED AS PROOF OF
PREVIOUS STATEMENTS BY GOEBBELS ON ALLIED INTENTIONS GERMANYWARDS STOP
GERRESISTANCE STIFFENED OUR OWN PROGRESS BEEN SLOWER SINCE MIDSEPTEMBER
BUT BELIEVE THIS RESULT TACTICAL LOGISTICAL CONSIDERATIONS AND INTENS-
IFICATION GERPATRIOTISM BECAUSE FIGHTING ON OWN SOIL STOP EISENHOWER
SAYS CANT MAKE STATEMENT ABOUT IT

MIDDLETON

VC 1049AM

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Nov. 2,
1944TO Secretary Morgenthau
FROM J. W. Pehle*not read**M*

You may be interested in the attached cable (particularly the first paragraph) from Myron Taylor at the Vatican to the President and Secretary Hull.

JWP

Attachment

C

O

P

Y

EXCERPT OF
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Delegation, Vatican City
TO: Secretary of State, Washington
DATED: October 29, 1944
NUMBER: 359

SECRET

Following is for the Secretary and the President.

This morning at an audience I reviewed with the Pope the general war situation with particular reference to Germany. Like similar audiences in the recent past, I have been conscious of a growing and developed realization on the part of the Pope of the cruel and inhuman practices which are now reaching a climax in various areas toward which the Pope feels that he had exerted continuing attempts to allay but which he feels are completely disregarded at this moment. This applies to both recent cables which you have directly or indirectly sent to me at the instance of the War Refugee Board (your 55 and 56 of October 25 and 26 respectively). However, the Pope will continue his efforts in which he displays a very real desire to help.

As is our weekly custom, we discussed at some length the question of relief supplies and activities and relationship between supply of clothing and food to the political future of the State. It has always been indicated in my previous cables that the first step towards stability here was to supply clothing and food. In any event the failure to supply them will hasten, if not create of itself consequences of political importance.

The Pope takes obvious satisfaction in the National Committee for distribution of relief, our first attempts at cooperative distribution with regard to atebirin (see note) having been most successful and with the receipt of the first shipments of donated relief from American Relief from America to put it to a second and more general test. We are forwarding today, on the basis of these experiences, a summary that we are making of the facilities of the three combined agencies for distribution that we hope of supporting our judgment that the activities of UNRRA should be administered through the same channels which allow of adequate supervision by its limited staff of UNRRA representatives along with those of our other supervisory and contributing groups.

- 2 -

Note: An acute malarial condition which last week was discovered to prevail to the extent of ninety percent of the population in the Cassino area. They had not distributed an adequate supply of atabrin and the death toll was great. We discovered and obtained one million and a quarter atabrin tablets and the situation is being dealt with by a medical group of national committee representative of the Government, the Vatican and the Italian Red Cross who are already in the area.

TAYLOR

AIRGRAM TO AMEMBASSY, QUITO, ECUADOR

Reference is made to your 2185 of September 28 and 2192 of September 30. You may inform Ecuadoran authorities, if you consider it advisable, that a special procedure has been adopted by this Government in favor of certain persons in enemy-controlled territory. This procedure is outlined in Department's instructions to Amlegation Bern substantially as follows:

QUOTE There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, please request appropriate officials of the Swiss Government to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

QUOTE Accordingly, American consular officers in Switzerland are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

QUOTE In advising Swiss officials of the foregoing please attempt to secure their prompt agreement to advise enemy governments of Switzerland's willingness to permit the entry into Switzerland, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with

the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Sweden, Turkey, Spain, and Portugal. UNQUOTE

This program has been further extended by a subsequent instruction to Amlegation Bern substantially as follows:

QUOTE Please request appropriate officials of the Swiss Government to advise enemy governments, particularly Germany and Hungary, that American consular officers in neutral countries have been authorized to issue an immigration visa to the alien husband, wife, parent, and unmarried minor child of an American citizen, and the wife and unmarried minor child of an alien resident of the United States who has been in an area controlled by Germany or any of Germany's allies, provided that such person presents himself to an American consular officer and if found not to be disqualified for a visa. At the same time, please attempt to secure the prompt agreement of the Swiss Government to advise enemy governments of Switzerland's willingness to permit the entry into Switzerland of persons falling within the categories described above. You may assure Swiss officials that any such persons so admitted will be adequately maintained and that any who may be found not to be qualified for the issuance of a visa will be evacuated as promptly as possible. Similar requests are being made of Sweden, Spain, Turkey, and Portugal.

QUOTE Consular officers in Switzerland are hereby authorized to issue immigration visas to any alien who is the husband, wife, parent, or unmarried minor child of an American citizen and on whose behalf nonquota or first preference status has been established by the approval of the Department of Justice of a petition filed by such citizen relative, or who is the wife or unmarried minor child of an alien lawfully admitted into the United States for permanent residence and as such is entitled to second preference immigration status. The issuance of visas is subject to the proviso, however, that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report or to be open to reasonable suspicion because of the circumstances of the case such as those attending the release of a male applicant of military age, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

QUOTE Appropriate private agencies are being advised of the foregoing so that the filing of petitions by citizen and resident

alien relatives of victims of persecution may be expedited, and names of persons whose status within the categories mentioned above is established will be cabled to you from time to time. If any persons within such categories should arrive in Switzerland after Swiss have advised enemy governments in accordance with item 3 above, but prior to any notification to you of the establishment of their status, please advise Board promptly of their names and of the names and addresses of relatives claimed in the United States. UNQUOTE

The Department and Board would be heartened if Ecuadoran Government were to undertake a similar program in the interest of saving lives. Since there are in enemy-controlled areas probably few or no victims of enemy persecution with lapsed Ecuadoran visas or who are near relatives of Ecuadoran citizens, Ecuadoran authorities will undoubtedly desire to extend any program of this nature which they may adopt to other categories or to a definite number of enemy victims.

Should Ecuadoran officials be disposed to extend such program to Hungary as well as to Germany, it would appear necessary first to obtain the services of Switzerland as protecting power for Ecuador in Hungary, as indicated in Department's _____ of _____.

3:00 p.m.
November 2, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Cohn, DuBois, Friedman, Hodel, Lesser, Mannon, McCormack, Files

LSLesser:tah 11-1-44

Regraded Unclassified

JP-313

PLAIN

London

Dated November 2, 1944

Rec'd 12:49 p.m.

Secretary of State

Washington

9483, Second

Finance Officer Intergovernmental Committee

on Refugees requests payment remaining half United States share of IGC administrative (repeat administrative) expenses for 1944 in amount of pounds 1998 reference Embassy's despatch 13250 January 12.

Please authorize payment first installment authorized by Department's telegram 1814, March 10, which also covered payment of pounds 50000 toward operational expenses.

GALLMAN

BR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
 TO: Secretary of State, Washington
 DATED: November 2, 1944
 NUMBER: 297

SECRET

The message which follows is a joint one, through the War Refugee Board for Baerwald; it is from Emerson of the Intergovernmental Committee and Hoyhler of UNRRA: both of these men are in Paris at the present time.

Start of the message:

1. We deem it to be necessary that the Joint Distribution Committee should renew monthly remittances to the office in Paris as soon as possible; the minimum requirements at the present time are ten million French francs and this will probably prove to be insufficient.
2. We deem it to be most desirable that Greenleigh should take over in Paris at as early a date as possible; we understand that difficulties in the way of his coming are being removed.
3. We deem it to be very advisable that Schwarz should visit Paris at as early a date as is practicable in order to survey the entire position and make arrangements accordingly.

CAFFERY.

DCR:LCW 11-3-44

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Alcin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Marks, Mannon, McCormack, Pehle, Files.

CABLE TO NORWEB, LISBON, FOR DEXTER FROM WAR REFUGEE BOARD.

Please furnish us office equipment inventory and approximate value each item. Also indicate condition of each article. At proper time, instructions will be forwarded for disposal of equipment and accounts.

THIS IS WRB LISBON CABLE NO. 110.

5:15 p.m.
November 2, 1944

DWhite:hmd
11/1/44

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Cohn, DuBeis, Friedman, Hodel, Lesser, Mannon, McCormack, Files.

AIRGRAM

FROM American Embassy

Madrid, Spain

Dated November 2, 1944

Rec'd November 10, 5 p.m.

Secretary of State,
Washington.

A-623, November 2, 1944, 8 p.m.

CONFIDENTIAL For War Refugee Board. Official of Ministry of Foreign Affairs has orally confirmed that instructions along lines indicated in the Spanish Ambassador's letter of October 13 quoted in Department's telegram No. 2871 of October 25 have been sent to Spanish Embassy in Berlin on several occasions. He states, however, that efforts of latter Mission are being met with increasing unwillingness on part of German Government to cooperate in such matters.

HAYES

NLB/jf

CEK-299
Distribution of
true reading
only by special
arrangement (SECRET R)

Stockholm

Dated November 2, 1944

Rec'd 12:40 p.m.

Secretary of State,

Washington.

4463, November 2, 11 a.m.

We have discussed with former Lithuanian Minister to Sweden (Gyls) his financial requirements of supplying necessary assistance to the 325 Lithuanian refugees presently in Sweden. This is our 98 for WRB in reply to WRB 109 (Department's 2069 of October 14, midnight). Please consult in this connection Legation's 4455, November 1, 8 p.m.

For the time being it would appear that \$7500 monthly should be ample to take care of the current needs of this group. This amount may be decreased as the refugees get settled down and find employment, but may be increased if more find their way to Sweden, which is extremely improbable. With the exception of 36 Lithuanians who were held by the Germans in Finland for forced labor and who escaped on foot to Sweden in September, and two Lithuanians who escaped from a German labor camp in Norway, no Lithuanians have been able to escape to Sweden in past 2 or 3 years other than those brought over through Olsen's arrangements. As previously reported, these operations were stopped in September, largely as a result of the physical impossibility of getting a boat anywhere near the Lithuanian coast.

JOHNSON

RMB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: November 2, 1944
NUMBER: 4477

CONFIDENTIAL

Dissident Hungarians here were told by travelers who left Budapest on October 22 the following: The confusion and disorganization in Hungary were indescribable. Food deliveries to Budapest were upset by disruption of transportation and for several days they lacked bread completely. Poor people were almost starving. From southern and eastern Hungary tens of thousands of refugees streamed to Budapest by train and auto, and chiefly by horse and wagon in an effort to cross over to western Hungary. This stream of refugees upset the food supply and blocked roads. Those refugees who could not be sheltered camped in fields.

JOHNSON

DCR:VAG 11/3/44

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

Please deliver the following message to Isaac Sternbuch, St. Gall,
from Rabbi Kalmanowitz of the Vaad Hahatzala Emergency Committee:

QUOTE HAVE CABLED YOU 25,641 SWISS FRANCS THROUGH POLISH
CONSULATE. PLEASE FORWARD TO RABBI SZMULEWICZ TOGETHER WITH
EXACT INSTRUCTIVE MESSAGE AND DETAILS OF DISTRIBUTION. ADVISE
US WHEN RECEIPT CONFIRMED BY SZMULEWICZ. UNQUOTE

THIS IS WRB BERN CABLE NO. 257.

1:45 p.m.
November 2, 1944

RDrury 11/2/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Reference is made to your 7163 of October 28. Department and Board fully agree with action suggested by Grassli. Should you not yet have done so, you are requested to approach Swiss authorities accordingly without delay. In connection with claimants to citizenship of United States and other American Republics, whether with or without documents, reference is made to Department's 1269 of April 13, 1921 of June 6, and 2149 of June 24.

THIS IS WRB BERN CABLE NO. 250.

5:15 p.m.
November 2, 1944

Miss Chauncey (ccr the Sec'y) Abrahamson, Ackermann, Cohn, DuBois, Friedman, Hedel, Lesser, Mannen, McCormack, Files

BAkzin;tmh 11-2-44

CEK-401
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Bern

Dated November 2, 1944

Rec'd 5:15 p.m.

Secretary of State,

Washington.

7293, November 2, 4 p.m.

FOR WRB FROM MCCLELLAND

Re Weissman of Self Help from Fanny Silber-
schein-Hirsch, Comite Intellectuals:

"Would appreciate your agreement to further help
for writers, journalists, and refugees in Shanghai.

Also need additional funds to clothe intellectuals
attending universities as sum available for this purpose
inadequate.

Appreciate your agreement reestablishment Paris
and Brussels offices." 1680

HARRISON

EMB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 2, 1944
NUMBER: 7294

SECRET

US URGENT

The following message with regard to American interests in Hungary is transmitted.

McClelland has been informed by several Jewish organizations in Switzerland on the 5th of October that Jews at Budapest were being massacred according to information dated about October 17 which has been received from the United States. At once the Legation requested the Foreign Office to obtain urgently a report from the Swiss Minister at Budapest at the earliest possible date.

There follows the substance of the Swiss note of November 2:

A message has just been received from the Swiss Legation at Budapest by the Political Department which reports that Jews in streets and houses in Budapest have been shot, on the pretext that the Jews offered opposition, during the first days which followed the overthrow of the Horthy Government. The situation has improved since that time. The Swiss Legation has no information as to further murders of Jews during the last few days.

In connection with the above message please see my message of October 24 No. 7049 and previous telegrams.

HARRISON

DCR:LCW:MEM

11/3/44

Bern

Dated November 2, 1944

Rec'd 5:05 p.m.

Secretary of State

Washington

7295, November 2, 6 p.m.

FOR WRB FROM MC CLELLAND

According to the latest information just furnished by Kasztner, who just arrived in Switzerland, situation and location of remaining Hungarian Jews is as follows:

(One). 25,000 men and boys between ages of 14 and 60 and, (Two). 45,000 women and girls between ages of 14 and 40 (without small children) are all employed on fortification work in Hungary. (Three). 90,000 men are in forced labor camps in Hungary. (Four). 100,000 children, elderly people and invalids are being grouped in "Jewish houses" or ghettos in suburbs of Budapest. (Five). 50,000 persons from categories one and two have been ordered to march on foot to Germany via Austria. Quite possible this is group being used "en route" for fortification work along Austro-Hungarian border. (Six). Some 7,000 Hungarian Jews are located in the Vienna area. (Seven). Another approximately 17,000 formerly deported from Hungary are in camps in various parts of Austria as previously reported.

HARRISON

RB

CABLE TO STEINHARDT, ANKARA, FOR KATZKI FROM WAR REFUGEE BOARD

Referenece your No. 2059, October 26, (Ankara's 170). Have Scheleifer children and Aunt Margaret Neulander left for Jerusalem or are they still in Istanbul.

Please advise at once.

THIS IS WRB ANKARA CABLE NO. 124.

9:30 a.m.
November 2, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Akzin, Cohn, DuBois, Friedman, Hodel, Lesser, Mannon, McCormack, Files.

FH:hd 11/1/44

November 2, 1944

6 p.m.

AMBASSY

ANKARA

987

The following for Katski is WRB 124.

Reference your No. 2059, October 26, (Ankara's 170).

Have Schelsifer children and Aunt Margaret Neulander left
for Jerusalem or are they still in Istanbul.

Please advise at once.

STETTINIUS
(Acting)

WRB:MMV:KG
11/2/44

NE

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Akkin, Cohn, Drury,
DuBois, Friedman, Hodel, Gaston, Lesser, Marks, Mannon, McCormack,
Pehle, Files.

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 356

Information received up to 10 a.m., 2nd November, 1944

1. AMPHIBIOUS OPERATIONS

Early 1st R.M. Commandoes supported by U.K. troops landed at Flushing and successfully established bridgehead. Three R.M. Commandoes landed Westkapelle and were strongly opposed, suffering heavy casualties in craft and men. Low cloud prevented air support until afternoon when limited air operations were possible and spotting aircraft cooperated with three of H.M. Warships in bombarding enemy batteries. Shelling of beaches prevented store carrying craft from unloading in daylight. By 8:40 p.m. general progress of operation was reported satisfactory.

2. NAVAL

31st/1st. One of H.M. Destroyers drove off E-boats off Ostend and sunk one.

MEDITERRANEAN. By 31st party previously landed on Piskopi had been re-embarked in a Greek Destroyer. German Headquarters destroyed during landing.

3. MILITARY

WESTERN EUROPE. Patrols of 2nd Army are held up along Dentel Mark Canal west of Oosterhout. Canadian troops have secured a bridgehead beyond causeway into Walcheren. South of Scheldt Estuary Canadian troops are fighting in Knocke.

ITALY. Eighth Army troops are advancing towards Forli after building up strength across River Ronco in Meldola area.

4. AIR OPERATIONS

WESTERN FRONT. 31st/1st. 2,368 tons dropped on Cologne. 1st. 163 escorted heavies Bomber Command (1 missing) dropped 818 tons on Homberg Synthetic Oil Plant through cloud. 303 escorted U.S. heavies (1 fighter missing) dropped 610 tons on Gelsenkirchen Synthetic Oil Plants, 113 tons on Coblenz and Hamm Railway Centres through cloud. 413 fighter bombers and fighters dropped 147 tons on communications and a power plant. 361 others attacked targets in Holland. 16 locomotives, 115 railway wagons and 56 M.T. destroyed or damaged and tracks cut in 24 places.

1st/2nd. Aircraft despatched:-

Oberhausen	288 (7 missing)
Berlin	49
Bomber support	69
Other targets	21

MEDITERRANEAN. 31st. Bad weather restricted operations, but 674 aircraft successfully attacked communications in Po Valley and enemy positions in battle area.

1st. 285 escorted heavies dropped 575 tons on Graz, Vienna Ordnance Depot, Liebach Railway Centre and other targets. Six bombers, two fighters missing.