

DIARY

Book 792

November 5-9, 1944

- A -

	Book	Page
Aarons, Lehman C.		
See France		
" United Kingdom		

- B -

Bretton Woods Conference		
See Post-War Planning		
British Dominions		
See Lend-Lease: United Kingdom (Phase 2)		
Business Conditions		
Haas memorandum on situation, week ending November 8, 1944 -		
11/9/44.....	792	182

- C -

China		
Financial report from American Embassy, Chungking -		
11/7/44.....		134,288
Political and military situation reported discouragingly		
by Friedman - 11/9/44.....		251

- D -

Democratic Campaign of 1944		
FDR's Dutchess County itinerary - 11/6/44.....		21
a) Speech at Wappinger's Falls.....		24
b) " " Hyde Park.....		27
After FDR's re-election, HMJr talks to Treasury group		
from farm - 11/8/44.....		137

- F -

Financing, Government		
Security markets (high-grade) - recent developments in;		
new British 1-3/4% bond - Haas memorandum - 11/9/44....		196
Fort Ontario - Oswego, New York		
College Students: See War Refugee Board		
France		
Treasury representative Aarons reports on visit to		
Paris - 11/9/44.....		265
Treasury representative Hoffman reports from Paris,		
November 1944.....		269
(See also Book 792, page 262; Book 799,		
page 234; and Book 801, page 276)		
Treasury representative Saxon reports from Paris:		
See Book 795, page 317		
French Financial Representative, London, -Treasury		
representative conversation: Book 799, page 141		

France (Continued)

Treasury letter to War Department concerning investigations of activities of French branches during period of German occupation - 11/16/44: See Book 795, page 321

Treasury representative Snider reports from Paris - 11/21/44: Book 801, page 173

- G -

Germany

See Post-War Planning

- H -

Hoffman, Michael L.

See France

- L -

Lend-Lease

Executive Reports as of		
September 30, 1944 - 11/6/44.....	792	34
October 31, 1944 - 12/5/44: See Book <u>801</u> , page 76		
Weekly report - 11/8/44.....		168
" " as of November 15 - 11/22/44: Book <u>798</u> , page 110		
Weekly report as of November 22 - 11/29/44: Book <u>800</u> , page 104		

United Kingdom

Lumber and wood products for Great Britain - dollar value of - 11/6/44..... 47

Phase 2

British requirements in first year of Stage II - second supplement - 11/9/44..... 205
(For original requirements in three volumes see Book 783; for Supplement 1 see Book 788, page 94)

British Dominions

See also Books 787, and 788

Combined Committee meeting on Lend-Lease between United States, the Dominions, and India - minutes - 11/6/44..... 38

American delegation confers - 11/10/44:

See Book 793, pages 13,44

a) Dominions situation reviewed by Acheson War Department's reaffirmation of agreement on program - 11/10/44: Book 793, page 43

War Department's later statement on necessity of reciprocal aid from the Dominions of the British Commonwealth of Nations - 11/14/44: Book 794, page 269

- M -

	Book	Page
Morgenthau, Henry, Jr. After FDR's re-election, HMJr talks to Treasury group from farm - 11/8/44.....	792	137
(See also Democratic Campaign of 1944)		

- N -

New York Times
See Post-War Planning: Germany (Treasury Plan)

- P -

Post-War Planning		
Bretton Woods Conference: British Chancellor of Exchequer's statement transmitted by Keynes - 11/9/44.....		226
Germany: Treasury Plan		
War Department (Stimson) decides against statement on stiffening of German resistance <u>at this time</u> - 11/5/44.....		1, 8
a) Again asked for statement on - 11/11/44: See Book 793, page 246		
b) Stimson's statement - 11/25/44: Book 798, page 288		
New York Times editorial and follow-up work done by Gaston and Gamble - 11/7/44.....		66
(See also Book 793, page 105)		
Surplus Property, Disposal of		
Justice Department asked for opinion on application of Section 27 of Act regarding employees whose duties relate to disposal of surplus property - letter dated October 4, 1944 and mailed November 7, 1944.....		79
a) O'Connell reveals informal decision planned by Justice - 11/10/44: See Book 792, page 10		
b) Opinion rendered - O'Connell memorandum - 11/20/44: Book 797, page 124		
Special items valued in excess of \$50,000, as of November 6, 1944.....		87
" " " 14, 1944: Book 794, page 242		
" " " 20, 1944: Book 796, page 234		
" " " 27, 1944: Book 800, page 111		

- R -

Roosevelt, Franklin D.
See Democratic Campaign of 1944

- S -

Security Markets
See Financing, Government
Surplus Property, Disposal of
See Post-War Planning

- T -

	Book	Page
Taylor, William H.		
See United Kingdom		
Treasury Department Employees		
Pay periods adjusted - 11/8/44.....	792	161
a) HMJr agrees - 11/22/44: See Book 798, page 3		

- U -

United Kingdom		
See Lend-Lease		
" Post-War Planning: Bretton Woods Conference		
Treasury representatives Taylor and Aarons report on confused situation - 11/9/44.....		259

- W -

War Department		
See Post-War Planning: Treasury Plan		
War Refugee Board		
Fort Ontario College Students: Mrs. FDR-Pehle correspondence - 11/7/44.....		112

November 5, 1944
9:57 a.m.

Operator: There's Mr. Gaston.

Herbert
Gaston: Hello.

HMJr: Herbert.

G: Yes.

HMJr: Am I making a record?

G: I threw the switch and the light is on.

HMJr: Yeah. I don't know how many cylinders there are. You haven't got anybody around?

G: No, nobody at all. I should think Miss Chauncey would be here pretty soon and Dillon is on his way down, but nobody at all at the moment.

HMJr: Well, you are a pretty good reporter and you might make notes as I talk. Will you?

G: Yes, I will.

HMJr: Got a pencil?

G: Yes. I have.

HMJr: Well, I have just had a forty-five minute talk with McCloy....

G: Yeah.

HMJr: who had a long talk with Stimson.

G: Yes.

HMJr: Stimson did stay up and hear the broadcast last night.

G: Yeah.

HMJr: Which is a phenomenon in itself.

G: Yes.

HMJr: And his best political judgment is that it would be a mistake for him or Marshall to say anything at this time because up to now the War Department has not been in this political campaign.

G: Yeah. Yeah.

HMJr: But that somebody who has been campaigning

G: Uh huh.

HMJr: might say something because the reasons are perfectly obvious why the war has been slowed up. So I said, "Well, who for example?" He said, well, anybody as long as -- he didn't think either Roosevelt or Truman.

G: Uh huh.

HMJr: That anybody could make a statement. I said, well, I didn't think that would carry much weight.

G: Uh huh.

HMJr: Well, that was Stimson's best judgment.

G: Uh huh.

HMJr: He also had been talking with General Surles.

G: Uh huh.

HMJr: And that General Surles was inclined to write a statement, but had not had much success.

G: Uh huh.

HMJr: And he felt that if we did it now it would be a sort of -- last minute bomb-shell bringing the War Department into politics.

G: Uh huh. Uh huh.

HMJr: He said it would accentuate the "Morgenthau Plan" and would make it almost as important as "Clear it with Sidney".

G: Uh huh.

HMJr: See?

G: Uh - huh.

HMJr: That it would accentuate the "Morgenthau Plan" at this time and he thought it was a mistake.

G: Uh - huh.

HMJr: And I said, well, I thought they were wrong. So he said, well, that was the best judgment of Stimson and he agreed with Stimson.

G: Uh - huh. Yes.

HMJr: Now, the other thing was that -- oh, yes, well, I said, "Well, after election" -- oh, yes, he said they might make something after election so I said, well, I would be very insistent that they did say something.

G: Uh - huh.

HMJr: Well, they thought that they could but they wouldn't promise.

G: Uh - huh. Yeah.

HMJr: He's going to get in touch with Steve Early

G: Yes.

HMJr: and talk to him and he might call me back at a quarter of one.

G: Uh - huh.

HMJr: They're not going to do anything.

G: No, I didn't think so and I - I knew the grounds on which they would put it. That it would be getting the War -- the War Department into politics.

HMJr: That's right.

G: Yeah.

HMJr: That's it.

G: Yes.

HMJr: Now -- what else has happened at your end?

- G: There's nothing happened at my end. I have just been looking over my clippings and waiting to hear. I haven't yet talked to Luxford, because I didn't want to miss any call from you. I -- I will talk to Luxford and find out whether this man has called him -- Hall, Drew Pearson's man -- no, not Hall but Carr. He was to call Luxford this morning and Luxford was going to turn him over to me, and the best I can give him at the moment is that for him to, on his own authority -- well, first for him to say that the two leading Democratic -- Republican newspapers, supporters of Dewey, have both repudiated this idea and then to talk a little on his own responsibility of the common sense of the thing as to what has actually happened.
- HMJr: Well -- you -- I don't know how you feel. How do you feel about anything coming out over my name?
- G: Uh -- I -- uh -- am a little doubtful of any value to it. Uh -- a statement can be written.
- HMJr: Well, my own feeling is, I don't -- I don't think that anything over my name at this time is going to help correct it.
- G: The only difficulty with it
- HMJr: Elinor agrees with me.
- G: Well, as I said before, when we were discussing this other thing the other day, it is hard to separate the two considerations. I would like to say some vigorous things which would help you, but I don't know that they will help the election.
- HMJr: Well, Elinor -- (Aside: He said) -- wait a minute. (Aside: Yes) Well, Elinor says that in view of the War Department's attitude she doesn't see how I could say anything alone.
- G: Well, since the President has turned you down, this has got up on to a high enough level so that it's his responsibility and Hannegan's responsibility.
- HMJr: Hannegan.
- G: It's his and Hannegan's, yes. And Paul Porter's

HMJr: Yeah.

G: and it's -- they know that we are standing by and can help. I think that if we -- think if we try to do something through Drew Pearson on our own, that's about as far as we can go.

HMJr: Do you think it would be any use to try to call up Hannegan?

G: Hello. Hello.

(Interruption on wire)

Operator: You have been cut off. Just a second, Mr. Gaston.

G: All right.

Operator: Go ahead.

G: Hello.

HMJr: Elinor was saying that if I say this thing alone without any support from the War Department, I draw the whole thing on myself.

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

HMJr: And I think the thing to do is -- what's his name now -- McCloy is going to talk to Early.

G: Yeah.

HMJr: And I think that we will just let them sweat a little bit. They're not going to sweat much

G: Uh - huh.

HMJr: and if they don't do anything, we'll just have to keep quiet.

G: Uh - huh. All right. Well, then -- then I'll -- we'll talk to Drew Pearson. His judgment is pretty good. He can -- he can say what he wants to say. I'll tell him about these two stories in the two Republican newspapers. The rest -- I can't find anything else that's any good. While there are a good many editorials favorable to your plan, none of the others say flatly that this is nonsense; that it's affected the course of the war.

HMJr: In my course of conversation with

G: With McCloy.

HMJr: he said he'd seen Pearson last week.

G: Yes.

HMJr: The question came up where did the stories come from that Pearson had written, with regards to the pamphlet. See?

G: Yes.

HMJr: So he said they did not come from the Treasury. It came from somebody in the State Department who was friendly with the Treasury.

G: Yes.

HMJr: So I said I would like to meet that person.

G: Uh - huh. Well, there are.

HMJr: What?

G: There are.

HMJr: Are there?

G: Yeah.

HMJr: Well, anyway, that's that. And I got three hours' sleep last night and I'm going up and go to bed.

G: Well, I am terribly -- terribly sorry. I don't blame you. I want to say a file of words that -- I would like to say something to the effect that if anybody -- if anybody had thought that -- cherished the idea before Dewey spoke last night that he had some shreds of decency and honor in his make-up that they must have dropped that thought after hearing him last night.

HMJr: I see. Well, thanks. And I think that if we can get something from Pearson that would help a little bit.

G: Yeah. Right.

HMJr: Thank you, Herbert.

G: Right. Good-bye.

4-8

November 5, 1944

(Dictated by Mr. Gaston)

The Secretary called me a little before eleven. He said he had just had a forty-five minute talk with McCloy who had previously had a long talk with Stimson. Stimson said that his best political judgment was that it would be a mistake for him or Marshall or anybody in the War Department to say anything about Dewey's charge that the war had been lengthened by publication of the Morgenthau plan. He said that up to this time the War Department had kept strictly out of the political campaign and he thought it would be a great mistake to get in at this time. He thought that if somebody who has been campaigning politically were willing, he could probably make a statement to the effect that this thing had not prolonged the war and he said he had been talking to General Surles and Surles was trying to write something which they might give out, but without much success. He repeated that he thought it would be a mistake to bring the war department into politics in the way this would do it and he thought it would not do any good so far as the campaign was concerned because it would accentuate and attract more attention to the Morgenthau plan and make it as important an issue for the Republicans as "Clear it with Sidney". He said, however, that they might be able to do something after election and Secretary Morgenthau said to McCloy that he very much hoped that they would do something. McCloy said they would get in touch with Steve Early to clear the thing with him, but they thought his opinion would be the same.

The Secretary then asked me whether he thought there would be any use in our getting out a release of our own. I told him that was a very hard question to decide; that his own interests got a little mixed in my mind with the campaign and it was a little difficult to separate them, but my best judgment was that while he, personally, might be helped by a statement that it would not help the campaign. The Secretary told me

that was Mrs. Morgenthau's judgment and his own. I said that the one thing we might do is to try to get Drew Pearson to use something and he agreed to that.

Shortly after I returned to the office, I called Drew Pearson at his home and Drew said he would try to work out something. He asked me what he might be able to say and I told him that the one thing might be to say that the two leading Republican newspapers in the East and in the Middle West, which are reputable and are supporters of Dewey, had both characterized the Dewey thesis as nonsense and I read extracts to him of the editorial from the Herald Tribune, of October 1, and that of the Chicago News, of October 17. I also said that it should be common knowledge and certainly was among military men that the delay was largely one of logistics, that is, of supply; that it was due to lack of ports and to the difficulty of reorganizing the longer lines of transport plus the fact that the Germans were behind good defenses on their own soil.

He said he thought I ought to know and that the Secretary ought to know that a high official in the War Department, not on the military level but on the Cabinet level, had told him that it was his belief that the publication of the Morgenthau plan had definitely lengthened the war. I remarked to Pearson that there was a question of interest there and Drew agreed that there was. I said that so far as the Secretary was concerned it was a telling point that it was not he that was responsible for the so-called Morgenthau plan but the newspapers and that of course he, Drew, knew that the story did not come out of the Treasury. Drew said that he did know that; that he knew where it came from, and that that was a point in the Secretary's defense, but he agreed with me that it had no value so far as the campaign was concerned.

He said that he would try to work out something to use on his broadcast tonight. He doubted that he could use the stuff about the two newspapers, because, he said,

-3-

the program supervisors in the chains are constantly checking him up and making him cut out political stuff, but he will do the very best he can. I told him that we felt sure that he would do that and thanked him for his help.

W/S

oOo-oOo-oOo

German Press

Excerpt from Drew Pearson's broadcast, November 5, 1944

11

London - The German Army in East Prussia is fighting so fiercely that there will be no need to transplant the population of East Prussia after the war. It will be all wiped out. Reason is that the Nazis are now fighting on German soil. The American Army has experienced the same thing on the Western front. War Department officials tell me it is not Mr. Morgenthau's plan for the future partitioning of Germany, as some politicians charge, but the fact that German soil is considered Holy soil. Dr. Goebbels has been preaching this for weeks, has been hammering home, long before the Morgenthau plan, that the Germans will be tortured, their homes taken away, their fields burned, and that only relentless opposition to the enemy invader can save them. Before this we have been fighting on French, Polish, Greek or Rumanian soil where the local people were friendly to us. Now it is just the opposite.

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

12 4

*Dr.
man*

November 5, 1944.

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

Dear Mr. Morgenthau:

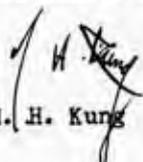
Thank you for your letter of October 20 which I received upon my return from a delightful but strenuous trip to Boston and Oberlin. It was good of you to invite me to resume discussions with you with respect to United States Army Expenditures in China after my trip.

I had wanted to come here sooner but I was waiting for additional data of the accounts which took sometime to arrive from China. Furthermore, it was near election time. Both President Roosevelt and you are very busy so I do not want to bother you.

However, I have some other urgent matters which require my coming here. I wanted to see you after my arrival, but, probably due to my strenuous trip last month which weakened my resistance, I had a recurrent attack of malaria on the night of my arrival. I am now feeling better and I look forward to the pleasure of seeing you soon.

With best regards,

Yours sincerely,


H. H. Kung

CONFIDENTIAL

13 ✓

WILL THE COMMUNISTS TAKE OVER CHINA?

Received 11/15/44

The Chinese Communists are so strong between the Great Wall and the Yangtze that they can now look forward to the postwar control of at least North China. They may also continue to hold not only those parts of the Yangtze valley which they now dominate but also new areas in Central and South China. The Communists have fallen heir to these new areas by a process, which has been operating for seven years, whereby Chiang Kai-shek loses his cities and principal lines of communication to the Japanese and the countryside to the Communists.

The Communists have survived ten years of civil war and seven years of Japanese offensives. They have survived not only more sustained enemy pressure than the Chinese Central Government forces have been subjected to, but also a severe blockade imposed by Chiang.

They have survived and they have grown. Communist growth since 1937 has been almost geometric in progression. From control of some 100,000 square kilometers with a population of one million and a half they have expanded to about 850,000 square kilometers with a population of approximately 90 million. and they will continue to grow.

The reason for this phenomenal vitality and strength is simple and fundamental. It is mass support, mass participation. The Communist governments and armies are the first governments and armies in modern Chinese history to have positive and widespread popular support. They have this support because the governments and armies are genuinely of the people.

Only if he is able to enlist foreign intervention on a scale equal to the Japanese invasion of China will Chiang probably be able to crush the Communists. But foreign intervention on such a scale would seem to be unlikely. Relying upon his dispirited shambling legions, his decadent corrupt bureaucracy, his sterile political moralisms and such nervous foreign support as he can muster, the Generalissimo may nevertheless plunge China into civil war. He cannot succeed, however, where the Japanese in more than seven years of determined striving have failed. The Communists are already too strong for him.

Civil war would probably end in a mutually exhausted stalemate. China would be divided into at least two camps with Chiang reduced to the position of a regional warlord. The possibility should not be overlooked of the Communists - certainly if they receive foreign aid - emerging from a civil war swiftly and decisively victorious, in control of all China.

Since 1937 the Communists have been trying to persuade Chiang to form a democratic coalition government in which they would participate. Should the Generalissimo accept this compromise proposal and a coalition government be formed with Chiang at the head, the Communists may be expected to continue effective control over the areas which they now hold. They will also probably extend their political influence throughout the rest of the country - for they are the only group in China possessing mass appeal to the people.

CONFIDENTIAL

- 2 -

If the Generalissimo neither precipitates a civil war nor reaches an understanding with the Communists, he is still confronted with defeat. Chiang's feudal China can not long coexist alongside a modern dynamic popular government in North China.

The Communists are in China to stay. And China's destiny is not Chiang's but theirs.

John Davies

Yenan
November 7, 1944.

(2) 15

CONFIDENTIAL

HOW RED ARE THE CHINESE COMMUNISTS?

The Chinese Communists are backsliders. They still acclaim the infallibility of Marxian dogma and call themselves Communists. But they have become indulgent of human frailty and confess that China's Communist salvation can be attained only through prolonged evolutionary rather than immediate revolutionary conversion. Like that other eminent backslider, Ramsay MacDonald, they have come to accept the inevitability of gradualness.

Yenan is no Marxist New Jerusalem. The saints and prophets of Chinese communism, living in the austere comfort of caves scooped out of loess cliffs, lust after the strange gods of class compromise and party coalition, rather shame-facedly worship the Golden Calf of foreign investments and yearn to be considered respectable by worldly standards.

All of this is more than scheming communist opportunism. Whatever the orthodox communist theory may be about reversion from expedient compromise to pristine revolutionary ardor, the Chinese communist leaders are realistic enough to recognize that they have now deviated so far to the right that they will return to the revolution only if driven to it by overwhelming pressure from domestic and foreign forces of reaction.

There are several reasons for the moderation of the Communists:

(1) They are Chinese. Being Chinese, they are, for all of their early excesses, temperamentally inclined to compromise and harmony in human relationships.

(2) They are realists. They recognize that the Chinese masses is 90% peasantry; that the peasantry is semi-feudal - culturally, economically and politically in the middle ages; that not until China has developed through several generations will it be ready for communism; that the immediate program must therefore be elementary agrarian reform and the introduction of political democracy.

(3) They are nationalists. In more than seven years of bitter fighting against a foreign enemy the primary emotional and intellectual emphasis has shifted from internal social revolution to nationalism.

(4) They have begun to come into power. And has been the experience in virtually all successful revolutionary movements, accession to power is bringing a sobering realization of responsibility and a desire to move cautiously and moderately.

Chinese Communist moderation and willingness to make concessions must not be confused with softness or decay. The Communists are the toughest, best organized and disciplined group in China. They offer cooperation to Chiang out of strength, not out of weakness.

John Service

Texas
November 7, 1944

THE CHINESE COMMUNISTS AND THE GREAT POWERS

Confident in their own strength, the Communists no longer feel that their survival or extinction depends upon foreign aid or attack. Therein they differ from Chiang Kai-shek and his Central Government. The Communists recognize, of course, that the powers can accelerate or impede their expansion. It is largely on this basis that they view the Great Powers.

The Soviet Union has traditionally been friendly to the Chinese Communists. But the Communists have never received much more than advice and money from the Russians. And since 1937 the Soviet Union has scrupulously withheld all aid from the Chinese Communists. Russian materiel has gone to Chiang and been used exclusively by him - in part to blockade the Communists.

Possible future Soviet assistance to the Communists is a subject on which Yenan leaders are uncommunicative. It seems obvious, however, that they would welcome such aid for what it would mean in extirpating the Japanese and giving impetus to Communist expansion into Central and South China.

With all of their strong nationalist spirit, the Chinese Communists do not seem to fear Moscow's political dominance over them as a result of possible Russian entry into the Pacific War and invasion of Manchuria and North China. They maintain that the USSR has no expansionist intentions toward China. To the contrary, they expect Outer Mongolia to be absorbed within a Chinese federation. They do not see this or any other issue causing conflict between Russian and Chinese Communist foreign policy.

Britain, the Chinese Communists believe, is determined to play its old imperialist game of dividing China into spheres of influence. They suspect an Anglo-American deal giving Britain a free hand west of the line Philippines-Formosa. And they fear a marriage of convenience between Chiang and the British whereby the Generalissimo would get British support in return for special concessions in South China.

The United States is the greatest hope and the greatest fear of the Chinese Communists. They recognize that if they receive American aid, even if only on an equal basis with Chiang, they can quickly establish control over most if not all of China, perhaps without civil war. For most of Chiang's troops and bureaucrats are opportunists who will desert the Generalissimo if the Communists appear to be stronger than the Central Government.

We are the greatest fear of the Communists because the more aid we give Chiang exclusively the greater the likelihood of his precipitating civil war and the more protracted and costly will be the Communist unification of China.

So the Chinese Communists watch us with mixed feelings. If we continue to reject them and support an unreconstructed Chiang, they see us becoming their enemy. But they would prefer to be friends. Not only because of the help we can give them but also because they recognize that our strategic aim of a strong, independent and democratic China can jibe with their nationalist objectives.

John Devine

Yenan
November 7, 1944.

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 359

Information received up to 10 a.m., 5th November, 1944.

1. NAVAL

50 Minesweepers have arrived Terneuzen and small force Antwerp. On 1st/2nd Ostend anchorage attacked by about 7 human torpedoes. A trawler and motor tanker sunk.

ADRIATIC. German Hospital Carrier BONN intercepted and taken into Ancona by one of H.M. Ships.

AEGEAN. German resistance Milo determined and situation has become less favourable. One of H.M. Ships sunk a motor launch and an F-lighter off Piskopi 4th. A 10,200 ton tanker, Abadan to Brisbane, attacked by U-boat in South Indian Ocean. No further details received.

2. MILITARY

Slight local gains by 7th U.S. Army east of Bruyeres and Baccarat. East of Eupen 1st U.S. Army has made local advances against strong resistance in Foret De Retgen. An attack launched west of Hertogenbosch has gained about a mile on a 2 mile front. The bridgeheads over Dintel Mark Canal and Mark River have been widened; Steenberg now completely surrounded. Germans still resisting strongly Walcheren Island. Mopping up continuing in Flushing. Over 2,000 prisoners taken on the island so far. Prisoners south of Scheldt 289 officers, 12,418 other ranks.

ITALY. To noon 4th. Some fall in River Ronco with slight improvement weather. Activity Adriatic sector confined to bridging and patrolling on 5th Army front, patrolling and local reliefs.

EASTERN FRONT. Russians report capture of Szolnok and Czegled, S.E. Budapest.

BURMA. More Japanese positions 8 miles north of Fort White captured.

3. AIR OPERATIONS

WESTERN FRONT. 4th. 174 Lancasters (4 missing) dropped 946 tons on Solingen through cloud. Bombing somewhat scattered. 1,088 escorted U.S. heavy bombers attacked west and northwest Germany, bombing oil plants Hamburg, Harburg, Neunkirchen, Gelsenkirchen, Hanover and Bottrop. - total 2,461 tons; also railway centres Saarbrücken, Hamm and Neunkirchen - total 173 tons. Thick cloud over all objectives. 6 bombers, 7 fighters missing. 218 medium bombers dropped 310 tons on ordnance and storage depots Trier area and strong points Eschweiler and 120 others attacked bridges at Venlo. 1 bridge partially destroyed and another damaged.

1,652 fighters (7 missing) operated in battle area and carried out reconnaissances.

4th/5th. 1,071 Bomber Command aircraft sent out: Bochum 748 (27 missing); Dortmund-Ems Canal 176 (3 missing); Hanover 43, Herford 6, and Bomber support 98. Weather clear over Bochum and the Canal and bombing well concentrated.

MEDITERRANEAN. 3rd. Unfavourable weather continued to restrict operations. 46 heavy bombers bombed industrial and railway objectives Austria and Southern Germany dropping 78 tons by Pathfinder technique. 111 fighter bombers (2 missing) attacked targets Northern Italy and Yugoslavia.

4. HOME SECURITY

Soon after dark 4th/5th 23 flying bombs plotted.

Dove 18 ✓

The New York Times
Times Square

November 6, 1944.

Dear Mr. Secretary:

Arthur has just told me of your telephone call to him this morning, and I am writing this note as a postscript to the letter I sent you on Saturday. At that time, of course, I had not seen the text of the speech which Mr. Dewey was to deliver in Madison Square Garden Saturday evening. This morning's editorial was written yesterday on the basis of that speech.

With best wishes,

Sincerely yours,

Charles Tracy

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

November 7, 1944

Dear Mr. Merz:

In the absence of Secretary Morgenthau, I am writing to acknowledge receipt of your letter to him of November 4. Just as soon as he returns to the office I shall bring your letter to his immediate attention.

Yours sincerely,

H. S. Klotz
Private Secretary

Mr. Charles Merz,
The New York Times,
Times Square,
New York, New York.

The New York Times
Times Square

November 4, 1944.

Dear Mr. Secretary:

Arthur Sulzberger is in a considerable state of excitement this morning because of the birth of his first grandson (an event which took place at 6 a. m.) and plans for an immediate departure for a two months' tour of the Pacific battle fronts. For this reason he has asked me to answer your letter to him of November 2nd. He has also asked me to explain that one additional reason why he has done so is that you may wish to communicate further with someone at The Times on the subject of your letter, while Arthur himself is away, and so he wants me to be informed on the point you have been discussing.

It is Arthur's feeling that neither Daniell, writing from London, nor Middleton, writing from a battle front which has barely penetrated Germany, is in a position to make an authoritative statement in our news columns regarding the reactions of the German people. However, in a leading editorial published in The Times yesterday—a copy of which is enclosed—we pointed out that it is only natural to expect the Germans to fight "fiercely and stubbornly" because it is their own soil which is now being invaded. I think that this is the point which your letter to Arthur thought should be emphasized.

With all best wishes,

Sincerely yours,

Charles Merg.

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

11-6-44

21

Itinerary of Dutchess County trip
with the President

James Benson
Dutchess County Chairman
Dover Plains, N. Y.

James Townsend

Thomas J. Cullen
Orange County Chairman
Chester, N. Y.

Joseph Forman
Ulster County Chairman
Kingston, N. Y. (In hospital)

John Brundage
City-Counsel
Beacon, N. Y. (unable to reach)

Appointment arranged for 10:00 A.M.
with Mrs. Roosevelt and Secretary
Morgenthau.

(over)

leave 12:15
Beacon 12.45 P. M.
Ferry 1.30
Newburgh 1.45
Leave " 2.15
arr Kingston 3.15
Leave " 3.45

arrive P.K.

Leave Hyde Park ^{HYDE PARK, N. Y.} 1.45
TELEGRAM POUCH KEEPER'S

arrive Beacon 2.15

Ferry 2.45

arr Newburg 3.00

Leave Newburg 3.30

arrive Kingston 4.15

Leave Kingston 4.45

arrive PK 5.30

arrive PK.

November 6, 1944.

Informal remarks of the President at Wappingers Falls, N. Y., November 6, 1944.

I remember in 1910 that Wappingers Falls wasn't nearly so big when I came down here. I was a candidate in that year, and spoke from the balcony of the old hotel on the other side of the Wappingers bridge, when the population was just about half this size.

It is good to come back here on this little pilgrimage which I seem to take fairly often. It can't be helped. I am not immune to what I was reputed to have said four years ago. I am not doing any prophesying for the future.

It is good to see you all. I hope to be back in Dutchess County more in the next four years. It isn't such a difficult thing commuting between Washington and Dutchess County -- from that you can gather that I rather think that I will have to do it a little bit longer.

I don't know what Dutchess is going to do. I haven't any idea at all. But I have got some hope that I am not going to be beaten too badly in Dutchess County. You know, hope springs eternal in the human breast. Somebody on the trip yesterday up in New England was telling me that if I decided to run often enough, I would carry Maine and Vermont. So, as I say, hope springs eternal.

You know, I have quite a number of new friends down here, people who have come in during the last ten or twenty years. I don't know what their first names are, yet I know many of their faces. There are people who have moved in from other countries. And one of my jobs in Washington is to look after those other countries, countries that have been dominated by the Nazis -- Italy, for instance -- and there are a lot of new Italians down here -- and one of my jobs in Washington is to do all I can for the people of those countries -- to rescue them from the horrors that they have been enduring -- starvation and everything else -- under Nazi domination. That is one of the interesting things about being President. We are doing all we can to get back spirit into those countries -- where there won't be any more world wars like this one.

I just want to tell you that I am glad to see you, because I think people in our county feel very much that they are neighbors -- real neighbors of each other. And that is the way I feel about Wappingers Falls. I have had relatives living here up to a few years ago. Wappingers Falls reminds me of when I was a small boy and we rode down here to bring a cat back to Hyde Park, and we brought it back in a basket, with a rug over it in the bottom of the wagon. And that cat stayed with us just 12 hours and disappeared. The cat liked Wappingers Falls so much that it came back, arriving here one week later.

Informal remarks of the President at Beacon, N. Y., November 6, 1944.

I just wanted to stop on this tour to say "howdy do" to my neighbors here in Beacon. I have been here off and on for a very long number of years, and I am back again, still going strong, and I hope to come back, and I think I am going to, for an occasional trip from Washington, D. C., for the next four years.

It has been good to see you. I know that you are doing pretty well in Beacon, from all the figures I get; and you have done a good job in this war. We are going to keep on until we win it, and then we hope to get a peace which will last all the rest of our lives.

Over

Informal remarks of the President at Newburgh, N.Y., Nov. 6, 1944.

I am glad to be back here in Newburgh. I am glad to come back in the same old automobile along the same old streets. I have just had a glimpse of one of the shipyards, and I am very happy to know that the Navy has come back to Newburgh, and I hope it will stay here.

I don't want to disappoint the newspaper men who are with us. They wanted me to come down here and say all kinds of things about your Congressman and my Congressman. I am not going to disappoint them. I am going to talk to you about the legislature of the State of New York. The legislature at the last session redistricted the Congressional Districts, and while you and I used to have the same Congressman, we will not have the same Congressman after the first of January.

And that is why I want to give a little hand to the legislature.

In Dutchess, your neighbors have had the same Congressman for a great many years, almost back to the Dark Ages. And shortly we are going to have a new Congressman from a new district hooked up with Columbia and Ulster Counties on the first of January. And that is why I am rather pleased with what the legislature did this year.

However, we don't want to call anybody any names.

So good luck to you. And it's good to be here -- glad to be back in the old way. I hope Orange County is going to do all right tomorrow. Thanks.

Informal Remarks of the President at Kingston, N. Y.,
November 6, 1944.

Mr. Chairman, Mr. Mayor, your neighbor from across the river is mighty glad to be back here after four years. It has become a sort of a four year custom by now. But it is rather a good custom for me to come to Kingston, and I always like it. I am happy, too, that now my county across the river is going to have a new Congressman. I told them in Newburgh that the legislature had taken my Congressman away from me, and that Hamilton Fish won't be my Congressman after the first of January.

You know, I go back into the history of this city quite a long way because I had an ancestor who came up from New York to a place called Esopus about 1680, which is quite a way back. And he came up here just in time to take a musket and help to repel Indians that tried to kill all the original settlers. He was a member of what they called the militia in those days.

And that, perhaps, is why I inherited a good deal of love for the armed forces of the United States, who have been carrying this war forward so magnificently.

The war isn't in Kingston and Hyde Park physically. It's across the oceans. But it means the preservation of our homes in Hyde Park and in Kingston. The people are beginning to realize more and more that we are fighting for the defense of America. I think we are doing a pretty good job of it.

It takes me longer to go from Hyde Park to Kingston because you have taken off the ferry. I was complaining to the Mayor about it, and I think probably the only other thing to do is to build a bridge.

Well, it has been good to see you on this occasion. I think it's a bigger crowd than we have ever had before. I hope that in the next four years I can come back for an occasional week and at home from Washington and that I will be able to come over here and see you all.

- 3 -

In the meantime, I have heard of the great things you are doing in the war. Your Mayor was telling me the wonderful figures, the percentage of your boys that are in the armed forces. And I want to congratulate you also on what you are doing for the Navy in the two yards, one of which I happened to start 25 years ago.

So keep up the good work, and good luck to you.

FOR THE PRESS

IMMEDIATE RELEASE

November 6, 1944.

Informal remarks of the President, before the Post Office, Poughkeepsie, New York, November 6, 1944.

Neighbors of mine, I have been today on another sentimental journey. I have been among my neighbors. I have come down on this side of the river and acrossed a big "sea". And luckily there were no German submarines in that "sea" -- I went from Beacon to Newburgh.

And in my travels this day, I think I have seen a very encouraging sign of our American life -- I think the population is increasing enormously. I have seen more children than I knew existed in these three counties. They are coming along in good shape, and it encourages me greatly to think that the future of the country will be relatively safe in their hands, under a Constitution which has lasted more than 150 years -- and I think as long as we increase as we are doing now -- we shall still be living under the same old Constitution 155 years from now.

Down in Newburgh I went through a shipyard, having a few moments to spare, and then in the upper part of the city there was a crowd that was at least twice or three times the size it was four years ago. And that was encouraging. And I told them there that I did want to say a good word for our legislature because as you know, the duty of apportioning the Congressional Districts of this State is the duty of the legislature. And a curious thing happened recently. Our county used to be in the same District with Putnam and Orange counties. And quite a number of people were irked, that the legislature changed it a bit. And then I think a Congressman was taken out of the District, insofar as Dutchess goes. So, after the first of January we will be in a new Congressional District -- we won't be with Orange any more, and therefore we will have a new Congressman.

Well, my friends, there is more than one way of getting rid of a Congressman.

Then I went up to Kingston, and there again the crowd was at least twice the size it had been before, and I remarked to them -- you can see I am pure Hudson River when you come down to it -- that my mother's family came from Newburgh -- but up in Kingston -- well, there was an old boy in 1660 who went up there from New York City. He was young, and I guess he was rather Dutch -- with the old stubborn qualities. About that time the Indians attacked Kingston, and he became a member of the militia that rolled the Indians back.

And I think that it is for that reason, perhaps, that I am interested and have been all my life -- though not in uniform -- in military and naval affairs. It comes from the old Dutch boy in 1660 who belonged to the militia.

But one sad thing happened. I had to come all the way back down the west side of the river. They had taken off the Kingston ferry! Otherwise, the District and the county had changed very little in the last four years.

We were headed at that time -- four years ago -- into a war. We didn't talk about it very much. It doesn't do to scare people or alarm people. But we did a good deal of building and preparation, and by 1941 we had over two million men in the Army and Navy. We built up our munitions factories. We sent a great deal of aid to the people who were fighting Nazism and Fascism. And the result was that we were better prepared for this war than we had been in all our history for any war. We haven't been bombed in this country -- rap on wood -- and we hawwn't lost anything within our own boundaries during this war.

Over

And now we are carrying on the offensive against the enemy, in order to make it quite certain that our own homes back here shall be safe.

I don't know -- I think we have done a fair job of it, but anyway we have done it in the American way, with the approval of the American people, and that is something -- to go on with our same ideals, our same form of government -- as we have always done.

And I hope tomorrow that it is going to be said in this country that the war has been conducted constitutionally, and with the approval of the people of the United States. I hope that will be said. I think it will.

And so it has been good -- it has been a good day. I have seen my near neighbors. I have seen the neighbors across the river and down the county -- the southern end. I have seen an awful lot of people. It has been a good day, and I want to thank you for coming out tonight at this late hour, because it has given me a chance to see some of my nearer neighbors.

It is good to see you, and I am going to come back pretty often.

CONFIDENTIAL
HOLD FOR RELEASE

CONFIDENTIAL
HOLD FOR RELEASE

CONFIDENTIAL
HOLD FOR RELEASE

NOVEMBER 6, 1944

CAUTION: The following address of the President, prepared for delivery in Hyde Park, New York, on the evening of November 6, 1944, is released for all regular editions of TUESDAY MORNING (NOVEMBER 7, 1944) NEWSPAPERS.

RELEASE FOR RADIO is simultaneous with delivery of the address by the President, NOT EARLIER THAN 10:48 o'clock, P.M., E.W.T., MONDAY, NOVEMBER 6, 1944.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

As we sit quietly this evening in our home at Hyde Park, our thoughts, like those of millions of other Americans, are most deeply concerned with the well-being of all our American fighting men. We are thinking of our own sons -- all of them far away from home -- and of our neighbors' sons and the sons of our friends.

That concern rises above all others in this critical period of our national life.

In great contrast to the quiet which is ours here in America in our own secure homes is the knowledge that most of those fighting men of ours have no quiet times, and little leisure at this hour to reflect on the significance of our American Election Day, tomorrow.

Some are standing at battle stations on shipboard, tense in the excitement of action; some lie in wet foxholes, or trudge doggedly through the sticky mud, firing as they go. Still others are high above the earth, fighting Messerschmidts or Zeros.

All of them are giving everything they have got to defeat our enemies, and uppermost in all their minds is the one thought: to win the war as soon as possible, so that they may return to the quiet and peace of their homes.

But -- in the midst of fighting -- in the presence of our brutal enemies -- our soldiers and sailors and airmen will not forget Election Day back home.

Millions of these men have already cast their own ballots, and they will be wondering about the outcome of the election, and what it will mean to them in their future lives. And sooner or later all of them will be asking questions as to whether the folks back home looked after their interests, their liberties, their government, their country -- while they themselves were off at war.

Our boys are counting on us to show the rest of the world that our kind of government is the best in the world -- and the kind we propose to keep! And so, when our people turn out at the polls tomorrow -- and I sincerely hope that it will be fifty million strong -- the world will respect our democracy, and the grand old Stars and Stripes will wave more proudly than ever before.

These brave fighters of ours have taken on enemies on both sides of our world, enemies who were nurtured since childhood in militarism. These boys of ours, wisely led, and using the matchless weapons which you here at home have sent to them, have outfought those ruthless enemies, outfought them on the land, outfought them on the sea, outfought them in the skies. They are winning the victory for all of us. Many are giving life itself. And it is for us to make certain that we win for them -- the living and the dead -- a lasting peace.

OVER

There is nothing adequate which any one in any place can say to those who are entitled to display the gold star in their windows. But each night as the people of the United States rest in their homes which have been safe from violence during all these years of the most violent war in all history -- I am sure that all of them silently give thought to their feelings of deep gratitude to the brave departed and to their families for the immeasurable sacrifice that they have made for the cause of decency and freedom and civilization.

I do not want to talk to you tonight of partisan politics. The political battle is finished. Our task now is to face the future as a militant and a united people -- united here at home as well as on the battlefronts.

Twice in twenty-five years our people have had to put on a brave, smiling front as they have suffered the anxiety and the agony of war.

No one wants to endure that suffering again.

When we think of the speed and long distance possibilities of air travel to the remotest corners of the earth, we must consider the devastation wrought on the people of England by the new long-range bombs. Another war would be bound to bring even more devilish and powerful instruments of destruction to wipe out civilian populations. No coastal defences, however strong, could prevent these silent missiles of death, fired perhaps from planes or ships at sea, from crashing deep within the United States.

This time, THIS time, we must be certain that the peace-loving nations of the world band together in determination to outlaw and prevent war.

Tomorrow, you the people of the United States, again vote as free men and women, with full freedom of choice -- with no secret police watching over your shoulders. And for generations to come Americans will continue to prove their faith in free elections.

But when the ballots are cast, your responsibilities do not cease. The public servants you elect cannot fulfill their trust unless you, the people, watch and advise them, raise your voices in protest when you believe your public servants to be wrong, back them up when you believe them to be right.

But not for one single moment can you now or later forget the all important goals for which we are aiming -- to win the war and unite our fighting men with their families at the earliest moment, to see that all have honorable jobs; and to create a world peace organization which will prevent this disaster from ever coming upon us again.

To achieve these goals we need strength and wisdom which is greater than is bequeathed to mere mortals. We need Divine help and guidance. We people of America have ever had a deep well of religious strength, far back to the days of the Pilgrim Fathers.

And so, on this thoughtful eve, I believe that you will find it fitting that I read a prayer sent to me not long ago:

"Almighty God, of Whose righteous will all things are and were created, Thou hast gathered our people out of many lands and races into a great nation.

"We commend to Thy overruling providence the men and women of our forces by sea, by land and in the air; beseeching Thee to take into Thine own hands both them and the cause they serve.

- 3 -

"Be Thou their strength when they are set in the midst of so many and great dangers. And grant that, whether by life or by death, they may win for the whole world the fruits of their sacrifice and a just peace.

"Guide, we beseech Thee, the nations of the world, into the way of justice and truth, and establish among them that peace which is the reward of righteousness.

"Make the whole people of this land equal to our high trust, reverent in the use of freedom, just in the exercise of power, generous in the protection of weakness.

"Enable us to guard for the least among us the freedom we covet for ourselves; make us ill content with the inequalities of opportunity which still prevail among us. Preserve our union against all the divisions of race and class which threaten it.

"And now may the blessing of God Almighty rest upon this whole land; may He give us light to guide us, courage to support us, charity to unite us, now and forever more. Amen".

TED R. GAMBIE

H. MORGENTHAU, JR. PERSONAL

PRESS RATES - RUSH

WASHINGTON, D.C., NOVEMBER 6, 1944

MR. EUGENE PULLIAM
CLAYPOOL HOTEL
INDIANAPOLIS, INDIANA

SAME WIRE TO: MR. DON STERLING
THE OREGON JOURNAL
PORTLAND, OREGON

PER OUR CONVERSATION QUOTE MR. DEWEY HAS CHOSEN TO END HIS CAMPAIGN ON A NOTE THAT DOES NOT DO HIM CREDIT. HE ACCUSES SECRETARY OF THE TREASURY MORGENTHAU OF PROLONGING THE WAR NEEDLESSLY AT THE COST OF AMERICAN LIVES. HE SAYS THAT THE PUBLICATION OF REPORTS OF MR. MORGENTHAU'S PLAN TO DE-INDUSTRIALIZE GERMANY "WAS JUST WHAT THE NAZI PROPAGANDISTS NEEDED." "IT PUT FIGHT BACK INTO THE GERMAN ARMY: IT STIFFENED THE WILL OF THE GERMAN NATION TO RESIST. ALMOST OVERNIGHT THE HEADLONG RETREAT OF THE GERMANS STOPPED." AND FROM THIS MR. DEWEY PROCEEDS TO THE ACCUSATION "THAT THE BLOOD OF OUR FIGHTING MEN IS PAYING FOR THIS IMPROVISED MEDDLING."

THE FIRST REPORTS OF MR. MORGENTHAU'S REJECTED PLAN TO DE-INDUSTRIALIZE GERMANY FOR THE PURPOSE OF DESTROYING HER POWER TO MAKE WAR WERE PUBLISHED ON SEPTEMBER 22 - ABOUT A MONTH AFTER MR. DEWEY HIMSELF HAD PROPOSED TO STRIP GERMANY OF HER CONTROL OF THE RICH INDUSTRIAL AREA OF THE RUHR FOR PRECISELY THE SAME PURPOSE.

BY THAT TIME THE GERMAN ARMIES WHICH MR. DEWEY ENVISAGES AS IN "HEADLONG RETREAT" HAD ALREADY STOPPED THE RUSSIANS AT WARSAW. BY THAT TIME THEY WERE ALREADY BETTERING THE BRITISH EXPEDITIONARY FORCE AT ARNHEM AND CHECKING THE ONE BOLD ALLIED MANEUVER WHICH ALONE MIGHT HAVE BROUGHT A QUICK END TO THE WESTERN WAR. BY THAT TIME HITLER HAD ALREADY

PAGE TWO

PURGED HIS DEFEATIST GENERALS AND PLEDGED GERMANY TO FIGHT TO THE KILL. BY THAT TIME "THE NAZI PROPAGANDISTS" WERE ALREADY IN FULL BLAST WITH CHARGES FAR BETTER CALCULATED TO AROUSE GERMAN FEARS THAN EITHER MR. MORGENTHAU'S PLAN OR MR. DEWEY'S PLAN FOR GERMAN INDUSTRY - CHARGES THAT THE ALLIES INTEND EITHER TO ENSLAVE OR TO EMASCULATE THE MALE POPULATION OF GERMANY. BY THAT TIME (HITLER'S DECREE OF JULY 25) EVEN THE SCHOOL CHILDREN OF GERMANY HAD BEEN MOBILIZED FOR A WAR TO THE BITTER END.

THE GERMANS ARE NOW DOING WHAT EVERY OTHER NATION HAS DONE OR WOULD DO IN THE SAME CIRCUMSTANCES: THEY ARE FIGHTING HARD IN DEFENSE OF AN ACTUAL INVASION OF THEIR OWN HOMELAND. WHEN MR. DEWEY ATTRIBUTES THIS HARD DEFENSE TO SOME PROPOSALS OF MR. ROOSEVELT'S SECRETARY OF THE TREASURY, HE MAKES A CHARGE WHICH, FOR THE SAKE BOTH OF OUR UNITY AT HOME AND THE MORALE OF OUR TROOPS IN THE FIELD, HAD BETTER NEVER HAVE BEEN MADE. UNQUOTE.

TED R. GAMBLE
NATIONAL DIRECTOR
WAR FINANCE DIVISION

H. Morgenthau, Jr. Personal

THIS TELEGRAM SENT TO ATTACHED LIST

NOVEMBER 6, 1944

IN LINE WITH TELEPHONE DISCUSSION, THE FOLLOWING EDITORIAL APPEARED NEW YORK TIMES, NOVEMBER 6, HEADED "MR. DEWEY'S ACCUSATION":

"MR. DEWEY HAS CHOSEN TO END HIS CAMPAIGN ON A NOTE THAT DOES NOT DO HIM CREDIT. HE ACCUSES SECRETARY OF THE TREASURY MORGENTHAU OF PROLONGING THE WAR NEEDLESSLY AT THE COST OF AMERICAN LIVES. HE SAYS THAT THE PUBLICATION OF REPORTS OF MR. MORGENTHAU'S PLAN TO DE-INDUSTRIALIZE GERMANY "WAS JUST WHAT THE NAZI PROPAGANDISTS NEEDED." "IT PUT FIGHT BACK INTO THE GERMAN ARMY; IT STIFFENED THE WILL OF THE GERMAN NATION TO RESIST. ALMOST OVERNIGHT THE HEADLONG RETREAT OF THE GERMANS STOPPED." AND FROM THIS MR. DEWEY PROCEEDS TO THE ACCUSATION "THAT THE BLOOD OF OUR FIGHTING MEN IS PAYING FOR THIS IMPROVISED MEDDLING." PARAGRAPH. THE FIRST REPORTS OF MR. MORGENTHAU'S REJECTED PLAN TO DE-INDUSTRIALIZE GERMANY FOR THE PURPOSE OF DESTROYING HER POWER TO MAKE WAR WERE PUBLISHED ON SEPT. 22-- ABOUT A MONTH AFTER MR. DEWEY HIMSELF HAD PROPOSED TO STRIP GERMANY OF HER CONTROL OF THE RICH INDUSTRIAL AREA OF THE RUHR FOR PRECISELY THE SAME PURPOSE. PARAGRAPH. BY THAT TIME THE GERMAN ARMIES WHICH MR. DEWEY ENVISAGES AS IN "HEAD- LONG RETREAT" HAD ALREADY STOPPED THE RUSSIANS AT WARSAW. BY THAT TIME THEY WERE ALREADY BATTERING THE BRITISH EXPEDITIONARY FORCE AT ARNHEM AND CHECKING THE ONE BOLD ALLIED MANEUVER WHICH ALONE MIGHT HAVE BROUGHT A QUICK END TO THE WESTERN WAR. BY THAT TIME HITLER HAD ALREADY PURGED HIS DEFEATIST GENERALS AND PLEDGED GERMANY TO FIGHT TO THE KILL. BY THAT TIME "THE NAZI PROPAGANDISTS" WERE ALREADY IN FULL BLAST WITH CHARGES FAR BETTER CALCULATED TO AROUSE GERMAN FEARS THAN EITHER MR. MORGENTHAU'S PLAN OR MR. DEWEY'S PLAN FOR GERMAN INDUSTRY -- CHARGES THAT THE ALLIES INTEND EITHER TO ENSLAVE OR TO EMASCULATE THE MALE POPULATION OF GERMANY. BY THAT TIME (HITLER'S DECREE OF JULY 25) EVEN THE SCHOOL CHILDREN OF GERMANY HAD BEEN MOBILIZED FOR A WAR TO THE BITTER END. PARAGRAPH. THE GERMANS ARE NOW DOING WHAT EVERY OTHER NATION HAS DONE OR WOULD DO IN THE SAME CIRCUMSTANCES; THEY ARE FIGHTING HARD IN DEFENSE OF AN ACTUAL INVASION OF THEIR OWN HOMELAND. WHEN MR. DEWEY ATTRIBUTES THIS HARD DEFENSE TO SOME PROPOSALS OF MR. ROOSEVELT'S SECRETARY OF THE TREASURY, HE MAKES A CHARGE WHICH, FOR THE SAKE BOTH OF OUR UNITY AT HOME AND THE MORALE OF OUR TROOPS IN THE FIELD, HAD BETTER NEVER HAVE BEEN MADE."

S. GEORGE LITTLE

*Press Section
S. W. C.*

Mr. Clark Howell, Publisher,
Atlanta Constitution,
Atlanta, Georgia.

Mr. J. N. Heiskell,
Publisher and Editor,
Gazette,
Little Rock, Arkansas.

Mr. Buck Hood,
American Statesman,
Austin, Texas.

Mr. Lee Payne,
Managing Editor,
Daily News,
Los Angeles, California.

Mr. E. Z. Dimitman,
Editorial Director, (Chicago office here put editorial
Chicago Sun, on teletype to Chicago Sun)
Chicago, Illinois.

28

November 6, 1944.**Dear Mr. Willott:**

In the absence of the Secretary, who is away from Washington, I am acknowledging your memorandum of November 1, which transmitted for his reading copies of Executive Reports 1, 2 and 3, on Lend-Lease Operations as of September 30, 1944. I shall be glad to bring this material to Mr. Morgenthau's attention as soon as he returns to the office, and know that he will appreciate your sending him copies of the reports.

Sincerely yours,**(Signed) H.S. Klotz,****H. S. Klotz,
Private Secretary.**

**Mr. Herbert Willott,
Director of Research and Reports,
Office of General Counsel,
Foreign Economic Administration,
Washington, D. C.**

GHF/dbs

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON, D.C.

November 1, 1944

MEMORANDUM

To: The Honorable Henry Morgenthau

From: Herbert Willett
Director of Research and Reports
Office of General Counsel

Subject: Executive Reports on Lend-Lease Operations

Transmitted herewith, for your information,
are copies of Executive Reports 1, 2 and 3, on
lend-lease operations, as of September 30, 1944.

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 1ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENTReport as of Sept. 30, 1944

(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to September 30, 1944		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$1,467,306	\$1,462,407	\$1,401,911	\$1,283,714
Aircraft and Aero. Material	2,474,625	2,468,920	2,427,159	2,182,449
Tanks and Other Vehicles	739,273	703,409	658,921	633,665
Watercraft	4,121,703	3,685,167	3,463,958	3,226,996
Misc. Military Equipment	304,288	300,562	268,690	266,736
Production Facilities	1,087,688	1,086,878	1,056,192	1,009,687
Agric. and Indust. Commodities	16,690,589	14,879,417	12,073,529	10,300,991
Servicing, Repair of Ships, etc.	790,818	737,467	669,555	659,330
Services and Expenses	500,000	419,526	327,397	286,984
Administrative Expenses	33,208	30,324	28,949	28,762
Total	28,209,498	25,774,077	22,376,261	19,879,314

Procuring Agency	Cumulative to September 30, 1944		
	Allocations	Obligations	Expenditures
War Department	\$5,292,803	\$5,149,168	\$4,868,585
Navy Department	3,990,903	3,103,086	2,690,404
Maritime Commission and War Shipping Admin.	3,686,476	3,466,755	3,351,730
Treasury Department	5,605,808	4,211,771	3,552,344
Department of Agriculture	7,171,669	6,421,262	5,396,117
Other	26,418	24,219	20,134
Total	25,774,077	22,376,261	19,879,314

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
October 28, 1944

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of Sept. 30, 1944

(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	Sept. 30, 1944	Aug. 31, 1944	September	August
Goods Transferred	\$28,251,789	\$27,136,431	\$1,115,358	\$1,009,676
Servicing, Repair of Ships, etc.	559,493	548,445	11,048	10,376
Rental of Ships, Ferrying of Aircraft, etc.	2,482,554	2,415,210	67,344	139,717
Production Facilities in U. S.	626,997	625,423	1,574	3,599
Miscellaneous Expenses	102,444	99,504	2,940	1,189
Total Services	3,771,488	3,688,582	82,906	154,881
Total Goods and Services	32,023,277	30,825,013	1,198,264	1,164,557

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to September 30, 1944				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$20,882,842	\$216,662	\$6,474,718	\$677,567	\$28,251,789
Servicing, Repair of Ships, etc.	388,986	1,896	115,782	52,829	559,493
Rental of Ships Ferrying of Aircraft, etc.	1,937,365	13,991	319,934	211,264	2,482,554
Production Facilities in U. S.	-	-	-	-	626,997
Miscellaneous Expenses	52,778	1,213	5,048	43,405	102,444
Total Goods and Services	-	-	-	-	32,023,277

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
October 28, 1944

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of Sept. 30, 1944

(Thousands of Dollars)

	Cumulative to September 30, 1944				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$806,747	\$15,732	\$287,942	\$25,789	\$1,136,210
Ammunition and Components	1,736,939	22,204	439,677	33,122	2,231,942
Aircraft	2,696,609	83,290	888,599	127,433	3,795,931
Aircraft Engines, Parts, etc.	1,524,717	27,342	290,789	42,950	1,885,798
Tanks and Parts	2,466,572	940	508,782	41,371	3,017,665
Motor Vehicles and Parts	670,321	26,252	734,271	22,487	1,453,331
Watercraft and Parts	2,596,678	6,147	257,123	211,207	3,071,155
Foods	2,708,996	48	1,098,560	31,781	3,839,385
Other Agric. Products	614,101	48	14,270	148	628,567
Machinery	651,889	6,684	755,327	13,585	1,427,485
Metals	997,293	11,928	434,879	45,515	1,489,615
Petroleum Products	1,265,618	2,578	60,537	3,159	1,331,892
Miscellaneous Materials and Manufactures	2,146,362	13,469	703,962	79,020	2,942,813
Total	20,882,842	216,662	6,474,718	677,567	28,251,789

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
October 28, 1944

Recd 11/8

38 ✓

Office Memorandum · UNITED STATES GOVERNMENT

DATE: 11/6/44

TO : The Secretary of the Treasury
FROM : Frank Coe, Secretary F.C.
CCLL
SUBJECT:

Minutes of the Combined Committee on
Lend-Lease for October 30 at 11:30 a.m.
in the office of the Secretary of the
Treasury.

Also No. 3. minutes.

TOP SECRET

COPY NO. 39C.C.L.L. (44) 4th Meeting

MUTUAL LEND-LEASE AID BETWEEN THE
 UNITED STATES AND THE DOMINIONS AND INDIA.

Minutes of Meeting held in Mr. Morgenthau's Room in the
 United States Treasury on October 30th at
 11.30 a.m.

P R E S E N T

Mr. Morgenthau (In the Chair)

<u>U.S.</u>	<u>Australia</u>
Dr. White	Mr. Brigden
Mr. Casady	Mr. Dunk
	Hon. Sir Frederic Eggleston
Mr. Acheson	Mr. Jacobsen
Mr. Taft	Mr. Macgregor
Mr. Fetter	
	<u>India</u>
Mr. Crowley	Mr. Symon
Mr. Currie	
Mr. Cox	<u>New Zealand</u>
Mr. Angell	Mr. Berendsen
Mr. Davidson	Mr. Marshall
	Mr. Middleton
Judge Patterson	Mr. Reid
Mr. Lovett	Hon. D.G. Sullivan
General Somervell	
General Steyer	<u>U.K.</u>
General Kuter	Hon. R.H. Brand
General Giles	Lord Keynes
Admiral McCormick	Mr. Ovie
	The Rt. Hon. Ben Smith
	Mr. Snelling

Mr. Coe } Joint Secretaries.
 Mr. Lee }

1. At the request of MR. MORGENTHAU, MR. COE explained that the purpose of the meeting was to enable the representatives of Australia, New Zealand and India to outline their requirements under Lend Lease for the first year of Stage II.

DOMINION AND INDIAN REQUIREMENTS

2. LORD KEYNES referred to the new memorandum circulated at the meeting, amplifying the material in Chapter 4 of the document on British requirements for the first year of Stage II. He asked that, when considering the question of Dominion and Indian requirements, the United States representatives should bear the following facts in mind. First -- although the United States and United Kingdom were hoping to relax their war efforts after the cessation of hostilities in Europe, there seemed no prospects of Australia, New Zealand and India being able to do so. These three countries would inevitably remain fully mobilized, and it seemed probable that Australia and New Zealand, who began a large scale

mobilization five years ago, would have to maintain an intensive war effort over a longer period of time than any other allied country. Secondly--he drew attention to the magnitude of Australian and New Zealand reciprocal aid. Considering the non-munitions field alone, Australia was at present providing goods and services under reciprocal aid at the rate of \$360 millions per annum, which was three and a half times the size of the direct non-munitions Lend Lease requirements that she was tabling for the first year of Stage II (\$102 millions). Similarly, New Zealand reciprocal aid in 1944 was expected to amount to \$78 millions which was more than five times the requirement of \$14.7 millions which she was tabling for direct non-munitions aid in the first year of Stage II. For these two reasons, he hoped that the United States representatives would feel disposed to look sympathetically at the Dominion and Indian requirements.

3. LORD KEYNES thought that three difficulties might be met when the Dominion and Indian requirements were being scrutinized. (a) His understanding was that the rules as to eligibility for civilian requirements to be met under Lend Lease had hitherto been interpreted more strictly in the case of the Dominions than in that of the United Kingdom. He hoped that this attitude could be modified at least to the extent of treating the Dominions not less favorably than the United Kingdom. (b) As regards New Zealand, there was the problem of diversion to civilian purposes of Lend Lease materials already shipped to the Dominion on military grounds. He hoped that no obstacle would be placed in the way of New Zealand's wishes in this respect. (c) The Indian requirement for railway rolling stock had been submitted as part of the munitions programme, but had been referred by the United States War Department to F.E.A. as being in essence a civilian item. Whether regarded as a military or civilian need, this rolling stock was highly essential to the Indian war effort, particularly that part of it which was needed for Bengal which had been a deficiency food area since its supplies of rice from Burma had been cut off. In no country had the civilian population suffered more than in India, and this railway material seemed to him to be essential for meeting such contingencies as food difficulties or famine.

4. In response to MR. MORGENTHAU'S request, MR. ACHESON outlined that course of previous United Kingdom/United States discussions as to Lend Lease in Stage II. These conversations had been carried on in the spirit which had animated the Quebec decisions. The military requirements were well on the way to settlement, and a start was now being made on the non-munitions category. He felt sure that the requirements of the Dominions and India would be considered in the same spirit as those of the United Kingdom.

AUSTRALIAN PROGRAMME

5. SIR FREDERIC EGGLESTON, after expressing thanks for the assistance which Australia had received from the United States, asked Mr. Macgregor to outline the chief points in the Australian submission. MR. MACGREGOR said that no statement with regard to Australian participation in Lend Lease would be complete without an expression of appreciation for the very great aid already made available to her and for the very excellent cooperation of the American bodies with which he had had to deal. He then referred first to the all out character of the Australian war effort: 7 out of 10 men between 18 and 35 had enlisted in the fighting forces or a total enlistment of 891,000. 71% of the total population between the ages of 15 and 60 was serving in these forces or engaged in essential industry. Secondly, no relief to the Australian economy was in sight until the end of the Pacific war. Thirdly, the estimates in money terms of Australian requirements under Lend Lease in Stage II were based upon current conceptions as to eligibility. If, as he hoped, these conceptions could be widened, there might be some small increase in the total of \$102 millions

for non-munitions items. A case in point was paper: at present Australia had to pay cash for 30% of her paper requirements from the United States on the ground that this proportion represented civilian consumption; as a result two separate channels of procurement had to be followed. Fourthly, he pointed out that many of the items, although described as "non-munitions" were in fact needed for military purposes, e.g., synthetic rubber largely required for military tire programmes. He also mentioned the large volume of Australian reciprocal aid and the smooth and easy manner in which the Commonwealth Government reciprocal aid machinery worked. Finally he referred to the difficulty which was sometimes experienced in securing implementation of allocations of civilian requirements for Australia. In many cases he had found great difficulty in persuading manufacturers to accept contracts because of other preoccupations in satisfying United States Government and civilian needs. MR. DUNK mentioned that the Australian economy was geared to achieve the maximum degree of mobilization and the minimum satisfaction of civilian needs. MR. BRIGDEN pointed out that the Australian programme, as submitted, would not enable Australia to relax her war effort in any way; additional relief from outside would be necessary in order to enable her to effect any reduction in that effort.

NEW ZEALAND PROGRAMME

6. MR. SULLIVAN expressed thanks on behalf of New Zealand for the assistance which the Dominion had received from the United States. He said that New Zealand, like Australia, would be unable to relax her war effort in Stage II, and indeed the demands upon her would probably be intensified. She would therefore need greater help in Stage II than she had received in the past. Her attitude, both before and after Pearl Harbor, had been to throw herself wholeheartedly into the war. As a consequence, her standard of living had been much reduced, and food, clothes and footwear were rationed on a scale which he thought was as strict as that in force anywhere else. United States requests for goods and services under reciprocal aid had been met wherever it had been within New Zealand's capacity to meet them. In order to meet such demands in Stage II and to maintain the existing intensive war effort, New Zealand would have to obtain some measure of assistance from outside, notably from the United States and Lend Lease.

7. MR. MORGENTHAU, after thanking the Australian and New Zealand representatives for their statements, said that the United States administration fully appreciated the great contributions which Australia and New Zealand had made.

INDIAN PROGRAMME

8. MR. SYMON expressed gratitude for the continued assistance which India was receiving from the United States. As regards Stage II, he mentioned, first, that the estimates of Indian requirements had been drawn up before the Quebec Conference, and would now have to be reconsidered in the light of the decisions reached there. It appeared that these decisions would place very serious additional burdens upon the Indian economy, and the Government of India had expressed grave concern about the matter to the United Kingdom Government. Secondly, as regards the request for the provision of locomotives and wagons on Lend Lease, he asked that an early decision should be taken as the matter was of great urgency.

9. JUDGE PATTERSON explained that the United States War Department was not directly concerned with the present requirements because they were for items of non-military type, but he wished to mention that the War Department was very appreciative of the assistance which they had received from Australia, New Zealand and India, and pointed out that the extent to which these countries would be able to fulfill their military obligations would of course be dependent upon the maintenance of their economies. ADMIRAL McCORMICK endorsed Judge Patterson's remarks.

PROCEDURE

10. It was arranged that the United States representatives should have a day or two in which to consider the requirements tabled on behalf of Australia, New Zealand and India and that discussion of detailed items should then begin. In the meantime, the Dominion and Indian representatives were asked to furnish information as to the additional requirements which they might wish to table if the criteria as to civilian end use were relaxed. LORD KEYNES expressed the hope that, if the need arose, discussion on this point should take place in the main committee so that directions might be framed for the assistance of those dealing with individual items.

11. In conclusion, MR. MORGENTHAU asked that no publicity whatever should be given to the discussions.

Washington, D.C.
6th November 1944.

Treasury Department
Division of Monetary Research

✓
43

Date Nov. 20, 1944

●
To: Secretary Morgenthau

This is a copy of the broadcast
which you asked for. Mr. Shaeffer
obtained it.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

4
44

BROADCAST OVER BLUE NETWORK BY HENRY J. TAYLOR,
NEW YORK CITY, NOVEMBER 6, 1944, 6:45 p.m.

Front page news in our papers here that the British have asked President Roosevelt to give them at least \$2,500,000,000 of nonmilitary supplies for resale and export trade, as reported by Mr. Arthur Krock in the New York Times, is so well documented that Mr. Roosevelt's reply that he knows nothing about any such thing is nothing short of astounding.

Now, Lord Keynes is handling this, and he is handling it at the White House, calling it the second phase of lend lease, and there is no question on the record - that Prime Minister Churchill went over the whole ground with Mr. Roosevelt at Quebec and, furthermore, the President's reply to Mr. Churchill was at least sufficiently clear to Mr. Churchill to have our British friend believe that Mr. Roosevelt, far from knowing nothing about it - actually agreed to it.

Now, in January, 1941, British assets in the United States had a total value of about \$2,100,000,000. Approximately one-fourth of these British assets were in the form of gold and public and private dollar balances on deposit in the United States. Seventy-five per cent of the British assets were in the form of British-owned securities and British investments in the United States.

In January, 1941, Secretary of the Treasury Morgenthau told our Senate Committee in aid of lend lease that, and these were his words, "In order to raise the money to pay for these orders they have already placed, the British are going to sell every dollar of these assets in America."

Three years later, on November 5, 1943, to be exact, Senator Harry Truman, in his report to the Senate, said, and these were his words, "Before authorizing lend lease, the Congress expressly requested and received assurance that lend lease assistance would be extended only where the recipient was fully utilizing all his own resources."

That was the intent of lend lease. But it has not worked out that way, and the present unrevealed second phase of lend lease must be considered against that background.

Actually, British balances went down substantially for only five months, from January 1, 1941 to June 1, 1941, when lend lease really got under way.

- 2 -

Since then, that is to say, for the last three years and four months, and throughout the time the United States has been in the War, since Pearl Harbor, British balances have increased and increased very substantially. Now, at the present time, the British gold and public and private balances in the United States are approximately \$2,500,000,000 - an increase of nearly \$2,000,000,000 in British assets since lend lease got under way, instead of a liquidation of British assets in exchange for lend lease. The decrease in British securities and investments, after deducting America's Reconstruction Finance Corporation credit, against which some British securities are still pledged and not sold, still leave an increase in British assets here of approximately \$1,500,000,000.

Now, on January 1, 1943, it appears in a memorandum, when submitted to Mr. Roosevelt by the principal members of his Cabinet, plus Vice President Henry Wallace sitting in the Cabinet discussion, unanimously recommending to Mr. Roosevelt that lend lease be so operated as to keep the British hanging on in gold and dollar balances in such a way that their balances would stay down to about \$1,500,000,000 over all in exchange for lend lease. This was a difference of about \$1,500,000,000 in Britain's favor over the original intention, that in any case, it is reported to have been approved by Mr. Roosevelt himself on January 6, 1943.

Accordingly, it was understood that Mr. Roosevelt would clear this with Mr. Churchill in advance of its being put into effect, and at least bring the British balance down to \$1,500,000,000 if they were not brought down to the proper figure, namely, if they were not liquidated entirely, and guaranteed by both Secretary Morgenthau and Senator Harry Truman, in line with the basic intention of lend lease, namely, that lend lease assistance would be extended only where the recipient was fully utilizing all his own resources.

However, it appears that Mr. Roosevelt never did clear this with Mr. Churchill but, on the contrary, lend lease has gone on operating in such a way as to continually increase the British assets here to the point where Great Britain's position is restored retroactively to the British position within the United States clear back to the time when Great Britain first went to war with Germany.

Then, at the recent Quebec conference between Mr. Roosevelt and Mr. Churchill, it is most clearly and definitely indicated that Mr. Churchill said in effect that Great Britain's prosecution of the war against Japan, after Germany's defeat, would create a situation such that the British would not like to be dependent upon getting an unpredictable amount of military material decided upon after Germany's defeat. Mr. Churchill clearly took the view that he would like to get the commitment from Mr. Roosevelt now, that is to say, last month - and that he would further like to line up Great Britain's assurance of post war lend lease.

- 3 -

On the record, four points were then made by Mr. Churchill to Mr. Roosevelt and concurred on by Mr. Roosevelt. And these were the four points:

1. During the 12 months following the end of the war against Germany, the British would get \$3,500,000,000 of so-called military lend lease materials from the United States. This is greatly in excess of what the Army estimation could be used by Great Britain in the war along with all that we are supplying to the war, if limited to strictly military materials. Therefore, presumably much of this vast grant would be made up of American rolling stock, and like goods to be given to Great Britain, which, while having some indirect war purpose, would essentially be useful to Great Britain for post war.
2. In addition, Mr. Roosevelt would also give Great Briatin \$3,000,000,000 of non war materials such as raw materials, tools, etc., needed by the British for post war conversion of British industry and trade in Great Britain and elsewhere, to help put English commerce on its feet to the extent of \$3,000,000.
3. Great Britain would have the right to resell lend lease goods. Goods received from the United States. Although the British would not do this for profit or through ordinary export channels, this meant that the material we gave Great Briatin could be resold by the British Government at cost to the British Dominion and Colonies. This was and is especially important, and in the case of India, where Great Britain could sell American goods to India received by England from the United States to cancel out the British debt to India.
4. Lastly, reconversion in the United States would be held back until American production could be geared into satisfying the lend lease specifications contained under Point 1, which is the delivery of \$3,500,000,000 so-called military lend lease material to Great Britain, and Point 2, which is the supplying of \$3,000,000,000 of non war material such as raw materials, tools, etc. desired by Mr. Churchill for British post war conversion. Our own reconversion, therefore, in respect to the grant and supplying of these tremendous requests, remains undecided pending the outcome of the special British mission which has arrived under the leadership of Lord Keynes, as the result of the arrangement made between Mr. Churchill and Mr. Roosevelt at Quebec, about which Mr. Roosevelt is now reported in his White House - astoundingly enough - that as saying he knows nothing.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



OFFICE OF THE DIRECTOR

SECRET

November 6, 1944

MEMORANDUM TO THE SECRETARY:

SUBJECT: LEND-LEASE LUMBER AND WOOD PRODUCTS FOR GREAT BRITAIN

To date, the dollar value actually contracted for of lend-lease lumber and lumber products for Great Britain is over \$105,000,000.

ARMY, NAVY, R.A.F. NEEDS. Many of the multitudinous boxes, containers and cases for ammunition, food, technical equipment and all the other vast supplies needed to maintain an army in the field are made from lend-lease lumber and lumber products. These products have also been used to build pontoons and storm boats used in the "D" Day invasion. Hardwood lumber, too, has been used to build and repair British Naval and Merchant shipping. In addition to army and navy demands, the requirements of the R. A. F. have been furnished to a large extent by lend-lease aircraft lumber, veneers and plywood. Gliders, for example, made of these products, and programmed and scheduled for delivery in late 1942 and 1943, were used in the "D" Day invasion. Gliders, incidentally, are expendable since in most instances they are one-time units which are destroyed in their first combat operation.

THE B-29 SUPER FORTRESS. Of interest in connection with the Aircraft Program is the story of the U. S. Army's sensational B-29 super fortress and its effect on aircraft production. To illustrate the long-range planning necessary in filling these demands, about a year ago when the 1944 program was being prepared, the whole thing had to be suddenly revised. The reason for this sudden revision did not become apparent until last summer when the army released secret information on the B-29 and then revised its aircraft program to stop pro-

duction on all bombers except the super fortress. As a result the British, too, revised their 1944 production to eliminate heavy bombers and practically all fighter aircraft except the Mosquito Bomber. The latter, still called a light bomber though it can now carry a four-ton block buster, is ideally suited for Pacific warfare for which the B-29 was also produced.

PLYWOOD REQUISITIONS. Plywood requisitions are also being filled with an eye toward Pacific warfare. End use of present and future requisitions will be such items as tropic Compto packs, tropic jungle packs, airplane cases and other containers which need to be specially treated for use in tropical climates.

ANTI-RADAR FOIL; WET STRENGTH MAP PAPER. Of paramount importance in the war effort is approximately 90,000 tons of chemical wood pulp for the 1944 program valued in excess of \$5,500,000, which is being put to such unusual uses as anti-radar foil. This foil is dropped out of planes in the form of streamers or small sheets which float slowly to the ground. Anti-aircraft radar picks up this foil in the same manner as it spots the location of planes. Since most anti-aircraft guns are operated by radar, thousands of these pieces of foil cause anti-aircraft guns to shoot at paper in many instances instead of planes and also confuse the directional finding apparatus. According to the British Air Commission, this foil has "played an extremely important part in reducing losses of bombers and bomber crews of both the R.A.F. and the U.S.A.A.F. from enemy anti-aircraft fire". The Germans, however, use a material for the same purpose which is different in technical composition from the Allied anti-radar foil. All information about this anti-radar foil is highly confidential. As a matter of fact, the British Air Commission was extremely loathe to reveal any information at all on the subject. Equally confidential is wet strength map paper, tons of which were used in the "D" Day invasion.

KRAFT PAPER BOARD JETTISON TANKS. An interesting new product, too, is the Kraft paper board jettison or belly tanks, which are auxiliary tanks attached to fighter planes to increase their range. These tanks are used to take the plane to its destination, but then are jettisoned when empty or before actual combat. Advantages of these paper board tanks are their lightness and the fact that they are of no salvage value to the enemy.

Clifton E. Mack
Clifton E. Mack

Director of Procurement
6/10

CORRECTION**November 6, 1944**

**Cable from London 7355, November 4, 10 p.m.,
signed Harrison for WRB should read from Bern.**

DIVISION OF COMMUNICATIONS AND RECORDS

CSB

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

RP-517

PLAIN

London

Dated November 6, 1944

Rec'd 3:10 p.m.

Secretary of State

Washington

9612, Sixth

Follocing for Joseph Schwartz JDC from Malin

IGC.

Emerson and Kullmann left last week for a month in France, Belgium and Switzerland. I have forwarded your cable to them and asked for suggestions. Meanwhile I am discussing the matter with Foreign Office and American Embassy. Initial assumption would be that Jewish agency would bear responsibility and we have not been approached by them.

Please bring with you to London all available information on transportation and financing.

GALLMAN

CSB

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

DLA-523

Rome

Dated November 6, 1944

Rec'd 3:45 p.m.

Secretary of State,

Washington.

666, November 6, 5 p.m.

FROM ARTHUR GREENLEIGH FOR JOSEPH SCHWARTZ

AMERICAN JOINT DISTRIBUTION COMMITTEE NEW YORK:

SHAEF clearance received and I am only awaiting French visa. This should arrive within two or three days. Then I plan to proceed to France as soon as possible. When are you planning to leave and where shall I meet you? If nothing received from you before I leave shall plan meet you in Paris. I have transferred everything to Perlman who is here to replace me. To facilitate planning operations here please send us time schedule on Jacobson soonest.

KIRK

MFM

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

EK-772

PLAIN

Lisbon

Dated November 6, 1944

Rec'd 7:07 a.m., 7th

Secretary of State,
Washington.

3871, Sixth, 7 p.m.

FOR LEAVITT FROM PILPEL JDC 113 WRB 247.

Jefroykin cabled Schwartz through Embassy Paris November 4: "Apply immediately for French visa with French Legation and advise. Must inform you we received no funds for half September-October budget. View critical situation please have funds sent urgently for technical reasons our bank account will function from December 1 meantime make transmission account Jules Jefroykin credit Lyonnais A Genoaog 2 Avenue Messine Paris".

Saly advises about 35000 people require assistance and that shortly this number will reach 60,000. Monthly budget in millions as follows: Car 15 federation 6 1/2 Cse 8 Consistoire 1 1/2 miscellaneous 4.

Saly's opinion Cse and Federation working well while other organizations less so. Saly believes funds presently available adequate for next 4 or 5 weeks. Do you wish Saly transmit funds to Jefroykin for latter's distribution or do you wish Saly continue making funds available to the several organizations.

NORWES

WRB

DMF-763

PLAIN

Lisbon

Dated November 6, 1944

Rec'd 6:29 a.m., 7th

Secretary of State,
Washington.

3872, Sixth, 7 p.m.

FOR LEAVITT FROM PILPEL JDC 112 WRB 246

86 persons arrived Istanbul November 3 by rail from Bulgaria 51 children 4 escorts 25 men released from labor camp Bor and family of 4 and 2 children. Group leaving for Palestine November 6 also 43 Poles arrived Istanbul November 5 from Rumania enroute Palestine. Reference our 111 Wolf Skind requests per capita payment 500 Swiss Francs for 547 steanship SELATTHIN passengers Joseph Schwartz cabled Passman August 28 "view situation would prefer pass on each project as it materialises instead of giving blanket authority".

Advise whether foregoing Swiss franc payment authorized.

MCRWEB

WMB

54

CABLE TO MINISTER JOHNSON FOR ALSEN, STOCKHOLM, SWEDEN.

Please refer to Department's 1701 of August 24, items 2 and 3.

Petition for the issuance of immigration visas has been submitted to the Immigration and Naturalization Service by Esther Friedmann nee Farkas, a United States citizen, 3544 Broadway, New York, on behalf of her husband, Sander Friedmann, and their son, Imre Friedmann, born respectively at Budapest Hungary, March 21, 1897, and Meteszalka, Hungary, March 17, 1928, and whose last known address is believed to be Bethlen U. 12, Meteszalka, Hungary. The petitions has been approved by Immigration and Naturalization Service. In accordance with procedure envisaged in aforementioned cable, please request Swedish Government to advise appropriate enemy authorities of Sweden's willingness to permit the entry into Sweden of the persons and to take steps to issue to them Swedish visas.

Believed to be with the above is another son of Sander and Esther Friedmann, Bela Friedmann, born in Meteszalka, Hungary, on August 19, 1934. We are advised by the Immigration and Naturalization Service that Bela Friedmann acquired United States citizenship at birth under the provisions of the Act of May 24, 1934. Please take all necessary steps to safeguard the life and interests of this United States citizen.

THIS IS WRB STOCKHOLM CABLE NO. 238.

11:30 a.m.
November 6, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Cohn, DuBeis, Friedman, Hedel, Lesser, Mannen, McCormack, Files

BAkzin:tmh 11-3-44

CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM, SWEDEN

Reference your 4416 of October 30. Please transmit to the Swedish Government this Government's sincere appreciation of the humanitarian activities of the Swedish Government and of the courage and ingenuity displayed by Mr. Wallenberg in rendering assistance to the persecuted Jews in Hungary.

THIS IS WRB STOCKHOLM CABLE NO. 239.

2:50 p.m.
November 6, 1944

Miss Chauncey (for the Sec'y) Abrahamsen, Ackermann, Cohn, DuBois, Friedman, Hodel, Lesser, Mannen, McCormack, Files.

BAKzin:LSLasser:tah 11-4-44

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

Please refer to Department's 2198 of August 24, items 3 and 4.

Petition for the issuance of immigration visas has been submitted to the Immigration and Naturalization Service by Esther Friedmann nee Farkas, a United States citizen, 3544 Broadway, New York, on behalf of her husband, Sandor Friedmann, and their son, Imre Friedmann, born respectively at Budapest, Hungary, March 21, 1897, and Meteszalka, Hungary, March 17, 1928, and whose last known address is believed to be Bethlem U. 12, Meteszalka, Hungary. The petition has been approved by Immigration and Naturalization Service. In accordance with procedure envisaged in aforementioned cable, please request Swiss Government to advise appropriate enemy authorities of Switzerland's willingness to permit the entry into Switzerland of the persons and to take steps to issue to them Swiss visas.

Believed to be with the above is another son of Sandor and Esther Friedmann, Bela Friedmann, born in Meteszalka, Hungary, on August 19, 1934. We are advised by the Immigration and Naturalization Service that Bela Friedmann acquired United States citizenship at birth under the provisions of the Act of May 24, 1934. Please take all necessary steps to safeguard the life and interests of this United States citizen.

THIS IS WRB BERN CABLE NO. 263.

11:30 a.m.
November 6, 1944

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Cohn, DuBois, Friedman, Hodel, Lesser, Mannen, McCormack, Files

BAksin:tmh 11-3-44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Reference your 7269 of November 1.

Please transmit to Swiss Government this Government's appreciation of Swiss action reported therein. You may assure Swiss officials that this Government will do everything possible to assist them in every way in connection with the reception and evacuation of the contemplated refugees from Hungary.

In this connection, please ascertain and advise the Board of total number of Jewish refugees now in Switzerland, and of the numbers holding (1) Palestine certificates, (2) valid visas to any other countries, or (3) valid passports of countries to which they can safely return.

THIS IS WRB BERN CABLE NO. 264.

2:50 p.m.
November 6, 1944

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

BAkzin:LSLesser:tmh 11-6-44

Bern

Dated November 6, 1944

Rec'd 10:08 a.m.

Secretary of State,

Washington.

7361, November 6, 10 a.m.

FOR WRB FROM MCCLELLAND

During October increasingly difficult situation of several thousands of Latvian refugees who in the face of Russian advance have fled to Germany (as well as to Sweden) was called to my attention by ICRC and Minister Feldmans Latvian delegate to League of Nations.

Whereas both ICRC and Feldman understand that WRB funds cannot be used for refugees fleeing from Russians they are anxious to know if it would not be possible to obtain license transmit funds to Switzerland for relief program among Latvians in Germany administered by ICRC from Latvian sources in the United States. Apparently similar funds have recently been sent to Sweden for this purpose.

It is suggested that Alfred Bilmanis, Latvian Minister in Washington, be contacted as he had certain funds at his disposal.

I submit this appeal to WRB for any action deemed possible. Fate of these Baltic refugees similar to that of Poles has been doubly hard.

HARRISON

WSB

FROM: American Legation, Bern
TO: Secretary of State, Washington
Dated: November 6, 1944
NUMBER: 7360

SECRET

In connection with the following message, please see telegram dated September 21, No. 3255, from the Department, next to the last paragraph; also cable from the Legation dated Nov. 3, No. 7302.

A summary of an informal Swiss communication dated November 2 is given below.

For the purpose of discussing all questions pertaining Deportation from Vittel or bearers of Latin American Documentation, and with regard to their fate, a representative of the Swiss Legation in Berlin recently called at the Foreign Office of Germany. The Swiss Legation does not understand why its numerous representations are not answered, he informed Sethe. The justification for this remark was recognized by the German official and he gave assurance that everything possible to remedy this situation would be done by him. However, he emphasized that competent authorities, i.e., police authorities, were responsible and not the German Foreign Office. The recent mobilization of members of his staff and the removal of a portion of the German Foreign Office to the Riesengebirge complicated the performance of its work. Sethe added.

A copy of the Swiss note recently addressed to the German Foreign Office with regard to the Vittel deportations was then given to Sethe. Observation was made by the Swiss representative that a report from the Swiss Consulate in Paris showed that the assumption of Sethe that the Vittel deportees were still in France was not correct and accordingly that it was not surprising that this matter had been protested by the United States. Everything led to supposition that the majority of these people are at Bergen Belsen, the Swiss official added, and he requested that authority for visiting that camp be given the Swiss representative. Suggestion was made by Sethe that he consult the Counsellor of the Legation von Thadden of Abteilung Inland Two which controls Bergen Belsen since this involves a Jewish camp in which by definition no foreign national is detained, from an administrative standpoint. Difference in opinion exists between Foreign Office of Germany and competent German authorities (SS) with regard to Jewish bearers of foreign documentation of a certain category, Sethe intimated. The German Foreign Office does not mind lodging Jewish holders of Latin American passports in civilian internment camps but the SS follows its own policy in this regard, according to Sethe. Sethe specifically instructed his collaborators, in the presence of the Swiss representative, to intervene urgently with competent authorities in order that written communication on this subject explaining their position with regard to the Vittel deportations may be finally received by the Swiss Legation.

The Swiss representative during a conversation with von Thadden which followed, again directed the attention of von Thadden to the unprecedented nature of the existing procedure under which Latin American documents in Jewish possession are considered to be invalid from the outset, and to the injustice of this procedure. There was no positive result from the conversation with von Thadden.

A personal visit to Bergen Belsen had been made by him, he said, and he had ascertained that the internees there are treated in a very decent manner, contrary to the remarks made by his questioner. In reply to a request for authority to visit this camp, the Swiss representative was told that because no Swiss-protected nationals are there, such request would never be granted. The vicious circle of this discussion was thus completed.

The Swiss Legation representative did not fail to point out to von Thadden the artificial nature of the arguments on which this position is based, that it is tenable, and that it only substantiated the opinion circulated throughout the world that Jews in German hands are treated in an inhuman manner regardless of their nationality. Von Thadden was led by this remark to suggest that the neutral observer who might go to Bergen Belsen would be able to confirm that such allegations do not correspond with the facts in the case. In taking this position Himmler might perhaps make possible visit this camp by protecting pwer representative, he added.

In the belief that the primary consideration is that it be made possible for the Swiss Legation to protect the interests of its proteges in the camp at Bergen Belsen, the Swiss representative saw no objection to the presentation in this manner of a request for an inspection of this camp. A promise was made by von Thadden that he would soon inform the Swiss Legation as to whether Himmler's collaborator (who handles these matters) also believes that the request to visit Bergen Belsen might be presented to Himmler in this way and whether the collaborator above mentioned would be disposed to attach a recommendation to the request. If response be in the affirmative, von Thadden added, it would be probably that authorization would actually be given, but that this matter must be considered hopeless if the reply be in the negative. In this connection the Swiss Legation in Berlin makes the observation that application of the Interross delegate in Germany to visit Bergen Belsen was refused by German authorities.

Even if the Swiss Legation receives a negative reply, it will request authorization, in a formal note, to visit the camp, the Swiss representative told von Thadden. The Swiss Legation makes the observation, in its report covering the above, that the account given by the Swiss representative of his conversations with von Thadden and with Gebbs shows quite clearly the obstacles encountered in its activity on behalf of Jews protected by the Swiss. Owing to the especially strict nature of the regulations introduced by Himmler

some time ago with regard to German internal policy, these difficulties are even greater. In addition, the account shows that officials of the Foreign Office of Germany, which endeavors to pursue a line of conduct which is dictated by principles of justice, are no longer able to carry their point of view effectively to the authorities who are charged with the internal policy of Germany. In racial and in ideological matters, the opinions of these latter are tending to assume ever increasing importance under the influence of recent changes in the German military situation.

HARRISON

DCR:LOW:EPR
11/9/44

NS-562

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

Bern

Dated November 6, 1944

Rec'd. 5:15 p.m.

Secretary of State

Washington

7362, Sixth, 11 a.m.

FOR WRB FROM MCCLELLAND

Department's 3512, October 14, 10 p.m.

Preliminary investigation has yielded information concerning some 60 more or less indigent Lithuanian civilian refugees at present in Switzerland of whom about 30 are interned in refugee homes and work camps. These 60 comprise 24 men 25 women and 11 children about 95 percent of them Jews. Further inquiry will probably turn up 10 or 20 additional Lithuanian refugees of whom there are relatively few in Switzerland.

The Swiss "Verband Juedischer Fluechtlingshilfen" in Zurich is fully supporting some 5 Lithuanian cases all invalide costing around 1200 Swiss francs monthly and granting partial aid to about 20 more to extent of another 800 francs per month.

Some 8 Lithuanian students are being assisted by other private relief agencies at an outlay of about 1500 francs monthly.

Any contribution which the United Lithuanian Relief Fund could make toward defraying these expenditures would be of great help to the organizations now paying this relief and be warmly appreciated.

The "Verband" cabled Mr. Rasovsky of American Federation for Lithuanian Jews, New York, early in September requesting assistance which, however, has not yet materialised.

HARRISON

HBC

Dated November 6, 1944

Rec'd 6:32 p.m.

Secretary of State

Washington

7365, November 6, 4 p.m.

FOR WRB FROM MCCLELLAND.

Legation's 6263, September 21.

ICRC has just submitted most encouraging report on satisfactory distribution of CRISTINA goods allotted to parcel program for political prisoners both men and women in German concentration camps. It is worth nothing that this has been very first lot of food-stuffs granted to ICRC for assistance to this category of prisoners. As such it has been invaluable.

During September and October 25,600 parcels weighing total of 54,756 kilos were sent individually addressed to 13,300 detainees and as collective shipments through men of confidence to another 12,300 prisoners. Approximately 8,500 parcels went to French detainees, 4,300 to Belgians, 4,200 to Poles, 3,600 to Norwegians, 2,800 to Dutch and balance to Czechs, Greeks, Yugoslavs, Spaniards, and (*)

International Red Cross delegates were able to visit all camps where parcels were sent and satisfactorily ascertain that great majority packages reached beneficiaries. International Red Cross has been instrumental in getting commanders in certain concentration camps to allow men of confidence for various national groups which has greatly facilitated distribution collective shipments. On the other hand a few camps were encountered where prisoners were not even allowed to return individual receipts.

HARRISON

(*) Repetition requested on above garbled groups.

EEC

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 6, 1944
NUMBER: 7366

CONFIDENTIAL

The following is for the strictly confidential information of the War Refugee Board.

Continuing my no. 7365.

8,000 new names and numbers of political deportees of camps of Dachau alone were brought in by the use of individual receipt cards in collective shipments. Since the German authorities have refused consistently to communicate lists of deportees to ICRC, these data are of great value. For a great many families this constitutes the first sign of life from loved ones many of whom have been reported executed previously. Also, these names allow ICRC to send individually addressed parcels in the future to these prisoners with accordingly better assurance of receipt.

There have been shown to me recent reports on certain concentration camps in Germany depicting unbelievably hard and primitive living conditions. One camp housing some 30,000 women has not even the most elementary pharmaceutical supplies, no shipments of such supplies from any source having ever been made to concentration camps. Acute and bitter is the lack of clothing, especially winter underwear and warm socks. Consequently I am making every attempt to organize shipments of parcels of pharmaceuticals from Switzerland and if at all possible I urge that you include a few thousand two and one-half kilo clothing parcels (underwear and stockings and socks for both women and men) with 285,000 food parcels to be shipped this month.

Very limited is the time still available to us when transportation conditions inside Germany will allow forwarding of such parcels.

HARRISON

NOT TO BE RE-TRANSMITTEDOPTEL No. 360

Information received up to 10 A.M. 6th November 1944.

1. NAVAL

A LCT sunk by mine yesterday and two others missing off OSTEND. One of H.M. Drifters ran aground off NEWHAVEN 3rd and considered total loss: no casualties.

Naval landing party and main force have been withdrawn from MILO without casualties. The Naval officer in charge LEMNOS and his party of 15 are isolated at MUDROS and require assistance. Mineweeching in the approaches to SALONIKA greatly assisted by discovery of a plot of the minefield.

2. MILITARY

Western Front On Northern Front of 21st Army Group, we now control whole of River MAAS except two small German bridgeheads at MOERDIJK and WILF' STAD after advances exceeding in some cases 5 miles on broad front.

On WALCHEREN ISLAND the bridgehead in Causeway sector has been considerably enlarged and now extends to within two miles of MIDDLEBURG, while British infantry who finally cleared FLUSHING have advanced along the Canal towards MIDDLEBURG from the south and were last reported within a mile of the town. The Sea Wall for a distance of 4 miles East of FLUSHING now cleared.

Eastern Front Russians have captured two places 14 miles South East and 13 miles South respectively from centre BUDAPEST.

Greece Except for a few isolated detachments Greek mainland now free of enemy.

Burma Our troops have occupied KENNEDY PEAK capturing much Japanese ammunition, equipment and rations.

3. AIR OPERATIONS

Western Front 4th/5th. BOCHUM, 3,323 tons; DORTMUND-EMS Canal 926. The 877 heavy bombers operating claimed 21 German aircraft destroyed including 20 jet-propelled. 5th. 165 escorted Lancasters Bomber Command (1 missing) dropped 891 tons on SOLINGEN through cloud.

1,017 escorted U.S. Heavy Bombers attacked railway centres FRANKFURT 1,030 tons, KARLSRUHE 925, LUDWIGSHAFEN 572, HANAU 96 and KAISERSLAUTERN 88. 177 others dropped 433 tons on Synthetic Oil Plant LUDWIGSHAFEN. Cloud prevented observation results. (21 bombers 13 fighters missing) Nine fighter crews believed safe.

160 medium bombers attacked military objectives near METZ dropping 230 tons unobserved. 1,344 aircraft operated in the battle area dropping total 290 tons with good effect and destroying or damaging 24 locomotive, 78 railway wagons, 36 motor vehicles and 46 buildings. Two German aircraft destroyed in the air and 36 on the ground for 8 Fighters missing.

5th/6th 71 Mosquitoes sent out including 65 to STUTTGART.

Mediterranean 4th. 689 escorted heavy bombers from MEDITERRANEAN (6 bombers, one fighter missing) attacked objectives AUSTRIA and GERMANY, including 6 railway centres 651 tons and two oil targets 723; results mostly unobserved.

150 medium bombers (3 missing) attacked communications and gun positions NORTHERN ITALY while 332 fighters and fighter bombers attacked communications battle area.

5th. 507 heavy bombers dropped 982 tons on oil refinery near VIENNA.

German Activity 5th/6th 30 Flying bombs plotted.

November 7, 1944.

MEMORANDUM

TO: Secretary Morgenthau
(For the Files)

FROM: Mr. Gaston

You called me by telephone from the farm yesterday, November 6, (talking to Ted Gamble at the same time) and called our attention to the lead editorial in The Times which answered Dewey's assertion in his speech of Sunday night that the war had been prolonged by German reaction to the so-called Morgenthau plan for treatment of Germany. You asked Ted and me to do what we could to cause this editorial to be reprinted in papers throughout the country, telling us that Arthur Sulzberger had personally authorized a waiver of the copyright. You instructed us to charge the telephone calls to you personally.

As a result of these instructions Ted Gamble agreed that he would get hold of his man Little, of the Promotion Division under Tom Lane, and would come over to see me shortly.

I put in calls and talked over long distance to the following:

Ted Thackrey, Publisher of the New York Post. Thackrey said that they would do something with the editorial and would answer the thing in other ways, including answering it on the radio.

J. David Stern of the Philadelphia Record. Stern said he would both utilize the editorial in the Philadelphia Record of Tuesday and would adopt other devices to answer the Dewey charge.

Ralph Coghlan of the St. Louis Post-Dispatch said that they thought the story was not worth answering and it was their intention to ignore it, but if I wished to send the Times editorial by Western Union "overhead" to Ben Reese, he thought Reese could run it as a news story.

- 2 -

Richard Finnegan of the Chicago Times said he would be glad to run the Times editorial if I would wire it to him and I sent it simultaneously to St. Louis and Chicago.

I am attaching a memorandum from Ted Gamble regarding eleven contacts by himself and Little of his staff. We duplicated on Thackrey of the New York Post due to my oversight in not informing him that I had talked to Thackrey.

Summary - Pres 68

MEMO FOR MR. HERBERT GASTON

New York Post. We talked to Ted Thackrey, publisher of the Post. He says he and Mrs. Thackrey (formerly Dorothy Backer) feel this accusation of Dewey's very deeply and they are doing everything possible to combat it. They had a radio program about it last evening and they are mailing us copy of the script. Thackrey promises to cover the situation editorially more fully today and tomorrow and he feels it will be most helpful in the New York area.

Philadelphia Bulletin. We talked to Howard Stodghill and he promised to immediately talk to Mr. McLaen the publisher as well as the editorial director. He is not sure just what can be accomplished but he promises to do everything possible in behalf of the Secretary's position.

Atlanta, Constitution. Clark Howell, publisher of the Constitution wanted the New York Times editorial sent immediately. He promised that he would instruct his editors to handle the matter favorably.

Little Rock, Ark. Gazette. Mr. J. N. Heiskell, publisher and editor of the Gazette, said he thought Dewey's accusation was a disgrace and he was anxious to get the New York Times editorial for reproduction. He said they would probably add additional comments of their own editorially which should be helpful.

Fentress-Marsh Chain, (Texas), Austin, American Statesman -- Waco, News Tribune and Times Herald -- Port Arthur, News -- Wichita Falls, Times and Record News. We talked to Buck Hood who is associated with this chain in editorial advisory capacity. He asked that the New York Times editorial be wired him immediately and he promised that it would be reprinted in most of the papers of their chain. He will handle the distribution from his office in Dallas.

Raleigh (North Carolina) News and Observer. We talked to Frank Daniels, General Manager of the News and Observer. He says they want to reprint the New York Times editorial and add some of their comments. The Times arrives there at noon today so it was not necessary to wire the editorial.

Indianapolis (Indiana) Star. Mr. Eugene Pulliam, publisher of The Star, agreed to use the Times editorial or publish one with the same slant which their own editors write.

Portland (Oregon) Journal. This paper has agreed to cooperate and a copy of the Times editorial has accordingly been wired to Don Sterling, managing editor.

Page Two

New York PM. We talked to Mr. John P. Lewis, managing editor. He says they made editorial reference to the "Dewey Accusation" today. If they can develop any further effective editorial approach tomorrow, they will do so. He had not seen today's New York Times editorial but promised to get it and read it immediately and possibly use quotations.

Chicago Sun. Have talked to Mr. E. Z. Dimitman, editorial director. He is anxious to help combat the "Dewey Accusation" and volunteered to have us send the editorial to him immediately over their own teletype from the press building here in Washington. He promises to make good use of the material in tomorrow morning's paper.

Los Angeles Daily News. We talked to Mr. Lee Payne, managing editor. He asked that we get the New York Times editorial to him as soon as possible, so it has accordingly been wired. He promises to use it.

These are in addition to the ones you mentioned as having contacted -- St. Louis Post Dispatch - Chicago Times - Philadelphia Record and the Camden Courier Post.

New York Post

FOUNDED 1801

75 WEST STREET · NEW YORK · WHITEHALL 4-9000

T. O. THACKREY
EDITOR AND GENERAL MANAGER

November 7, 1944

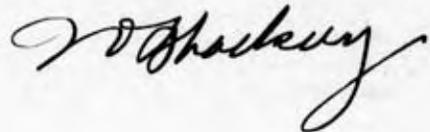
Mr. Herbert E. Gaston
Assistant Secretary of the Treasury
Washington, D. C.

Dear Mr. Gaston:

I am enclosing an editorial from the New York Post containing the reference you mentioned in your telephone call last Monday morning.

I am also enclosing a section of a radio script broadcast by Mrs. Thackrey and me Sunday afternoon, over Station WOR.

Sincerely,



TOT:sk
Enclosures

Dewey's Bombshell

We recently carried an editorial here entitled, "Dewey—Ex-isolationist." Today we want to take that back. Dewey has completed the great circle, and he is back with the isolationists.

He began his race for the Presidency in 1940 by campaigning for Republican convention delegates with an out-and-out isolationist appeal. We all know what happened to him afterward. He moved cautiously toward the position held by Wendell Willkie and in this campaign he has been trying to convince independent voters there is no difference between him and President Roosevelt on foreign policy.

Rejoins Isolationists

But Saturday night in Madison Square Garden he rejoined his old friends.

He accused the President of prolonging the war and costing the lives of thousands of American boys because Secretary Morgenthau was called to Quebec to discuss a stern, realistic peace plan for Germany. Publication of that plan, Dewey said, stiffened the resistance of the Germans, made them fight fanatically.

We can draw only one conclusion from these charges. If Dewey is elected he will undertake at once to let the Germans know that we will go easy with them, in order to persuade them to stop fighting. Of course, the sole military and political objective of the Nazis for many months past has been to get us to adopt just exactly that policy.

Moreover, as the New York Times pointed out this morning, by the time the Morgenthau plan was published on Sept. 22 the Nazis were fighting fanatically. They had stopped the Russians at Warsaw, and they were frustrating at Arnhem the one maneuver that might have ended the war quickly.

The high command of Dewey's party has shifted with him to the isolationist camp in the closing hours of the campaign. Robert Moses wrote a letter attacking the President's proposal for immediate use of force by the U. S., in concert with other peace loving nations, against any aggressor.

The letter was published as a full page ad in the New York Times, paid for by the Republican National Committee.

The Committee is now distributing copies of that advertisement and by this action sending notice that it bitterly opposes a plan to which Dewey has given an equivocal endorsement in his Minneapolis speech.

We know now Dewey gave that half way endorsement while winking at the isolationists. But in case this bit of slyness was lost upon them, the Republican National Committee has spelled out the party's position.

The President warned us to expect a last minute bombshell from the Republicans. Dewey and the Republican National Committee have provided it by winding up their campaign with a frank appeal to the isolationists.

Dewey at last is talking out of one side of his mouth—the isolationist side. It is clear now that all along what he wanted above all was the support of the isolationists—and he has it.

The issue of this campaign is the peace. Dewey has revealed himself at the eleventh hour as a threat to the peace.

COPY

MRS. THACKREY:

Yes, I've heard it, with a gooddeal of amazement; I wonder just exactly where Mr. Dewey would like to see this war fought: does he propose that we fight it on the Boston Common, for example? or on the White House lawn? or on Broadway? or in the streets of Los Angeles, or San Francisco, or Chicago? Mr. Dewey must believe we should be fighting this war from house to house and street to street right here at home! But Mr. Dewey doesn't stop there. Last night at Madison Square Garden he went a step further, and lower. He gave voice to the German soft-peace propaganda line. He openly charged tht the only reason the Nazis are fighting desperately is because the President and the Secretary of the Treasury have made it plain that this time, we plan to make sure the Nazis never again can wage war on humanity! He still thinks President Roosevelt can, and should, appease Hitler. I suppose next, he'll try to make us believe it was President Roosevelt who attacked the poor Japanese at Pearl Harbor.

J. DAVID STERN

PHILADELPHIA RECORD, PHILADELPHIA
EVENING COURIER, CAMDEN, N.J.
MORNING POST, CAMDEN, N.J.

Philadelphia 1, November 7, 1944

Hon. Herbert E. Gaston
Assistant Secretary of the Treasury
Treasury Department
Washington, D. C.

Dear Mr. Gaston:

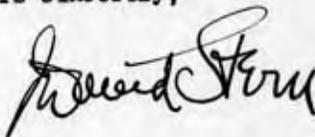
As a result of your phone call yesterday morning, we ran enclosed story in today's Record. You will note that we combined the opportune statement by Major Eliot with the editorial from the New York Times. Thank you for bringing this to my attention.

I enclose a very interesting and, to my mind, very sinister report on "Germany and Europe" by Frank C. Hanighen, who once worked for me. He is a pronounced isolationist as is his associate, Felix Morley, former Editor of the Washington Post and now president of Haverford College. Secretary Morgenthau might be interested in seeing this piece.

After I see the Secretary at eleven o'clock on Wednesday, November 15th, I plan to drop in your office for a moment's chat.

With kind regards,

Yours sincerely,



em
enc

N. Y. Times and Military Critic Answer Dewey Charges on War

Special to The Record

NEW YORK, Nov. 6—Gov. Dewey's accusation that Secretary Morgenthau's plan to de-industrialize Germany is prolonging the war was answered vigorously today by two sources.

One was the New York Times, in an editorial. The other was Maj. George Fielding Elliot, military critic, in an article in the New York Herald Tribune.

The Times Replies

The Times editorial said, in part:

"Mr. Dewey has chosen to end his campaign on a note that does not do him credit. He accuses Secretary of the Treasury Morgenthau of prolonging the war needlessly at the cost of American lives. He says that the publication of reports of Mr. Morgenthau's plan to de-industrialize Germany 'was just what the Nazi propagandists needed. It put fight back into the German army; it stiffened the will of the German nation to resist.'

"The first reports of Mr. Morgenthau's rejected plan to de-industrialize Germany for the purpose of destroying her power to make war were published on September 22—about a month after Mr. Dewey himself had proposed to strip Germany of her control of the rich industrial area of the Ruhr for precisely the same reason.

Had Stopped Russians

"By that time the German armies which Mr. Dewey envisages as in 'headlong retreat' had already stopped the Russians at Warsaw. By that time they were already battering the British expeditionary force at Arnhem and checking the one bold Allied maneuver which alone might have brought a quick end to the western war. By that time 'the Nazi propagandists' were already in full blast with charges far better calculated to arouse German fears than either Mr. Morgenthau's plan or Mr. Dewey's plan

for German industry—charges that the Allies intend either to enslave or to emasculate the male population of Germany.

"When Mr. Dewey attributes this hard defense to some proposals of Mr. Roosevelt's Secretary of the Treasury, he makes a charge which, for the sake both of our unity at home and the morale of our troops in the field, had better never have been made."

Ellot's Answer

Maj. Elliot concluded his article as follows:

"Nothing we now say or suggest about the kind of peace Germany is going to get has any appreciable effect on the fighting of the German Army, which is controlled by those to whom these future considerations are of no importance.

"The Germans to whom these considerations are really of importance, those who are planning to come forward as the leaders of the future Germany and still to some extent influence German propaganda, are desperately anxious to convince us to the contrary, because they want to tone down proposals which, if carried out, would make a future German military comeback impossible.

"It is never a good idea in war to accept as fact what the enemy is trying very hard to make you believe."

HUMAN EVENTS

A Weekly Analysis for the American Citizen

FELIX MORLEY
FRANK C. HANIGHEN
EDITORS
WILLIAM HENRY CHAMBERLIN
HUGH GIBSON
CONTRIBUTING EDITORS

EDITORIAL OFFICE
1702 K STREET, N. W.
WASHINGTON 8, D. C.
TELEPHONE NATIONAL 7488

No. 40
November 1, 1944

GERMANY AND EUROPE

By Frank C. Hanighen

The Morgenthau plan for the destruction of Germany as an industrial state has, by its very fanaticism, produced a sobering reaction.

In the chorus of rejection which greeted the plan, a theme of common sense predominated. The presidents of the five national engineering societies condemned it, saying that it would penalize "not only the owners of the materials destroyed but the world as a whole." Methods which Rome applied to Carthage will not work today.

The argument of a "hard," versus a "soft" peace is utterly unrealistic. Any peace will prove severe for Germany, in view of its present ravaged condition. The real issue is whether or not we shall construct the foundation whereon the prosperity necessary for enduring peace in Europe may be built up. The nature of the terms imposed on Germany will decide that issue.

There is reason to believe that the spirit of the Morgenthau plan has not been definitely shelved — partly because Government planners cannot agree upon an alternative blue-print. The pattern of the partition of Germany is said to prevail: some of its eastern territory to go to Russia and Poland; some in the West to the Western Allies; only the center to remain German.

The framers of such plans seem unable to realize that territorial dismemberment of a highly integrated and complicated economy like that of Germany would prove hardly less destructive than removal of its industry.

Even a cursory glance at the administrative and economic organization of contemporary Germany shows that chaos would result from this sort of irresponsible surgery.

Copyright 1944 by HUMAN EVENTS

II

For instance, some writers on the subject demand the destruction of Prussia, as a prerequisite of settlement with Germany, because Prussia has a larger area and more inhabitants than all the other German states combined. But, as Dr. Julius Fleischman has pointed out in a timely article in the Washington Post, "It does not seem to be sufficiently known that the dismemberment of Prussia was already carried out by the Nazi government to such an extent that only an empty shell remains."

Dr. Fleischman describes how the Nazi government, while leaving intact the superficial federal structure of the Reich, changed its administrative nature — first by appointing Reich governors for the states, then by incorporating state ministries into the Reich government, and finally in 1939 by making the agencies of the states into agencies of the Reich. "Thus Germany has become something like a unitary state without any actual dissolution of Prussia or the other states..."

Meanwhile the Nazi party established 32 Gaue, or Nazi party regions of Germany proper, cutting across many of the lines of the larger states. In 1942 these became "Reich defense regions," administratively used as subdivisions for regional economic chambers, housing, labor mobilization and price administration.

Finally, on top of this complex administrative structure are the 25 "economic regions" of which six are wholly in Prussia, while others cover parts of Prussia and other states. Regional administration of food and industrial products, regional regulation of labor and rationing coincide with these economic areas.

"It will be easier to restore orderly government and remove the Nazi office-holders if existing administrative subdivisions are maintained as much as possible," remarks Dr. Fleischman. It follows that orderly government may not be restored if the contemplated dissection cuts through these administrative nerves and ganglia.

III

As for Germany's economic system, territorial dissection may prove as dangerous as the Morgenthau plan. Exact details of the contemplated partition have not appeared, but it seems that the Allies propose to separate East Prussia, Pomerania, Silesia, and Brandenburg from the eastern area of the Reich, and the Ruhr and Rhine-

land from the western area -- leaving only the intervening territory as the new Germany. An estimated 45 million people live in this central area today. But it is assumed that this number would rise to 57 millions as a result of a shift of German populations from the best provinces. Germany, in short, would lose about one-third of its territory, but only about 16% of its population. To live within these frontiers, that population would have to manufacture and export as never before.

But the partition would take away about 57% of the coal supply, which comes mainly from the Ruhr and Silesia. Without coal, the iron and steel industry cannot function on any scale; nor can the synthetic oil and textile industries. One-third of the capacity of the present electric-power stations would remain outside the new frontiers, and many in the center region would have to shut down for lack of coal. Such important raw materials as bauxite and copper must be imported.

Now, within this central area lie such big industrial centers as Berlin, Augsburg, Magdeburg, Dresden, Leipzig, Hamburg, Nuremberg, and Munich. It contains most of the engineering works of the country. This industry, under the plan of partition, would be almost entirely deprived of raw materials. The effects of this plan, in short, would be those of the Morgenthau plan.

"This unreal settlement," remarks the London Economist, "would destroy most of the manufacturing capacity and would turn it (Germany) into an agricultural country, burdened with an enormous industrial population. . . . Germany might then become what Vienna was in the intervening years -- a place of mass unemployment, mass unemployment and perpetual political tension. Can this really be called a recipe for peace?"

IV

The repercussions of such a situation would certainly have serious results for the rest of Europe. It is one of the ironies of the times that so few who pride themselves on having an international viewpoint seem in any way aware of the economic interdependence of Western Europe, including Germany.

The present woeful condition of liberated Italy is in part due to the fact that it is cut off from the rest of the Continent from which it derived many of its raw materials. The economic conditions in Italy have intensified social antagonisms, with

resultant unrest dangerous to any orderly political solution of Italian problems — a portent of what can happen generally in a Western Europe in which the planners do not recognize the necessity for economic cooperation.

As a matter of fact, the integration of European economies has greatly increased since the war began. It is not generally realized that the Nazis in the past four years have forced many of the technical and material activities — plants, transportation, farming, banking, credit, etc. — on the Continent into a centralized machine for war purposes. Plants all over Europe have been re-tooled to meet German technical standards. These plants have been linked with centralized organizations for supplying raw materials and for distribution of finished products.

In short, the plain fact is that the Nazis have scrambled the eggs. It will take the most restrained and intelligent statecraft to unscramble them in a manner which must not penalize the victims of German aggression but which must punish the Nazi leadership which is responsible.

Mass unemployment and starvation in Europe would only make that continent the world's breeding ground of wars and revolutions. For many years, the immediate causes of war sprang from the pauperized conditions of southeastern Europe. Tomorrow, if the planners follow their present course, they will Balkanize all of Central Europe that is not incorporated into the Soviet Union.

A real international outlook demands that the planners should draw the obvious lesson from all the evidences of European interdependence and set their compass for the only harbor which promises enduring peace — the economic and cooperative unification of Europe.

Otherwise, a "hard" peace for Germany — whatever transient emotional satisfaction it may provide — is all too likely to work out as a "hard" peace for Europe.

* * * * *

No reproduction or quotation of any sort from this news-letter is permissible without credit. All rights reserved. Subscription for three months, \$3.00; for six months, \$5.50; for one year, \$10.00.

Times Editorial Replies to Dewey Charge That F. D. R. Prolongs War

New York Paper Says Morgenthau Plan Didn't Stiffen Nazi Morale, Hitler's Purge Did—Cites Governor's Own Proposal.

Special to the Post-Dispatch.

NEW YORK, Nov. 6.

THE New York Times, in an editorial today, replied to Gov. Thomas E. Dewey's charges in his New York speech Saturday night that President Roosevelt's administration had prolonged the war and that Secretary Morgenthau's purported plan for making Germany an agricultural nation had stiffened German resistance. The editorial follows:

"Mr. Dewey has chosen to end his campaign on a note that does not do him credit. He accuses Secretary of the Treasury Morgenthau of prolonging the war needlessly at the cost of American lives. He says that the publication of reports of Mr. Morgenthau's plan to deindustrialize Germany was just what the Nazi propagandists needed. 'It put fight back into the German Army; it stiffened the will of the German nation to resist. Almost overnight the headlong retreat of the Germans stopped.' And from this Mr. Dewey proceeds to the accusation 'that the blood of our fighting men is paying for this improvised meddling.'

"The first reports of Mr. Morgenthau's rejected plan to deindustrialize Germany for the purpose of destroying her power to make war were published on Sept. 22—about a month after Mr. Dewey himself had proposed to strip Germany of her control of the rich industrial area of the Ruhr for precisely the same purpose.

"By that time the German armies which Mr. Dewey envisages as in 'headlong retreat' had already stopped the Russians at Warsaw. By that time they were already battering the British expeditionary force at Arnhem and checking the one bold Allied maneuver which alone might have brought a quick end to the western war. By that time Hitler had already purged his defeatist generals and pledged Germany to fight to the kill. By that time the Nazi propagandists were already in full blast with charges far better calculated to arouse German fears than either Mr. Morgenthau's plan or Mr. Dewey's plan for German industry—charges that the Allies intend either to enslave or to emasculate the male population of Germany. By that time (Hitler's decree of July 25) even the school children of Germany had been mobilized for a war to the bitter end.

"The Germans are now doing what every other nation has done and would do in the same circumstances: they are fighting hard in defense of an actual invasion of their own homeland. When Mr. Dewey attributes this hard defense to some proposals of Mr. Roosevelt's Secretary of the Treasury, he makes a charge which, for the sake both of our unity at home and the morale of our troops in the field, had better never have been made."

will merely invite a repetition of the events of 1939-44 in an even more disastrous form, particularly for those nations which are unfortunate enough to be Germany's neighbors," she wrote.

Even at the risk of having to pay for the greater share of their own reconstruction, the European nations stand for the plan which Secretary of the Treasury Morgenthau is reported to have submitted to President Roosevelt last September," Mrs. Hadsel said.

"Forced to decide between large-scale reparations and a deindustrialized Germany," she added, "most of the continental Allies do not hesitate to choose the destruction of Germany's industrial potential."

But Germany's neighbors, Mrs. Hadsel reported, believe that it would not be necessary to remove all German industries, since all of them would not have the same potential military value.

Mrs. Hadsel said that "if all the territorial changes proposed by the French, Dutch and the rival Polish groups were carried into effect, Germany would lose approximately one fifth of its pre-1933 area."

"And through these cessions, Germany's coal and steel production would be reduced by nearly one fourth. Important zinc, lead and lignite resources would also be lost, as would key strategic areas along the Baltic and the Rhine."

"Even after Germany has been greatly weakened in size and economic potential, the small nations feel that neither they nor their larger Allies will dare to neglect their military power . . . in order to oppose such bids for power as the Germans may still be able to make in the postwar period."

From
Mr. Gaston.

November 7, 1944.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

B. M. Edwards sent me a copy of a letter he wrote to Pauley about party finances in South Carolina and added this note to me: "I wish you would tell the Secretary that I have been trying to help in this situation."

MG

TO:

79

MRS. KLOTZ

10-30-44

The attached letter is dated October 4th pursuant to an agreement with the office of the Attorney General that the letter be dated the day after the passage of the Surplus Property Act.

It will not be mailed until we hear from the Attorney General. I shall advise you of that date.

kfa

FROM MR. O'CONNELL

(dated 10/14 but
not mailed
until 11/7) 80 ✓

25

October 4, 1944

My dear Mr. Attorney General:

Your opinion is respectfully requested as to the application of section 27 of the Surplus Property Act of 1944 to employees of the Procurement Division of the Treasury Department whose duties relate to the disposal of surplus property.

The Procurement Division of the Treasury Department is presently acting, pursuant to Executive Order No. 9425 dated February 19, 1944, and Regulation No. 1 of the Surplus War Property Administration issued thereunder (Federal Register for May 18, 1944, pp. 5096-5099), as the disposal agency for surplus war property in the form of consumers goods, and is authorized to continue to act in the same capacity under the Surplus Property Act of 1944 unless and until the Surplus Property Board created by that Act takes other action.

Section 27 of the Surplus Property Act of 1944 provides as follows:

"Sec. 27. No person employed by any Government agency, including commissioned officers assigned to duty in such agency, shall, during the period such person is engaged in such employment or service, or for a period of two years after the time when such employment or service has ceased, act as counsel, attorney, or agent, or be employed as representative, in connection with any matter involving the disposition of surplus property by the agency in which such person was employed, if such person during his employment with such agency ratified, approved, or authorized the disposition of any surplus property pursuant to the provisions of this Act or recommended any such approval, authorization, or ratification as part of his official duties.

- 2 -

Any person violating the provisions of this section shall be fined not more than \$10,000, or imprisoned for not more than one year, or both."

Although we do not share such a view, it has been brought to our attention that section 27 could be construed with such extreme application as would cause a loss of the present key personnel of the Division and greatly handicap, if not make impossible, the recruitment of needed additional competent personnel in the field of surplus property disposal.

The conduct of current disposal activities of the Procurement Division, and the larger task of developing adequate programs and organization for handling the anticipated great increase in surplus war goods, require the services of competent men of experience in the business world who have specialized in the marketing of various classes of commodities assigned to the Division. For this purpose, the Procurement Division has recently recruited a supervisory staff comprised principally of experienced merchandising men who have taken temporary leave of their firms in order to assist the Division in these problems, and the Division is urgently in need, not only of the continued services of these persons, but also of many others similarly qualified. It was the expectation of these employees that upon the completion of their temporary Government service they would be free to return to their previous employment, or accept other comparable employment, without impediment to the discharge of their normal private executive functions.

With respect to the application of section 27 to personnel of the Procurement Division, the following questions are submitted:

(1) Should not the prohibition of this section be restricted to direct personal participation in negotiations with the Procurement Division involving the disposition of surplus property by that agency; and if not so

- 3 -

restricted, under what circumstances and conditions would activities which do not involve direct personal participation in such negotiations be considered to come within the scope of the prohibition?

(2) Is the prohibition operative as to employees who, subsequent to the date of approval of the Surplus Property Act but prior to the date a majority of the members of the Surplus Property Board have been appointed and taken office, have ratified, approved, or authorized the disposition of surplus property by the Procurement Division or have recommended any such approval, authorization, or ratification as part of their official duties?

I understand that you might prefer to consider the application of section 27 in relation to specific cases which would more usefully serve to indicate its proper construction. For that purpose a list of examples is submitted with this letter of specific persons who discharge supervisory and operating functions, either general in character or in relation to specific commodities, for the Procurement Division of the Treasury Department in connection with the disposal of surplus property.

I should greatly appreciate the benefit of your view on the questions above stated.

Yours very truly,

(Signed) ~~Henry~~ Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Attorney General of the United States.

EXAMPLE NO. 1. ERNEST L. OLRICH is in general charge of all surplus property activities of the Procurement Division of the Treasury Department, serving in the capacity of Assistant to the Secretary of the Treasury. Subject only to the supervision of the Secretary, he has final authority over, and responsibility for, all activities and transactions of the Procurement Division in relation to the disposal of surplus property. He is on temporary leave of absence from his position as President of Munsingwear, Inc., of Minneapolis, Minnesota, a manufacturer and distributor of knitted wearing apparel such as underwear, hosiery, etc., a class of products presently assigned to the Procurement Division for disposal. The question arises as to the application of section 27 to Mr. Olrich as chief executive officer of Munsingwear, Inc., and thus responsible for its purchasing and selling operations (or in other comparable private employment) for a period continuing two years after severance of his connection with the Procurement Division in the event of purchase by his employer of surplus war property through the Procurement Division of the Treasury Department.

EXAMPLE NO. 2. RUSSELL C. DUNCAN is Acting Deputy in Charge of Sales and Merchandising, Office of Surplus Property, in which capacity he has general supervision over the eight commodity divisions established in that Office. In that capacity he assists in the establishment of general policies to govern the disposition of all products disposed of by the Procurement Division and in the determination of systems of operation and handling of sales through the eleven regional offices. While the functions of his office may not include the direct transaction of business or conclusion of sales with prospective or actual purchasers of surplus property, he does have authority on behalf of the Director of surplus property operations to ratify, approve or authorize proposed dispositions of surplus property and to recommend the approval, authorization or ratification of particular transactions.

Mr. Duncan is on leave of absence as President of R. C. Duncan Company of Minneapolis, Minnesota, which is an established firm dealing in heavy hardware material, including a few items such as tools and mechanical rubber goods which are presently assigned for disposal to the Procurement Division of the Treasury Department. It was the expectation of Mr. Duncan upon the conclusion of his temporary Government service to return actively to his duties as President of R. C. Duncan

Company, in which capacity as chief executive officer of the company he would be responsible for its general management and in normal course exercise supervisory authority over significant purchasing activities of the company, including purchases of surplus property from the Government which may be sold through the Procurement Division.

EXAMPLE NO. 3. FRED R. ATCHESON is Acting Deputy Director in Charge of Operations, Office of Surplus Property, in which capacity he is in charge of all document control, coding, classification, inventory control, warehousing, reports and accounts, and, as one member of a policy group, assists the Director in formulating general disposal policies. He is on leave of absence from Marshall Field & Co., Chicago, Illinois, which engages in general merchandising and manufacture. He serves that company as comptroller of retail stores in Chicago and vicinity, and has responsibility, among others, for the establishment of procedures followed in the purchase of all merchandise, including Government surpluses. It is understood that the company has purchased certain items of surplus from the Procurement Division and probably will continue to make further purchases. Mr. Atcheson expects to return to his company upon completion of his Government service, and his functions might also include direct merchandising responsibilities, involving the approval of purchases of Government surpluses, including purchases from the Procurement Division.

Each of the following named persons serves as Director of the indicated Commodity Division, in which capacity his functions include the development of disposal programs and the authorization or approval of particular transactions involving the particular class of commodities assigned to his supervision:

EXAMPLE NO. 4. E. P. PHILLIPS, Acting Director of the Machinery Division, including construction and agricultural equipment. He is one of two general partners of the Phillips Machinery Company of Richmond, Virginia, and the Phillips Machinery and Tractor Company of the same city, which are engaged in the general marketing of construction machinery. These firms, as part of the usual conduct of their business,

have in the past purchased new and used equipment from the Government, including purchases through the Procurement Division of the Treasury Department.

EXAMPLE NO. 5. LEE FLEMING, Acting Director of the Textiles and Wearing Apparel Division. He is on leave of absence from Marshall Field & Co., Manufacturers Division, Chicago, Illinois, where his duties involve general management of a part of its Manufacturing Division, including the buying of raw materials, planning merchandise, pricing goods, and determination of selling policies. His company in the usual course of business has purchased, and expects to continue to purchase, surplus property from the Procurement Division, which may include textiles and wearing apparel.

EXAMPLE NO. 6. HOMER HILTON, Acting Director of the General Products Division, which includes, among other products, photographic and optical equipment and materials. He is on leave of absence from his position as Sales Manager of Argus, Inc., Ann Arbor, Michigan, whose peacetime activities have included the manufacture and distribution of cameras, precision optical goods and radios.

EXAMPLE NO. 7. LEE W. MORAN, Director of the Automotive Division. He is President of Lee Moran Company, Pittsburgh, Pennsylvania, which is an automotive company dealing in new and used passenger cars and trucks and engaged in the general automotive trade. In his function as President, he is responsible for the general conduct of the business, including the purchase of surplus automotive trucks or equipment from the Procurement Division.

EXAMPLE NO. 8. WILLIAM C. LEHMAN, Director of the Furniture Division. The question arises whether Mr. Lehman, although not presently associated with any private business, would be free upon leaving Government service to return to his former type of employment with mercantile companies or industry where his employment might include over-all management or supervision as to purchase policies in the particular field in which he is qualified through long experience.

EXAMPLE NO. 9. C. A. DICKERSON, Acting Director of the Paper Products Division. He is on leave of absence as President and Treasurer of the Sabin Robbins Paper Company of

- 4 -

Cincinnati, Ohio, which is engaged in the general merchandising of paper throughout the country. It is anticipated that his company will purchase surplus property from the Government only in normal course and that such purchases would constitute a relatively small part of the company's business; but in his capacity as chief executive officer, Mr. Dickerson would have executive responsibility for purchasing activities of his company.



TREASURY DEPARTMENT
WASHINGTON 25



November 7, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the
special items valued in excess of \$50,000
as of November 6, 1944.

E. L. Olrich
E. L. Olrich
Assistant to the Secretary

Enclosures

PROPERTY FOR DISPOSAL

SPECIAL ITEMS, COST TO GOVERNMENT IN EXCESS OF \$50,000

AS OF NOVEMBER 6, 1944

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
1. <u>Furniture</u>			
<u>BEDS AND COTS, USED</u>	83 000	\$3.50	310 760
Includes wooden, double-deck bunks; steel, single beds; folding, wood and canvas cots.			
<u>BED PARTS</u>			65 000
Springs, heads, feet, and side rails; unassembled. Negotiating with bed mfrs. regarding repurchase.			
<u>MATTRESSES, NEW AND USED</u>	514 000	5.50	2 827 000
About 1/3 are new. Substantial sales of used mattresses, for conversion into paper, take place regularly.			
<u>MATTRESSES, INNERSPRING, NEW</u>	9 500	6.00	58 000
From O.C.D. stocks. New declaration - plans being formulated.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT:</u>
<u>PILLOWS, USED</u>	954 000	\$0.73	696 420

Some cotton, some feather pillows, - mixed in bales. Used pillows are not wanted.

<u>STOOLS, WOOD, REVOLVING SEAT</u>	14 364	6.30	90 493
-------------------------------------	--------	------	--------

Disposal plan is being formulated.

2. Machinery

<u>CONSTRUCTION MACHINERY, HEAVY</u>	6 500	1,000.00 (average)	6 500 000
--------------------------------------	-------	-----------------------	-----------

General inventory of used machinery, most of it in very poor condition. Sales are being made regularly but inventory mounts.

<u>DRILL, ROCK, REPLACEABLE TIP</u>	281 097	.25 (average)	70 933
-------------------------------------	---------	------------------	--------

In kegs and drums. Have been offered to the original mfr. They are not interested.

<u>GROUSERS, ICE, NEW</u>	76 726 pieces	2.70	207 160
---------------------------	------------------	------	---------

Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. There is no known application on standard machines; no market, except for scrap. There were 24 replies from 7000 folders, with no interest shown.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GROUSERS</u>	43 853	\$3.00	131 559

Non-standard mud cleats for crawler-type tractors. They are nothing but sheared pieces of structural angle iron, worth nothing except for scrap. Advertising folder will be issued.

<u>PUMP, HYDRAULIC, USED</u>	641	137.10	87 881
------------------------------	-----	--------	--------

New declaration - no action as yet.

3. General Products

<u>AMMUNITION BOXES, METAL, USED</u>	2 856 020	.57	1 627 931
--------------------------------------	-----------	-----	-----------

National sales plan will be announced this week.

<u>BATTERIES, DRY CELLS AND PACKS</u>			1 130 000
---------------------------------------	--	--	-----------

New flashlight batteries comprise bulk of this valuation. About 17 million were declared. All will probably be sold this week.

<u>CAMERAS, AIRCRAFT</u>	96		307 386
--------------------------	----	--	---------

Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>FILM & PAPER, PHOTOGRAPHIC</u>	60 000 pkgs.		360 000
Rolls, cut film, and packs - mostly overage. The overage material will be processed to re- cover the silver and chemicals. About \$37,000 worth of non-expired material is out on bid.			
<u>GENERATING SETS, USED</u>	12	\$5,000.00	60 000
25 K.W. gasoline driven. New declaration - no action as yet.			
<u>HORSES</u>	2 200	165.00	333 000
All horses will be sold according to established program of auctions.			
4. <u>Automotive</u>			
<u>AUTOMOTIVE SPARE PARTS, NEW</u>	15 000 000		9 000 000
Large quantities on recent declarations are bolts, nuts, spark plugs, fuses - called "parts common" that can be used on any motor vehicle. Lists totalling 11 million parts worth \$2,500,000 have been submitted to Ford and General Motors for them to analyze and determine parts acceptable.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>AUTOMOTIVE PARTS, OBSOLETE, USED</u>			2 000 000

Majority are used, having been taken from used vehicles and put in stock. There are acres of used bodies, fenders, cowls, cabs, etc., at Blue Grass, Ky., and Fort Crook. Spot check inspection list has gone to Chrysler as a test action on disposal. Other lists are going to other manufacturers.

<u>CRADLES, ENGINE</u>	240	\$375.00	90 000
------------------------	-----	----------	--------

Stands used to hold engines undergoing repair. Inspection report awaited.

<u>HYDRAULIC FLUID</u>	378 459 gals.	1.74	658 580
------------------------	------------------	------	---------

Needs reprocessing for civilian use. Packed in 1 gal. cans. Manufacturer not interested - has withdrawn informal offer of \$.50 a gal. Another declaration of 100,000 gals. reported on the way.

<u>JACKS, HYDRAULIC</u>	10 741	79.00	848 539
-------------------------	--------	-------	---------

Four wheel, roller type, 10-ton capacity, for garage use. Two manufacturers have made offers. Prewar sales ran at about 1000 per year, but O.D.T. reports heavy demand at present.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>MOTOR ANALYZERS (TESTERS)</u>	1 500	\$100.00	150 000

Regional office has been authorized to re-sell to manufacturer on a 3 month's delivery basis.

5. Hardware

BOLTS, MISCELLANEOUS

	8 500 000		2 500 000
--	-----------	--	-----------

The regional offices have been instructed to contact manufacturers and large jobbers. Little interest shown.

COVERS AND SEALS, RUBBER

	27 3/4 tons		169 245
--	----------------	--	---------

Includes 3/4 ton seals, which are round rubber washers about 1 inch in diameter. There are 27 tons of new "covers" which are 2 in. lengths of black rubber hose - thin wall, about 1 inch in diameter. Inspection report awaited.

FIRE EXTINGUISHERS, NEW

	12 000	7.60 average	91 000
--	--------	-----------------	--------

Includes 10000 carbon tetrachloride hand extinguishers. Will be sold back to the manufacturers.

HELMETS, SAFETY, O.C.D.

	300 000	.89	267 000
--	---------	-----	---------

Packed 10 to a carton. Have been allocated to each regional office for sale at established prices. Orders now coming in.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HOSE, RUBBER</u>	5 000	\$33.50	167 500
Large size, 25 ft. lengths. Army will inspect.			
<u>LANTERNS, OIL BURNING</u>	34 460	3.00	107 316
Navy will withdraw for transfer to Army.			
<u>IMPRINTING MACHINES, NEW</u>	35 600	21.95	781 420
Original manufacturer has shown no interest. Advertising folder is being prepared.			
<u>MACHINE GUNS, ELECTRIC</u>	707	279.00	197 253
Practice gun. Specifications have been submitted to amusement park owners. New York regional office has one on display and has a few bids for small quantities.			
<u>MASKS, GAS, USED</u>	47 967	6.28	301 399
O.C.D. stock is being transferred to Chemical Warfare.			
<u>MARKERS, MINE FIELD</u>	7 600 sets	6.85	52 060
Carrying case with 30 metal flags on pins. Several orders for small quantities have been received from state road commissions.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>NUTS, SQUARE, NEW</u>	925 000		57 350

The regional office have been instructed to contact manufacturers and jobbers. Little interest shown.

<u>PLATFORM TRUCKS, STEEL, NEW</u>	5 700	\$75.00	427 500
------------------------------------	-------	---------	---------

Steel trucks on casters. The truck weights 800 lbs., and it takes 2 men to push an empty truck. We have offer of \$16.00 for a limited quantity. About 1500 were sold at \$15.00 each.

<u>EMPLACEMENTS, MACHINE GUN</u>	32	5,300.00	169 600
----------------------------------	----	----------	---------

A mount for a machine gun. No utility value known.

<u>RAFTS, PNEUMATIC, 5-MAN</u>	623	200.00	124 600
--------------------------------	-----	--------	---------

Three quarters of original lot have been sold and we have prospects on the remainder.

<u>RESPIRATORS, DUST, COMMERCIAL</u>	61 127	1.00	61 127
--------------------------------------	--------	------	--------

Made for African combat use - some are suitable for industrial use. Bids have been received from three manufacturers and we expect to dispose of the entire lot.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SCREWS (WOOD), BRASS</u>	250 000 gross	\$0.25	62 000
The regional offices have been instructed to offer these screws to manufacturers and large jobbers. Little interest shown.			
<u>SCABBARDS, BOLO</u>	140 000	1.60	224 000
Designed for bolo that is now obsolete. Few bolos available. Army will withdraw.			
<u>SHOTGUNS</u>	1 880	55.00	101 332
Manufacturers will repurchase.			
<u>SKIIS AND BINDINGS, USED</u>	4 000 pr.	16.00	64 000
Have immediate prospect for the purchase of entire amount.			
<u>SMOKE GENERATOR PARTS</u>			89 000
Small metal parts (valves, fittings) for Army mobile-smoke generator. Last week's sales reduced total materially.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SPURS, NEW AND USED</u>	200 000 pr.	\$1.30	260 000
Some small sales have been made at \$.50 a pair. 100,000 pr. sold at \$.25.			
<u>STAPLES, GALVANIZED</u>	18 000 kegs	4.52	81 360
100 lbs. to a keg. Sales are being made in small quantities at price near cost to government.			

6. Textiles and Wearing Apparel

All textiles and clothing in the hands of disposal agencies have been temporarily frozen to enable the Army to make selections for use in a program for occupied countries.

<u>APRONS, IMPERMIABLE</u>	93 989	5.00	469 945
Rubber coated, with sleeves. Manufacturer not interested in repurchase. Samples have been distributed to regional offices with instructions to ask for bids.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>BELTS, AMMUNITION</u>	3 000 000	\$0.80	2 400 000
<u>BELT TIPS</u>	5 000 000	.05	250 000

Olive drab, web fabric about 1½" wide, 20 feet long, double woven to provide loops in which to insert cartridges.

The tips are fabric, about 12" long, to be attached to feed belt into gun. Interest has been shown at price somewhat higher than salvage value.

<u>COATS, FIREMEN'S SAFETY, NEW</u>	22 000	4.77	104 940
-------------------------------------	--------	------	---------

New declaration. Sample awaited.

<u>BELT POCKET FOR CARTRIDGE CLIPS</u>	1 000 000	.10	100 000
--	-----------	-----	---------

Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received \$0.06.

<u>GLOVES, RUBBER, ANTI-GAS</u>	667 000	1.00	667 000
---------------------------------	---------	------	---------

Gauntlet type - special design for anti-gas work. Agreement has been reached to dispose of this stock as crude rubber, or to sell for export shipment only.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>LEGGINGS</u>	213 280		109 833
World War I stock, good only for salvage. Now being authorized for sale by regional offices.			
<u>MAGAZINE BELTS</u>	55 369	\$2.35	130 325
An apron of web fabric belt pockets to hold bullet clips. Samples have been sent to all regions to widen sales effort.			
<u>MOSQUITO BARS, WITH RODS</u>	40 000	5.90	236 000
This balance represents the remainder of used mosquito bars after large sales of new material.			
<u>HATS, ARMY SERVICE</u>	45 928	3.00	137 784
The old-style, broad brimmed campaign hat. Of original amount of 91,000, half have been sold. Negotiations in process for balance.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT:</u>
<u>W.A.C. CAPS</u>	76 712	\$2.20	168 766
Samples have been given to exporters and others. This is an item that is hard to dispose of.			
<u>HOODS, ANTI-GAS, NEW</u>	257 292	1.00	257 292
Regional offices have been instructed to ask for bids.			
<u>PANELS, SIGNALING</u>	37 024	2.00	74 048
New declaration - sample awaited.			
<u>RUCKSACKS, USED</u>	7 500	12.66	94 950
Regions have been authorized to sell as they are in bad condition.			
<u>SHEETING, NEW</u>	150 419	.38	57 159
Will be transferred to Lend-Lease.			
<u>SLIDE FASTENERS</u>	2 009 694	.119	239 797
Inventories will be taken to determine quantities by manufacturer. They will be disposed of in same manner as prior lot.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>TARGETS, ANTI-AIRCRAFT</u>	8 861	\$14.32	126 891
New declaration - sample awaited.			
7. <u>Medical & Surgical</u>			
<u>ANESTHESIA & SUCTION APPARATUS</u>	490	173.00	84 770
Being offered to original manufacturers.			
<u>BAGS, WET DRESSING</u>	105 000	.58	61 500
New declaration - sample awaited.			
<u>BANDAGES, MUSLIN</u>	134 584 doz.		128 034
Offers have been transmitted to owning regional offices. Sales action not known.			
<u>BATTERY BOXES, MEDICAL, USED</u>	3 650	24.25	88 512
New declaration - sample awaited.			
<u>BOTTLES, WIDEMOUTH, 250 CC</u>	201 307	.45	90 588
Purchase being considered by a large jobber for re-sale to vinegar bottlers.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>BOXES, TABLET</u>	600 000 cartons		200 000
500 boxes in a carton. Small size nested into larger, and stick together. Not suitable for original purpose, although sale of large quantity in Atlanta is reported.			
<u>CARTS, FOOD</u>	586	\$86.00	50 396
Hospital equipment. Manufacturer is interested but awaits identification as to serial numbers.			
<u>DENTAL SUPPLIES</u>			100 000
World War I stocks located at Perry Point, Md. Instructions have been given regional office for disposition.			
<u>DISINFECTORS, 50 GAL.</u>	1 600	43.33	73 360
New declaration - no action as yet.			
<u>DISK, METAL, ABRASIVE, 7/8"</u>	134 000 cards	.60	80 400
Dental supply item - packed 12 disks on a card. Manufacturer is not interested, reporting big supply on hand from contract termination.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT:</u>
<u>DISHES, EVAPORATION, PORCELAIN</u>	58 525	\$0.09	52 672
Laboratory equipment. Will contact original manufacturer.			
<u>DRESSINGS, FIRST AID PKGS.</u>	27 000 000		3 300 000
Several offers awaited this week.			
<u>FLASK, WITH CUP</u>	200 000	.33	66 000
Made for soldier to carry liquid medicine in field - a small canteen. Several regions report some interest.			
<u>FLOSS, SILK, DENTAL</u>	510 000 spools		173 400
Awaiting possible offer from manufacturer.			
<u>GAUZE, PLAIN, 25 YD. ROLLS</u>	150 000	.75	112 500
New. Region has been instructed to dispose of this item to govt. agencies.			
<u>KITS AND CASES, MEDICAL</u>	3 865	19.11	73 860

From O.C.D. stocks. Suit case type case filled principally with professional first aid items.
New declaration - sample awaited.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>PERIMETERS, ELECTRIC, MEDICAL</u>	345	\$160.00	55 060
New and used. New declaration - sample awaited.			
<u>PETRI DISHES, WITH COVER</u>	230 000	.27	62 100
Laboratory dish for making germ cultures. Awaiting offer from manufacturer.			
<u>POUCHES, FIRST-AID, FILLED</u>	144 350	1.19	171 776
Fabric pouch with professional items, tags, pencils, etc.			
<u>SCALES, PRESCRIPTION</u>	3 980	23.30	92 897
Lot apparently represents production of several mfrs. One has been contacted and is not interested.			
<u>SCREEN, INTENSIFYING</u>	7 000 pr.	9.00	63 000
X-ray equipment. New declaration. Samples awaited. Names of mfrs. being determined.			
<u>SCREWS, BONE, MOLYB.</u>	705 000	.20	141 000
Manufacturer is not interested.			

<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
-----------------	------------------	----------------------

STERILIZERS, NEW AND USED

2 069

579 313

Includes 1381 considered unsafe by Army, and 688 new sterilizers of inferior quality due to wartime restrictions on materials. Largest manufacturer is not interested.

STRETCHERS, CANVAS AND METAL, NEW

8 400

54 000

New items from O.C.D. stocks. Have found no interest among government agencies or mfrs.

SURGICAL INSTRUMENTS

250 000

Stocks at Louisville, Ky. Current inventory unknown. Repurchase of certain items by original manufacturers is going on.

SUTURES, SILK AND CATGUT13 750 000
units

2 472 000

For sewing after surgical operations. Two of the manufacturers might be interested in their own product if quantity could be determined. The inspection task is practically impossible as long as the stock remains in the custody of the Medical Dept. (Army).

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>TEST TUBES, GLASS</u>	5 670 000	\$0.03	190 100
Some samples have arrived and disposal plans are being made.			
<u>ACETOPHENETIDIN</u>	70 000 bottles	1.35	94 500
5 gr. tablets, packed 1000 in a bottle. Obsolete item awaiting action by board of medical officers.			
<u>AZOCHLORAMID IN TRIACETIN</u>	360 000 quarts	4.55	1 638 000
World War I stock. Awaiting action by board of medical officers.			
<u>BURROWES SOLUTION</u>	18 000 bottles		144 000
2.27 gm. tablets - 500 to a bottle. This item is being offered to the manufacturer.			
<u>DICHLORAMINE T</u>	359 000 pints	1.66	595 940
16 2/3% in Tri. World War I stock. Awaiting action by board of medical officers.			
<u>HAEMOTOXYLIN, LIGHT</u>	99 000 bottles	1.50	148 500
10 gram bottle. Awaiting action by board of medical officers.			

106

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HYDROGEN PEROXIDE, 8% SOL.</u>	402 000 pounds		250 000
Too strong for beauty parlor use. Stock all reported in leaky bottles. Bottles run from empty to two-thirds full. Probably worth only salvage value of the bottles.			
<u>PEPTONE PROTEOSE BACT.</u>	35 000 pounds	6.20	217 000
Has been offered to govt. agencies - not interested.			
<u>PEPTONE, DRIED, U.S.P. BLAG</u>	96 500 pounds	4.00	386 000
Has been offered to govt. agencies - not interested.			
<u>PROCAINE HYDROCHLORIDE</u>	163 000 boxes	2.75	448 250
10 units in a box, 150 and 200 MM ampules. Being offered to other govt. agencies by our regional offices (after test).			
<u>SODIUM ALURATE</u>	13 500 boxes	7.50	101 250
3 1/2 and 1 3/4 gr. tablets packed in 500 unit boxes. Special Army package - manufacturer not interested.			

SULFANILAMIDE

<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
539 000 packages		344 930

5 and 7.5 gr. tablets. 250,000 boxes of 12 tablets. 289,000 bottles of 1000 tablets. Obsolete Army item. Awaiting action by board of medical officers.

8. Paper & Office Supplies

NONE

Total \$ 52 827 142

SURPLUS USED TRUCKS REPORT

For 7 Days and Period Ended November 4, 1944
(Period Began January 1, 1944)

	<u>7 Days to Nov. 4, 1944</u>	<u>Period to Date</u>
Total Used Trucks Declared	<u>1388</u>	<u>44811</u>
Less Declarations withdrawn	<u>1*</u>	<u>1466</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>150</u>
Less Transfers to Other Federal Agencies	<u>18*</u>	<u>3065</u>
		<u>4681</u>
Net Used Trucks Declared for Sale	<u>1407</u>	<u>40130</u>
Less Used Trucks Sold	<u>1614</u>	<u>33871</u>
Balance of Used Trucks on hand		<u>6259</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>4162</u>
Not Inspected	<u>2097</u>

This report based on revised figures submitted by Regions 6 and 10

* Minus 3 withdrawn previously reported in error by Region 6

* Minus 28 transfers previously reported in error by Region 10

SURPLUS USED CARS REPORT
 For 7 Days and Period Ended November 4, 1944
 (Period Began January 1, 1944)

		<u>7 Days to Nov. 4, 1944</u>	<u>Period to Date</u>
Total Used Cars Declared		<u>201</u>	<u>6490</u>
Less Declarations withdrawn	<u>2</u>		<u>133</u>
Less Loans to Other Federal Agencies	<u>0</u>		<u>19</u>
Less Transfers to Other Federal Agencies	<u>1</u>	<u>3</u>	<u>583</u>
Net Used Cars Declared for Sale		<u>198</u>	<u>5755</u>
Less Used Cars Sold		<u>224</u>	<u>4815</u>
Balance of Used Cars on hand			<u>940</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale			<u>556</u>
Not Inspected			<u>384</u>
			<u>940</u>

SURPLUS MOTORCYCLES REPORT
For 7 Days and Period Ended, November 4, 1944
 (Period Began January 1, 1944)

	<u>7 Days to Nov. 4, 1944</u>	<u>Period to Date</u>
Total Motorcycles Declared	<u>9</u>	<u>15332</u>
Less Declarations withdrawn	<u>0</u>	<u>138</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>0</u>
Less Transfers to Other Federal Agencies	<u>0</u>	<u>210</u>
Net Motorcycles Declared for Sale	<u>9</u>	<u>14984</u>
Less Motorcycles Sold	<u>630</u>	<u>9771</u>
Balance of Motorcycles on hand		<u>5213</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>3864</u>
Not Inspected	<u>1349</u>
	<u>5213</u>

copy to Mrs. M¹¹²
11-14-44

November 7, 1944.

Dear Mrs. Roosevelt:

I have received your letter of November 2, 1944, in which you express your interest in the college students now at the refugee shelter at Fort Ontario who would like to continue their studies in this country.

The future status of the residents of the shelter is very much on our minds and we are planning to discuss the matter promptly with representatives of the War Relocation Authority and the Immigration and Naturalization Service. The question of the students to whom you refer will be considered at this meeting.

It is our hope that we shall be able to develop a general policy which will give appropriate attention to a number of factors. Included among these are the wishes and needs of the individual refugees, this Administration's public commitments on the matter of the refugees remaining in the shelter, and the avoidance of any interference in a sympathetic public attitude toward refugees, both now and in the post-war period.

Your interest in this matter is sincerely appreciated.

Very truly yours,

(Signed J. W. Pehle

J. W. Pehle

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

THE WHITE HOUSE
WASHINGTON

November 2, 1944

Dear Mr. Pehle:

When I was at Fort Ontario sometime ago I talked with several of the young people - two of them medical students - who have attended the universities in Europe and who would like to go on with their education in this country. I know that Mrs. Morgenthau has written to you about these students, and I want to say that I too would be interested in seeing them given the chance to complete their college education in this country.

Very sincerely yours,

/s/ Eleanor Roosevelt



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

OFFICE OF THE
EXECUTIVE DIRECTOR

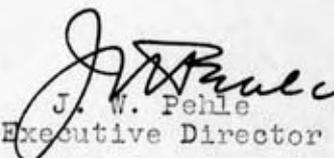
*not read
file*

NOV 7 1944

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of October 23 to October 28, 1944.

Very truly yours,


J. W. Pehle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of October 23 to 28, 1944

SITUATION IN GERMANY AND GERMAN-OCCUPIED AREAS

In recent weeks, persons in close touch with the situation in Germany and German-occupied areas and in a position to evaluate the psychological effect of the steady progress of the Allied armies have expressed great apprehension for the fate of the civilians subject to the frenzy of the Nazis. Representative McClelland advised us that trustworthy reports coming from Germany tell of a new reign of terror, with arrests, executions, and suicides among foreign prisoners and on an unprecedented scale among the German people themselves. Increased Nazi ruthlessness, particularly the growing violence against foreigners, points to the alarming possibility that at least two million persons are threatened with death--men and women of all nationalities, races, and faiths confined in Nazi prisons, concentration camps, and extermination camps.

Without doubt a great many of these people represent valuable political and social elements of their respective countries, and apart from the human considerations involved, their loss would immeasurably retard the reconstruction of Europe. Prompted by this as well as humanitarian considerations, McClelland strongly recommended that a concerted and powerful warning be addressed to the Germans in the name of every Allied country whose nationals are concerned. He urged that the warning specify that any crime committed against persons imprisoned on political or racial grounds whom the Nazis consider stateless will be considered as punishable as though against an Allied national, and that this pronouncement be made in the name of the dignity and inviolability of the human personality, for the preservation of which the Allied nations are waging war. In the conviction that many Germans have only a limited idea of the organization of these camps and of the treatment meted out in them, he pressed for the utilization of radio broadcasts and leaflets to circulate throughout Germany accurate and up to date information about the principal concentration camps and prisons.

In presenting this recommendation, allowance was made for the fact that the majority of the hardened murders of the ruling Nazi clique are probably impervious to threats of ultimate punishment as war criminals, but the conceivably deterrent effects of such a warning in the case of the lesser members of the Nazi hierarchy were stressed. It was indicated that there is good reason to believe that there exist within the

- 2 -

ranks of the SS definite rifts which should be thoroughly exploited. Another aim of a warning at high and authoritative levels would be to kindle some feeling of solidarity between the terrorized German individual and all of these prisoners, including his own countrymen, whose lives are endangered by the Nazis. Evidence of Allied concern for the fate of imprisoned German liberals, as well as foreign political prisoners, it was felt might help to discredit the belief fostered by Nazi propaganda that the Allies intend to enslave and eventually destroy the whole German people.

We advised McClelland that we have for some time been considering an approach along the lines of his suggestions and that we are presently working on a project which it is hoped may accomplish some of the objectives set out in his analysis.

Proposed Statement by General Eisenhower

The Board has recently received numerous requests for additional statements by the President and by military authorities warning the Germans against persecution and extermination of persons held in forced-labor battalions and in concentration camps. In the belief that a warning by military authorities might carry more weight than a pronouncement which might be interpreted as a political gesture, we drafted a proposed statement for issuance by General Eisenhower. The statement has been approved by the President, cleared with the War and State Departments and with the British, and is expected to be issued shortly. Efforts are also being made through the State Department to induce the Russian military or civil authorities to issue a similar warning.

SITUATION IN HUNGARY

Although reports on developments in Hungary this week were somewhat meager, the few details reaching us sustained the ominous tone sounded in the move of the Hungarian Government to mobilize Jews for labor service and to transfer Budapest Jews to work camps in the provinces. Minister Harrison cabled us from Bern a summary of German press comments on changes in Hungary which stated that the Szalasi and Pfeilkreuz party stands without hesitation against the so-called Jewish contamination of the Hungarian race and predicted that privileges enjoyed by certain Hungarian Jews, particularly those married to Christians, will shortly be abolished. The new Hungarian Minister of Interior is said to have declared that he advocates a radical solution of the Jewish problem and that anti-Jewish laws will be administered with Draconian severity if necessity so demands. It was asserted that the program of the new puppet government calls for intensive exploitation of Jewish labor, but retention

- 3 -

of Jews in Hungary. According to a press dispatch from Budapest, the Szálasi government will place Jewish questions under the jurisdiction of the Ministry of Justice instead of the Ministry of the Interior, treatment of Jews to depend upon their attitude and Allied air raids on Budapest, and compulsory emigration of Jews to follow the "victorious conclusion of the war."

The extreme gravity of the situation is apparent in the disposition of the Jews remaining in Budapest already under way, as reported by the International Red Cross delegate at Budapest in a wire dated October 24. Fifty thousand men were in the process of being deported to Germany, ostensibly as labor; all aged and all sick persons, including children, were being concentrated in a ghetto in Budapest; the remainder of the able-bodied men and women are being employed in the construction of fortifications in the vicinity of Budapest. The Intercross delegate stated that he had lodged an energetic protest with the present Hungarian government.

Minister Harrison received from the Swiss confirmation that our message concerning removal of Jews from Budapest to provincial work camps has been transmitted to Budapest for delivery to Hungarian officials. He was also advised of information cabled from the Swiss Legation in Budapest that evacuation of Jews, including non-interned foreign Jews, from houses which they occupied in Budapest has started, and that it is reported that they will be moved to camps on the outskirts of the city.

The Apostolic Delegate in Washington advised us that a communication along the lines of our proposal has been transmitted to the Holy See asking that a public appeal in favor of Hungarian Jews be broadcast by the Vatican.

SITUATION IN SLOVAKIA

A similar dearth of new information existed with respect to events in Slovakia. From private organization representatives in Jerusalem and Bern reports reached us verifying earlier indications that Slovakian Jews are all in concentration camps and in imminent danger of deportation. Almost all Bratislava Jews were said to have been deported to Theresienstadt and Poland.

Following the report last week that 300 to 400 Jews in Slovakia holding Latin American documents had been arrested and removed to an undisclosed destination, we requested our representatives in Bern and Madrid to approach the Swiss and Spanish governments with the suggestion that as the protecting powers for

- 4 -

El Salvador and Paraguay, respectively, they make inquiry of the German Government as to the truth of the report that Jews from Slovakia in possession of documents issued in the names of American republics have been removed to Germany or areas under German control and as to the destination of such persons, that they declare to the German government that the persons in question fall under the protection of the Swiss and Spanish governments, and that they request of the German Government that immediate facilities be afforded for the exercise of such protection. We requested the Apostolic Delegate in Washington to inform the Vatican of this situation and suggest that it seek to ascertain through the Nunciature at Bratislava the whereabouts of the persons concerned and any other available information concerning them. It was also requested that any information thus obtained be made directly available to the American Missions in Bern and Madrid. Minister Harrison and Ambassador Norweb were advised of this request, as was also Mr. Myron Taylor, who was requested to lend any assistance possible in this matter.

SITUATION IN YUGOSLAVIA

On the basis of reliable information received in Istanbul from Sofia, our representative in Ankara reported that more than 6,000 Jews, principally Hungarians, from 16 to 60 years of age were liberated by the Allied occupation of Bor, Yugoslavia, near Nis. The report stated that 5,000 of these men had been used as laborers in a copper mine for fifteen months and 1,500 had been similarly employed since June 1944. Several hundred other men were said to have been evacuated with the German armies to erect fortifications in Belgrade. Of the 1,600 men of military age in the group, 900 have declared themselves ready to join Allied armed forces, with the other 700 willing to do so but physically too weak to be acceptable. It was indicated that these people cannot remain in Bor but that, while they have been informed by Russian authorities that they are free to travel wherever they wish, no arrangements have been made for their reception elsewhere. Efforts are being made by a private agency to extend emergency aid to these refugees.

A report from a representative of a private organization received through our Embassy in Lisbon expressed the hope that the recently suspended operations to evacuate 650 refugees from Yugoslavia by plane may be resumed. It was stated that the Intergovernmental Committee representative in Italy has requested 300 Palestine certificates for this group.

- 5 -

Refugees on the Island of Rab

Another report received through our Embassy in Lisbon relayed information brought to Bari on October 20 by three representatives of the group of refugees on the Island of Rab, off the coast of Yugoslavia. It was indicated that because of the lack of housing, clothing, and food, it was doubtful that more than half of the group would survive the winter. Although the British have agreed to send by plane 500 pairs of shoes, 300 blankets, and 300 pounds of medical supplies from their army stock, it was estimated that five more plane loads of clothing are needed. The 1,400 Jews formerly interned on this island together with 2,000 in another area make up the sole surviving civilian Jews of Yugoslavia.

SITUATION IN ITALY

According to information received from Switzerland, there are in excess of 7,000 Italian civilians and resistance group members in the Dossola valley who, as a result of the German and Fascist reoccupation of Domodossola, at the head of the Simplon Pass near the Swiss border, are now refugees. The Italian Minister in Bern was reported by Minister Harrison as having informed the Italian Government that the Swiss Federal Council has agreed to admit all of these persons into Switzerland.

A private organization report received through our Embassy in Lisbon indicated that arrangements are being made to utilize opportunities to send 900 persons per month from Italy to Palestine.

SITUATION IN RUMANIA

That the revocation of Rumanian anti-Semitic regulations was a mere formality is the implication of a report received this week from a private source that nothing has been done to return to Jews property confiscated by the Nazis and Rumanians and that all Jews are barred from employment.

We requested our representative in Ankara to try to obtain reasons for the recent statement of a private organization representative that it would be necessary to evacuate Transnistrian repatriates from Rumania.

- 6 -

EVACUATIONS THROUGH TURKEY

From our representative in Ankara we learned that a group of 110 children, including Polish refugees who had been in Rumania and Rumanian nationals, arrived in Istanbul by train from Rumania on October 25. They were scheduled to proceed to Palestine on October 27, accompanied by some 40 adults from Russia.

Designation of Special Representative

Mr. Herbert E. Katzki was appointed as the Special Representative of the War Refugee Board in Turkey, with the designation by the Department of State as Special Attache to the Embassy on war refugee matters. For several months, Mr. Katzki has served as assistant to Representative Ira Hirschmann, who recently returned to the United States and has resigned from his position with the Board.

RESCUE AND RELIEF OPERATIONS FROM SWEDEN

A report on the rescue and relief activities being conducted in Norway under the supervision of Representative Olsen in Stockholm disclosed that approximately 600 parcels of food, clothing, and shoes were sent into Norway under licensed procedure during September. Considerable other food and clothing was sent in through underground channels. Approval has now been obtained for sending an additional 400 packages per month to Norway. Approximately 1,000 Norwegians were brought to Sweden in September, and Representative Olsen is exploring with them a program for evacuating refugees by sea routes. The Norwegian situation was described as generally tense and critical.

Recently the attention of the Board was directed to the plight of a number of Italian seamen stranded in Stockholm without resources, it being suggested that the Board might be in a position to assist them. We notified our representative that since the Board's concern with the welfare of refugees in neutral countries arises only when it bears a direct relationship to the reception of additional refugees from enemy-controlled areas, this case is not considered to be one which is properly to be dealt with by it. We referred the problem to the Department of State.

FOOD PARCELS

Through our representative in Bern we received a report that a private organization has dispatched through the International

- 7 -

Red Cross a carload of foodstuffs for distribution to the inmates at Theresienstadt. From Lisbon it was reported that another carload of foodstuffs dispatched from Istanbul by a private agency and likewise destined for Theresienstadt was unable to continue beyond Bulgaria. The International Red Cross was requested by the agency representative to distribute the food immediately, rather than hold it for possible future shipment to Theresienstadt.

We advised Minister Harrison and Representative McClelland in Bern that all of the remaining 285,000 parcels under the Board's 300,000 parcel program will be ready for shipment via Marseille in November.

EVACUATIONS TO AND THROUGH SPAIN

Because of indications of the precarious situation of the 155 Sephardic Jews holding Spanish passports and interned at Bergen-Belsen, and in view of the difficulty of obtaining their transportation to Spain, we cabled Ambassador Hayes to request the Spanish government to seek to obtain their release from Germany and their temporary admission into Switzerland, and to advise it that this Government will appreciate it if requests to that effect are made by the Spanish missions in Berlin and Bern. Our Minister in Bern has been asked to support the request of his Spanish colleague there.

The departure of 308 refugees for Tangier from Cadiz was reported by a private organization representative in Lisbon.

RECOGNITION OF LATIN AMERICAN PASSPORTS

We cabled our Legation in Bern information received from our Embassy in San Salvador to the effect that the United States Government is authorized to compile and submit to the Swiss Government without prior reference to the Salvadoran government lists of persons claiming Salvadoran citizenship eligible for consideration in exchange proposals.

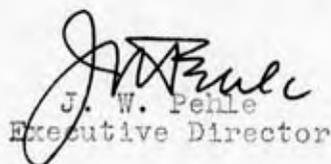
In a further effort to obtain a clarification of the instructions issued by the Ecuadoran Government to its Consulate in Geneva with respect to persons in Hungary holding Ecuadoran passports, we cabled our Embassy in Quito that the inability of the Swiss to take the desired action was due to the fact that they have not yet been requested to assume representation of Ecuadoran interests in Hungary.

- 8 -

We requested Ambassador Hayes to confirm to us the issuance and execution of instructions by the Spanish Government to its Ambassador in Berlin "to take with all speed and interest" necessary steps for the protection of Jews in general and in particular those holding "Spanish-American" passports, as stated by the Spanish Ambassador in Washington in a letter to a representative of a Jewish welfare organization on October 13.

EVACUATION OF SPANISH REPUBLICANS TO MEXICO

According to a cable from a private source in Lisbon, seven Spanish Republicans were arrested in Portugal on October 22, and it was indicated that a general round-up and deportations are likely.


J. W. Penle
Executive Director

EMBASSY OF THE
UNITED STATES OF AMERICA

Quito, Ecuador, November 7, 1944

No. 2323

SECRET

Subject: SUSPENSION OF ECUADORAN EFFORTS TO SAFEGUARD
REFUGEES IN GERMAN-HELD TERRITORY BEARING
ECUADORAN PASSPORTS IRREGULARLY ISSUED.

The Honorable
The Secretary of State
Washington

Sir:

With reference to the Department's telegram No. 813 and the Embassy's telegram No. 1015 of October 13 and October 20, 1944, respectively, and under previous correspondence on the same subject, I have the honor to transmit herewith a copy and free translation of a note which the Embassy has received from the Ecuadoran Ministry for Foreign Affairs regarding the protection of refugees in German-held territory who bear Ecuadoran passports or other documents irregularly issued.

It will be seen that the Ecuadoran Charge d'Affaires in Switzerland has reported to his Government the request of the Swiss authorities that, as a prerequisite to their undertaking to represent Ecuadoran interests in connection with the protection of the aforementioned refugees, the Ecuadoran Government recognize as Ecuadoran nationals the bearers of Ecuadoran documents irregularly issued and that the Ecuadoran Government, in view of its inability to meet this request, has decided to suspend negotiations in the matter.

Respectfully yours,

/s/ R.M. SCOTTEN

Enclosures:

- 1. Copy of Note #67-D-21, dated October 30, 1944, from the Ministry for Foreign Affairs
- 2. Translation of Note

840.1
CGR:arg

Osalia to the Department
Copy to Consulate General, Guayaquil

Enclosure No. 2 to Despatch No. 3323, 124
dated November 7, 1944, from the American
Embassy, Quito, Ecuador, on the subject:
Suspension of Ecuadoran Efforts to Safe-
guard Refugees in German-Held Territory
Bearing Ecuadoran Passports Irregularly
Issued.

Republic of Ecuador
Ministry for Foreign Affairs
Diplomatic Department

#67-D-21

Quito, October 30, 1944

Mr. Ambassador:

In due course I informed Your Excellency that the Government of Ecuador, in spite of having denied the validity of passports obtained illegally by Jews living in territories occupied by Axis forces, and considering the difficulties through which these persons would pass if they were deprived of said documents, had decided not to insist on the invalidity of these papers while they might serve to protect the life and property of their bearers.

In accordance with humanitarian principles, my Government addressed its diplomatic representative in Switzerland in order to arrange for the Federal Government as protector of Ecuadoran interests in Axis Nations, to negotiate with the German authorities so that they would respect the foreign status of persons who might be protected by Ecuadoran papers.

The Charge d'Affaires of Ecuador in Switzerland has informed me that the Federal Government has indicated that it is necessary, in order to carry out the negotiations entrusted to it, that the Ecuadoran Government previously recognize the Ecuadoran nationality of the bearers of these documents.

The Government of Ecuador cannot accede on any account to the requirement stipulated by the Federal Government since, in addition to the fact that the declaration requested would mean the validating of papers obtained through fraudulent means, the constitutional provisions that regulate the declaration of nationality establish a procedure which cannot be set aside without committing grave error that would give rise to a legislative investigation and to censure of whoever might authorize the violation of the fundamental laws of the Nation.

Consequently, my Government in reiterating to Your Excellency's Government its intention of not insisting for the moment on the invalidity of these documents, informs it that in view of the foregoing, it has decided to suspend the negotiations under reference with the Swiss Government.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.

/s/ C. Ponce Enriquez

TR:CGH:mrg

PARAPHRASE OF TELEGRAM SENT

To: American Embassy, London
From: Secretary of State
Dated: November 7, 1944
Number: 9321

SECRET

For END from FEA and Department.

Approval of proposed shipments as listed in
Stockholm's 1400, October 31 to London, is recommended.
Inform Stockholm if MEN concurs.

STETTINIUS
(Acting)

CABLE TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEE BOARD.

Please deliver the following message to Sir Herbert Emerson of the Intergovernmental Committee from Paul Baerwald of the American Jewish Joint Distribution Committee:

QUOTE THANKS YOUR AND HOEHLER'S CABLE. SCHWARTZ LEFT FOR LONDON AND HOPES BE ABLE SEE YOU PARIS ENROUTE SWITZERLAND. WE REALIZE SITUATION FRANCE DURING FIRST SEVERAL DIFFICULT MONTHS REQUIRES EMERGENCY HELP AND IN RESPONSE DIRECT APPEAL FROM MAURICE BRENNER WE REMITTED \$100,000 PENDING SCHWARTZ'S REPORT TO US. AGREE WITH IMPORTANCE GREENLEIGH TAKING OVER IN PARIS EARLIEST DATE AND HAPPY LEARN FROM YOU THAT DIFFICULTIES HIS ENTRY BEING REMOVED. UNQUOTE

11:45 a.m.
November 7, 1944

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

RDrary 11/6/44

ALH-77

127

PLAIN

Lisbon

Dated November 7, 1944

Rec'd 5:02 a.m., 8th

Secretary of State,
Washington,

3883, Seventh, 6 p.m.

FOR LEAVITT FROM PILPEL JDC 114 WRB 248.

Mariciu Harnstein, nephew of Filderman, presently
Istanbul, reiterates importance our representative
proceeding Bulgaria Roumania earliest. Hornstein con-
sulting Kessler Katski. For your information Ben Gurion
expected Istanbul next ~~few~~ days enroute Bulgaria Roumania.

NORWEB

HJF

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

November 7, 1944

3 p.m.

AMLEGATION

STOCKHOLM

2232

The following message for Olsen is WRB 239,
Reference your 4416 of October 30. Please transmit to
the Swedish Government this Government's sincere appreciation
of the humanitarian activities of the Swedish Government and
of the courage and ingenuity displayed by Mr. Wallenberg in
rendering assistance to the persecuted Jews in Hungary.

STETINIUS
(Acting)
(LMV)

WRB:LMV:KG
11/7/44

NOE

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

FMR-290

Stockholm

Dated November 7, 1944

Rec'd 2:20 p.m.

Secretary of State,

Washington.

4548, November 7, noon (SECTION ONE OF TWO)

Reply to your inquiry was deferred until most recent information could be obtained from Swedish Consul General in Oslo, who has now been in Stockholm for a few days. This is our No. 102 for War Refugee Board in reply to WRB 220 (Department's 2128 of October 23, 9 p.m.)

To date 90,000 Swedish kronor have been deposited at Foreign Office for account of Consulate General Westring, against which deposit he uses equivalent in Norwegian kronor obtained as consular fees. Westring is working closely with Central Relief Committee of Lutheran church in Oslo, and supplies this group the necessary funds to bring urgent relief to a carefully selected list of most needy cases. These cases in almost all instances comprise families of men who have either been deported, imprisoned or shot by the Germans, and include perhaps a dozen severely stranded Jewish families. This type of relief is totally illegal in Norway, subject to punishment by imprisonment, and it is extremely important that the whole matter is kept strictly confidential, particularly as to Swedish cooperation and assistance. Westring informs that this work is accomplishing an enormous amount of good, that conditions in Norway for such families are becoming increasingly difficult, that considerable more could be done along the same lines if funds were available.

Have supplied 25,000 Swedish kronor to certain officials of the Norwegian Legation here responsible for home front activities. This was for the purpose of supplying necessary medicine, clothing and food to the home front groups as well as the Norwegian students hiding in the forests. This program also is moving

JOHNSON

WMB

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

Stockholm

Dated November 7, 1944

Received 2:20 p.m.

Secretary of State,

Washington.

4548 November 7, noon (SECTION TWO)

forward and is connected with other operations concerning facilities established to rescue these student groups when and if necessary.

Third program with which American Relief for Norway funds are being employed has been worked out with pastors of Norwegian Lutheran church in Sweden. Amount of 25,000 Swedish kronor has been made available to them to permit more or less penniless Norwegian refugees here to send food parcels back to relatives in Norway particularly for Christmas. Same group being supplied with 50,000 Norwegian kronor which they will send in by underground to needy cases in the more isolated Norwegian parishes. We believe this to be an excellent project.

American Relief for Norway may be interested in knowing that one of its founders and former member of its board of directors, Sigurd Arneson, presently assistant Military Attache to this Legation, has been consulted fully regarding the disposition of these funds and not only feels that a tremendous good is being done but considers that the need is greater than ever before.

JOHNSON

WMB

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

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: November 7, 1944
NUMBER: 3786

SECRET

To Minister Harrison and McClelland, Bern.

Reference your 7269 of November 1.

Please transmit to Swiss Government this Government's appreciation of Swiss action reported therein. You may assure Swiss officials that this Government will do everything possible to assist them in every way in connection with the reception and evacuation of the contemplated refugees from Hungary.

In this connection, please ascertain and advise the Board of total number of refugees now in Switzerland, and of the numbers holding (1) Palestine certificates, (2) valid visas to any other countries, or (3) valid passports of countries to which they can safely return.

This is WRB Bern cable No. 264.

STETTINIUS
ACTING

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

FROM: Secretary of State, Washington
TO: AMBASSADOR
DATED: November 7, 1944
NUMBER: 3788

SECRET

To Minister Harrison at Bern for McClelland.

Reference your 7170 of October 28 to the Department. For your information the following is the text of a letter written by Pehle to The Apostolic Delegate in Washington:

QUOTE A report from Bern from private sources indicates that the Directorate at Bern may present to the Holy See a proposal whereby the Vatican, together with certain neutral governments, would intercede with the German Government on behalf of civilian deportees in German-controlled territories. According to the report, the proposal envisages that Germany would be requested

(a) to liberate or allow to be interned in neutral countries those deportees who are elderly men, women, and children; and

(b) to apply to other deportees treatment similar to that accorded prisoners of war.

Without knowing whether this report is correct, I, nevertheless, wish to assure you that, in the opinion of the Board, a step of this kind might result in saving the lives of deported civilians in German-controlled territory.

I should, however, like to draw your attention to two particularly important circumstances. First, the Germans have often shown a tendency to exclude Jews from concessions made in response to foreign intercessions, and to assume that Jews are not among the persons on whose behalf any intercession is made unless express reference is made to them. Second, the validity of any German concessions will be doubtful unless provision is made for effective supervision of their execution by competent neutral authorities.

Should you deem it appropriate, I would be very grateful if you could bring the foregoing comments to the attention of the Holy See. GLOSS QUOTE.

This is WRB Bern cable No. 259.

STEFANUS
ACTING

Miss Channing (for the Sec'y) Abrahamson, Ackermann, Axtell, Cochrane, Drury, Dudge, Friedman, Garton, Hodel, Lesser, Marks, Harrow, McCormack, Pehle, Piles.

BJR- 46

Ankara

Dated November 7, 1944

Rec'd 1:45 a.m. 8th.

Secretary of State,
Washington.

2128, November 7, 2 p.m.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD.

Ankara's No. 179.

The group of 80 adults and children who arrived in Istanbul from Bulgaria on November 3 (see Ankara's No. 177 of November 4) departed under the Ambassador's agreement with the Foreign Office by rail from Istanbul on November 6 proceeding to Palestine. An additional group comprising 43 adult Polish refugees who had been in Rumania for some time arrived in Istanbul November 5 en route to Palestine.

STEINHARDT

MEV

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

134
DIVISION OF
COMMUNICATIONS
AND RECORDS

ASB - 852

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

Chungking

Dated November 7, 1944

Rec'd 2:24 p.m.

Secretary of State,
Washington.

1739, November 7, 9 a.m.

FOR SECRETARY OF TREASURY FROM FRIENDS

One. US Army finance officer here requesting

CN two billion of no rate CN from Central Government for November; one billion to be allotted to Kunming; 100 million to Chengtu; 70 million to Liuchow but kept on deposit in Kunming; 830 million to be kept in Chungking. When FEA'S request made, finance officer informed this request and all future requests would have to be cleared with Generalissimo.

Two. For November US Army here requesting Chinese Government agencies to spend CN 1047 million for our account; 830 million in Kunming area (including Eastern Yunnan) 217 million in Chengtu area. Practically all of Kunming area expenditures for new airfield construction; most of Chengtu area expenditures for airfield maintenance CN.

Three.

COMMUNICATIONS
AND RECORDS
(LIAISON)

1944 NOV 8 AM 9:44

DEPARTMENT OF STATE
DIVISION OF

CONFIDENTIAL
For security reasons the
text of this message must
be closely guarded

~~1~~ #1789, November 7, 9 a.m., from Chungking

Three. Gold sales in October by Central Bank totalled 187081 ounces; 31731 already delivered. Receipts from sales about CN dollars 3274 million excluding receipts from compulsory purchases of "community welfare savings certificates"; since October 2 hydro-gold purchases required to purchase these certificates equal to 20% of gold purchase. Heavy sales partly due to anticipation of rise in official price because of general recognition that current price too low but Kwok still maintains price cannot be raised until he has sufficient stocks on hand to meet expected increased demand.

Four. Black market price for gold fluctuated in October between CN dollars 21,000 and 24,500 per ounce. During October 4 - 6 black market virtually eliminated since Government sold for immediate delivery.

GAUSS

RB

NOT TO BE RE TRANSMITTED

OPTEL No. 362

Information received up to 10 A.M. 7th November 1944.

1. NAVAL

Convoy of two ships taking home recaptured Russians has arrived in North Russia. Minesweeping of SCHELD proceeding satisfactorily; 97 mines destroyed up to 5th evening. ZEEBRUGGE MOLE badly damaged, lock to BRUGES CANAL partly obstructed by a wreck and train ferry terminal blocked by two sunken ships. The basin is suitable for five tank landing ships. DALMATIAN Coast from ZARA to RISAN, N.W. of KOTOR now reported clear of enemy.

2. MILITARY

Western Front East of EPINAL slight gains against light resistance. U.S. attack near SCHMIDT has continued through extensive minefields; further small gains made and counter attacks contained. German bridgeheads South of MAAS at MOERDIJK and WILLEMSDORP eliminated; bridges reported blown at former. On WALCHEREN the outskirts of VEERE and MIDDELBURG have been reached.

Italy Poles have reduced German salient near MELDOLA and SAN CASCIANO in continued fine weather.

Finland Finns report their troops have advanced along the ARCTIC Highway to IVALO where Germans are resisting strongly.

3. AIR OPERATIONS

Western Front 6th. 1088 U.S. Heavy bombers escorted by 772 U.S. Fighters bombed, under conditions of three quarters to total cloud, Synthetic Oil Plants HAMBURG 379 tons, HAREBURG 370, STERIGRADE 388, BOTTROP 177, and DUISBURG 121, MITTELLAND CANAL 582, Aircraft Repair Factory NEUMUNSTER 49, Railway Centres NEUMUNSTER 497, RHEYDT 94, and HAMM 24. German casualties 3:0:3. U.S. seven bombers, ten fighters missing.

700 escorted Heavy Bombers of Bomber Command (five missing) dropped 3,325 tons on GELSENKIRCHEN Area. Weather at first clear but deteriorated to complete cloud, nevertheless bombing concentrated. 1,576 Fighter Bombers and Fighters (8 missing) operated over the Battle Areas.

6th/7th. Bomber Command Aircraft despatched:- MITTELLAND CANAL 236 (10 missing) KOBLENZ 128 (2 missing), GELSENKIRCHEN 48 (one missing) Sea Mining etc. 48.

Mediterranean 5th. 325 Medium Bombers attacked BRENNER PASS. Several bridges destroyed or damaged and railway further blocked. 729 aircraft (5 missing) attacked communications in Battle Area, shipping in YUGOSLAVIA and other military objectives with good results. Enemy casualties 5:2:0

6th. 657 aircraft (3 missing) attacked objectives YUGOSLAVIA, MOOSBIERUM Oil refinery 359 tons, VIENNA 502 and PODGORICA 238.

German Activity During night 6th/7th 17 flying bombs plotted.

137
November 8, 1944
10:49 a.m.

HMJr: Dan.

Dan
Bell: Good morning.

HMJr: Good morning.

B: Well, it seems like you did a good job some place.

HMJr: Well, I think the President did.

B: He certainly did. He surprised in a lot of places.

HMJr: Well, we fixed the little man with the big dog.

B: (Laughs) Yes, sir. Well, that was a grand job. It really was.

HMJr: Yeah. Well, I don't know how good it was because at 3:20 the -- of course, we knew it was good but we didn't know how good.

B: Uh huh. 3:20?

HMJr: Well, we -- that was when Dewey signed off.

B: He conceded it?

HMJr: Yeah.

B: Oh. Were you up that late?

HMJr: Later than that.

B: Really?

HMJr: Yeah.

B: You made a night of it, huh?

HMJr: That's right.

B: Good.

HMJr: No liquor.

B: No liquor, huh?

HMJr: No.

B: How did you stay awake?

HMJr: Coffee.

B: Yeah. Just coffee? Coffee and Dewey, Harry says.

HMJr: Yeah.

B: Well, there's a few upsets, I think -- he even took Illinois. There's a chance of him taking Michigan, they say.

HMJr: It's close.

B: Ohio is a close state.

HMJr: Yeah.

B: It's amazing.

HMJr: Just -- can you hold on one second? My other phone is ringing.

B: Yeah.

HMJr: Do you mind waiting one minute?

B: Yeah.

(Pause)

B: Hello.

HMJr: I had to sell a few apples.

B: Oh, you've still got apples to sell, huh?

HMJr: (Laughs)

B: You ought to get a good price now.

HMJr: Right.

B: Well, the group is here; all seem to be smiling and happy.

HMJr: The only thing I have -- unless you have something -- I'd like to say a word to Gaston.

- 3 -

B: All right. He's here. No, I haven't a thing.

HMJr: Right.

B: Things are kind of quiet.

Herbert
Gaston: Hello.

HMJr: Hello, Herbert.

G: How are you?

HMJr: I'm all right.

G: I congratulate you on your nice work.

HMJr: Well, I didn't do anything.

G: (Laughs)

HMJr: But the President did a beautiful job.

G: Yeah. Ted just came in -- Ted Gamble.

HMJr: Good. Now, the only thing that I have today is, Herbert

G: Yeah.

HMJr: I would like to send a telegram to Truman and one to Wagner

G: Yeah.

HMJr: and in Wagner's case include the name of Mrs. Morgenthau.

G: Yeah.

HMJr: And I want to send one to Hannegan.

G: Yeah.

HMJr: And include her name there too.

G: Yeah.

HMJr: You might as well include her name in each case.

- 4 -

G: Yeah. Uh huh.

HMJr: And I don't know any other -- what about

G: Uh

HMJr: Walter George?

G: Well, Dan was suggesting Doughton and George.

HMJr: We can't -- we can't send telegrams. Letters will have to be written and I'll sign them.

G: That's right. That's right.

HMJr: I'll sign them Friday morning.

G: Yeah. All right. All right.

HMJr: But you might -- if anybody has any suggestions, you might fix up letters for me.

G: Yes. Good.

HMJr: And include Mrs. Morgenthau.

G: Yes. Yeah, the only thing you could do would be to call them.

HMJr: Well, I'm

G: And you'd probably have a pretty hard -- pretty hard thing to do.

HMJr: I'm too exhausted.

G: Yes.

HMJr: Herbert.

G: Yes.

HMJr: On that letter that you wrote for me to the New York Times....

G: Uh huh.

HMJr: in view of their editorial

G: Yes.

HMJr: try your hand at just rewriting it to Krock.

G: Rewriting it to Krock?

HMJr: Addressing it to Krock. Hello?

G: Yes.

HMJr: In regard to that story he wrote on Lend-Lease. And then after you've written it, I'll discuss it with you Friday whether we should or should not send it.

G: Uh huh. I -- I'm rather cold to sending it.

HMJr: Well, just redraft it to go to him and then let me

G: All right.

HMJr: see whether I want to send it to the son-of-a-bitch or not.

G: (Laughs) Well, yeah.

HMJr: See?

G: Yeah. Yeah.

HMJr: But just redraft it.

G: Yeah.

HMJr: Now, you might tell Ted -- I don't know when this fellow Robson is coming down.

G: Robson?

HMJr: Robson.

G: Uh huh. But tell Ted what?

HMJr: Well, I -- I -- I wouldn't be able to work with him. I think if the fellow can come down Monday it's time enough.

G: Monday?

HMJr: Yeah.

G: Uh huh. Uh huh.

HMJr: What does he think?

G: Just a minute. (Talks aside.) Yes, Ted thinks that would be all right if he comes down Monday.

HMJr: Could I talk with Ted a minute?

G: Yes, certainly. All right.

Ted
Gamble: Good morning.

HMJr: Hello, Ted.

G: What are we going to do with all of our money?

HMJr: Wasn't Oregon patriotic yesterday?

G: Well, they're only about fifteen hundred votes behind and I suspect that they don't have all of Multnomah County yet.

HMJr: Can't they do like what you do -- go borrow money from the bank and put it across?

G: (Laughs) Well, I think they'll come out all right. I received in the mail this morning -- air mail -- that editorial from the Portland, Oregon, Journal.

HMJr: Oh, wonderful.

G: And we'll collect them all so that you can see them.

HMJr: That's what put the election across.

G: Well, I'll tell you a curious thing. We had a call this morning bright and early from Eugene Meyer

HMJr: Yeah.

G: with a little olive branch that I'll tell you about when you get back.

HMJr: What does that bastard want?

G: (Laughs)

HMJr: That's the humor I'm in for the fourth term.

G: Well, I -- I think there's something to be said for what he had to say.

HMJr: Yes.

G: He said he'd like to sit down and have a chat with you.

HMJr: Well, God damn him. He writes another thing about the German business and everything else -- I'm got no use for these publishers who can't control their editors.

G: Well, I think that he -- I feel the same way about him, personally, that you feel about him, but after all the Washington Post is influential, at least in this community.

HMJr: I know.

G: And

HMJr: You're going to bread your butter.

G: (Laughs) That's right. But he wants to have a chat with you. He called me up this morning to invite me to have lunch with him. I told him I couldn't make it but

HMJr: But no cigars.

G: No -- no cigars.

HMJr: When he starts smoking, we'll leave Harry White behind.

G: We'll leave Harry White there and depart.

HMJr: Yeah.

G: With Eugene Meyer and his cigars. Well, we'll -- do you want Robson down on Monday?

HMJr: Yeah.

G: Fine.

HMJr: Don't high pressure me now on this Chicago business.

G: Well, the reason you got that wire yesterday is because these fellows have the heat on me.

HMJr: Well

G: And this fellow Lutman wanted to fly down here and be sitting on your doorstep when you returned and I told him he didn't need to do that -- to send you a wire at Beacon.

HMJr: I told you Lutman was good but you wouldn't use him.

G: Well, now that we're using him he can't get you.

HMJr: Yeah. Well, we'll talk about that.

G: All right, sir.

HMJr: I suppose Harry White has got Lord Keynes in his pocket.

G: I think he has everybody in his pocket this morning.

HMJr: Am I on the loud speaker?

G: Yes.

HMJr: Yeah. Well, I've got nothing else. I'll be in Friday.

G: All right, sir.

HMJr: Nobody got anything, huh?

G: No. No. Just a minute. (Aside: Anyone have anything else they want to talk to the Secretary about?) You might -- if you make a decision on that Chicago thing -- one of the reasons they were turning a little heat on us yesterday, they wanted to get out some invitations and they didn't want to get them out without using yourself and Admiral King.

HMJr: I'm luke warm. If you don't know how to get me to go on those programs, I'm not going to tell you on the loud speaker.

G: (Laughs) Well, I'll have her call....

HMJr: (Laughs)

G: if that's the next step.

HMJr: I'm going to a Town Meeting in East Fishkill.

G: Yes.

HMJr: Lytle Hull appointed a redhead here as Chairman and he came over and vamped Mrs. Morgenthau, as a result of which I'm going to the meeting.

G: (Laughs)

HMJr: Harry White can put that story in his pipe.

G: All right. Well, if you get a call from Myrna Loy or somebody, you square me with Mrs. Morgenthau.

HMJr: Myrna Loy wouldn't do it.

G: She wouldn't do it, huh? Well, I won't mention any other names for fear of giving us away.

HMJr: All right.

G: All right, sir. Bye..

Office Memorandum · UNITED STATES GOVERNMENT

DATE: 11/8/44

TO : Miss Chauncey

FROM : Frank Coe

SUBJECT :

Minutes of an informal meeting in
Secretary Morgenthau's Office on
November 3 at 10 a.m.

T O P S E C R E T

~~TOP SECRET~~

November 7, 1944

NOTES ON AN INFORMAL MEETING RELATING TO
LEND LEASE BETWEEN THE BRITISH AND THE
UNITED STATES IN PHASE TWO

Present: Secretary Morgenthau Nov. 3, 10 a.m.
 Lord Keynes
 Sir Robert Sinclair
 Mr. Casaday
 Mr. Coe
 Mr. Lee

Navy Program

LORD KEYNES said that the British wished to speak about the deadlock that seemed to have been reached with the Navy Department. Sir Robert said that it was not a declared deadlock, and outlined the course of negotiations. The Navy Department asked for answers to a great many questions. The British sent in the most complete answers they could on October 26. The British asked for an opportunity to discuss the requirements after they had been considered by the Navy Department. But on November 1, Admiral McCormich told Admiral Waller that the U.S. Navy had decided what could be done and that that decision had been communicated to Secretary Morgenthau and the U.S. Navy did not feel that it was a matter for discussion at this stage. The British had waited to see whether there would be any chance to discuss the matter, but so far none had been given.

MR. MORGENTHAU said that as a result of the letter which LORD KEYNES had sent him, which came in at 4 - 5 o'clock the night before, he had called SECRETARY FORRESTAL and asked him about the report, which SECRETARY FORRESTAL thought had already come over. It arrived Nov. 2 about 9 o'clock. What SECRETARY FORRESTAL had said verbally was that they should first decide their own position, then refer to the American Committee for advice. MR. MORGENTHAU had pointed out that this was not the way the Army had proceeded. However, SECRETARY FORRESTAL thought that the Navy preferred to do it that way. MR. MORGENTHAU said that he had not yet had a chance to study the Navy's report. SIR ROBERT SINCLAIR thought that the problem was one of small dimensions since the total program was not large, and especially if the item of repairs, which could hardly be estimated, was removed from the total program.

MR. MORGENTHAU said he would raise the matter with the American Committee that day and give the British an answer before night.

- 2 -

Air Program and Reciprocal Aid

LORD KEYNES said that the air people had put in the same reservation about the U.K.'s underwriting military reciprocal aid as had the Army people. Therefore the British would have to put in a reservation on this point. He stated that it would be unconstitutional to make this commitment. He did not know what was in the Army's mind. Perhaps they would be satisfied with a clause for the Dominions similar to the one which the U.K. was making. If there is anything that needs to be discussed, the British thought it ought to be handled in connection with the Dominions' application for Lend-Lease.

The Secretary asked MR. COE to arrange a committee of the subcommittee to go over this whole question of reciprocal aid. He wished the meeting to be prior to the meeting of his Top Committee. MR. COE thought that since the combined group was likely to meet that afternoon, the best that could be done was a meeting of the American group with the Secretary prior to the combined meeting.

LORD KEYNES promised to send MR. COE a copy of the statement which he would make that afternoon on reciprocal aid. The SECRETARY said that MR. COE would let the British know at what time the meeting was to be.

T O P S E C R E T

November 7, 1944

NOTES ON AN INFORMAL MEETING RELATING TO
LEND LEASE BETWEEN THE BRITISH AND THE
UNITED STATES IN PHASE TWO

Present:	Secretary Morgenthau	Nov. 3, 10 a.m.
	Lord Keynes	
	Sir Robert Sinclair	
	Mr. Casaday	
	Mr. Coe	
	Mr. Lee	

Navy Program

LORD KEYNES said that the British wished to speak about the deadlock that seemed to have been reached with the Navy Department. Sir Robert said that it was not a declared deadlock, and outlined the course of negotiations. The Navy Department asked for answers to a great many questions. The British sent in the most complete answers they could on October 26. The British asked for an opportunity to discuss the requirements after they had been considered by the Navy Department. But on November 1, Admiral McCormich told Admiral Waller that the U.S. Navy had decided what could be done and that that decision had been communicated to Secretary Morgenthau and the U.S. Navy did not feel that it was a matter for discussion at this stage. The British had waited to see whether there would be any chance to discuss the matter, but so far none had been given.

MR. MORGENTHAU said that as a result of the letter which LORD KEYNES had sent him, which came in at 4 - 5 o'clock the night before, he had called SECRETARY FORRESTAL and asked him about the report, which SECRETARY FORRESTAL thought had already come over. It arrived Nov. 2 about 9 o'clock. What SECRETARY FORRESTAL had said verbally was that they should first decide their own position, then refer to the American Committee for advice. MR. MORGENTHAU had pointed out that this was not the way the Army had proceeded. However, SECRETARY FORRESTAL thought that the Navy preferred to do it that way. MR. MORGENTHAU said that he had not yet had a chance to study the Navy's report. SIR ROBERT SINCLAIR thought that the problem was one of small dimensions since the total program was not large, and especially if the item of repairs, which could hardly be estimated, was removed from the total program.

MR. MORGENTHAU said he would raise the matter with the American Committee that day and give the British an answer before night.

Air Program and Reciprocal Aid

LORD KEYNES said that the air people had put in the same reservation about the U.K.'s underwriting military reciprocal aid as had the Army people. Therefore the British would have to put in a reservation on this point. He stated that it would be unconstitutional to make this commitment. He did not know what was in the Army's mind. Perhaps they would be satisfied with a clause for the Dominions similar to the one which the U.K. was making. If there is anything that needs to be discussed, the British thought it ought to be handled in connection with the Dominions' application for Lend-Lease.

The Secretary asked MR. COE to arrange a committee of the subcommittee to go over this whole question of reciprocal aid. He wished the meeting to be prior to the meeting of his Top Committee. MR. COE thought that since the combined group was likely to meet that afternoon, the best that could be done was a meeting of the American group with the Secretary prior to the combined meeting.

LORD KEYNES promised to send MR. COE a copy of the statement which he would make that afternoon on reciprocal aid. The SECRETARY said that MR. COE would let the British know at what time the meeting was to be.

T O P S E C R E T

Mr. Henry Morgenthau, Jr.,
Chairman, British-American Committee on Lend-Lease.

Dear Sir:

In accordance with the directions of your Committee, the British requirements of Naval items for the first year of Stage II, assumed to be the calendar year 1945, have been examined. Our conclusions are as follows:

(1) The Navy Department accepts the British requirements as listed in the enclosure to this letter as a production requirement, or as a requirement from surplus stocks. Subject to paragraph 8 below and remarks in the enclosure, the necessary procurement will be undertaken concurrently with the U.S. Navy Department's requirements. The requirements presented are considered to include all requirements previously submitted for the second half of the fiscal year 1945.

(2) It is understood that the material is to be used to perform the role assigned to the British at the Quebec Conference subject to such modifications as may later be made by Combined Chiefs of Staff action.

(3) It is understood that the agreements reached herein, so far as deliveries are concerned, fall within and are subject to established procedures of the Combined Munitions Assignment Board.

(4) In certain instances where quantities are not stated and the Navy Department has accepted dollar values, as shown by the enclosure, it is understood that the ability of the Navy Department to deliver any specific item that may be requisitioned will depend upon the production and stock situation at the time the firm requirement is established.

(5) There are certain specific items where the quantities offered in the enclosure do not meet stated British requirements because the combined British and U.S. requirements are greater than existing production capacity. It is understood that the British may bid for additional quantities of these items under the Contingent fund described in the enclosure and under established combined Munitions Assignments Board procedures.

(6) As indicated in the enclosure, it is agreed that a figure of 25 million dollars will cover the United Kingdom demand for spot items.

(7) As indicated in the enclosure, it is agreed that the United Kingdom will be provided with spares for ~~Lend-Lease~~ equipment to be supplied or already in British hands on the same scale as for the United States forces.

(8) The Navy Department makes no commitment to procure any material that cannot be produced by existing production facilities and that cannot be delivered during the calendar year 1945. Also, commitments for Navy Department procurement and services, not already authorized by appropriated funds, are dependent upon the appropriation of funds by the Congress for that purpose.

(9) It is agreed that the United Kingdom will accept combat-service-able equipment of the type and kind suitable for re-issue to 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.

(10) It is agreed that the United Kingdom shall undertake to continue to supply Admiralty items of reciprocal aid within the limits prevailing at the time of the defeat of Germany and dependent upon the production and stock situation at the time.

United States

British

F. J. HORNE
Vice Admiral, U.S. Navy
Vice Chief of Naval Operations

Photostats to White & Co. 11/16/44

8 November 1944

Mr. Henry J. Morgenthau, Jr.
Chairman, British-American Committee on Lend-Lease

Dear Sir:

Since submission of our letter of 31 October, 1944 relative to the British requirements for air items for the first year of Stage II, Sir Robert Sinclair has requested that we consider his recommendation that it would be wise to include in the total financial provision an additional \$75,000,000.00 over and above the amounts stated in the schedules, as financial cover against the possibility that the stated quantities of aircraft allocations to the Royal Navy might later be increased, without prejudice to the operations of the U.S. Navy. Our recommendations of 31 October included the provision of \$200,000,000.00 for New Developments and Spot Items, which in the opinion of the American representatives, would be sufficient to cover this additional \$75,000,000.00, but as the British representatives do not wish to absorb such charges under the heading of New Developments and Spot Items, they suggest this additional amount as specific coverage for possible increased aircraft allocations to the Royal Navy.

This proposal has been studied and is considered to be acceptable. It is recommended, therefore, that an additional amount of \$75,000,000.00 be included in the total financial provision, over and above the amounts stated in the schedules, for the specific purpose of covering any increased allocations of U.S. Navy type aircraft to the Royal Navy which may develop during the period covered by the agreement and not now included in it, with the stipulation that such amount may be used for no other purpose.

Respectfully,

UNITED STATES

BRITISH

Robert P. Patterson

C. L. Courtney

Robert P. Patterson
Undersecretary of War

C. L. Courtney
Air Chief Marshal
Royal Air Force

Robert A. Lovett

C. R. Fairley

Robert A. Lovett
Assistant Secretary of War for Air

C. R. Fairley
Director General
British Air Commission

TOP SECRET

for Barney G. G.

H. H. Arnold
General, U. S. A.
Commanding General, Army Air Forces

R. P. Willook

R. P. Willook
Air Vice Marshal
Acting Head, Royal Air Force Delegation

Artemus L. Gates

Artemus L. Gates
Assistant Secretary of Navy for Air

J. F. Somerville

J. F. Somerville
Admiral, R. N.
Head, British Admiralty Delegation

Aubrey W. Fitch

Aubrey W. Fitch
Vice Admiral, U. S. Navy
Deputy Chief of Naval Operations (Air)

TOP SECRET

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE
November 8, 1944

TO Secretary Morgenthau
FROM J. W. Pehle

Eisenhower issued the statement prepared by the War Refugee Board on November 7.

As issued by Eisenhower, the statement reads as follows:

"Germans! You have in your midst a great many men in concentration camps and forced labor battalions.

"Germans! Do not obey any orders, regardless of their source, urging you to molest, harm or persecute them, no matter what their religion or nationality may be.

"The Allies, whose armies have already established a firm foot-hold in Germany, expect, on their advance, to find these people alive and unharmed. Heavy punishment awaits those who, directly or indirectly, and to whatever extent, bear any responsibility for the mistreatment of these people.

"May this serve as a warning to whoever at present has the power to issue orders."



Treasury Department
Division of Monetary Research

156

Date Nov. 9, 1944

To: Secretary Morgenthau

You will be interested in
reading the marked portion on Page 3.

H.D.W.

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

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 11/8/44

TO Mr. White
FROM Mr. Nathan

Subject: Report of the Foreign Policy Association, dated November 15, 1944, discussing proposals of Liberated Nations of Europe for a peace settlement with Germany.

The Foreign Policy Association has just released a publication^{1/} in which the attitudes of Allied European nations concerning possible peace terms for Germany are discussed. This very interesting publication is based on statements in newspapers and magazines made by official and semi-official representatives of France, Belgium, Netherlands, Norway, Poland, and Czechoslovakia.

The various European nations are said to be agreed that the prevention of renewed German aggression must be the objective of the peace settlement, and that the coming peace may offer them their last chance to end the threat of German aggression. Whatever the peace settlement, they believe that continued United Nations cooperation must supplement it, and that the United Nations must be prepared to take effective military action if any signs of German rearmament reappear. The future security of Europe demands that Germany be deprived of her potential military and economic supremacy on the continent; it would be entirely unjustified to distinguish "two Germanys," one militaristic and the other peace-loving.

As far as the details of the peace settlement for Germany are concerned, the attitudes of the Allied European nations, as represented in the Foreign Policy publication, may be summarized as follows:

(a) Occupation

Complete military occupation of the Reich is indispensable. There is no unanimity, however, concerning its duration. Some nations believe it should last an entire generation, others that it should continue as long as necessary to carry out the peace settlement. All of Germany's neighbors should participate in the occupation, provided that the smaller ones can spare the necessary manpower from the tasks of reconstruction. France has officially stated that she wants to send an army into the Rhineland -including the Ruhr and the Saar- for an indefinite period, as a guarantee

^{1/} What Kind of Peace with Germany - Terms proposed by Liberated Nations of Europe, by Winifred N. Hadsel.

Division of
Monetary Research

- 2 -

against a recurrence of German aggression. The French attitude is warmly supported by the Belgians and the Dutch.

(b) Territorial Changes

The Allied European nations have little sympathy for partitioning Germany, because the attempt to destroy German unity from without is considered useless. While partition is rejected, it is hoped that other territorial changes may come about during the period of occupation. Although territorial changes will encourage the German desire for revenge, the European Allies are convinced that Germany will seek revenge anyhow, and that such attempts can be defeated only by the determined will of the United Nations to enforce the peace terms. Two different types of changes are recommended:

(1) Political decentralization within Germany by encouraging the traditions of local independence for Bavaria, Wurtemberg, Saxony, Hanover, and Hesse.

(2) Frontier adjustments which it is hoped will weaken Germany and strengthen the position of the Allied nations. The French, Belgians, and Dutch want the Rhineland under their military control for an indefinite period. Holland may claim some land from Germany as reparation for the destruction caused by the Nazis. In that case, Holland may want to move all the Germans residing in the claimed territory into the interior of Germany, to avoid the emergence of an irredenta population. Except for East Prussia and Upper Silesia, no agreement exists yet among the Poles about the territorial claims which they may want to raise. The Polish Committee of National Liberation will demand a larger slice of eastern Germany than the Polish Government in Exile.

(c) Reparations

The Allied nations in Europe have an enlightened attitude regarding reparations. They will ask to have all the property returned which was looted by Germany; in addition, they may ask for other moveable assets and equipment to replace that part of the looted property which no longer exists. While the desire for additional payments may be very real on the part of some of the liberated nations, they realize that such payments can be made only in goods, and that the production of such goods would require the preservation of the surviving German industries and the re-

Division of
Monetary Research

- 3 -

construction of the plants which have been destroyed. When faced with this choice, most of the liberated nations prefer the destruction of Germany's industrial potential to the possibility of recurrent reparation payments.

Concerning reparations in form of labor performed by German workers in the liberated areas themselves, the attitude of the European nations is supposedly not unanimous. It is considered likely that Norway and Poland would not be prepared to admit German workers into their countries while the other nations may be more sympathetic.

(d) Deindustrialization

The Foreign Policy publication is very emphatic in the belief that the liberated nations in Europe realize the importance of industry in modern warfare and hence support the Morgenthau Plan and the razing of Germany's large industrial plants. They do not believe that their own welfare would materially suffer from a change in Germany's industrial structure, and are convinced that Germany's "great economic significance for Europe" is to a large extent a myth. They recommend that all heavy industries in Germany damaged by bombing be left unrepaired, and that industries making synthetic rubber and oil, machine tools, and steel alloys be dismantled and sent to the liberated countries. In all other industries, the plants employing more than a given number of workers should be decentralized. Small factories and light industries may be left intact without endangering Europe's future security. It appears that the proposals for deindustrialization meet some opposition from the countries which formerly sold agricultural products to Germany, particularly the Netherlands, the Balkan countries, and Denmark. These countries prefer long-term United Nations control of German industries to deindustrialization. As an example, a statement of the Netherlands Ambassador to the United States is cited in which he suggested that a strict watch over all German industries could be maintained by Allied control of the majority of stock in these plants. The majority shares of stock in German industries would be placed under the trusteeship of an international cooperative body. None of the members of this body would be permitted to have ties with similar businesses in their own countries.

Comment:

This publication is a very welcome synopsis of the views of various European nations, liberated or soon to be liberated, as to a desirable peace with Germany. The neighbors of Germany seem to be very much in

Division of
Monetary Research

- 4 -

agreement with the views held in the Treasury. They appear convinced that the threat of future German aggression can be defeated only by long-term military occupation and deindustrialization. They are prepared to forego reparation payments if that is necessary to make peace more secure.

NOV 8 1944

**TO EMPLOYEES OF THE
TREASURY DEPARTMENT:**

Because of increasing difficulties in the preparation, certification, and payment of pay rolls, a revised schedule of salary payments for employees of the Treasury Department will be installed in accordance with the following table:

Pay Day		Period Covered
1944		
Nov. 22*	Five days	Nov. 11 to Nov. 15
Dec. 2	Half-month	Nov. 16 to Nov. 30
Dec. 15	Half-month	Dec. 1 to Dec. 15
1945		
Jan. 4	Half-month	Dec. 16 to Dec. 31
Jan. 20	Half-month	Jan. 1 to Jan. 15
Feb. 6	Half-month	Jan. 16 to Jan. 31
Feb. 22	Half-month	Feb. 1 to Feb. 15
Mar. 10	Half-month	Feb. 16 to Feb. 28

Thereafter, employees will receive a full half-month's pay on the 10th and 25th of the month.

* Applicable only to employees whose salaries are now payable on the 10th and 25th of the month.

Under this plan, which is based upon a joint study by the Treasury Department, the Bureau of the Budget, and the General Accounting Office, the pay periods will end on the 15th and last days of the month, respectively.

In changing to the new procedure, employees who are now paid on the 10th and 25th of the month will receive an intermediate payment for five days covering the period November 11 to 15th. This payment will be made on November 22, and will not be subject to any bond deductions. Thereafter, employees

- 2 -

will receive semi-monthly salary payments in accordance with the above schedule.

After the new system is in full effect, employees will receive their pay regularly on the 10th and 25th of the month, except that when such days fall on Sunday or a holiday payments will be made on the preceding working day. This arrangement overcomes a difficulty under the present system when such payments would have to be made on the first working day following Sunday or a holiday.

The reasons which have necessitated the change may be briefly summarized as follows:

In order to pay employees promptly under the present system it is necessary to prepare pay rolls several days prior to the close of the pay period. Due to numerous changes which occur after the roll has been prepared and before pay day, a great deal of extra work is involved. For instance, when employees take leave without pay or are promoted or resign, or when new employees are hired, adjustments have to be made on the roll. As a result, numerous book-keeping adjustments are necessary, supplemental pay rolls must be prepared, checks must be cancelled, or new checks issued. These difficulties have been accentuated by the passage of the Act of December 29, 1941, which holds employees who certify pay rolls personally liable under bond for overpayments resulting from erroneous certification.

It is believed that the employees will realize the necessity for adopting the new schedule, and that they will also appreciate the fact that the plan has been devised so as to cause a minimum of inconvenience to those affected.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

EJBartelt:hbw 11/3/44

NOV 8 1944

TO HEADS OF BUREAUS AND OFFICES,
CHIEFS OF DIVISIONS, TREASURY DEPARTMENT.

In accordance with recommendation of a joint committee composed of representatives of the Treasury Department, Bureau of the Budget, and the General Accounting Office that pay rolls be certified after the pay period ends, the following changes in pay-roll procedure are hereby prescribed, effective as of the dates indicated.

The pay periods of employees whose salaries are payable on an annual basis will run from the first to the fifteenth, and from the sixteenth to the last days of the month, respectively. Payments will be made on the tenth day following the end of the pay period, except as otherwise noted in the following schedules:

I. EMPLOYEES PAID ON AN ANNUAL BASIS
(Except Bureau of Engraving and
Printing)

- (a) Per annum employees whose present pay periods end on the 10th and 25th of each month.

<u>Pay period</u>	<u>Amount of pay</u>	<u>Pay day</u>
<u>1944</u>		
Nov. 11-15	Five days	Nov. 22
Nov. 16-30	Half month	Dec. 2
Dec. 1-15	Half month	Dec. 18
Dec. 16-31	Half month	Jan. 4
<u>1945</u>		
Jan. 1-15	Half month	Jan. 30
Jan. 16-31	Half month	Feb. 6
Feb. 1-15	Half month	Feb. 22
Feb. 16-28	Half month	Mar. 10

Thereafter employees will receive a full half-month pay on the 10th and 25th of each month as at present.

- 2 -

- (b) For annua employees whose present pay periods end on the 15th and last days of each month.

<u>Pay period</u>	<u>Pay day</u>
<u>1944</u>	
Nov. 1-15	Nov. 16
Nov. 16-30	Dec. 2
Dec. 1-15	Dec. 18
Dec. 16-31	Jan. 4
<u>1945</u>	
Jan. 1-15	Jan. 20
Jan. 16-31	Feb. 6
Feb. 1-15	Feb. 22
Feb. 16-28	Mar. 10

Thereafter pay days will be on the 10th and 25th of each month.

II. EMPLOYEES OF THE BUREAU OF ENGRAVING AND PRINTING

- (a) Employees paid on per annum, per diem, or per hour basis:

<u>Pay period</u>	<u>Pay day</u>
<u>1944</u>	
Nov. 16-30	Dec. 2
Dec. 1-15	Dec. 18
Dec. 16-31	Jan. 4
<u>1945</u>	
Jan. 1-15	Jan. 20
Jan. 16-31	Feb. 6
Feb. 1-15	Feb. 22
Feb. 16-28	Mar. 8
Mar. 1-15	Mar. 24
Mar. 16-31	Apr. 10
Apr. 1-15	Apr. 26
Apr. 16-30	May 12
May 1-15	May 28
May 16-31	June 14
June 1-15	June 30

Thereafter pay days will be on the 15th and last days of each month.

- 3 -

(b) Plate printers and their assistants (paid on piece-work basis):

<u>Pay period</u>	<u>Pay day</u>
<u>1944</u> Dec. 16-31	Jan. 9
<u>1945</u> Jan. 1-15	Jan. 25
Jan. 16-31	Feb. 10

Thereafter pay days will be on the 10th and 25th of each month.

III. EMPLOYEES OF THE BUREAU OF THE MINT - FIELD SERVICE(a) Per diem employees:

<u>Two weeks'</u> <u>pay period</u> <u>ending</u>	<u>Pay day</u>
<u>1944</u>	
Nov. 4	Nov. 10
Nov. 18	Nov. 25
Dec. 2	Dec. 10 ^{1/}
Dec. 16	Dec. 25 ^{2/}
Dec. 30	Jan. 9
<u>1945</u>	
Jan. 13	Jan. 23

Thereafter pay days will be on the second Tuesday following close of pay period.

(b) Per annum employees:

Per annum employees of the Bureau of the Mint (both departmental and field) will be paid in accordance with Schedule I (a),

1/Payment will be made Saturday, December 9, since December 10 falls on Sunday.

2/Payment will be made on Saturday, December 23, since Christmas, December 25, is preceded by Sunday.

- 4 -

IV. GENERAL PROVISIONS

When a pay day falls on Sunday or holiday, payment will be made on the first preceding working day.

Pay rolls will be delivered to the Division of Disbursement not less than four full working days prior to pay day.

No bond deductions will be made on pay rolls covering the period from November 11 to 15, in Schedule I (a).

The Secretary of the Treasury may at any time, or from time to time, withdraw or amend any or all of the provisions of this circular.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

*noted by Mr. Galt
11-1-1947*

FARMERS EDUCATIONAL AND COOPERATIVE UNION

of America

3801 EAST 46TH AVENUE
DENVER, COLO.

OFFICE OF THE PRESIDENT

November 8, 1944

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

Dear Mr. Secretary:

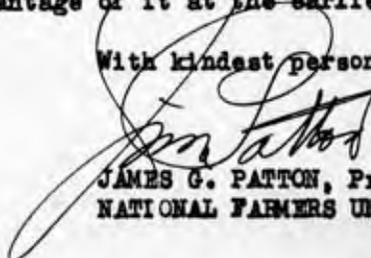
Thank you very much for your kind letter of November 1. I appreciate your devoting time to inquiring into the matter I mentioned to you, and am glad to agree with you that disposal of surplus property in such a way as to disorganize markets would not be in the public interest.

This is not to say, however, that Mr. Olrich is correct in his strictures upon the preference provisions of the law. I was, of course, aware of the President's remarks at the time he signed the bill and our staff has carefully studied provisions of the law to which you refer. In fact, some of these provisions were inserted in the law at our suggestion.

I regret very much that your views coincide with those of Mr. Olrich, since I am convinced that in the public interest we must continue to oppose such attacks upon the law as vigorously as possible.

I appreciate your renewing your invitation to call upon you, and certainly will take advantage of it at the earliest possible date.

With kindest personal esteem,



JAMES G. PATTON, President
NATIONAL FARMERS UNION

JGP/ex



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION

WASHINGTON 25



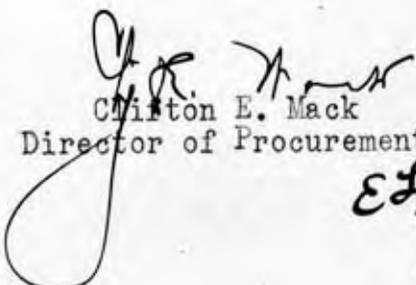
November 8, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

Attached is the weekly report of Lend-Lease purchases.

A requirement has been received for a large quantity of equipment, including various kinds of machinery, tools, lathes and scales, amounting to approximately \$194,267, for a new ammunition arsenal located in Mexico.


Clifton E. Mack
Director of Procurement

EO
by
Kuf

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF NOVEMBER 1, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5606.6 (5574.6)	\$2627.1 (2627.1)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$572.4 (540.4)
Requisitions in Purchase	\$ 219.2 (220.7)	\$ 26.2 (26.3)	\$ 65.0 (66.3)	\$ 2.1 (1.9)	-	\$125.9 (126.2)
Requisitions not Cleared by W.P.B.	\$ 135.6 (128.3)	\$ 32.5 (30.9)	\$ 85.2 (83.9)	\$.3 (.3)	-	\$ 17.6 (13.2)
Obligations (Purchases)	\$4234.1 (4209.7)	\$2029.8 (2022.6)	\$1787.8 (1777.5)	\$ 68.1 (67.9)	\$14.9 (14.5)	\$333.5 (327.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2567.0 (2526.3)	\$1515.8 (1503.0)	\$ 973.2 (945.9)	\$ 25.1 (25.1)	-	\$ 52.9 (52.3)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of October 25, 1944.

SECRET

CAT-109

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

Tehran via Army

Dated November 8, 1944

Rec'd 1:56 p.m.

170

Secretary of State

Washington

823, November 8, 9 a.m.

FOR JOSEPH SCHWARTZ AMERICAN JOINT DISTRIBUTION COMMITTEE
NEW YORK FROM CHARLES PASSMAN

The following are results conversations with Polish Minister, Tehran representatives, Polish Committee Liberation, Russian Consul General and FEA regarding immediate help from Tehran to liberated parts Poland.

One. Polish Minister expressed willingness place our disposal their available supplies including medical equipment which I believe is gift from United States also provide us with funds purchase additional lend-lease supplies as previously agreed provided help will be also to non-Jews. He also has no objection if distribution will be through existing Lublin Committee. The above is his personal view which cable to his Government Lenden asking approval. He thought that approval will surely be given if our representative will participate in supervisory distribution.

Two. Representatives Committee Liberation stated they sure Lublin Committee will do everything assure just distribution and will ask Russian permission presence our representative. One of them leaving for Moscow and Lublin tomorrow.

Three. Russian Consul stated believes no difficulty their transporting our supplies Tehran-Lublin which should take about a month, but not sure about presence our representative. He promised cable immediately Moscow.

Four. FEA stated they have instructions dispense at once all stocks here therefore refused our previous request to sell us part. They have under consideration other offers and will have to make quick decision. If we should send relief liberated Poland with financial help Polish Government, Lenden and taking into consideration need of additional supplies for parcels service 1945 we should buy the entire stock consisting of following: 92 tons powdered soup, 479,000 ascorbic acid X tablets, 33,000 woolen blankets, 12,000 winter caps, 46,000 used men's overcoats, 28,000 used women's overcoats, also small quantities other used wearing apparel. Proposed all other clothing for Poland. Total cost \$579,000. Expect Polish authorities will pay at least half.

-2- #823, November 8, 9 a.m., from Tehran

In discussions with all parties made clear have no definite instructions also that possibility our help liberated Poland depends upon permission State Department. Informed American Embassy here of all conversations.

Regarding our representative going Lublin was informed by all parties concerned that question likely to be simplified if could say that I ready go. I told them that when you make final decision you will surely propose acceptable person.

Regarding myself do not know yet whether ready and able undertake either mission to Balkans according your request or go Poland if favorable decision reached.

Please cable immediately your opinion above problems.

MORRIS

EEC

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Madrid
TO: Secretary of State, Washington
DATED: November 8, 1944
NUMBER: 3696

CONFIDENTIAL

See Department's 1872, July 1, 1944; Department's 2324, August 21, 1944.

Below are the non-preference quota numbers which were allotted for refugee children for October, 1944, returned here with unused fourth 25% of block (all numbers inclusive): French 63-82, Czechoslovak 48-62, Netherlands 61-80, Belgian 22-30, Polish one 15-16, German 458-608.

October 29 French non preference quota number 62 was allotted to Lisbon for use of Joseph Lerman, refugee child.

In connection with the following see the last-mentioned reference. Non preference quota numbers 56-71 inclusive, which were allotted for October for refugee children from Hungary, were returned unused.

HAYES

11-11-44

DCR:EMS

CABLE TO MINISTER JOHNSON, STOCKHOLM FOR OLSEN, FROM WAR REFUGEE BOARD.

Please deliver the following message to Mrs. Elise Ottesen-Jensen, John Ericssonsg 6, Stockholm, from Sheba Strunsky of the International Rescue and Relief Committee:

QUOTE CABLED YOU SIX THOUSAND DOLLARS ONE THOUSAND FOR REGULAR MONTHLY REMITTANCE FIVE THOUSAND TO BE TURNED OVER TO MR. OLSEN FOR STOCKHOLM COMMITTEE FOR STATELESS REFUGEES STOP STILL RECEIVED NO LETTERS OR REPORTS UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 241.

9:00 a.m.
November 8, 1944

CABLE TO MINISTER JOHNSON, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD.

Please deliver the following message to Rabbi Wilhelm Wolbe,
11 Olsefsgotten, Stockholm, from Rabbi Abraham Kalmanowitz of the Vaad
Mahatzala Emergency Committee:

QUOTE RECENT SHANGHAI REPORTS ALARMING. INFLATIONARY PRICES
AND SICKNESS ENDANGER EXISTENCE. URGE YOU TAKE FOLLOWING MEASURES
(1) ENDEAVOR SEND FOOD CLOTHING PARCELS MEDICAMENTS TO OUR
RABBINICAL GROUP IN SHANGHAI BY ARRANGEMENT OF SWEDISH AND
JAPANESE GOVERNMENTS. (2) URGE INTERCESSION OF SWEDISH GOVERN-
MENT FOR OUTRIGHT RELEASE OF THIS RELIGIOUS RABBINICAL GROUP.
(3) ENDEAVOR SECURE SWEDISH CITIZENSHIP FOR ENTIRE GROUP TO
FACILITATE RELEASE WILL SEND YOU ENTIRE LIST. ENLIST COOPERATION
SUPPORT RABBI EHRENPRETS THESE PROJECTS UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 242.

3:45 p.m.
November 8, 1944

CABLE TO MINISTER JOHNSON, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD.

Please deliver the following message to Rabbi Marcus Ehrenpreis, Stockholm, from Rabbi Abraham Kalmanowitz of the Vaad Hahatzala Emergency Committee:

QUOTE RECENT SHANGHAI REPORTS ALARMING. INFLATIONARY PRICES AND SICKNESS ENDANGER EXISTENCE. URGE YOU TAKE FOLLOWING MEASURES (1) ENDEAVOR SEND FOOD CLOTHING PARCELS MEDICAMENTS TO OUR RABBINICAL GROUP IN SHANGHAI BY ARRANGEMENT OF SWEDISH AND JAPANESE GOVERNMENTS. (2) URGE INTERCESSION OF SWEDISH GOVERNMENT FOR OUTRIGHT RELEASE OF THIS RELIGIOUS RABBINICAL GROUP (3) ENDEAVOR SECURE SWEDISH CITIZENSHIP FOR ENTIRE GROUP TO FACILITATE RELEASE. WILL SEND YOU ENTIRE LIST. URGE YOU LEND FULLEST COOPERATION RABBI WOLFE AND COMMITTEE. UNQUOTE

THIS IS WRE STOCKHOLM CABLE NO. 243.

3:45 p.m.
November 8, 1944

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

Please deliver the following message to Isaac Sternbuch, St. Gall,
from Abraham Kalmanowitz of the Vaad Hahatzala Emergency Committee:

QUOTE RECENT SHANGHAI REPORTS ALARMING. INFLATIONARY PRICES
AND SICKNESS ENDANGER EXISTENCE. URGE YOU TAKE FOLLOWING MEASURES
(1) ENDEAVOR SEND FOOD CLOTHING PARCELS MEDICAMENTS TO OUR RABBINICAL
GROUP IN SHANGHAI BY SWISS AND JAPANESE GOVERNMENTS (2) URGE
INTERCESSION OF SWISS GOVERNMENT FOR OUTHRIGHT RELEASE OF THIS
RELIGIOUS RABBINICAL GROUP. HAVE CABLED YOU 106,750 SWISS FRANCS
THROUGH POLISH CONSULATE. FORWARD TO RABBI SZMULEWICZ WITH EXACT
INSTRUCTIVE MESSAGE. ADVISE US WHEN RECEIPT CONFIRMED. UNQUOTE

THIS IS WRB BERN CABLE NO. 266.

3:45 p.m.
November 8, 1944

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: November 8, 1944
NUMBER: 3810

CONFIDENTIAL

Reference is made herewith to your cables of October 18 and 20, Nos. 6902 and 6905 respectively.

Should Venta Sanatorium or similar quarters be rented, the Swiss should arrange that there be given refuge therein Jews of United States nationality and their accompanying relatives, whether Americans or aliens. If such facilities have not been rented, the Swiss should see that United States Jews and their families are sheltered in quarters where all the rights to which they are entitled can be given them.

We have taken telegraph action.

STETTINIUS

(ACTING)

SWP:EJD:MA

Paraphrase DCR:VAG 11/11/44

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

ALH-164

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

Ankara
Dated November 8, 1944
Rec'd 1:50 p.m.

Secretary of State,

Washington.

2130, November 8, 4 p.m.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD. ANKARA'S NO. 181.

According to a report dated October 28 received from William Fielderman Bucharest to supplement earlier information (see Embassy's 1988, Ankara's 166) thousands of Hungarian Jews have entered Rumania. They are located in several cities throughout the country. According to Fielderman "All are naked all need winter clothing, shelter, food." The total number of refugees is about 5,000 at this time with others arriving daily.

In my opinion the influx of these refugees makes urgent the exploration in Rumania of possibilities for organizing additional refugee entry into that country. I would appreciate your advices on the matter (see Embassy's 1977 Ankara's 165).

Fielderman's report states that 150,000 Rumanian Jews are as needy as the refugees. This figure includes 15,000 repatriates from Transnistria 20,000 persons now in the departmental capitals who had been evacuated from villages and small towns of the provinces, 30,000 persons who have returned from forced labor battalions who having been compelled to provide their own clothing are now returning to the cities with their clothing in tatters and shoes worn out or barefooted. As the families of these laborers received no allowances while the men were away they were required to sell everything in order to live. The laborers and their families would involve upwards of 90,000 souls.

In several towns houses of Jews have been destroyed. In Jassy for example, 30,000 Jews are without shelter and without any possibility of repairing their houses. None of the repatriates or the evacuees have found any of their furniture even in areas where no bombardments took place. The houses of the returned Jews are without doors, windows, floors, roofs.

The report states that each (*) hundreds of persons arrive from the provinces seeking clothing and relief. Fielderman's committee has already clothed 9,000 persons but he indicated that its limited resources make it impossible for it to continue the work to the extent necessary. Without substantial and immediate aid, a great many deaths may be expected this winter. Typhus is already raging in Moldavia and medicines of all kinds are lacking.

-2- #2130, November 8, 4 p.m. from Ankara

A Jewish community will be formed under the auspices of the International Red Cross, whose delegates will follow the armies in order to search for Jews who have hidden themselves, and to bring aid to them. Fielderman's report concludes with the statement that a million and a half dollars are needed for the next months.

For your information, although rights are being restored on paper to Jewish people in Rumania, few benefits are being received thereunder, according to other reports in Istanbul. Jews are unable to secure reentry into their new homes from which they were evicted and must continue to pay high rents, several families being forced to share one apartment. They generally are unable to secure repossession of their businesses and even if they are there are no stocks or raw materials. Realistically they cannot obtain re-employment in the positions they formerly occupied as this would involve the displacement of non-Jewish Rumanian employees.

According to all reports the Jews of Rumania have been reduced to dependence upon charitable assistance. Support from international and private relief organizations is urgently needed. All private relief agencies heretofore represented in Istanbul none of which has funds in amounts necessary to provide reasonable aid have sent representatives to Bucharest with the exception of JDC which has not yet secured official permission to do so. If JDC's plans include the despatch of an American representative to Rumania and to Bulgaria, I urge the facilitation of their application.

(*) Apparent omission.

STEINHARDT

WMB

FROM: Secretary of State, Washington
TO: American Embassy, Chungking
DATED: November 8, 1944
NO.: 1457

CONFIDENTIAL

For Friedman from Secretary of the Treasury.

A request has been made by the Secretary for you to arrange departure from Chungking about November 20 to return to Washington for consultation. Adler will depart for Chungking after you arrive in Washington. Please advise the Ambassador.

You should make arrangements to stop in India a week or ten days en route in order to discuss with Bombay Reserve Bank officials and Gregory and Raisman at Delhi the possible increase in gold sales for our account.

The foregoing message was repeated to the American Mission, New Delhi, as our No. 313, and to the American Consulate, Bombay, as our No. 371.

STETTINIUS
(Acting)

FMA:PMcG:rmk

Paraphrased:
DOR:MAS:EFR
11/16/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 363

Information received up to 10 a.m., 8th November, 1944;

1. NAVAL

After intensive sweeping Scheldt Approaches, shallow draught vessels can now reach Flushing.

One of H.M. Submarines on patrol Malacca Strait 20th October attacked 12 ship convoy sinking 800-ton coaster and a landing craft and damaging other vessels. The Submarine also sank two coasters and a barge and sank or damaged three Junks during her patrol.

Another of H.M. Submarines on patrol East Java Sea 21st to 26th October sank 14 schooners, four coasters and an anti-submarine vessel and damaged two schooners and a coaster. All ships attacked were heavily laden.

2. MILITARY

WESTERN FRONT. Willemsdijk captured and German resistance south of Maas confined to small bridgehead near Moerdijk. On Walcheren, Middelburg and Veere captured. Many prisoners taken in this operation.

ITALY. Poles have captured Monte Casaluda, south of Forli and held it against determined counter attacks. Troops of Indian Division occupied Monte Monsignano due east Marradi.

EASTERN FRONT. Finns have captured Ivalo. Russians admit withdrawal from Goldap.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. Coblenz - 513 tons. Weather clear, bombing concentrated. Mittelland Canal - attack abandoned owing to difficulty in marking objective.

7th. Weather restricted operations. 706 aircraft (8 missing) provided close support and attacked railways. Photographs show attack on Dortmund-Ems Canal 4th/5th successful.

MEDITERRANEAN. 6th. 318 medium bombers destroyed four transformers and several bridges Brenner Pass. 763 fighters and fighter bombers (7 missing) attacked communications battle area.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 9, 1944

TO Secretary Morgenthau
FROM Mr. Hays
Subject: The Business Situation,
Week ending November 8, 1944.

Summary

Election: Neither the security nor the commodity markets showed any pronounced reaction to the election results, except for some liquidation of low-priced utility issues, and some advance in cotton and grain prices on an expected continuation of support programs.

National income: Payments rose less than seasonally in September and the annual rate of income payments declined to \$156.0 billions from the record high of \$157.0 billions in August. The Department of Agriculture estimates cash receipts from farm marketings in 1944 at 3 percent higher than in 1943, with a possible 5 to 10 percent decline in 1945.

Reconversion: Approval of applications to produce civilian goods under the "spot authorization" program maintained a fairly steady pace in the latter half of October. By the close of the month 1,594 applications had been approved, authorizing production totaling \$361,000,000.

Cost of living: Due chiefly to higher prices for clothing and household furnishings, living costs rose slightly to a new high in September. The index is now 2.1 percent higher than a year ago and is 28.3 percent above the pre-war level of June 1939.

Commodity prices: Commodity prices eased last week, led by declines in hog and corn prices. The BLS index of 28 basic commodities was off 0.3 percent, and is now back to the level prevailing just before the parity purchase program for wheat and cotton was announced in late September.

Retail trade: Department store sales rose substantially in October and the FRB adjusted index of sales advanced to a record high of 196 from 183 in the previous month. The Department of Commerce estimates that total retail sales in 1944 will be 5 percent higher than in 1943.

- - - -

Election has little effect on markets

The security and commodity markets showed no pronounced reaction to the election results this week. Stock prices continued to move in a narrow range, although some liquidation appeared in low-priced utility shares, previously bought on the possibility of a Republican victory. Cotton and grain markets were firm and slightly higher, reflecting the expectation that government price support programs will be continued.

Income payments rise less than seasonally

National income payments continue around record levels, but adjustments for seasonal factors reveal a leveling off in the rate of payments since last June. Actual income payments in September rose to a new high for the year, but the rise was less than seasonal and the annual rate of payments dropped to \$156.0 billions from the record peak of \$157.0 in August. (See Chart 1.) Government payments for salaries and wages (including military pay) rose to a new high, but disbursements for salaries and wages in industry and trade declined slightly.

Cash farm income from crops rose 33 percent in September, reflecting seasonal influences, but the rise in total farm income was less than usual for the month. Nevertheless, farm income was slightly above the previous year's level after falling behind in August. Cash income from farm marketings in the first 9 months of 1944 exceeded the 1943 level by 7 percent. The Department of Agriculture recently estimated cash receipts from farm marketings for this year at \$19.8 billions, which would be 3 percent higher than in 1943. The same source estimates that cash receipts in 1945 may drop 5 to 10 percent, due to some reduction in marketings and demand.

The customary heavy disbursement of interest and dividends during September was an important factor in swelling total income payments during the month. Interest and dividend payments showed the widest percentage gain over year-earlier levels of any major income group. (See Chart 1, lower section.) The major factor in this increase, of course, has been the mounting interest on the public debt.

Progress of reconversion program

Approval of applications to produce civilian goods under the WPB's "spot authorization" program maintained a fairly steady pace in the last week in October, with 316 applications

- 3 -

being approved as compared with 338 in the previous week. By the end of the month a total of 1,594 applications had been approved since the program's inception in mid-August. The total value of production authorized under the program thus far amounts to \$361,000,000 of which \$92,000,000 is slated for production in the fourth quarter of this year. As in previous weeks, a majority of the approvals granted in the last week in October covered small wares in the consumer's durable goods classification, such as aluminum cooking utensils, metal curtain rods, etc.

A significant development in the reconversion program has been the issuance of a memorandum by the Chairman of the WPB outlining the duties of WPB officials under the new War Mobilization and Reconversion Act. Among other features, the memorandum calls attention to the fact that the Act outlaws certain suggested reconversion procedures which had been advanced in some quarters, designed to maintain the competitive position of companies now engaged in war production. The memorandum points out that under the Reconversion Act "production for non-war use shall be permitted regardless of whether one or more competitors normally engaged in the same type of production are still engaged in the prosecution of the war." Likewise, newcomers may not be kept out of new fields of production, since the Act also provides that production "shall not be made dependent upon the existence of a concern or the functioning of a concern in a given field of activity at a given time."

Living costs edge higher

Living costs edged upward to a new high in September, due chiefly to higher prices for clothing and household furnishings. The BLS cost-of-living index rose only 0.1 percent, a smaller increase than in previous months, but this increase marked the sixth consecutive month in which the index has advanced. The index is now 2.1 percent higher than a year ago and is 28.3 percent above the pre-war level of June 1939.

Retail food prices, after having shown a steady rise since last March, declined moderately in September, as large supplies and seasonally-lower price ceilings reduced the prices of apples, onions, and both white and sweet potatoes. (See Chart 2.) Food prices are now slightly lower than a year ago.

A pronounced rise occurred in clothing prices, which are now 6.7 percent higher than in September 1943. Most of this increase has been due to the disappearance of low price line merchandise, and in the latest month reports were again widespread of scarcity of children's clothing, underwear, house dresses, work clothing, and other cotton articles. Prices of household furnishings and miscellaneous charges have continued their gradual rise.

- 4 -

The cost-of-living indexes of both the United States and the United Kingdom have moved up to new highs in recent months, but that of Canada has continued practically unchanged. (See Chart 3.) Retail food prices in all three countries have followed a pattern somewhat similar to that of living costs, with a greater relative rise, but in each case food prices now are somewhat below their war-time highs.

In connection with the recent rise in the British cost-of-living index, the Chancellor of the Exchequer indicated last April the Government's intention to allow a rise in the living cost stabilization range from 25-30 percent to 30-35 percent above the pre-war level. The Chancellor stated that in order to stabilize living costs in the face of a 15 percent rise in wage rates since 1941, the amount spent for subsidies had to be increased from 70 million pounds in 1940 to 190 million pounds in 1943.

Commodity prices lower

Featured by declines in corn and hog prices, commodity prices showed an easing tendency last week. The BLS index of 28 basic commodities declined 0.3 percent, the widest decline in over a year, and is back to the level of late September. (See Chart 4.) With hog marketings increasing seasonally, hog prices declined 4.6 percent, dropping below ceiling levels for the first time in more than 3 months.

Corn prices continued to ease last week on increased marketings from the 1944 crop, and prices are now reported to be averaging 8 cents per bushel below ceiling, the widest margin since ceilings were imposed in March 1943. However, the price for No. 3 yellow corn, Chicago, the quotation used in the BLS index, shows only about a 2 $\frac{1}{2}$ -cent decline below ceiling. The weakness in corn prices last week tended to depress the prices of other grains, but the declines were small.

The CCC indicated last week that the Government cotton buying program had started, but no reports were available as to the amount of cotton purchased. Despite CCC buying, cotton prices declined moderately and the average price of 15/16-inch middling cotton in the 10 spot markets is now at practically the same level as prevailed just before the purchase program was announced. The price at Memphis last Friday was 21.15 cents per pound as compared with the CCC purchase price of 21.95 cents per pound.

- 5 -

Farmers are reportedly selling much of their cotton in the open market because suitable warehouse space is not available to permit sales to the CCC. Moreover, in view of the fact that the Department of Agriculture's farm price index for October showed cotton prices averaging above parity, it appears likely that farmers are marketing a larger portion of their better grades of cotton, the market prices of which are more nearly comparable to parity and the CCC buying prices than are the market prices of the lower grades.

Steel scrap prices firm slightly

Steel scrap prices advanced slightly last week following a downward trend since the end of August. Scrap prices, however, are still substantially below ceiling levels, with the Iron Age composite scrap price at \$15.75 per ton last week, as compared with the equivalent ceiling price of \$19.17.

In the week ended October 28 the BLS general index of wholesale prices advanced 0.1 percent, due largely to higher prices for oats and rye and to seasonal advances for live poultry and eggs. The index now stands at 103.9 percent of the 1926 average, which is 1.1 percent higher than a year ago and is 38.5 percent above the pre-war August 1939 average.

Slight rise in wholesale prices in 1945 foreseen

The possibility of a slight rise in the BLS general index of wholesale prices next year is foreseen by the Department of Agriculture in its "Demand and Price Situation," released last week. Possible declines in prices of farm products may be more than offset by increases in the prices of other products. The general stability in the level of commodity prices, however, which has prevailed in the past year and one-half, is not expected to be broken by the price changes.

Although the record 1944 farm production and the large carry-over of certain items into 1945 are likely to cause some reduction in farm prices next year, according to the Department of Agriculture, the decline will be limited by the Government's support programs. The commodities covered by support programs have accounted for about two-thirds of the cash farm income during the war. Military and lend-lease requirements for some items are expected to be cut back after V-E Day, but relief demands will tend to maintain agricultural exports, and a high level of domestic demand next year may continue to exceed the supplies of some farm products.

Farm prices strengthen

Farm prices rose moderately in the month ended October 15, with the index of prices received by farmers up 2 points to 194 percent of the 1910-14 average. The index is now at precisely the same level as a year ago, but is more than double (118 percent higher) that of the pre-war month of August 1939. On the other hand, the index of prices paid (including interest and taxes) was unchanged for the fifth consecutive month, and as a result, the parity ratio advanced 1 point last month. Farm prices now average 114 percent of parity as compared with 113 percent in September and with 118 percent in October 1943.

Prices of livestock and livestock products were generally higher last month. (See Chart 5.) Egg prices showed a sharp, greater-than-seasonal advance and milk and hog prices moved moderately higher. Wheat and cotton prices rose 5.2 and 1.1 percent, respectively, due largely to the announcement of the parity purchase program for these commodities. Despite the rise, wheat prices are still 5 percent below parity but cotton prices, however, are now 1 percent above parity. Larger marketings caused a sharp drop in truck crop prices and small declines in the prices of fruit, feed grains, and tobacco. Truck crop prices are now at the lowest point since September 1942.

Department of Agriculture releases estimates of hurricane crop damage

The severity of the damage to the Florida fruit and vegetable crops caused by the recent hurricane became known last week when the Department of Agriculture released preliminary estimates based on a survey made by its field representatives. Florida grapefruit production was reduced 43 percent and the orange crop about 19 percent. Since bumper fruit crops had been expected, citrus production in Florida may still substantially exceed the 1933-42 average, although it will be considerably below last year's crop. Severe damage to Florida vegetable crops was reported.

Due to the hurricane damage, the OPA announced an increase in country shipper ceiling prices for Florida grapefruit of 81 cents per 1-3/5 bushel box and for Florida oranges of 45 cents per 1-3/5 bushel box, effective November 6. Retail prices of grapefruit will be raised from 1 1/2 to 2 cents per pound, and prices of oranges around 1 cent per pound. The price ceilings on Florida snap beans were recently raised 6 cents a pound during November and increases in the price ceilings of other Florida vegetables are anticipated. These

- 7 -

upward revisions in price ceilings are mandatory under the Stabilization Extension Act, which requires price adjustments when crop yields are reduced because of adverse growing conditions.

Price differential hinders sales of domestic wool

Although wool consumption has continued at record levels this year, most of this has been foreign wool, owing to a price advantage (tariff included) of about 20 cents a pound. The CCC, the sole buyer of domestic wool, sells fine wools (scoured basis) at ceiling prices of \$1.12 to \$1.21 per pound. Little of this is being used, however, except in military fabrics, in which a high percentage of domestic wool is called for in Army contracts. Because of this situation, it is feared that large stocks of domestic wool may become a serious problem if military requirements drop.

In order to eliminate the price differential, the National Wool Growers' Association is recommending the adoption of the Hill Plan, suggested by Dean J. A. Hill of the University of Wyoming. This plan proposes that the Government should (1) take over all privately-owned foreign wool in this country and become the sole buyer of any additional foreign wool needed by manufacturers, (2) sell the foreign wool on a parity with the selling price for domestic wool, (3) be the sole buyer of foreign and domestic wool as long as the British Government continues its purchase plan, and (4) work out a plan of gradual price adjustment until the price of domestic wool comes down to a parity with duty-paid foreign wool.

The Hill Plan has been subject to considerable opposition from wool dealers and manufacturers, who maintain: (1) that the CCC's price for domestic wool is too high, (2) that the high price for wool would foster the use of substitute fibers, and (3) that our tariff protection on finished cloth would not compensate for the high price of raw wool, and hence the domestic manufacturer would be threatened with foreign competition (presumably in the post-war period). Dealers and brokers fear the plan would eliminate their business.

Recently heavy orders for woolen goods have been placed by the Army, and by UNRRA, in which the contracts require the use of a large proportion of domestic wool. These orders will consume almost half of this year's domestic wool crop, according to an estimate of F. E. Ackerman, executive director of the American Wool Council.

- 8 -

Lend-lease food shipments lower

Lend-lease food shipments in the first 9 months of this year have constituted a smaller proportion of the total food supply of this country than in the same period of 1943, according to a statement issued by the Foreign Economic Administration last week. This is partly due, however, to the fact that our total food supply has been somewhat larger.

Lend-lease shipments still supply about 10 percent of British requirements, and are a significant factor sustaining the rations of the Soviet Army. Reverse lend-lease, particularly from Australia and New Zealand, has continued heavy, supplying more than 90 percent of the food consumed by our troops in the South and Southwest Pacific.

Retail trade active

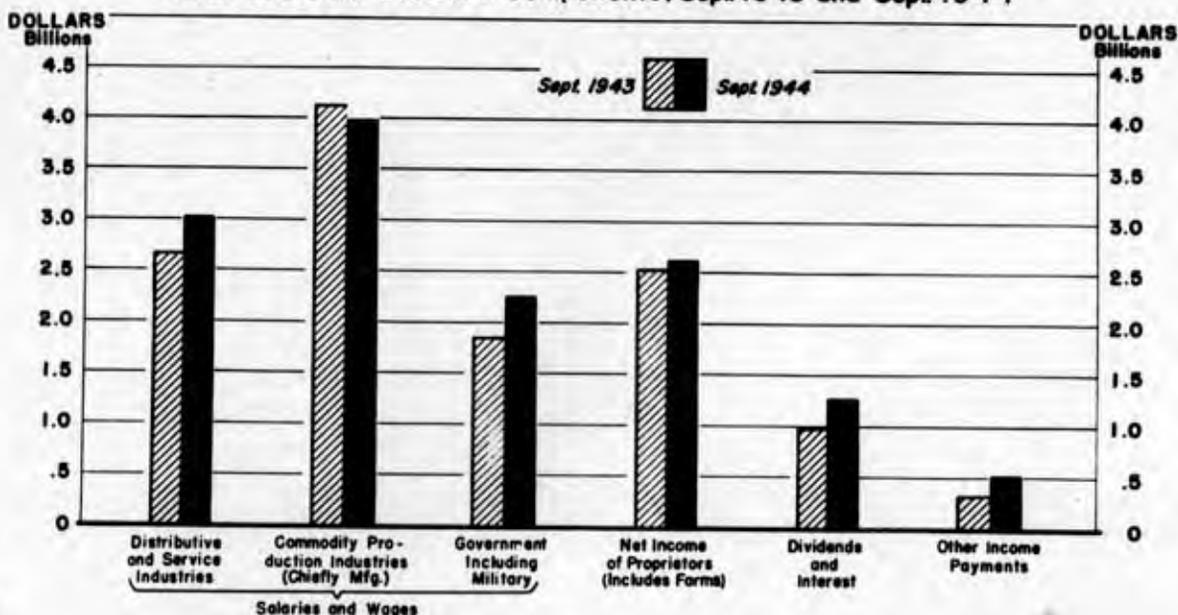
Although department store sales declined in the latter half of October, sales in the week ended October 28 were still 11 percent above year-earlier levels. (See Chart 6.) Moreover, heavy buying in the early part of the month raised the FRB seasonally-adjusted index of sales for October to a record high of 196 from 183 in September. While sales figures for last week are not yet available, preliminary reports indicate that trade continued very active, with Dun and Bradstreet estimating retail sales during the period at 6 to 9 percent above last year's levels.

Since earlier concern over possible war contract cutbacks and employment dislocations have proved premature, a brisk Christmas trade is expected, although goods shortages will be a limiting factor. It is uncertain, however, to what extent Christmas sales may be held down by the forthcoming war bond drive. Moreover, considerable Christmas buying already has been carried out in order to meet the mid-October deadline in shipments to overseas Army personnel, as well as to avoid shortages which customers fear will develop later in the season. A recent Wall Street Journal survey of Christmas retail trade prospects in a dozen big cities revealed increased tangible evidences of free spending and customer emphasis on quality merchandise. The Department of Commerce has estimated that total retail sales this year will rise to a record high of \$67 billions, thus exceeding 1943 sales by 5 percent.

NATIONAL INCOME PAYMENTS AND COMPONENTS



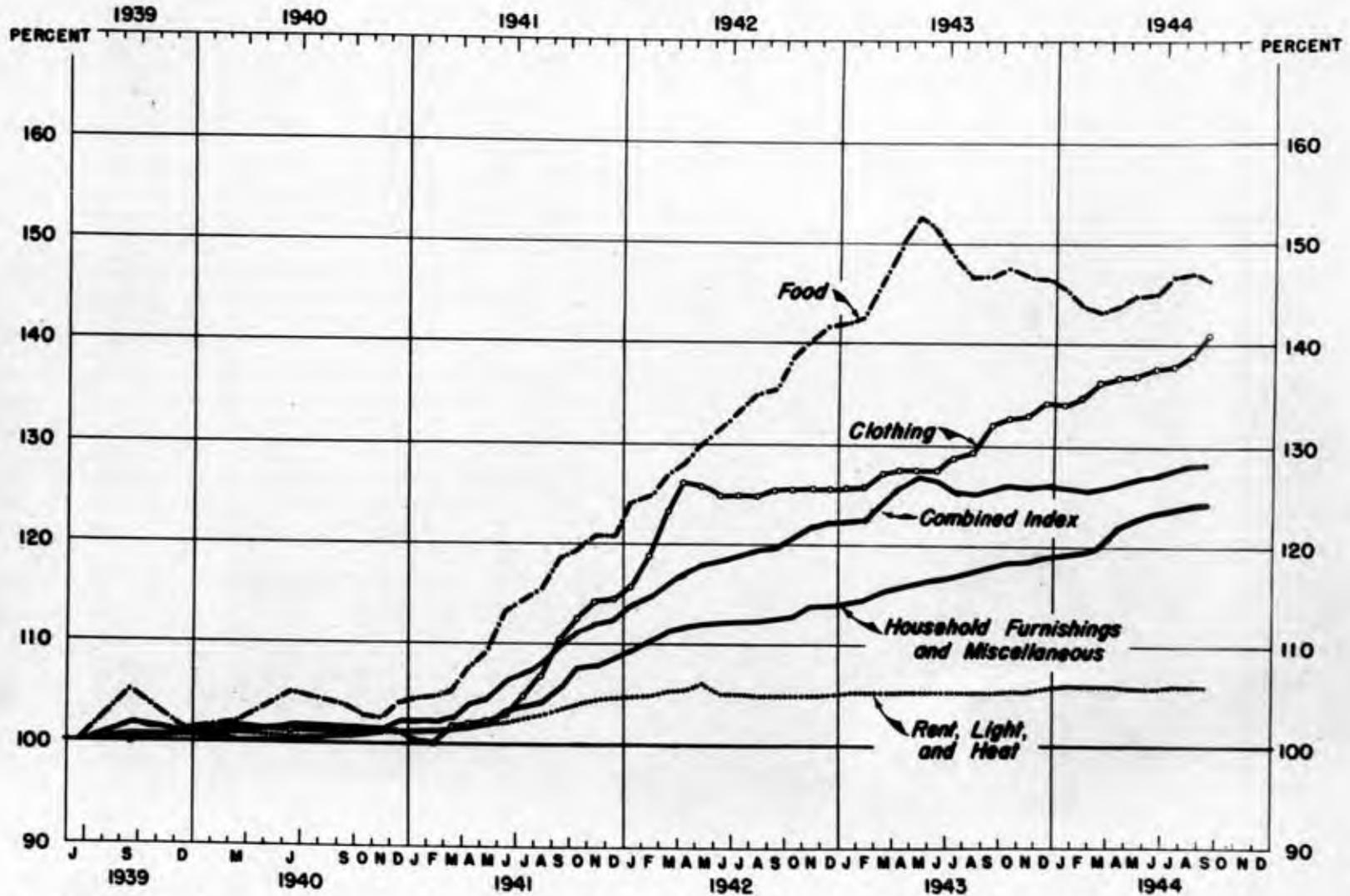
Dollar Totals for Selected Components, Sept. 1943 and Sept. 1944



Source: Department of Commerce

COST OF LIVING AND SELECTED ITEMS

June 1939=100



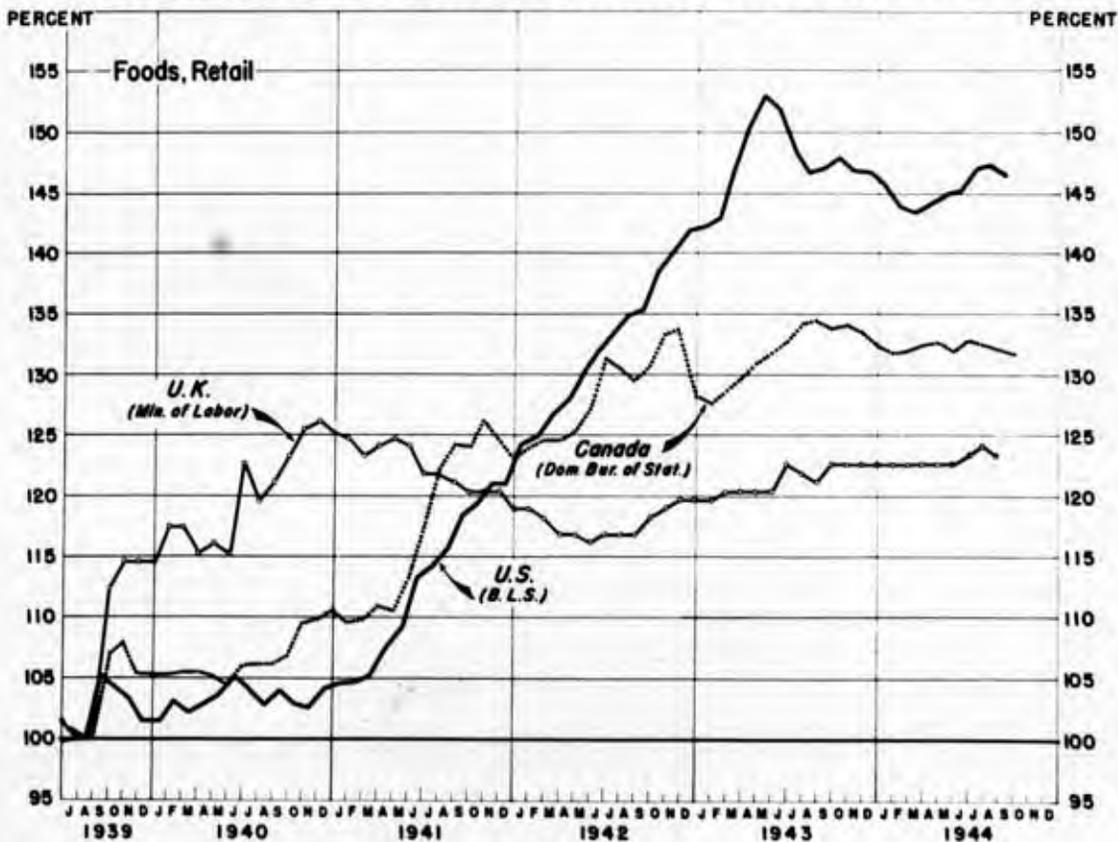
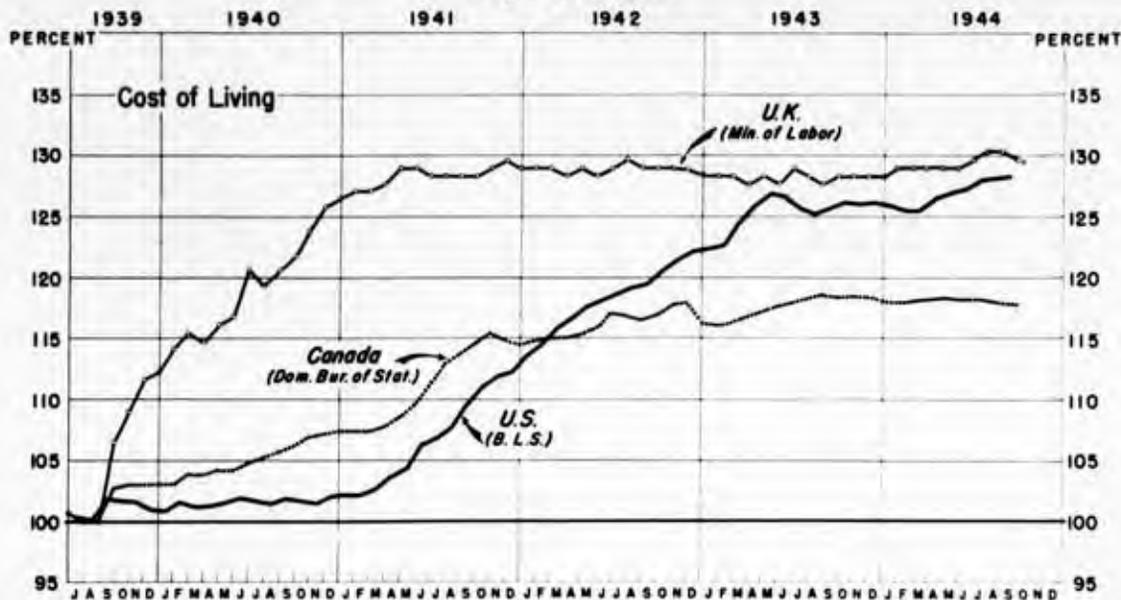
Office of the Secretary of the Treasury
Division of Research and Statistics

Source: B. L. S.

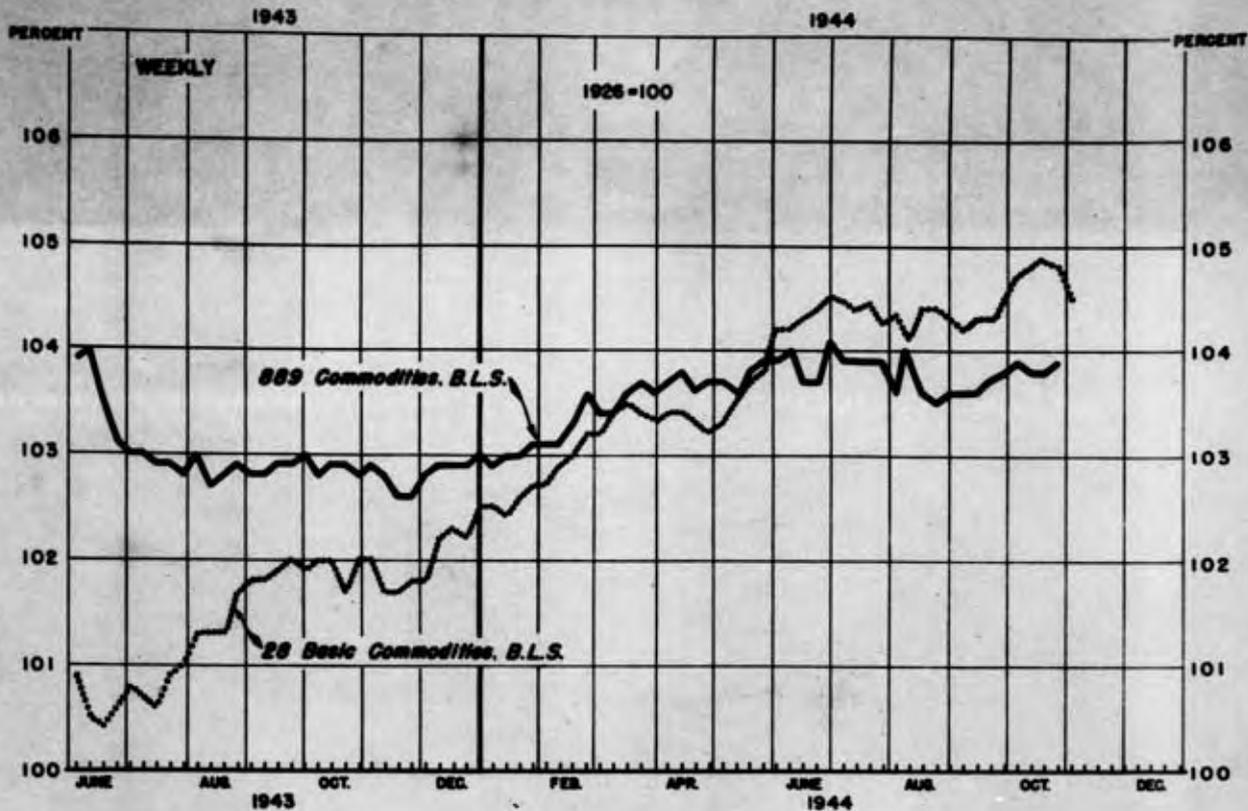
C-413-B-1

Chart 2

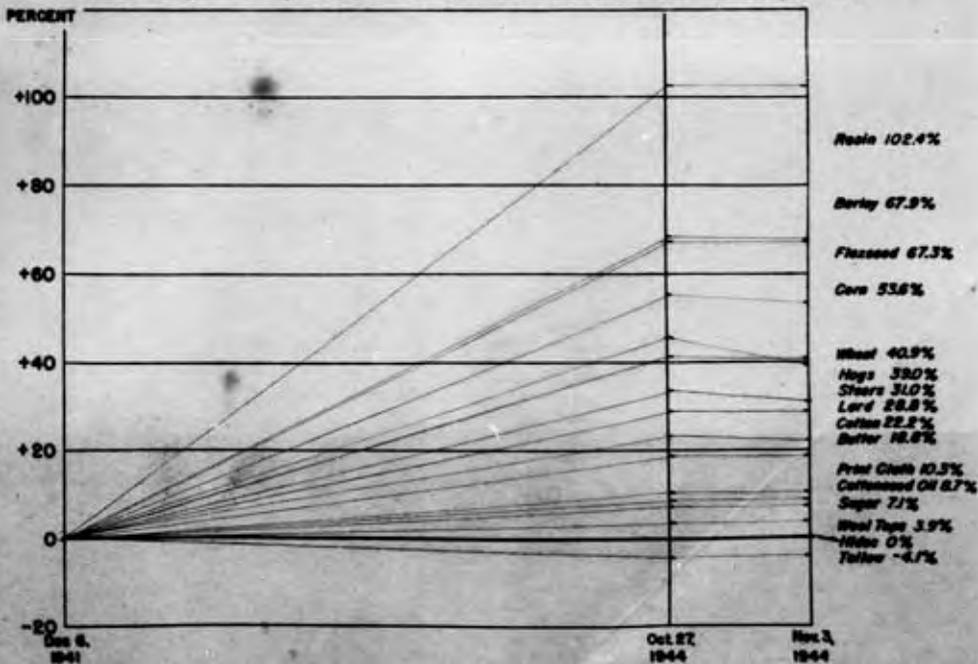
COST OF LIVING, U.S., U.K. AND CANADA August 1939 = 100



WHOLESALE COMMODITY PRICES



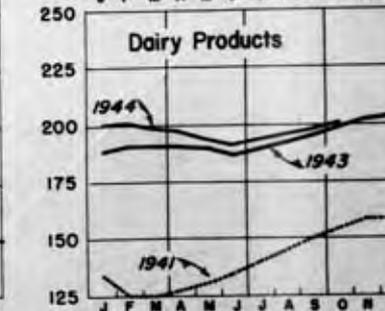
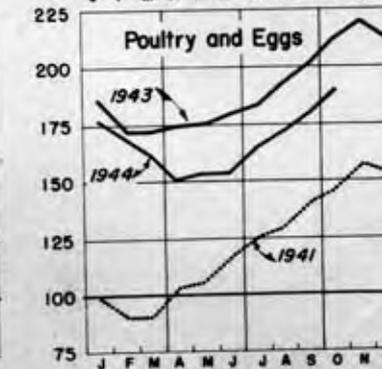
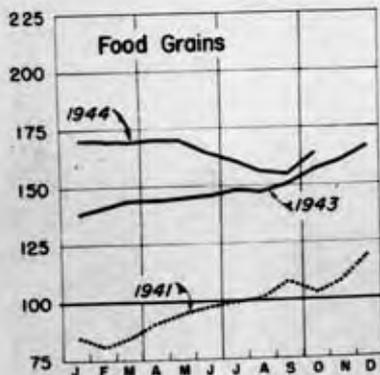
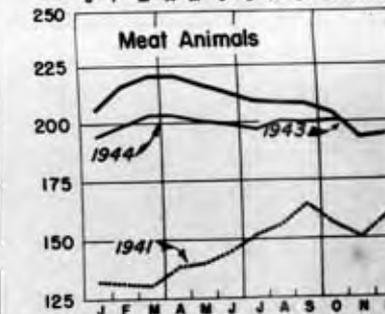
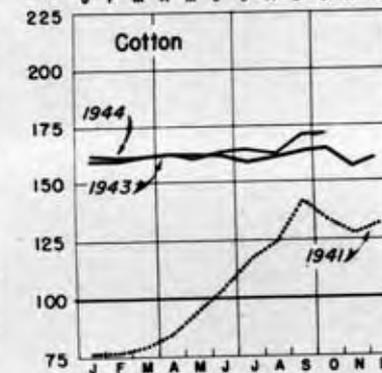
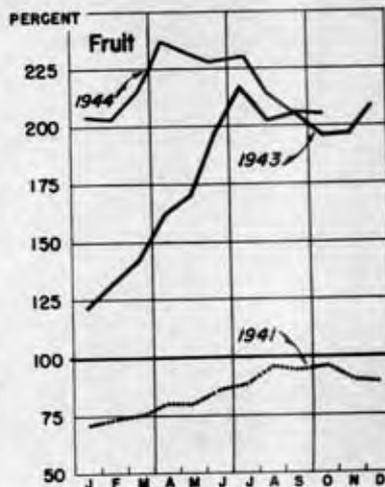
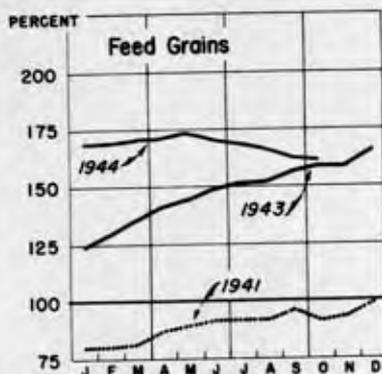
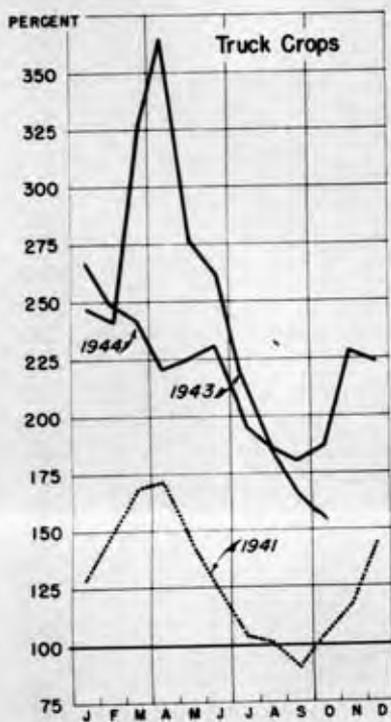
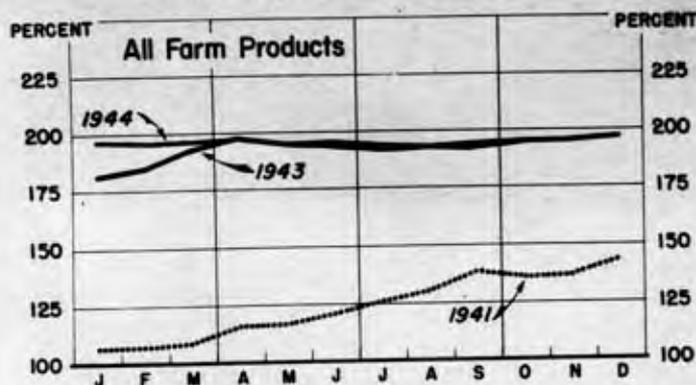
SELECTED BASIC COMMODITIES
 Percentage Change December 6, 1941 to Oct 27 and NOV. 3, 1944



193

AVERAGE PRICES RECEIVED BY FARMERS

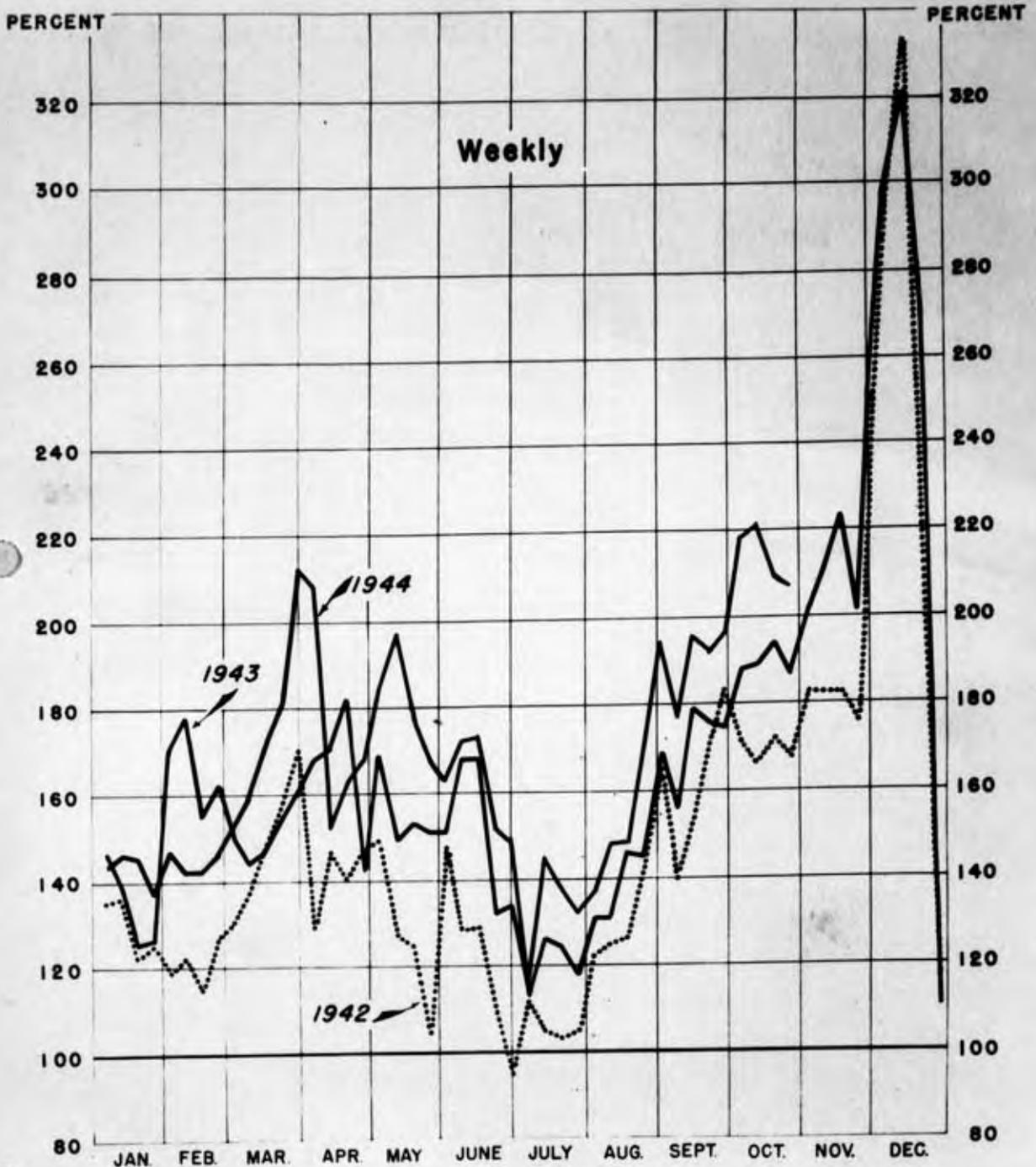
Indexes, August 1909-July 1914=100



194

DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE NOV 9 1944

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: Recent Developments in the High-Grade Security Markets; New British 1-3/4 Percent Bond

I. Recent Government Security Price Movements Mixed

The improvement in the market for taxable Government securities, which set in after the close of the Fifth War Loan drive, continued until the third and fourth weeks of September during which most taxable issues reached their highs for the year. About half of this rise was lost during the closing days of September and the month of October, but prices have been firm during the last week. Changes on the day following the election were negligible. The whole movement of the market in taxable securities since the Fifth War Loan has been of very moderate extent. Announcement of the Sixth War Loan basket, on October 6, had no appreciable effect on the market, indicating that the issues to be offered were in line with expectations.

The partially tax-exempt issues, on the other hand, have registered marked declines since the close of the Fifth War Loan. Losses average 20/32 in the case of issues not due or callable for five years or longer. Most of the issues in this maturity range reached their lows for the year at about the same time that the taxables were selling around their year's highs, but they have since recovered a substantial part of their losses. The weakness in the partially tax-exempts has been attributed by financial writers to current discussions of tax revision, particularly with reference to the corporate normal and surtax rates.

The called 4 percent bonds are currently quoted at 4/32 in excess of a zero yield. This indicates a probable premium of about 5/32 or 6/32 on the 2's of 1952-54, into which it seems probable the bulk of the exchanges of the 4's will go.

II. Excess Reserves Hold Close to \$1 Billion

Excess reserves of member banks on November 1, the most recent weekly report date for which figures are available, amounted to \$921 millions (Chart I). The volume of excess

Secretary Morgenthau - 2

reserves has fluctuated around an average level of about \$900 millions following its decline from the temporary peak during the Fifth War Loan.

Since excess reserves were at their high in connection with the Fifth War Loan, on July 12, it has been necessary for the Federal Reserve Banks to increase their holdings of Treasury bills by \$2,717 millions, and their holdings of other Governments by \$72 millions, in order to maintain member bank reserves. In addition, member bank borrowing from the Federal Reserve Banks increased by \$312 millions during the same period, and now stands at the highest level since 1933.

Temporary relief to bank reserves will come in a few weeks as funds invested in War Loan securities are transferred to War Loan accounts. After the drive, however, the pressure on reserves may be expected to resume.

At the latest report date, November 1, the reserve ratio of the Federal Reserve Banks -- which measures the statutory ability of the Reserve Banks to provide the market with funds -- stood at 51.2 percent. At this level it is approximately 14 percentage points above the legal minimum; but the "policy" minimum, below which it would be inadvisable to let the ratio fall without legislative relief, is somewhat closer.

III. Corporate and Municipal Bonds Below Recent Highs

High-grade corporate bonds continue to fluctuate within a narrow range, but are now somewhat below the highs registered early in October. High-grade municipals have fallen back from the all-time high prices reached at the beginning of August, the price declines being equivalent to a rise of 10 basis points in yield.

IV. Corporate and Municipal Financing Between Fifth and Sixth War Loans About \$1-1/2 Billions

Earlier Wall Street estimates that the volume of financing between the Fifth and Sixth War Loans would amount to a billion dollars appear now to have been overly modest. Figures available at present indicate that public bond flotations during July, August, September, and October totaled \$1,550 millions (Chart II). The volume of offerings for October is reported by the New York Times as \$680 millions, which, according to its records, is greater than for any month since April 1936.

Secretary Morgenthau - 3

The large bulk of the issues offered have been refundings to take advantage of prevailing low interest rates. Such offerings, of course, do not compete with the war loans for new capital. The strong condition of the capital market which these refundings reflect is further evidenced by the speed with which most of the issues offered have been taken up.

V. New British Treasury Tap Security Offered

Sir John Anderson, the British Chancellor of the Exchequer, on October 31, announced a new Treasury issue to be offered after November 6, in place of the 2-1/2 percent National War Bonds, 1952-54. The new security, a 1-3/4 percent Exchequer bond maturing February 15, 1950, represents a distinct departure from the previous war finance technique in Britain.

Since the outbreak of the war in September 1939, the public new money market issues of the British Treasury have been confined exclusively to:

- (1) 3-month Treasury bills yielding approximately 1 percent;
- (2) 2-1/2 percent National War Bonds (tap) -- five issues, with first call dates ranging from 5 to 8-1/2 years from the date when first offered;
- (3) 3 percent Savings Bonds (tap) -- three issues, with first call dates ranging from about 14-1/2 to 21 years from the date when first offered;
- (4) 3 percent War Loan, 1955-59, a nontap offering issued in March 1940.

(In addition, banks have subscribed to 1-1/8 percent 6-month Treasury deposit receipts.)

The new issue has a maturity approximately the same as the term to earliest call date of the first of the tap 2-1/2's. On subsequent issues of the 2-1/2 percent tap bonds the maturity was gradually extended. The new issue appears to constitute a marked change in the pattern of interest rates applicable to new government securities, although this aspect of the matter was de-emphasized by the Chancellor in his remarks announcing the new issue. Chart III shows the interest rate curve on issues available for purchase from the government as it existed

Secretary Morgenthau - 4

Just prior to the discontinuance of the 2-1/2 percent National War Bonds, 1952-54, and also the curve resulting from the substitution of the 1-3/4 percent Exchequer bonds for the 2-1/2 percent issue. These curves are compared with the pattern of interest rates on new offerings of Government securities in the United States, as represented by the rates on the issues to be offered in the Sixth War Loan and the current rate on Treasury bills. The several issues upon which the comparison is based are identified in the attached table.

The Chancellor, in announcing the new British Treasury issue, stated that the discontinuance of the 2-1/2 percent National War Bonds, 1952-54, was in accordance with the Treasury policy of replacement whenever the outstanding amount of an issue on "tap" reached a certain level. Subscriptions to the five issues of National War Bonds have been as follows:

<u>Issue</u>	<u>Millions of pounds</u>
1945-47	444
1946-48	493
1949-51	714
1951-53	522
1952-54	700 (approx.)

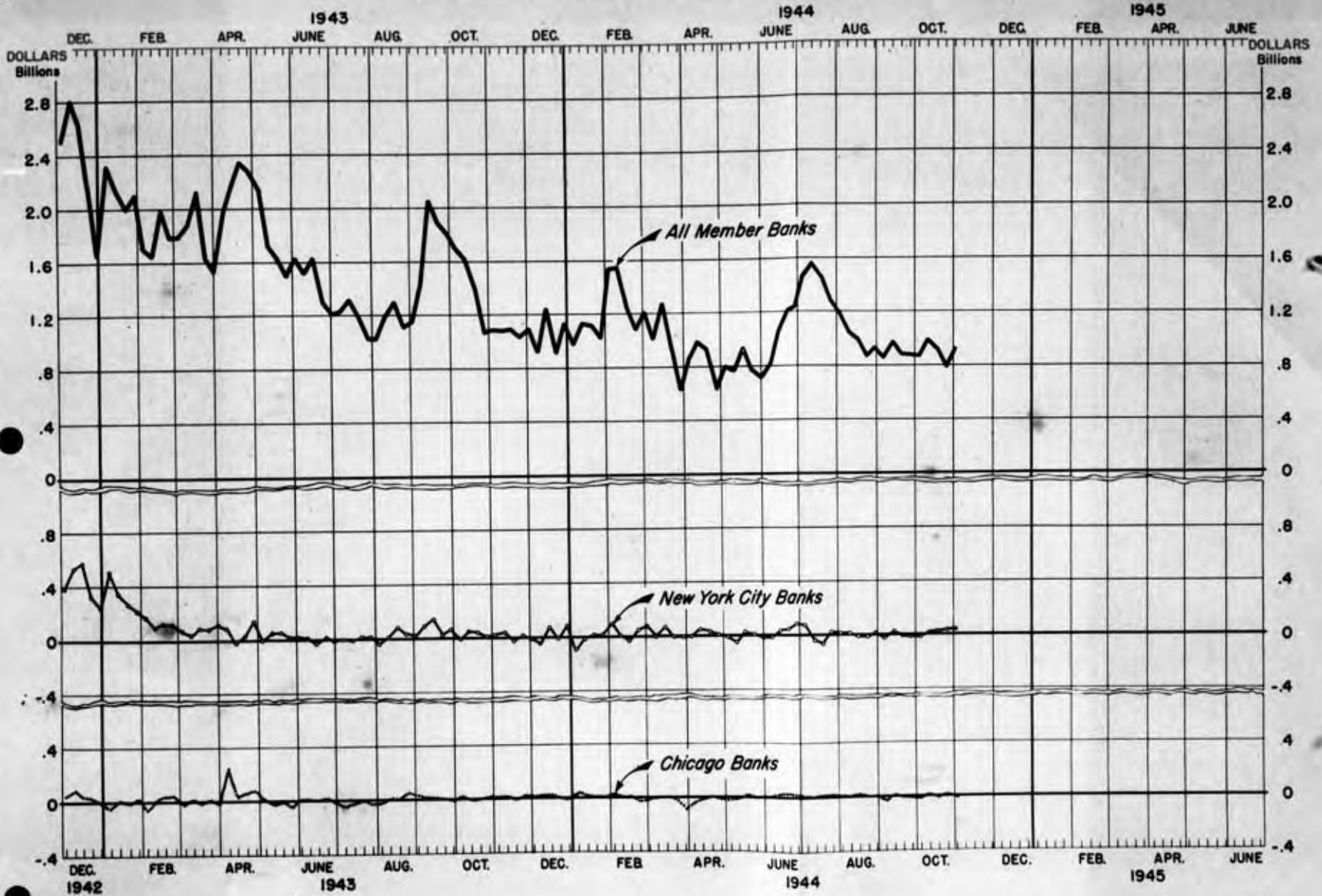
Thus, subscriptions to only one other issue have been allowed to reach as high a level as that attained by the recently discontinued 1952-54 issue.

It was stated further that it was contemplated that the new 1-3/4 percent bond would remain on tap for only a few months and that it would be replaced by another issue of the type of the National War Bonds.

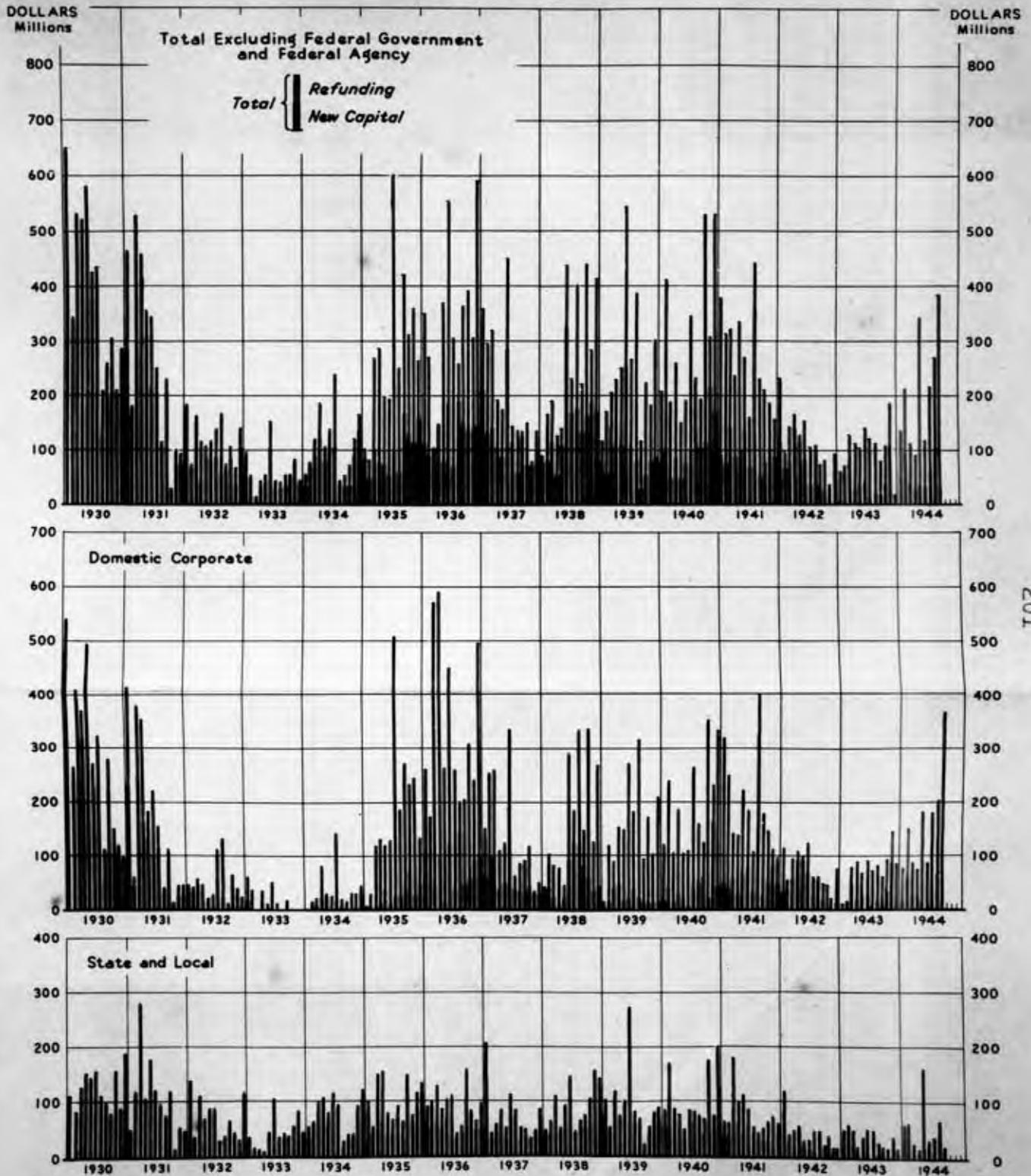
Attachments

Chart I

MEMBER BANK EXCESS RESERVES



TOTAL DOMESTIC BOND FLOTATIONS (EXCLUDING FEDERAL)

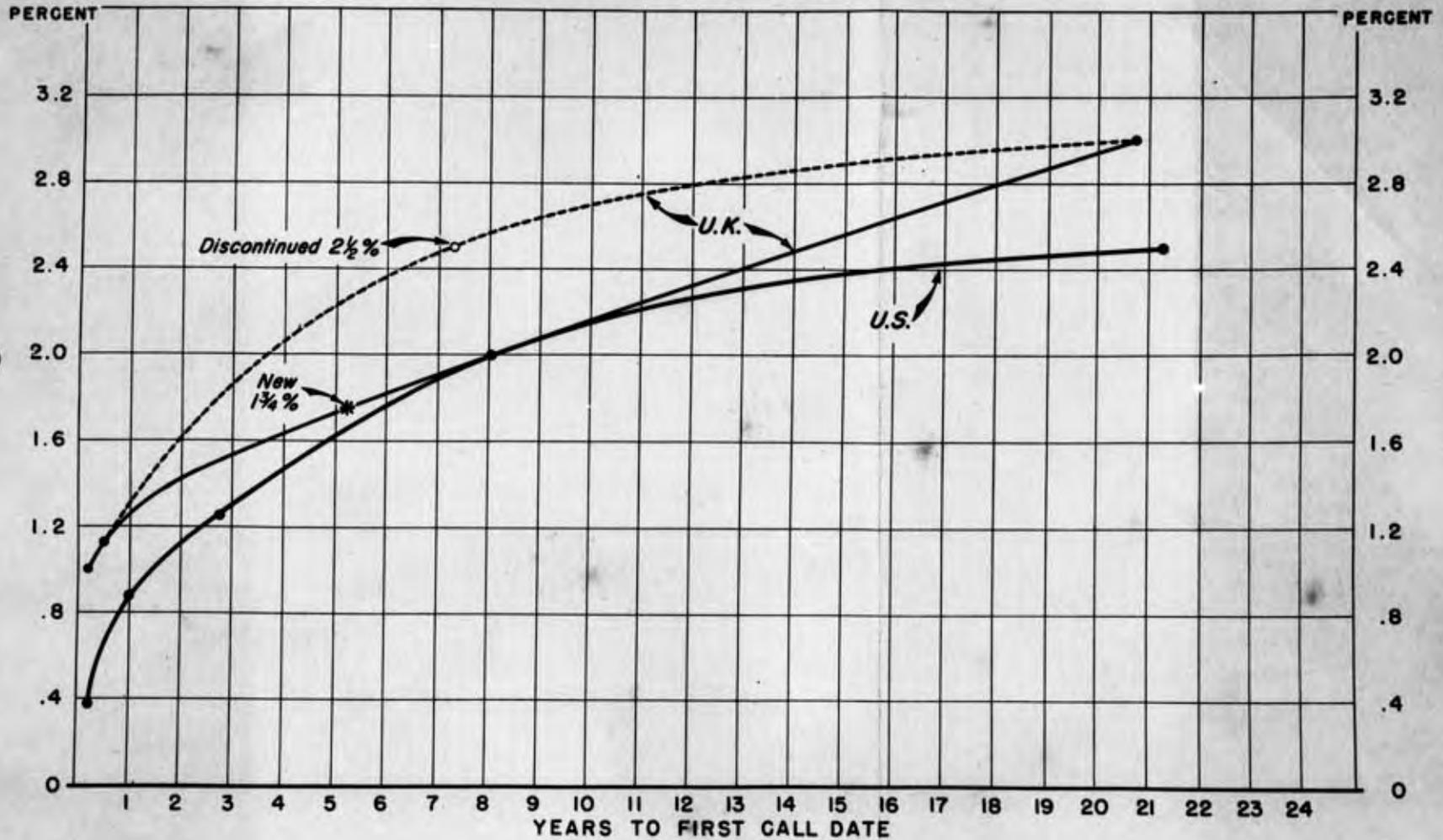


201

Chart III

CURRENT INTEREST RATES ON NEW MARKETABLE GOVERNMENT SECURITIES IN THE UNITED STATES AND THE UNITED KINGDOM*

Yield at Issue Price to Maturity or First Call Date



*Includes British Treasury deposit receipts

Current Interest Rates on New Marketable
Government Securities in the United States
and the United Kingdom

Issue	: Term to : : first : : call : Rate	(percent)
-------	---	-----------

United States

Treasury bills	3 months	0.375
Certificates of indebtedness	1 year	0.875
1-1/4 percent Treasury notes, 1947	2 years-	
	9-1/2 months	1.25
2 percent Treasury bonds, 1952-54	8 years-	
	1/2 month	2.0
2-1/2 percent Treasury bonds, 1966-71	21 years-	
	3-1/2 months	2.5

United Kingdom

Treasury bills	3 months	1.0
Treasury deposit receipts*	6 months	1.125
1-3/4 percent Exchequer Bonds, 1950 (new issue)	5 years-	
	3 months	1.75
2-1/2 percent National War Bonds, 1952-54 (discontinued issue)	7 years-	
	4 months	2.5
3 percent Savings Bonds, 1965-75	20 years-	
	9 months	3.0

*Not marketable; offered to commercial banks.

Form FEA 75

.204

FOREIGN ECONOMIC ADMINISTRATION

Date 11/9/44

Referred for action checked to

SECRETARY MORGENTHAU

- | | |
|---|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note and file |
| <input type="checkbox"/> Attention | <input type="checkbox"/> Previous correspondence |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Recommendation |
| <input type="checkbox"/> Consideration | <input type="checkbox"/> Record |
| <input type="checkbox"/> Correction | <input type="checkbox"/> RUSH |
| <input type="checkbox"/> Filing | <input type="checkbox"/> Reply for signature of |
| <input type="checkbox"/> Initials | |
| <input type="checkbox"/> Memorandum | <input type="checkbox"/> See me |
| <input type="checkbox"/> Note and forward | <input type="checkbox"/> Signature |
| <input type="checkbox"/> Note and return | <input type="checkbox"/> To be rewritten |

REMARKS:

FRANK COE

(Initials of sender)

Use reverse side if necessary

GPO 16-25317-3

Recd
11-9-44

TOP SECRET

COPY NO. 14

SECOND SUPPLEMENT TO THE STATEMENT OF BRITISH
REQUIREMENTS IN THE FIRST YEAR OF STAGE II

C O N T E N T S

- I. Revised estimate of balance of payments between U.K. and U.S. in 1945 (Non-Munitions).
- II. The scope for exports from U.K. to U.S. in 1945.
- III. A further note on the Lend-Lease eligibility of certain machine tools and manufactured articles for civilian end-use.
- IV. A second supplementary statement of items suitable for Chapter 3.
- V. A revised statement of the aggregate of British Lend-Lease requirements in the light of decisions up to November 6th, 1944.

Washington, D.C.
8th November, 1944.

TOP SECRETCOPY NO. 14

I. REVISED ESTIMATE OF THE BALANCE OF PAYMENTS
BETWEEN U.K. AND U.S. IN 1945 (NON-MUNITIONS)

1. The table on Page 10 of Annex A of the Statement of Requirements has been revised in accordance with the suggestions of the American Group by dividing the requirements under the several headings into three categories, namely:-

- (i) those which have been asked for on Lend-Lease terms, excluding the items in Chapter 3;
- (ii) payments in the United States for which cash is required on the present basis (i.e. including items at present in Chapter 3);
- (iii) certain dollar expenditure in third countries included as U.S. expenditure in the previous table (part of which is also included in Chapter 3).

Also, a further break-up is provided of certain items.

2. This amended statement has also provided the opportunity to include certain revisions, some of which have been previously reported.

3. Requirements.

\$ Millions

Head	U.S. L/Lease	U.S. Cash	Dollar Expenditure in Third Countries
1. Food, Civilian	774*	4 (Essential Oils Vitamin A Oils)	81 Caribbean Sugar 71 Icelandic prod. 10
2. Food, UK Forces	219	14 (Naafi 9 Pickles etc for the forces 5)	-
3. Materials	222	40 (Chemicals and misc. 28 Misc. Metals 6 Abrasives 2)	-
4. Oil	353	54 (Oil maintenance equipment 14 Capital equip- ment 40)	54 (Venezuelan crude 30 Oilfield expenses 24)
5. Tobacco	59	90	-
6. Other Imports :	23	125 (Machine tools 30 Industrial Eq. 20 Hand tools etc. 10 Spare parts 15 Other misc. imps. 50)	-
7. Shipping	877	125 (as explained in Chapter 3)	-
8. Interest etc.	-	60	-
9. Other payments	-	280 (Films 72 Missions in U.S. 60 Emigrant Remittances (Eire) 32 Travel Insurance etc)	-
10. Exports from U.K. on Reciprocal Aid (incl. - in exports below)			20
	<u>2527*</u>	<u>812</u>	<u>135</u>

* Excludes \$2 millions for the Colonies.

Receipts	
11. Exports (f.o.b.)	120
12. Interest etc.	40
13. Income from pay of U.S. troops in U.K.	60
14. Unidentifiable	260
	<u>480</u>
Cash expenditure in US	812
Receipts	<u>480</u>
Cash deficit:	332

(For notes on these figures see following page.)

Regraded Unclassified

NOTES

(a) Item 10. An entry in respect of exports on Reciprocal Aid appears for the first time. It was found on further investigation that benzol and coal tar acid which are given on Reciprocal Aid had been included in the estimated figure of 120 for U. K. exports to the U.S. in 1945. It is, therefore, necessary to offset this item on the receipts side, since it will not in fact bring in cash.

(b) The above table mainly represents items of account with the U. K. proper. But there are certain items relating to the rest of the Sterling Area which it has become normal for us to include in this table, particularly certain items relating to oil and shipping and immigrant remittances from Eire.

(c) In the previous statement there was double counting affecting certain dollar expenditure in third countries, which was included both in the table on Page 10 and in the table on Page 14. On the other hand, there was also a substantial item of double counting the other way, inasmuch as the income from the pay of U.S. troops in U.K. was included both on Page 10 and on Page 14.

(d) The British Group were asked to examine whether the estimate of receipts of \$120 millions from exports to U.S. in 1945 was sufficiently high. This matter is fully discussed in a separate section below. Further examination appears to justify the figure already given.

4. On the above basis, the table as given on Page 14 of Annex A of the British Statement of Requirements should be revised as follows:-

Rest of Sterling Area earnings from U.S. Forces	200	U.K. cash deficit with U.S. (see above table)	332
Dollar receipts from 3rd countries (Russia & Spain)	17	Rest of Sterling Area deficit	100
Net receipts of gold	<u>160</u>	Dollar payments to 3rd countries, as shown in table above	135
	377		
Estimated reduction of reserves	303	Refunds of U.S. dollars to Canada	63
		Increase in gold liabilities	50
	—		—
	680		680
	==		==

NOTES

(a) The reduction of reserves as now estimated at 303 compares with a reduction of 298 previously given (355 in the original statement reduced by 58 as reported in the supplementary statement).

(b) Discussion with the American Group indicates that the estimate of 200 for Sterling Area receipts from U.S. Forces, after allowing for sales of gold on behalf of U.S., may be over-estimated.

(c) The estimate of net receipts for gold assumes gross purchases of \$290 millions (South Africa \$210 millions, other countries \$80 millions) as against total gold sales of \$130 millions. The estimate of gold purchases from South Africa is based on the amount of the assumed deficit on current account in 1945 between South Africa and the United Kingdom, and does not assume any special receipts, such as were received in 1944. No allowance has been made for any exchanges of dollars for gold, which, of course, leave the total reserve of gold and dollars unchanged on balance. The estimated gold sales of \$130 millions assume that the agreements with third countries necessitating gold payments operative in 1945 will be of similar effect to those operating in the third quarter of 1944. Negotiations have, however, been initiated with a view to reducing the burden of such gold sales, though such alternative arrangements will mean a corresponding increase in the external obligations of the U.K. No allowance is made for possible receipts of gold from the Western European Allies. The estimate also assumes that there will be no further gold sales on U.K. account in India or the Middle East.

(d) The increase in the gold liabilities assumes that there will be no change in our present arrangements with Portugal, etc. But here also negotiations will be entered upon shortly with a view to making better arrangements.

5. The best hope for an improvement in the above position is offered by the prospect of revised arrangements with neutral countries, which now require payment in gold or gold liabilities, though, as pointed out above, the revised arrangements, if successful, will involve an increase in the growth of British overseas obligations. As against this, the assumed earnings from U.S. Forces in the above tables may be optimistic. The most dangerous item, however, is the estimate of \$100 millions for the deficit of the rest of the Sterling

Area. Further research indicates that this figure is almost certainly too optimistic. In the last quarter of 1944 it is believed that this deficit was running at an annual rate of \$160 millions. This figure will almost certainly become worse as shipping and goods are more easily available, unless there is much more stringent restriction than hitherto on the use of dollars by the rest of the Sterling Area. The position would, however, be eased if additional Lend-Lease assistance were given to Australia, New Zealand and India in respect of certain requirements of those countries which are at present excluded from lend-lease under the rulings as to end use and for other reasons. Details of such requirements are being communicated separately.

6. In a recent telegram, the Bank of England adhere to the estimate of a total reduction of reserves in 1945 of \$355 millions, as shown on Page 6 of the original statement. This figure is the result of more recent work than the original versions of the balance of payments on Page 10 of Annex A. We have no itemised details other than those given above which lead up to the figure of \$303 millions shown above. Nevertheless \$355 millions is still believed in London to be a better guide to the probable order of magnitude of the loss of reserves on the various assumptions set forth above. Having regard to the probable inadequacy of \$100 millions as the estimate of the deficit of the rest of the Sterling Area, and the complete absence of any provision for unforeseen contingencies, it is improbable that we can get nearer to the prospects than by an estimate for the reduction of reserves of some figure between \$300 and \$400 millions subject always to the various qualifications and assumptions mentioned above, and to the reservations already emphasised arising out of the inevitable precariousness of any such forecast. This could mean a total reduction in the reserves of between \$500 and \$600 millions from the figure at the end of August 1944.

TOP SECRETCOPY NO. 4II. U.K. EXPORTS TO U.S.A. IN 1945

Annex A, paragraph 12, in "British Requirements for the first year of Stage II" gives in the forecast of the U.K. prospective balance of trade in 1945 of the probable earnings from exports as \$1,740 m. for all markets and \$120 m. for the U.S.A. (see table - item 12).

Some surprise has been caused by the fact that although exports to the U.S.A. have been running at the rate of about \$80 m. per annum, the estimate for 1945 for this market is only 50% higher than previously, whereas the increase for all markets is about 80%.

The following table shows the principal U.K. exports to the U.S.A. in 1938 and recently :-

	(\$ millions f.o.b.)			
	<u>1938</u>	<u>1943</u>	<u>1944</u>	<u>Remarks</u>
TOTAL				
of which:-	81.0	77.0	79.0	
(U.K. Trade Accounts Group Headings)				
Beverages and cocoa preparations	22.8	24.8	17.0	All whiskey
Other food	1.6	-	-	
Wool, raw and waste, and woollen rage	3.2	-	-	
Silk, raw and waste and artificial silk waste	2.0	-	-	
Hides and skins, undressed	.4	4.0	5.4	War time trade
Pottery, glass, abrasives, etc.	1.6	2.8	2.9	Mainly pottery
Non-Ferrous metals and manufactures thereof	2.8	-	1.1	
Cutlery, hardware, implements and instruments	.8	1.6	1.7	
Machinery	2.4	2.0	2.9	
Woollen and worsted yarns and manufactures	4.0	4.0	1.5	
Manufactures of other textile materials	8.0	5.0	3.4	Excludes cotton, woollens, silk and artificial silk.

	(\$ million f.o.b.)			<u>Remarks</u>
	<u>1938</u>	<u>1943</u>	<u>1944</u>	
Apparel	2.0	1.2	.8	
Chemicals, drugs, dyes and colours	3.7	15.2	15.0	All benzol etc. on Reciprocal Aid.
Leather and manufactures thereof	2.8	1.2	.7	
Paper, cardboard etc.	.8	1.2	1.3	

(NOTE: Items amounting to less than \$1 m. have been omitted. They amount to about a quarter of the total).

Two items in the particulars call for special mention:

- (i) \$15. million of benzol etc. is recorded as an export, although no dollars are received, since supply is made on Reciprocal Aid terms. (This figure is lower than the equivalent value of the programme figure, which would be rather more than \$20 million).
- (ii) Whiskey accounts for \$17 million in 1944. No increase in exports is thought to be likely owing to the fact that little or no distilling has taken place during the war years.

In estimating the probable increase to exports to U.S.A. in 1945, the Board of Trade have therefore assumed an equal increase in all other items approximately equal to that forecast for all other markets, as follows :-

	1944	Forecast 1945	Approximate percentage increase 1945 over 1944
	\$ million	\$ million	
U.K. exports to all markets (non-munitions)	960	1,740	80
to U.S.A. :-			
All other items	47	83	80
Whiskey	17	17	nil
Total for cash	64	100	60
Reciprocal Aid items	15	20 (programme figure)	
Total Recorded Exports	81	120 (as given in balance of payments table)	

The fact that other traditional U.K. markets have had to be kept short of U.K. exports during the war makes it very difficult for the U.K. to contemplate directing a greater share of the increase to the U.S. market than is represented by above figures. Indeed, it will be with some difficulty that we shall

achieve parity in our increase to the U.S. with the increase proposed for other markets - in itself a very high target indeed for the first year of Stage II. Apart from whiskey our traditional exports to the U.S. consist of certain high priced specialities, e.g. pottery, woollen textiles and apparel. In these classes of consumer goods the U.K. consumer has been kept, during the war, at a volume of consumption far below that needed for normal replacements and in order to give the home market the essential extra supplies and to increase our exports, it will be necessary for us, at least in the first year of Stage II, to concentrate largely on the "utility" types which give a high output per man employed. These are not the types likely to find favour with U.S. consumers and to that extent our increase in exports to this market might be expected to fall below that to other markets rather than the reverse.

TOP SECRETCOPY NO. 14III. PROPOSED RESTORATION OF MACHINE TOOLS TO LEND-LEASE ELIGIBILITY

1. We have assumed total estimated value of machine tools, other than hand tools, to be procured for the U.K. in 1945 under Stage II conditions to be \$30 millions. This figure is probably somewhat inflated, the current rate of procurement being about \$22 millions a year. \$30 millions was the figure envisaged last March and for the sake of safety we have not altered it. Latest indications are, however, that the rate of procurement is likely to decline slightly rather than increase. For the purpose of these discussions, however, it is suggested that the figure of \$30 millions be retained.
2. Of the \$30 millions over 95%, say \$29 millions, represents tools required for the manufacture of munitions in the U.K. The largest part of this total consists of machines required for the production of aircraft. Other important elements are machines for naval equipment, other large machines for munitions purposes, components and parts for American machines now working on munitions in the U.K., portable tools (electric and pneumatic), and precision tools, all required for munitions purposes.
3. Nearly 90% of the machines required for munitions purposes are of a special kind which cannot be made in the U.K., the value of these tools is estimated on the above basis at just over \$25 millions. All the tools procured for non-munitions purposes are also of specialized U.S. types. A few items which are also manufactured in the U.K. are procured here because U.K. capacity is insufficient; all these are tools for munitions purposes. It is unlikely that we should export these whilst this pressure on U.K. capacity continues. It is accordingly estimated that tools required for munitions purposes, not involving export questions, can safely be put at \$27 millions.
4. We should not forget that our general proposals contemplate that a number of items which we presently secure on Lend-Lease may in Stage II be procured for cash. In the case of manufactured goods, the value to be transferred has been estimated

project of securing coal in the U.K. by opencast mining has been encouraged and facilitated by the U.S. Government from the outset, and machinery was furnished at the end of 1943 and early in 1944 under the highest military priority. The equipments then supplied were practically all used machines and it was therefore to be expected that a considerable quantity of spares would be required at an early stage.

2. The importance of securing increased coal production in the U.K. is well recognized and the U.K. is endeavouring to furnish up to 20 millions tons of opencast coal to Europe as a result of the programme.

3. The whole of the \$5 millions will consist of spare parts of various kinds, including spare parts for tractors, excavators, scrapers, etc., and also general supplies for the maintenance of the project, e.g., rope, chain, buckets. The spare parts included in this requirement are of special American types not made in the U.K. As regards maintenance supplies, e.g. buckets, rope and chain, similar material can be made in the U.K., but present capacity does not provide sufficient and supplies must be obtained from the U.S. The proportion of this latter group is approximately 20%.

Agricultural Machinery

1. This requirement must be looked upon as part of a combined effort to solve the general food problem. The programme of \$5 millions, which is a good deal less than that of previous years, is for machinery required in the latter part of 1945 to be used in the 1946 crop year. It is an essential part of the programme for enabling the U.K. to achieve maximum agricultural production with a view to meeting its own food needs and to relieve pressure which would otherwise come upon the U.S.

2. The programme contains no wheeled tractors since the quantities already supplied are deemed sufficient. \$3½ millions out of the \$5 millions consist, however, of spares for tractors and other American equipment already sent to the U.K. for food production purposes. Just over \$1 million in the programme is

at \$10 millions, but with the inclusion of raw materials the figure will be considerably larger. The proposed resumption of Lend-Lease on machine tools can thus be regarded as an offset against these transfers to cash procurement.

5. The question of ultimate convertibility to non-munition uses must also be considered. It is estimated that 70% to 75% of the value of the larger units could be converted, whilst 15% of the whole would be regarded as consumable. In all some \$12 millions out of the total value of \$30 millions will not be converted. The tools when converted by retooling or modification will undoubtedly be required for British post war industry. On the other hand, the U.S. right of recapture remains and, in the event of it being decided that the U.K. can take over the tools for industrial purposes, it is thought that an arrangement with the U.S. Authorities could be effected as has been done tentatively already in the case of the tools previously acquired on Lend-Lease terms.

6. This takes us to a point which has been raised as to the relation of the proposal now under discussion to the terms tentatively agreed between Sir Percy Mills and the U.S. Authorities at the beginning of the present month. It is not desired that that tentative agreement should, in any way, be affected adversely by the present proposal. It should be observed that the tentative agreement itself contemplated that there would be a few machine tools procured under Lend-Lease after the date on which the agreement became operative, and these few items would, in any case, be outside the Mills' agreement. It is true to say indeed that the Mills-Mason Britton negotiations help the present proposal in so far as they showed how an agreement can be reached ultimately where machines originally supplied for munitions purposes are required by the U.K. for non-munitions industry. What we are in effect asking for is that the munitions or military portion of the user of these machine tools be granted to us on Lend-Lease.

Opencast Mining Machinery

1. The circumstances in which this requirement is put forward are well known to the American Agencies concerned. The

for crawler tractors (tractors on tracks, not wheels), and the balance of \$500,000 is made up of harvester-combines and special equipment to increase the utility of the American made tractors now being used in the U.K.

3. It can be said definitely that all these are special American equipments which are not made in the U.K. So far as we are aware, no similar equipments are made in the U.K. even of somewhat differing types.

Civilian Tires

\$1 million has been included in the Lend-Lease programme for tractor maintenance tires and other essential civilian tires not made in the U.K. The tractor maintenance tires are for agricultural equipments and should be regarded as part of the agricultural production programme. The miscellaneous civilian tires, including bus tires, are now confined, so far as the Lend-Lease programme is concerned, to types and sizes not manufactured in the U.K. Any other civilian tires will be procured for cash.

TOP SECRET

COPY NO. 14IV SECOND SUPPLEMENTARY STATEMENT OF ITEMS SUITABLE FOR CHAPTER 3.A. ADDITIONAL ITEMS FOR LEND-LEASE

1. Cutting Tools: Types not made in the United Kingdom. \$250,000
2. Machinery required for emergency housing programme. Power presses, etc. \$930,000

B. ADDITIONAL CLAIMS, etc.

1. We still hold in the United States, a number of machine tools and other facilities. Of the total cost of \$25 millions, \$10 millions are under option to sell to user plants. It is suggested that the U.S. Government might take over these tools and facilities, paying us at "Clayton formula" rates. If this were done the U.S. Government would of course take over all our rights, subject of course to the options; subject to valuation we provisionally put this at \$8,000,000
2. Sale of Buildings to Packards. Previous to Lend-Lease, we erected buildings on land owned by Packards at a cost of \$5½ million. The buildings are now used by Packards for the manufacture of aero engines. Packards have now offered (and we are prepared to accept) \$200,000 for these buildings. The U.S. Treasury, however, have asked that this money be held "in suspense". \$200,000
3. Savage Arms. This is a claim for \$684,000 being the balance of approximately \$1,350,000 representing expenditure under our contract with Savage Arms, which was taken over retroactively by the U.S. War Department under the "Take-Out Arrangements" in 1941. \$675,000 was recovered, leaving the balance of \$684,000 which the U.S.W.D. would have paid us but it was held up by the U.S. Controller-General who held the arrangements were tantamount to loan of money prohibited by Johnson Act. \$684,000

4. Tennessee Powder Company, Chickmsaw Plant.
in connection with the take-over by U.S.W.D. of
our contract with DuPont's an arrangement for mutual
cancellation of certain claims was made under a letter
signed by Brigadier General R.E. Hardy, dated
November 14th, 1942. This provided that the War
Department would assume liability for certain pay
accrued prior to the take-over and in return we
would not claim for certain inventory which they
had taken over. The amount of the former is app-
roximately \$292,200. The U.S.W.D. whilst not dis-
puting that we have a claim, have suggested that it be
be satisfied by a reverse Lend-Lease credit.

\$292,000

T O P S E C R E TCOPY NO. 14V. NOTE ON PRESENT POSITION OF DOLLAR VALUES OF STAGE II LEND-LEASE

(N.B. Direct Dominions and Indian Requirements are excluded throughout)

1. We were asked to circulate a note giving a comparison between the present position, in the light of (i) Discussions with the U.S. Departments (ii) Modifications in our programmes (including revisions of price assumptions), and the statement of our requirements as first communicated to the U.S. Authorities.

<u>A. M U N I T I O N S</u>		<u>\$ Billions</u>
(1) <u>ORIGINAL SUBMISSION</u>		
2.	<u>NAVY</u>	.416
	<u>GROUND ARMY</u>	
	U.S.W.D. .769	
	F.E.A. .077	.846
	<u>AIR</u>	1.832
	TOTAL OF MUNITIONS	3.094

3. The above figures excluded any allowances for spot items, ship repairs, aircraft modifications, and, so far as possible for delivery charges.

(11) U.S. OFFERS ON BASIS COMPARABLE TO ORIGINAL SUBMISSION

		<u>\$ Billions</u>
4.	The <u>NAVY PROGRAMME</u> has not been discussed in detail and must therefore stand at:	.416
5.	The <u>GROUND ARMY</u> figure for <u>U.S.W.D.</u> Items comparable to the figure \$.769 million above is: (Annex "A" shows the detailed make-up).	.604
6.	The <u>GROUND ARMY</u> figure for <u>F.E.A.</u> Items immediately comparable to the figure of \$77 millions above remains at the moment unchanged; in addition the requirement for Indian Locomotives and Wagons has been transferred to F.E.A.; if this is accepted the total of F.E.A. Items would be:-	.107
7.	The <u>AIR</u> figure strictly comparable to the figure of \$1,832 billions (but see Para 11 below) is:- (Annex "B" shows the detailed make-up)	1,312
8.	The <u>TOTAL</u> on a basis strictly comparable to the figure of \$3,094 in the original submission is:	2.439

(iii) SUPPLEMENTARY PROVISIONS AGREED BY U.S. AUTHORITIES

	<u>\$ Billions</u>
9. In the course of the negotiations, agreement has been reached on the dollar values for certain of the allowances and charges referred to in para 3.	
10. For <u>SPOT ITEMS OF GROUND ARMY EQUIPMENT</u> an allowance has been agreed of:	.050
11. For <u>SPOT ITEMS IN THE AIRCRAFT AGREEMENT</u> an allowance has been made which will cover, <i>inter alia</i> , any deliveries we may secure of certain aircraft of which firm offers could not be made; this amounts to:	.200
12. For <u>AIRCRAFT MODIFICATIONS, HANDLING, AND DELIVERY CHARGES</u> , an allowance of 10% was added in a number of categories; this was excluded from the figures of \$1,312 above, and amounts to:	.131
13. The <u>TOTAL</u> of these Supplementary Provisions for which we have firm offers from the U.S. Authorities is:	<u>.381</u>

(iv) SUPPLEMENTARY PROVISIONS STILL UNDER DISCUSSION WITH U.S. AUTHORITIES

	<u>\$ Billions</u>
14. <u>SHIP REPAIRS AND CERTAIN OTHER CHARGES</u> were excluded from the figure of \$416. millions for the <u>NAVY</u> ; they amount to about	.106
15. For <u>F.A.A. AIRCRAFT</u> , we are also proposing to ask for a special allowance, to cover such additional assignments as might prove possible in the light of production and strategic developments, amounting to:	.075
16. The <u>TOTAL</u> of these further provisions is:	<u>.181</u>

(v) SUMMARY OF MUNITIONS

	<u>\$ Billions</u>
17. The figures for <u>MUNITIONS</u> may thus be summarised as follows:	
Total comparable to original \$3.094 billions	2.439
Items agreed by U.S. Authorities but excluded from \$3.094 billions	.381
Items excluded from \$3.094 and not yet agreed by U.S. Authorities	.181
	<u>3.001</u>

18. There are certain other items, including possible delivery charges on Ground Army Items (say \$30. millions) and Air Training (about \$15. millions) which are not included above.

B. NON-MUNITIONS(1) ORIGINAL SUBMISSION

19. Our requirements in the original submission were made up as follows:

	<u>\$ Billions</u>
<u>FOOD, etc.</u>	1,064
<u>OIL</u>	.475
<u>SHIPPING</u>	.993
<u>RAW MATERIALS</u>	.222
<u>MISCELLANEOUS GOODS</u>	.013
<u>TOTAL</u>	<u>2,767</u>

(11) SUBSEQUENT REVISIONS

20. The revised requirements as communicated on the 29th October were:

	<u>\$ Billions</u>
<u>FOOD</u>	1,064
<u>OIL</u>	.353
<u>SHIPPING</u>	.877
<u>RAW MATERIALS</u>	.222
<u>MISCELLANEOUS GOODS</u>	.013
<u>TOTAL</u>	<u>2,529</u>

C. S U M M A R Y

21. The TOTALS for both MUNITIONS and NON-MUNITIONS together are as follows:

	<u>MUNITIONS</u>	<u>NON-MUNITIONS</u>	<u>TOTALS</u>
	<u>\$ Billions</u>	<u>\$ Billions</u>	<u>\$ Billions</u>
<u>Original Submission</u>	3.094	2.767	5.861
<u>Revised Figures to date on Comparable Basis.</u>	2.439	2.529	4.968
<u>Supplementary Provisions already agreed.</u>	.381	-	.381
<u>Supplementary Provisions under discussion.</u>	.181	-	.181
<u>Totals of Revised Figures</u>	3.001	2.529	5.530

(Signed) F.G. Lee
Austin Robinson

Washington, D.C.
November 6th, 1944.

ANNEX AWar Office and Ministry of Supply Programmes.

	\$m.
(1) Total U.K. Requirements at U.K. calculated prices	846
(2) <u>less</u> F.E.A. Items	77
(3) Total U.K. Requirements from U.S.W.D.	769
(4) Total adjusted for Items valued but not finally submitted and corrected to U.S. prices.	728
(5) Reductions of Requirements agreed by U.K. Representative Representatives	124
(6) Remaining U.K. Requirements	604
(7) Of which: Unqualified Acceptances	325
(8) Items subject to Bids	86
(9) Acceptances subject to Production Possibilities	188
(10) Allowance for Air Corps and "Other Navy" Items	5
(11) Allowance for Spot Items (not included above)	50
(12) Total U.S. offer	654

Notes:

- (4) Items valued but not submitted \$36 m. (mainly clothing). Net correction for prices \$5 m.
- (5) For items covered see Table below
- (8) Includes Light Cargo Carriers (\$6 m.), L.V.T.'s (\$53 m.) Special Fuzes from U.S. Navy Dept. (\$20 m.) .30 Carbines and Ammunition (\$7 m.)
- (9) Of this total, \$157 m. represents items for which full detail is not yet available.

ANNEX B
AIRCRAFT AGREEMENT

	<u>Value Asked</u> <u>at our prices</u>	<u>(as included</u> <u>in original</u> <u>Submission)</u>	<u>(as adjusted</u> <u>before detailed</u> <u>negotiation)</u>	<u>Value Given</u> <u>at our</u> <u>prices</u>	<u>at U.S.</u> <u>prices</u>
<u>Aircraft Etc.</u>					
R.A.F.	720		723	452	446
F.A.A.	341		315	195	180
Gliders & Helicopters	69		63	63	42
<u>Components</u>					
Merlin Engines	213		213	213	184
Others	127		127	127	125
<u>Supplementary</u> <u>Spares</u>	100		100	100	91
<u>Radio & Radar</u>	162		162	162	198
<u>Bombs</u>	100		75	75	46
<u>Total of Above</u>	<u>1,832</u>		<u>1,778</u>	<u>1,387</u>	<u>1,312</u>
%	100		97	76	
<u>U.S. Provision for</u> <u>Modifications, Handling</u> <u>Delivery, etc.</u>					<u>131</u>
<u>Spot Items</u>					<u>200</u>
<u>Grand Total</u>					<u>1643</u>

Notes:-

- (1) The above figures cover an allocation of 383 Corsairs.
- (2) The Liberator Cargo (E Y-3) aircraft, though to be procured by the U.S. Navy Department, have been included under R.A.F. aircraft, as they are in substitution for an R.A.F. requirement for C. 54's.
- (3) Provision is made in the figure for Spot Items to cover possible Assignments of certain types of aircraft for which firm offers could not be made.

Treasury Department
Division of Monetary Research

226✓

Date... November 9... 19 44

To: Secretary Morgenthau
From: Mr. White

You may be interested in glancing
at the Chancellor of Exchequer's
statements on Bretton Woods.

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

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

AA 227

TELEPHONE EXECUTIVE 2020

23rd October 1944.

My dear Harry,

Some recent expressions of opinion in London concerning Bretton Woods have lately arrived which are worth your attention, if you have not seen them already.

First and foremost is the very important speech from the Chancellor of the Exchequer delivered at the Mansion House on October 4th. I have no doubt that this speech was intended for the United States as well as for the British public. Yet, to the best of my knowledge, it received only the barest mention in the American Press through brief cabled comments at the time when it was delivered.

Nevertheless, the speech is of the first importance for two reasons. To begin with, it is the first definite official statement of the Chancellor of the Exchequer of the attitude of the Government to Bretton Woods. In the second place, it contains a very specific statement of the Chancellor's interpretation of Article VII of the Mutual Aid Agreement. If the Secretary has not already seen this, I should be grateful if you could call his attention to it.

"The Times" leader on the speech, which I also attach, is, as you will notice, by no means satisfactory. The opinion from "The Economist", which I also attach, is rather better, but considerably qualified. I also enclose another paper giving the Chancellor of the Exchequer's answer to a Parliamentary question on September 28th. This is of secondary importance, but you may be glad to have

it for your records.

If you have not already received copies of the cuttings, by all means keep these. Otherwise, I should be rather glad to have them back when you have finished with them, since they are the only ones I have.

Sincerely yours,

Maynard Keynes

Dr.H.D.White.



DEPARTMENT
OF
STATE



INCOMING
TELEGRAM



DIVISION OF
COMMUNICATIONS
AND RECORDS

Mr. White (Mr. Barnette - orig.)

Rec + Conf - UK

229

CP-715

PLAIN

London

Dated October 5, 1944

Rec'd 12:36 a.m., 6th

Secretary of State

Washington

8382, Fifth

FOR SECRETARIES OF STATE AND TREASURY

COMMUNICATIONS
AND RECORDS
(LEWISON)
1944 OCT 7 AM 9 22
DEPARTMENT OF STATE
DIVISION OF

There follows the complete text of the addresses of Sir John Anderson and Lord Catto delivered at the Lord Major's luncheon to bankers and merchants at the mansion House October 4, 1944. From the FINANCIAL NEWS October 5:

Sir John Anderson said: "This traditional ceremony would I am told have been held last year but fell through because of the sudden and tragic death of my predecessor Sir Kinglsey Wood who was personally known to so many of you. I have the best reasons for appreciating how much our country owes to the wisdom and courage with which he handled the national finances while he was Chancellor of the Exchequer. The solidarity of our position and the control established over inflationary tendencies

which

-2- #8382, Fifth, from London

which would cause hardship to large numbers of our people both afford hope that we may move to the problems of the peace serious though they will be down a well planned road. This result will be a fitting memorial to Sir Kingsley. It is right for me to pay this tribute here to the man who made my task so much easier than it might have been.

It is customary on this occasion when the Chancellor of the Exchequer stands up before representatives of finance and commerce in the city of London - and I am still bold enough to believe that the City of London will be again the world's centre for finance and commerce - to expect him to say something of interest. Whether that tradition adds to the enjoyment of the other guests or indeed to that of the Chancellor of the Exchequer who is honored by the invitation must be a matter of opinion. But I shall defer to the tradition and try to say something which I hope may be of interest to some of you.

You will not expect me today to make any formal and far reaching declarations of government policy. We are meeting in a more intimate atmosphere in which I might, as the phrase goes, 'think aloud' on one or two subjects on which in due course decisions will have to be taken.

In doing

-3- #8382, Fifth, from London

In doing so I am with your leave going to by pass the problems of our internal finance. Thanks to the sound lines of policy laid down in the early years of the war and thanks also to the remarkable way in which our people have sustained the great effort which they have been called upon to make, our financial and economic position is today, after five long years of a most exacting war, strong enough to be a legitimate source of pride. In the fifth year of war when our expenditure was higher than ever before, we met a greater proportion of it than in any of the previous four years out of current tax revenue. The very large sums we have had to borrow each year can truly be said to have been raised in ways which have avoided the risks awaiting any government which must by hook or by crook raise large sums of money in a limited time to meet inescapable obligations. It is I think no mean achievement that out of a total borrowings during the war of nearly £13000 millions less than 30 percent took the form of floating debt in the hands of the public; and that in the process of raising over £4000 millions from the public on medium and long term securities the terms have steadily improved in favor of the Exchequer.

We are now, when some relief from the burdens of war

seems

-4- #8382, Fifth, from London

seems at last to be in sight, contemplating the acceptance of fresh obligations in various directions. It is my duty to see that the Government and Parliament do not accept such obligations without counting the cost. If the people of this country are prepared to work for a better standard of life as they have worked for victory - not with the same intensity but with the same purposeful resolution - all will be well. Any expenditure can be justified which is matched by increased productive efficiency. This is the light in which every new proposal must be judged. I shall have to develop this theme at greater length on some other occasion.

Meanwhile there are other subjects on which I wish to talk to you today and I ask you first to go with me to Bretton Woods in whose pleasant groves my friend Mr. Morgenthau, Secretary of the United States Treasury, summoned the International Monetary Conference. This conference produced a document called the Final Act, which has been published. It is I confess a difficult document inevitably long and technical. There are some obscurities of language in it which have led to misunderstanding and must be clarified. The time for detailed exposition will come when the whole matter has to be debated in Parliament.

But it

-5- #8382, Fifth, from London

But it does seem to me important that while necessary and useful preliminary discussions are taking place in the press and among interested groups, one or two misunderstandings which unless they are corrected may darken counsel should be removed.

The document is the draft of an international agreement which the technical experts of the United Nations submit for favorable consideration by the governments and legislatures concerned. Neither our government nor any other government is in any way committed to acceptance of it.

At the same time, if we find that the United States and other countries important in international trade and finance decide that it is acceptable to them, we must not reject it lightly. If we have to choose between standing out of international institutions or taking a leading part in making them work, particularly when they are institutions for economic cooperation, I have no doubt where our true interest lies. Anyone who doubts this has only to look at the map of the world and see how widely spread our interests are and with how many countries the frontiers of those interests march.

Moreover we should betray much of the hope for peace

if we failed

-6- #8382, Fifth, from London

if we failed to carry forward into those difficult years the unity and cooperation that have existed between us and our chief Allies during the war.

The second point I want to make is that the Bretton Woods document explicitly recognizes that while we might agree upon objectives and methods when the world's trade is settling down, countries like our own have to face an extremely difficult period of transition in which they must keep their hands free to deal with their difficulties as they arise and as seems best period it is in our interest to make that transitional period as short as possible and equally, to endeavour while it lasts to develop our policy so that others will be willing to cooperate with us.

For these reasons the first plea I make with regard to the results of the Bretton Woods Conference is that what was done there should be studied carefully. I say 'what was done there' deliberately for some of the criticisms are about the things that were not done there. It is complained that the conference did not deal with commercial policy and the removal of trade barriers, with the stabilization of commodity prices, with schemes for bulk purchases and long term contracts, and so on.

I admit

-7- #8382, Fifth, from London

I admit all these criticisms at once but the answer is that the conference was not summoned to deal with these subjects. It was dealing with the essentials of international monetary policy without which policies of economic cooperation in other parts of the international field could not be sustained. Bretton Woods is not the end of the story. Indeed the success of some parts of the Bretton Woods plan will depend in turn upon schemes of cooperation in other related fields.

I do not want to range too widely today; but there is one point that I must bring to the attention of some of the critics of the Final Act. I mean those who appear to think that the line of safety for us after the war is to reserve our full rights to enter into discriminatory commercial and currency agreements not only as temporary measure during the transitional period but permanently. Various ways of achieving this have been suggested and one of the criticisms of the Final Act is that it would prohibit or frown upon such arrangements. Now I think it is doubtful whether in fact the Final Act is decisive on this point, but there is another and wider issue involved. It is an issue of good faith. Under Article VII of the Mutual Aid Agreement, the master

agreement

-8- #8382, Fifth, from London

agreement under which we have received assistance of prodigious amount, we agreed to work for the elimination of all forms of discrimination in international commerce. The only qualification was concerned with imperial preferences. We are bound by this agreement and we are going to honour it. Incidentally, quite apart from the Mutual Aid Agreement, by our commercial agreement with the United States of 1938 we also accepted a policy of nondiscrimination in trade. I would ask those who recommend what is in essence a barter system as the basis for our international trade; do they really wish us to follow a course which goes back on what we have formally agreed with the United States and flouts one of the principles of international commerce to which the United States Government attach importance, and which as a matter of fact I believe in our own interest is a sound principle? If we discriminate, other people can discriminate. If we indulge in barter other people can indulge in barter. It is a difficulty in all agreements and contracts that one party cannot have it all his own way.

I commend these issues to your very careful consideration.

I am also

-9- #8382, Fifth, from London

I am also told that the Bretton Woods Conference means a return to the gold standard. Now I doubt whether those critics who use the words 'gold standard' as a term of approbrium always have a perfectly clear idea of what they mean, but perhaps one can assume that what they are thinking of is a system under which the external value of sterling was fixed, and the internal credit policy was made subservient to the maintenance of that value. To that system, if it ever existed in such a crude form, we do not propose to return. I have not minced my words about that in Parliament.

But it is said that Bretton Woods has tied our exchanges in virtually the same way whereas the experience between the wars has shown the necessity for flexibility or adaptability in exchange rates.

To read some criticisms one would imagine that Britain's foreign trade fundamentally depends upon exchange rates, which rush up and down almost like a barometer in a cyclone. Now that is nonsense. For a country whose whole economy is widely influenced by international trade, some reasonable stability in the value of sterling is of primary interest. We have not much less interest in the reasonable stability of other

peoples

-10- #8382, Fifth, from London

peoples exchanges. I do not go the whole way in believing that the greater part of our troubles between the wars was caused by unstable exchanges. Nor do I believe that countries with a major interest in international trade lightly alter their exchange rates. Those alterations disturb internal as well as external values. But there is no doubt that the instability of the exchange rates of some important countries at some periods between the wars was a disturbing factor in international trade. After the huge economic disturbance of this war we must expect difficulties in arriving at equilibrium in the balance of payments.

The Bretton Woods document follows a middle course in this matter. So far from imposing a system of rigid exchange rates, it expressly recognizes the need for adjustment of exchange rates to correct disequilibrium. If we believe it is in our own interests to have a reasonable stability of exchange but at the same time to have a method for the orderly adjustment of exchanges when the occasion arises, I do not see very well how one could have a very different principle from that stated in the Bretton Woods document.

It is of course true that to a certain extent we

would

-11- #8382, Fifth, from London

would bring our exchange policy under review by an international body on which we should be represented. But so would every other country. We would not surrender any ultimate right to follow our own policy but we would accept an obligation to recognize that the adjustment of the exchange value of sterling, or of any other major international currency, is a two ended process and that we owe it to the general interests of international trade to consult with an international institution before we make a change which will affect our commercial as well as our financial relations with other countries. For those who are particularly anxious on the question of our freedom to adjust our exchanges, I would commend a study of Section 5 of Article 1V of the document, the last paragraph of which makes it obligatory on the management of the fund to allow a change in exchange rates in order to correct a fundamental disequilibrium.

Before the conference at Bretton Woods took place I made it plain that the Government would watch with great care our position with regard to our exchanges. For myself, I am absolutely unimpressed by the loose criticism that by accepting the plan we shall have returned to the gold standard in the sense of putting our policy under the

dictation

-12- #8382, Fifth, from London

dictation of others.

There is much more that has to be said about the Bretton Woods document and I feel confident that it will be said, but for the moment I have chosen these three points - the international aspect of the document, the provisions for the difficulties of the transition, and the treatment of exchange values, for comment here, before you, who have such wide knowledge and such great responsibility for international commerce.

I should like now to turn to an entirely different subject - the relation between the Government and industry, commerce and finance after the war. You will not expect to find me greatly concerned to test each issue of policy by asking whether this is true private enterprise or that is good Socialism.

I am tempted to think that those who make extreme judgements in these matters overlook one not unimportant motive in human conduct - the ordinary desire to do a job properly for its own sake. An honest ship well found is an honest ship, whether its ultimate owners are a large and scattered body of shareholders or a public authority. Pride of craftsmanship and enterprise are not the sole prerogative either of private or of public trade. Whatever

may be

-13- #8382, Fifth, from London

may be the ultimate shape of our economic structure in this country, it is quite clear that after waging a terrible war we shall have too much to do to waste time on sweeping up all private enterprise and turning it into some other kind of enterprise. But private enterprise has a public responsibility. I believe this to be true at any time, but in any case I am certain that it is true for the very difficult conditions of the resettlement of industry and trade in the immediate years after the war. We must all recognize this new partnership and develop it to the full. It will be the duty of the Government to exert itself to achieve conditions in which private enterprise can play its part worthily and well; it will be a big part. But those conditions cannot be achieved unless private enterprise is willing genuinely and regularly to consult with the Government on main lines of policy, and to accept the determination of the Government to take a much closer interest in the general lines of industrial and commercial policy than it has taken in the past.

A gathering like this would not seriously wish for any other policy in the situation in which we shall find ourselves. The interest of the Government in private enterprise does not mean interference by the Government at

every

-14- #8382, Fifth, from London

every stage. The closer the voluntary consultation, the less frequent will be the need for interference.

I need hardly remind you of the bearing of taxation policy upon industry and trade after the war. I tried to give some evidence of my own appreciation of this fact in my budget last April. It is part of the public responsibility of the Chancellor of the Exchequer in these days that he must pay continuing attention to the relation between taxation and industry, but speaking quite plainly it will be much easier to ensure that that attention has fruitful results if trade and industry recognize their public responsibility by close and free consultation with the Government.

Finally I want to say a very brief word about our external financial position after the war. We shall emerge with heavy overseas obligations, but at the same time our credit throughout the world will stand very high. I hope I am not doing unorthodox in suggesting at such a gathering that the basis of national credit is the character of the people, their courage, their determination and skill, and above all their productive efficiency. I do not think that anyone need be apprehensive about our possession of these real assets. Now that means that our financial indebtedness can be translated into physical terms of

production

-15- #8382, Fifth, from London

production. I tell you and I speak under a sense of responsibility that I believe we can see our way through. We can meet our obligations in a realistic way, that is, by producing the goods that other countries will want. The process will take time, but it depends in the main not upon skillful financial adjustments, but upon the willingness of our own people to recognize that as they fought their way to freedom so they can work their way to security and progressive improvement in all their material conditions. It depends also upon the recognition by our creditors that they have a common interest with us and must collaborate. They must be reasonable and not seek to treat war debts on the footing of ordinary commercial obligations. Practically the whole of our external obligations incurred during the war are to our Allies and associates in the war. We have incurred a debt to them - but have they not also incurred some kind of a debt to us which they too can pay, by their confidence in us, which has stood a much sterner test, and by their practical cooperation with us?"

Lord Catto, Governor of the Bank of England, said:
"Such an occasion as this seems hardly complete without my distinguished predecessor who on so many occasions replied

to this

-16- #8382, Fifth, from London

to this toast with his characteristic charm. I am glad to assure you he is well and greatly restored in health. To succeed him as Governor of the Bank of England has not been a easy task; but it is an honor of which I am deeply appreciative. It carries with it however many responsibilities - not the least of which is my ordeal today of replying to the toast so eloquently proposed by Sir Robert Pearson and responded to with so much kindness by you all.

It is perhaps permissible, without undue optimism, to look forward a little, and I should therefore like to say a word or two about the situation that will face us at the end of hostilities. I am frequently asked whether this country can regain its old financial and industrial leadership. Well, I am full of quiet confidence!

It is true that our national debt is likely to be about three times as much as it was at the end of the last war. It is true also that part consists of obligations to overseas countries of an important amount. All that is a heavy burden. But the productive capacity of the country and therefore the national income have also very substantially increased since the end of the last war.

Recovery will not be easy: it will require much

effort

-17- #8382, Fifth, from London

effort, much restraint, and to use historic words of our great Prime Minister, much 'toil and sweat' to make full use of our productive capacity. However great the effort, it will have its compensations for if guided aright it will assist the full employment policy to which the Government is committed and with which we are all in such ardent sympathy. But recovery will need something more; it will need a resurgence of that individual initiative, that resourcefulness, and that spirit of adventure which in war and in peace have ever of old contributed to our country's prosperity and to its greatness.

In that respect the City of London must be given lead and play a major part. I do not need to tell you that her position in world commerce and in finance is unique - and I would ask you to note I say 'is' and not 'was'. And that comes not from wealth: not from stocks of gold or foreign investments - for we have less of these than we had! But rather from something more lasting: something that even war cannot destroy or take from us, and that is, the City of London's generations of accumulated experience, the integrity of her institutions, and her reputation for fair dealing. That is a precious heritage! It is still intact, in spite of war and in spite of destroyed

-18- #8382, Fifth, from London

of destroyed and damaged buildings. And it is this heritage that will inspire leadership of the City of London in providing financial sinews so that the vast manufacturing output of our country and the unsurpassed technical skill of our people may be given full scope.

It will be my duty, and my endeavour, to help that leadership, and I know I will receive in full measure that help, that guidance, and that support from the financial and commercial community of the City of London which as a new and untried governor I will sorely need and which, if I may say so, I have a right to expect. For I have taken on my new work in no spirit of ambition but with humble duty to serve the country at this difficult and anxious time.

But, I am asked, even if we are able to carry internally our national debt, how about our external obligations? Well, next to our distinguished Chancellor of the Exchequer, to whose great speech we have just listened with so much interest and instruction, I suppose I know as much about these debts as anyone. They are large and they have special difficulties of their own in regard to their liquidation. But let me say at once, these debts do not fill me with dismay; although I would not like to contemplate what they might have been but

for that

-19- #8382, Fifth, from London

for that financial miracle 'Lend-Lease' and the most generous war contributions of Canada. Many countries may well end the war with national debts proportionately as large as we have, but no other nation has an external financial problem of anything like the magnitude of ours. It arises through our heavy overseas expenditure in the long weary war years and our inability in that period to counterbalance that expenditure by exports in any considerable volume: for we have devoted our whole resources, without counting the cost, to the single task of winning the war. In a word, what we have done is to use in advance a substantial part of our postwar export capacity. Our problem therefore will be to export in sufficient volume to enable us to pay for our current essential imports - of raw materials and food - to maintain the standards of living of our people and to have some surplus towards the gradual and orderly liquidation of our external obligations. It is indeed a serious problem. But there is this consoling thought that it is not our problem only: it concerns just as much the creditor countries: in fact, it is a world problem. For plainly, the extent to which we can import world products is dependent upon that gradual and orderly liquidation of

which

-20- #8382, Fifth, from London

which I have spoken. Obviously if in the early years too large a proportion of the value of our exports and services goes in liquidation of these debts then there will be that much less with which we can buy the current exports of creditor countries and the rest of the world. And that is serious for all, for we are a very important market! In fact we are and are likely to continue to be the greatest importing country in the world! And therefore the world's best customer!

These are plain economic facts. They should be widely understood: For on a full appreciation of them will depend the solution of the problem of these external obligations in the interests not alone of this country but of the creditor nations themselves and the whole world.

The Chancellor of the Exchequer has spoken of the feature aim of government plans and policy: in particular that government expects, and has a right to expect, full cooperation in these plans and policies from the financial and industrial leaders of the country. He has told us there must be closer working between the appropriate government departments and business people so that individual effort and initiative may be best aligned in the national interest. I am sure I can speak for you all

in promising

in promising that closer working. I think the financial history of the war, so far as the City of London is concerned, is evidence that I can give that assurance without hesitation. As the Chancellor well knows, the city has accepted without reservation all and every rule and regulation imposed by government and has loyally observed not only the formal but every informal indication of government policy. But in giving that assurance I venture to hope that closer working with government departments will not involve too great delay or curb that individual initiative, that resourcefulness and that spirit of adventure of which I have spoken, and I am sure the Chancellor will agree with me.

I have nearly finished and I conclude on the same note of quiet confidence with which I began. But I cannot end without some reference to the glorious but anxious days through which we are passing. I have spoken much of debts. But these sink into insignificance when we think of that other form of debt - the debt of gratitude - that we owe to those who are fighting for the world's liberty; to those who have been wounded; and above all to those who have made the great sacrifice

and to

-22- #8382, Fifth, from London

and to their stricken families at home - in particular to those in this ancient house of great hospitality.

My Lord Major, I thank you on behalf of the bankers and merchants of the City of London for your hospitality and for this gracious revival of these time honored gatherings".

WINANT

JM

Treasury Department 251
Division of Monetary Research ✓

Date Nov. 9, 1944 19

To: Secretary Morgenthau

I think you will be interested
in glancing through this letter
from Mr. Friedman.

H.D.W.

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

COPY

October 28, 1944

252

Dear Mr. White,

Chungking seethes with rumor, charges and counter-charges, intrigue and truths not yet made public but nevertheless widely known. The news of the naval victory in the Philippines is, of course, beginning to dominate all thinking and all are trying to judge the effects on the many problems vexing China today. I believe that the first reaction of the liberal pro-American Chinese is the fear that, coupled together with the other current developments, it might result in the complete bypassing of China. They are eager for China to play an important part in the war against Japan not only because they are sincerely and deeply anti-Japanese but also because they seem to feel that in joint participation with the U. S. in the war lies the best chance for the emergence of a strong democratic China. They are also very concerned about the elections for they feel that the Republicans will not favor, as Mr. Roosevelt does, this strong democratic China. I would imagine when the news becomes public of the appointment of a two star general (Wedemeyer) to replace a four star general in this theatre and, if it is true as I hear, that the China-Burma-India theatre is being split into two and that Formosa and Hainan Island will not be included in the China theatre, the liberal groups will see in these developments further justification of their fears aroused by the recall of Stilwell that China is being eliminated from Allied strategy as an area of major military importance. It seems safe to say that we have in China today the paradox that those groups who would like to see American influence in China strong are being thwarted and suppressed by the government that the U. S. gives its support and recognition.

- 2 -

I have had the opportunity in recent weeks of meeting some of China's liberal leaders who do not belong to any party. They see the present government as hopelessly corrupt and inefficient; they charge it with unwillingness to prosecute the war against Japan vigorously; they claim that, as now constituted, the Government is hopelessly reactionary; they say that the only solution is a real coalition government in which the Kuomintang would have the largest representation but not a majority; they see the Kuomintang-Communist conflict as clash between those who favor the complete unification of China's armies under the present military leadership and those who insist that democratic reform must precede military unification - in this dispute they side with the Communists because they (the liberals) say unification of the armies under the present leadership would not mean a more effective war effort but a less effective effort and would very seriously weaken the chances of democratic reform; they answer the question whether they are not afraid that they are being made use of by the Communists by saying that they are confident that their (the liberals') policies, namely, democratic reform and national unity, are truly popular, and that the Communists would lose their present support if they tried to go beyond this; they look to the U. S. as their foreign friend and express wonder as to whether the American people realize that unless a democratic solution is found to China's problems, the basis for a new world war will have been laid. One of the leaders of this group is a Mrs. Liu who is a member of the People's Political Council. She visited Chengtu recently and was invited along with some others by a group of cultural organizations belonging to the various universities to conduct a forum on the condition of China. She did so and all the cultural organizations were

- 3 -

consequently suppressed by the Ministry of Education. In the People's Political Council she maintained the position that China's military defeats were not the result of insufficient foreign aid and spoke of the heart of China being dead. She says she is prepared to be "soft-jailed" and cheerfully adds that it will give her the opportunity to write a book. She is a product of American education and has great admiration for the U. S. (She is about 50; her husband was a doctor, killed in the war)(I need not say that in talking with her as well as with any others, I am very careful not to express any personal opinions.)

The military situation in the Southeast seems to be rather static. Some well-informed people are saying that the Japanese are now engaged in a political campaign in China and for the time being are easing up on a military campaign which was undermining the position of the Chungking Government and that this situation would prevail until after the elections in the U. S. They also say, however, that the naval defeat in the Philippines may make it necessary to complete this campaign quickly to provide an overland escape route for the Japanese troops in the Netherlands Indies, Malaya, etc.

The Salween campaign is also quite static at the moment, but in this case the initiative is the Chinese. I have just spoken to some officers who have come up from this front. The Generalissimo has practically ordered the campaign to stop even though they have now in their possession the territory to build the much desired road. Some here feel that the Generalissimo may pull out of the Salween campaign completely since it was mostly Stilwell's project, even though this road presents the most

- 4 -

immediate prospect of further breaking the blockade. The building of the road is not going as rapidly as expected because of the Chinese attitude.

I do hope that you received the copy of the memorandum I sent on conversation between Davies and Mme. Sun Yat-sen since it is fairly typical of the liberal reaction to Stilwell's recall. To them it meant a major victory for the Generalissimo and his policies. They say that the news of Stilwell's return was received with much glee by the Supreme Military Council here. It is wondered here what this will mean for the military mission to Yen-an and the prospects of direct aid to the guerilla areas. The communists seem to feel that there will not be a fundamental change in our policy since our policy is based on the desire to do all possible to facilitate the defeat of Japan. It seems to me, however, that this assumes that China will continue to be an important strategic area.

There are still no new developments with regard to the 5 man mission to Yen-an and, although its departure is already long overdue, no definite date, it is believed, has been set.

There has been considerable speculation in Chungking as to whether Nelson is returning as he planned. Most people seem to feel that he will not because of his departure from the WPB. There is little evidence that I have seen that anything important is being done to implement his proposals.

The autonomy movement in the Southeast seems to be developing. It is said that a conference of military leaders in the Southeastern provinces has been going on in the Kwangtung city of Loting, including the famous defender of Shanghai, General Tsai Ting-Kai, and General Chang Fah-kwei, in charge of

- 5 -

the defense of Kweilin, is reportedly not unsympathetic to the proposal supposedly being discussed, i.e. the establishment of a semi-autonomous government in the Southeast. Moreover rumor has it that the representatives of the Governor of Yunnan, Lung Yung, are also participating in the discussions. The Generalissimo is said to be making overtures to Marshall Li, one of the principal leaders in this group, to accept a job in Chungking but it is not thought likely that the Generalissimo would be willing to accept the terms on which Li would come.

The correspondents who went to Yen-an have finally returned. The real hero here seems to be Votaw since he is an employee of the Chungking Government who was known for his violent anti-Chinese communist attitude. On his return to Chungking he made a public statement to his colleagues in the press hostel that he had been wrong and that in his extensive tour of the Northwest he had seen the China he had always favored. It remains to be seen whether this will cost him his job with the Ministry of Information. A similar case is that of Harrison Forman, London Times correspondent who had been known for his complete cynicism and lack of faith in anything. His enthusiasm for the Northwest is that of a reformed sinner.

There is a good story about Stilwell's withdrawal that I have frankly hesitated to tell because it's sort of off-color, but I believe it is too significant to omit. During their last interview, the Generalissimo offered to Stilwell the highest military order the Chinese Government has to give. The General told the interpreter to tell the Generalissimo "to stick it up his ___". (It is presumed that this was not translated literally to the Generalissimo.)

- 6 -

Sol wrote me in his letter of October 13 that he expected to leave Washington about Nov. 1 and since this letter will not leave China until about November 1, I am not enclosing a letter for Sol, but, instead, have made a copy for his information when he arrives here. I need not say how glad I will be to return home.

Please give my best regards to my many friends in the Division.

Sincerely yours,

Irving

P.S. I am enclosing letter for information and action of Treasury regarding purchase of foreign exchange by Army Personnel.

P.P.S. Please excuse the typing.

COPY

FORWARD ECHELON
HeadquartersUnited States Army Forces
China Burma IndiaChungking, China
October 23, 1944

Mr. Irving S. Friedman,
U. S. Treasury Representative in China,
c/o American Embassy,
Chungking, China.

Dear Mr. Friedman:

Since the discontinuance of the sale and/or purchase of Chinese Clearing Board Drafts, etc., by military personnel on 21 September 1944, it has come to the attention of the undersigned that many purchases made by individuals prior to that date have failed to clear due to various reasons such as checks being erroneously drawn, banks failing to accept checks, and the inability of the Clearing Board to deliver checks to certain personnel who were absent on duty in the field.

We would appreciate your notifying the Treasury that this headquarters has no objection to such individuals, mentioned above, making final clearances of such purchases subsequent to 21 September 1944.

For General STILLWELL:

(Signed) C. M. Davis

C. M. Davis
Lt. Col., A.G.D.
Asst. Adjutant General

Treasury Department
Division of Monetary Research

259 ✓

Date Nov. 9, 1944 19

To: Secretary Morgenthau

You might want to glance at
this letter from Taylor and Aarons.

H.D.W.

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

200 92

AA



TREASURY DEPARTMENT

WASHINGTON 25

11 October 1944

AIR MAIL

AIR POUCH

NO. 104 Personal and Confidential.

Dear Mr. White:

The situation of American and related agencies in London since your visit here has changed drastically, and during the present period of transition is in a state of pretty bad confusion. [Winn Riefler of the Economic Warfare Division has resigned and returned to the States, assertedly to resume teaching duties at Princeton.] Bill Stone, formerly of the Foreign Policy Association, has taken over, but so far as we can gather, no one has any clear idea of what the future of EWD will be. We talked to one of the officials of the Embassy yesterday and he said that he expected that most of the people in EWD would be taken over by the State Department sooner or later. MEA is also in a period of flux. As you may know, there is currently taking place a tussle between FEA in Washington and MEA in London. It is the feeling of Phil Reed and his group that all FEA boys going to the continent should be responsible to and report through the London MEA office. Steve Mitchell of the State Department who is proceeding to the Embassy in Paris, told me that this was an impossible situation and that State was going to insist upon direct communications with Washington. In that event, it looks as though MEA may have its wings clipped and many of its functions taken away. As you know, Ambassador Phillips is no longer here and no one has been appointed to take his place. His assistants, Tom Wailes and Robert Pell, have been ordered to join the Embassy in Paris. With Ambassador Phillips gone and General Holmes located at Versailles, it would be impossible to organize a quorum on the American side for the Combined Civil Affairs Committee, London.

SHAEF represents the transition and confusion that prevails for the moment. Until quite recently SHAEF FORWARD was located in Versailles, and SHAEF MAIN in London. Within the past week, SHAEF MAIN has been transferred to Versailles and London SHAEF now becomes SHAEF REAR. Almost all of SHAEF functions have been transferred out of this area to France, and people remaining in London have been left to gather up the loose ends and to

Mr. Harry D. White,

2,

11 October 1944

facilitate such communications as are still routed through London. Col. Bernstein continues to be Deputy Chief of the Financial Section of SHAEF and, therefore, must spend much of his time in Versailles, although he plans to spend some of his time in London because German planning is still centered here.

A new organization has come into the picture on planning for Germany. It is the Allied Control Commission compounded at the present time of the U. S. Group Control Commission and the U. K. Group Control Commission. It is hoped that the Russians will participate by establishing in London a Russian Group Control Commission. General Wickersham is currently the head of the American Group, although there are many rumors to the effect that he will not long remain in this theater. The State Department has assigned three people to work with this Commission, viz., Bob Murphy, Jacob Beam and one yet to be designated. FEA has named three people, Messrs. George S. Wheeler, Samuel Wennberg and David F. Levitan. Colonel Bernstein is the chief of the Finance Section in the American Control Group. We expect to have a conference with Colonel Bernstein soon and will report to you in greater detail regarding the work and personnel at that time.

EAC continues on its merry way. The American section of EAC is now busily engaged either in drafting or having drafted for it a series of detailed directives on what should be done in Germany. The EAC boys are busy having OSS and various sections of Army Civil Affairs draw up these directives for it. These directives will then be sent back to Washington for comment and clearance with the State Department, at which time they will be issued as official American papers.

The American newspaper comments on the treatment of Germany have evoked considerable comment and discussion in the British press. A large section of the daily press and the more important weeklies (The Economist, New Statesman & Nation, Statist, Spectator, etc.) are all for lenient treatment of Germany. They phrase their case in terms of the necessity of returning Germany to the family of nations, but on final analysis their argument tends to come down to a discussion of Britain's trade with Germany and the rest of the continent, and the necessity of maintaining strong political alliances on the continent. As indicative of the sort of thing that is currently being written, I am attaching herewith an article from the October 7 edition of the New Statesman and Nation. A few papers, on the other hand,

Mr. Harry D. White,

3,

11 October 1944

have urged the necessity of adopting a strong and resolute attitude toward Germany. The London Daily Express (Lord Beaverbrook) has run a series of articles along these lines, the latest of which, by J. L. Garvin, appeared in the Sunday Express for October 8, and is attached herewith. The Chronicle has also urged a strong attitude towards Germany.

The question of what to do about Germany has not been allayed by the evasive tactics pursued by the Prime Minister and Mr. Eden in their recent statements in the Commons. Some 38 members of Parliament, including Socialists, Liberals, Independents, Common Wealth and I. L. P., have subscribed to a Motion to the effect that the House would welcome a Government declaration in respect to the policy to be adopted for Germany. This group is in favor of encouraging the emergence within Germany of a new regime composed of democratic-minded persons in whom the United Nations could have confidence. It is to be anticipated that these people will not rest until they have forced a public debate upon the subject. It is possible that Mr. Churchill may have more to say about this subject when he returns from his current discussions in Moscow.

On the Clipper coming over I had an opportunity of talking with Bill Shirer, who told me he was on his way to cover the news front in that section of Germany now occupied by American forces. He stated that he was rather impressed by the Treasury program as he had been able to piece it together from the press articles and that he was personally glad that the matter had been flushed into the open. He mentioned having given a radio address in New York recently in which he urged the necessity of dealing with the Germans in a tough manner. Subsequently he received a letter from Dorothy Thompson protesting against his "hysteria" and requesting him not to be "sentimental" in future on the German issue. He said that what he had been able to learn about our activities in the occupied areas of Germany did not give him any confidence that the issues would be handled satisfactorily. I asked him specifically what information he had received and he mentioned some despatches he had read from Bill Stoneman of the Chicago News and Drew Middleton of the New York Times, indicating that we are playing around with Nazi officials and treating the German population leniently. He acknowledged, however, that it was too early to pass judgment on the significance of these matters inasmuch as the area under occupation was still very very small.

Mr. Harry D. White,

4,

11 October 1944

It may interest you to know that Col. Graeme Howard, Chief of the Economic Section for the U. S. Group Control Commission in Germany, is planning on returning to Washington within the next week or two. Col. Graeme Howard is a former Vice President of GMC and a close friend and adviser of Mooney, former president of GMC. Howard has let it be known that he expects to recruit a large body of personnel, including agricultural experts for his economic section for Germany. One of his aides is Major Kimmel, formerly of the Department of Agriculture. Kimmel has stated that they are in the process of hiring a number of high-powered food experts from Washington to institute a detailed program of control for German agriculture. The situation is such that one feels that these people have either not seen the September 22 interim directive or do not feel that it means what it says.

I was somewhat surprised to find upon my arrival that Iver Olsen was in London. He states that he came here on OSS business, although he has not been able to give us a detailed or adequate report of what he is doing whilst here. He tried to arrange for a trip to Paris, but it was cancelled at the last minute. I have suggested that he should write you a lengthy letter from here about his work in Stockholm and his thoughts regarding the future of the Treasury Office there. I have told him that I thought it would be a good idea if he were to obtain your prior approval before taking off on other trips as he had intimated that he might want to visit Finland, Norway when liberated, or Germany, when occupied.

London continues to receive visits from the Nazi doodle-bugs. Some of these have been launched from the pick-a-back planes although it is understood that still others are being sent over. The present activity is nothing compared to that which we had this summer. The British Government is moving workers into London to repair bomb damage and plans to have a force of 100,000 men working on the reconstruction of dwellings, apartments and public establishments.

Very truly yours,

RECEIVED
 Treasury Department
 OCT 11 1944
 Division of
 Monetary Affairs

Wm. H. Taylor
 Wm. H. Taylor
L. C. Aarons
 L. C. Aarons

Mr. Harry D. White
 Assistant to the
 Secretary
 Treasury Department
 Washington, D. C.

U. S. Treasury Representatives

Treasury Department
Division of Monetary Research

265

Date Nov. 9, 1944 19

To: Secretary Morgenthau

You might want to glance at
the red-penciled portions of this
letter from Aarons.

H.D.W.

WHITE
- Room 214-1/2

286 24



TREASURY DEPARTMENT

WASHINGTON 25



AIR MAIL

London

AA

AIR POUCH

October 11, 1944

No. 103

Dear Mr. White:

I have just returned from a short trip to Paris and thought you might be interested in a few observations.

I left London (via Air Transport Command) on Sunday afternoon, October 8th, and arrived back here again Tuesday noon, October 10th. The specific purpose of the trip was to talk to Hoffman and Col. Bernstein on the problem of restoration of financial and business communications and lifting of trading with the Enemy restrictions. I am drafting a comprehensive cable on that subject and therefore shall not go into the matter here except to say that the lifting of the ban on communications would naturally raise a question as regards effectuation of the purpose of Saxon's trip. Thus, if financial and commercial relationships are allowed to be restored, by virtue of our contemplated deletion of France from General Ruling No. 11, it is pertinent to ask whether this would not permit the American banks to "jump the gun" and reestablish relationships, ratify past conduct of their Paris offices, etc., before we had a chance to complete our investigation.

My answer to this is that there is in fact no ban on communications with Paris right now and that it would be better for Treasury to deal with the matter ad hoc with the head offices in the United States. There is a steady stream of people, both in uniform and in civilian clothes, proceeding daily to and from Paris on official business. There is no censorship or security examination, or questioning of any nature (insofar as Americans are concerned) on the journey to Paris. There is a pro-forma security examination on the return journey. It is necessary for civilians to obtain a visa and a military permit in order to go to Paris. However, when Paris becomes part of the "zone of the interior", as is contemplated very soon, it is probable that the French will ease up on such restrictions as now exist.

In other words, it is so simple a matter now to communicate with Paris, either personally or through persons who travel there, or through State Department channels, that it would be only a hollow gesture - and one which would produce no substantial benefits for us - to insist on a retention of our legal restrictions on communications and financial intercourse, especially after external closed letter service is resumed, and after Paris becomes part of the "zone of the interior".

It is also a simple matter at the present time to take sterling and dollar currency from England into France, although it is understood that in the very near future new policing measures on this score will be installed. We and the Financial Branch of G-5 SHAEF, as well as the interested U.K. agencies, have pressed for the installation of these policing measures. At the present, however, no questions are asked of outgoing passengers, no instructions are handed out, and no signs or posters are in evidence on the subject. There are good grounds for believing that many pilots and passengers carry sterling currency to Paris, sell it for around 400 francs to the pound, and that some of them bring back francs for reconversion at the Finance Office here. This supposition is reinforced by the universal discontent expressed by U.S. officers on the rate of exchange. It is their most popular subject of conversation. They blame the United States for not giving them enough francs to meet the high Paris prices. That is as far as the average thinking goes, except that they think they are thereby fully justified in using black market currency facilities.

I found that the officers' messes in Paris were good and that breakfast cost 10 francs, and lunch and dinner 20 francs each. Officers are generally billeted in luxurious establishments. Cabaret entertainment, champagne, etc., are, of course, not priced on the same level.

Passing to another subject, Hoffman is now occupying the office of the former Treasury Attache and, in accordance with Taylor's and my agreement, is going to break away from formal attachment to the SHAEF Mission for France, although he will, of course, continue to cooperate fully with the SHAEF people in and around Paris. Hoffman feels that he can effect this change in status (whereby he will become exclusively a U.S. Treasury Representative attached to the diplomatic mission) without a formal statement on the subject from Washington. He will let you know if he runs into any difficulties. To the extent practicable, Hoffman will communicate with you directly from Paris through the mission there, but will furnish us copies of all such communications.

At Taylor's request I passed on to Hoffman a number of suggestions as to subjects for reporting by him, and also had some general discussion with him concerning his work.

Saxon was in the process of orienting himself when I was there. He had only arrived a few days before my arrival. He had scheduled a conference with the Paris manager of Chase Bank the day of my departure.

You will be interested to know that Saxon's plane was shot up by anti-aircraft fire on his passage to Paris. The pilot was not too familiar with the route and passed over Alderney, one of the German-held Channel Islands. They were under attack for

*The year was 200
number is the
day who took
us to tea*

about three minutes. The first shell wounded General Betts (G-2). The succeeding ones knocked out both motors and riddled the plane. Just as the plane was about to hit the sea, the pilot succeeded in starting one motor and managed to reach an emergency landing strip on the mainland coast. Saxon and his baggage miraculously escaped without a scratch. Saxon counted over 100 holes in the fusilage of the plane.

Sincerely,

L. C. Aarons

L. C. Aarons,
U.S. Treasury Representative.

Mr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
Washington 25, D. C.

P.S.: Since the above letter was written, your No. 8283 of October 9 has been received. Inasmuch as it is advisable that Taylor should proceed to Paris to confer with Col. Bernstein, General Hildring, and others, we are trying to make arrangements to get a reservation for him on the plane leaving here October 13. Under the circumstances, he will arrange for Hoffman's return to London. Inasmuch as Saxon is already in Paris, there should be no difficulty in arranging for him to take over. It is our view that Hoffman can be usefully employed in France, and that, given instructions, he will stay within the reservation. However, we await your further instructions on this matter.

RECEIVED
OCT 13 1944
Division of
Monetary Research

L.C.A.

Treasury Department
Division of Monetary Research

269 ✓

Date.....Nov. 9, 1944

●: Secretary Morgenthau

This letter from Hoffman raises
some important questions that you may
want to discuss with us, though they
are not directly Treasury business.

H.D.W.

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



TREASURY DEPARTMENT

WASHINGTON 25



AIR MAIL

Paris
October 12, 1944

SECRET

Mr. H.D. White
Assistant to then Secretary
United States Treasury
Washington, D/C/

Dear Mr. White:

I understand that Lt. Col. Cadys is returning to the States early next week and am taking this opportunity to write to you directly on a matter which I would not want to report through ordinary channels. I will send a copy to Taylor in London for his information. Please excuse the typing, which is my own, as I have as yet no secretary except a soldier through whom I would not want this to pass.

As I have reported on numerous occasions the basic political situation in France remains in a very uncertain state. It is extremely difficult to get a clear picture of all the forces at work, but it is certain that the future of France is going to be governed to a great extent by what is going on now and in the next few months. It is my impression that the dominant factor in the situation is the widespread and deep-rooted determination on the part of the masses of the people to force through a real "new deal" in the control of the French state and French economic life. This is what underlies the demand for epuration in the broad sense. There can be no question but that the articulate working classes, small bourgeoisie and, to a great extent, the higher income groups as well, are thoroughly and completely fed up with the kind of control of government and industry which existed prior to the war. While this feeling is generally expressed in the form of demands for cleaning out collaborators it is clearly a much more fundamental matter at bottom. I think it is important to realize this, as many current developments are comprehensible only in the light of this fact.

In this situation, and under the extreme difficulties of a material and economic nature under which all administration must be carried out now, the government has as yet not taken action to meet the public pressure for "epuration" and reorganization and gives an impression of not being able to meet the issues squarely. DeGaulle's recent speeches (copies of which have been forwarded in the form of clippings) are supposed to outline the governments policy on major issues. Of these, only the Lille speech seems at all outstanding and that sounds to most Frenchmen like the same old popular front line which got nowhere.

There are, therefore, tremendous potentialities in the situation as the government line is not fixed.

In this unsettled situation the French are looking everywhere for guidance. They are extremely receptive to views of outsiders, particularly the English and Americans. They are also, of course, determined that they will handle their own affairs and sensitive to the point of mild insanity on the question of sovereignty etc.. All this is natural under the circumstances. However, they are clearly looking for straws in the wind and for help and guidance, and they are being influenced by what they are told about American and British views. (I am speaking now of our influence on opinion, not our obvious influence on policy which arises from the presence of our armies here, day to day dealings with the French, etc..) This brings me to the special point of this letter.

I am convinced that American influence, which could do a lot to stabilize the situation and push it in a progressive direction, is, first, being very poorly represented, and, second, almost wholly bad. The caliber of our diplomatic representation is not high, to put it mildly. The people in this embassy are without ^{but} exception career officers in the foreign service who have not one spark of drive or imagination and who would, on the whole, be incapable of getting across a policy if we had one. They are not bad people, they are simply not competent to represent the United States in a country like France. They are not even competent to report on political developments because they have no real conception of what those developments are about. It is my conviction that our top people have not the slightest appreciation of what is going on now in a situation which is, in the real sense, revolutionary. There is nothing in the past record of Reber (Eisenhower's adviser on France) or Chapin (charge d'affaires) to indicate that they would have such appreciation. I have called on Chapin numerous times to discuss in a general way the problems I am dealing with and he has never had one single thing to offer except to complain about the cost of living and ask whether I thought they could get bigger allowances. The situation is a disgrace. Unfortunately it is not relieved by the caliber of our representation on the military side which is, if anything, worse. The SHAEF mission is, in my opinion, even less competent than the embassy to represent our government here and interpret to the French our policies and point of view. There is, in fact, nobody here who could be looked upon as a strong, competent, and effective representative of our government at a time when such representation is probably more important for the future of Europe and of our relations with Europe than it will ever be again. I have not met the new ambassador but advance reports do not lead me to believe he will remedy this situation.

The second and more important point is that I believe that what influence the U/S/ is exerting is in the direction of thwarting any real progress towards the solution of the basic political problems of France. It could hardly be otherwise under the circumstances. Whenever there is a question of supporting,

even in small ways, a point of view or a policy the American view which the French are likely to get is one that encourages inaction, or action to thwart the radical and progressive elements in the country in their drive for change. I don't see how there could be any doubt in the mind of the average French official but that the U/S/ policy is against change, against nationalisation of industry, against radical monetary or tax measures, and for a strong policy against communism. The local views which are heard and which get acceptance here are mostly those of people who have something to lose from epuration or changes in industrial control, particularly ex-patriate Americans and French managers of American firms who are anxious to have the American flag thrown over their properties. The embassy has every reason to be interested in their point of view, of course, but when it merely accepts this point of view without investigation, without any effort to find out whether these people betrayed France during the occupation, and without criticism, it is a serious reflection on the mentality of the people representing us here. The one effort I know of to protect the embassy against dealing with scoundrels was an inquiry made of M. Hervé Alphand, of all people (now in the ministry of foreign affairs), as to whether the embassy needed to be concerned lest it talk with or deal with collaborationists unknowingly. Alphand replied that the embassy needn't worry as all collaborationists would be in jail and the embassy could feel free to deal with anyone who is at liberty. Even if this were true, of course, it is no excuse for accepting the political philosophy of extreme reaction to the exclusion of other points of view.

To sum up this situation I would say that if the French government has shown little change from the mentality of 1939, the American representation here has shown no change from that of 1940 - i.e., the Vichy policy. In fact a very considerable part of the personnel of this embassy is made up of people who were in Vichy until 1942. If any real progress is made by the French in the next few months it will be in spite of U/S/ indifference or even opposition, not with our support. At a time when, in my opinion, we would push the French government in a liberal direction and possibly head off the explosion that is bound to come otherwise we are encouraging a do-nothing policy and strengthening the position of a lot of second rate men who are incapable of acting boldly under the circumstances.

On reading over this letter I realize that my comments have a very familiar ring and that, unfortunately, the status of American representation here is not peculiar to this place. However I believe it is my duty to submit my views on this matter to you as I feel that many things that will happen in French-American relations and in French affairs will be a direct or indirect consequence of this state of affairs.

As far as my own operations are concerned it would be a tremendous help to me to have some guidance from the Treasury on what role I should try to play in this general situation. I would particularly like to know the Secretary's views on the extent to which I should try to encourage tendencies which seem to me to be progressive and democratic. Occasions are constantly

During the first and second half of November, the balance of War Refugee Board's 300,000 three-kilo food parcels will go forward consigned to Intercross as authorized by the Berle-Foot Agreement.

In view of the extreme urgency of extending additional aid to unassimilated persons in German-controlled concentration camps and the time-consuming aspects in this country of food procurement, packaging and shipping operations, the Department, FEA and WRB recommend the shipment from this country of an additional 300,000 three-kilo food parcels during a three month period beginning December 1944 for consignment to Intercross. This recommendation is endorsed by the Department, FEA and WRB and we jointly request that this matter be referred to the Relief Sub-Committee with a view to obtaining Blockade authorization to proceed with this program at the earliest possible date.

THIS IS WRB LONDON CABLE NO. 21.

9:30 a.m.
November 9, 1944

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

FH:AA:PJM:ar 11/8/44

CABLE TO AMBASSADOR WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD.

Please deliver the following message to Dr. Joseph Schwartz from
M. A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE CONTRARY TO PREVIOUS INFORMATION OUR LATEST INFORMATION
IS THAT BECKELMAN HAS NOT DEFINITELY MADE DECISION AND IT MUST
BE LEFT SQUARELY TO HIM. UNQUOTE

THIS IS WRB LONDON CABLE NO. 22.

4:45 p.m.
November 9, 1944

ALH- 634
Distribution of
true reading only by
special arrangement.
(SECRET W)

London

Dated November 9, 1944

Rec'd 8:20 p.m.

Secretary of State,

Washington.

9735, November 9, 5 p.m.

FOR PEHLE FROM MANN.

Notwithstanding that I requested materials men-
tioned in your WRB 20 on four separate occasions since
sending my 8133 of September 29, I was successful in
obtaining them only on November 7. They were forwarded
to you by air pouch same day. I have premises of other
materials concerning this project which will be for-
warded when and if received.

GALLMAN

BB

KEM-618

London

Dated November 9, 1944

Rec'd 5 p.m.

Secretary of State,
Washington.

9736, November 9, 5 p.m.

FOR PEELE FROM MANN.

Browne and I saw Mason, Chief Refugee Section, Foreign Office, and informed him of contents of WRB 19. He would not give definite commitments concerning steps which British would take. British Minister in Bern had been advised by Jewish agency on October 31 that negotiations conducted directly with Germans had assured exit of 8,000 Jews and Mason believes that the 2,000 reported by Katsi are a part of that group. He has cabled Bern to determine facts and instructed Minister to do everything possible to obtain entry of these persons into Switzerland. As soon as a reply has been received or it is learned that some or all of these persons are in Switzerland, Mason has said that he will be in a position to advise the steps which British will take. He agrees with boards view that this is an unexpected chance to rescue some of doomed Jews in Budapest if report is true and that this opportunity must not be allowed to end in failure.

Mason, as you know, is very cautious and hesitates to commit himself on anything. Also when we discussed subject matter with him he had not discussed it with other interested persons in the British Government. I feel that if Katsi's report is confirmed, we will be able to get a commitment from the British Government to take parallel action to that outlined in board's telegram. I shall report developments learned through British Foreign Office.

JMS

GALLMAN

CABLE TO AMERICAN DELEGATE, ROME, FROM WAR REFUGEE BOARD.

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

QUOTE WE AUTHORIZED JUDAH MAGNES ARRANGE REIMBURSE REFUGEES
FROM ITALY THEIR LIRA EQUIVALENT LEFT WITH ALLIED CONTROL
COMMISSION. MAGNES ADVISES CLAIMS IN PALESTINE AGGREGATE
APPROXIMATELY 11,000 POUNDS ALTHOUGH WE UNDER IMPRESSION TOTAL
THESE CLAIMS AMOUNTED TO \$90,000. PLEASE ARRANGE THAT COMPLETE
LIST OF CLAIMS BE FORWARDED TO MAGNES JERUSALEM FOR REIMBURSEMENT.
WE ASKED MAGNES THAT PALESTINE GOVERNMENT CERTIFY AMOUNTS REPAID
TO REFUGEES SO THAT EQUIVALENT LIRA CAN BE PAID OUT TO YOUR ACCOUNT.
PLEASE KEEP US ADVISED. UNQUOTE

4:45 p.m.
November 9, 1944

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD.

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

QUOTE WE HAVE RECEIVED APPROVAL TO REIMBURSE ITALIAN REFUGEES
PALESTINE EQUIVALENT THEIR LIRA DEPOSITS LEFT IN ITALY. PLEASE
ARRANGE HAVE CENTRAL BANK PAY OUT CLAIMS IN FULL AGAINST PROPER
RELEASES AND RECEIPTS AND HAVE PALESTINE GOVERNMENT CERTIFY TO
ALLIED CONTROL COMMISSION ITALY THAT SUCH PAYMENTS HAVE BEEN MADE
SO THAT LIRA EQUIVALENT WILL BE PAID OUT TO OUR REPRESENTATIVE
ARTHUR GREENLEIGH. WE ASKING GREENLEIGH CHECK TOTAL AMOUNT CLAIMS
WHICH WE UNDERSTOOD WAS \$90,000 INSTEAD OF \$45,000 WHICH YOU REPORTED.
UNQUOTE

4:45 p.m.
November 9, 1944

A* 174

SECRET

4:35 PM

Nov. 9, 1944

AMERICAN CONSUL

JERUSALEM (PALESTINE)

With reference to Department's telegram no. 8925 to London of October 26, 3 p.m.; repeated to you as Department's 174, and your 165, October 30, noon, there follows for your information a paraphrase of London's reply (telegram no. 9498, November 2, 7 p.m.).

BEGIN PARAPHRASE. Today we took occasion to discuss the situation in Palestine (reference Department's telegram no. 8925) at the Foreign Office. Although no policy change respecting the Palestine situation is anticipated by the Foreign Office, an official stated that QUOTE sooner or later UNQUOTE - upon exhaustion of the immigration quotas - the Government of Great Britain would need to reach a new decision in the matter. This would not, he believed, be earlier than the beginning of the summer of 1945. This official added that it is obviously to the interest of the Allies to have a quiescent situation in the Middle East. He risks, he said, could be run that might result in major disorders on the part of the Arabs in that area.

Embassy is attempting to obtain confirmation of the statistics given in Department's telegram.

With reference to statements made on the Jewish question during the Presidential campaign in the United States, the same official was of the opinion that these pronouncements have not aroused as much reaction as had been expected, as far as the Arabs are concerned. END PARAPHRASE.

Acting

Stettinius

Acting

EPM

ME:EM:MM

11/7/44

MEA

BC

CABLE TO AMBASSADOR NORWEB, LISBON, FROM WAR REFUGEE BOARD.

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

QUOTE SCHWARTZ WELL LEFT FOR LONDON PLANNING PROCEED
SWITZERLAND SOONEST VIA FRANCE. ADVISE SALLY MAYER.
UNQUOTE

THIS IS WRB LISBON CABLE NO. 112.

4:45 p.m.
November 9, 1944

DCG-795

Lisbon

Dated November 9, 1944

Rec'd 10:54 a.m. 10th

Secretary of State,

Washington.

3904, November 9, 7 p.m.

Blickenstaff says Spanish Embassy Washington has not sent information concerning release group rabbis Shanghai to Foreign Office. This is WRB 250 JDC 116 from Pilpel for Leavitt. Refers to WRB 108 your SOF October 25.

NORWEB

WSB

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

FMB-27

PLAIN

Lisben

Dated November 9, 1944

Rec'd 10:03 p.m., 10th

Secretary of State,

Washington.

3905, ninth, 7 p.m.

FOR LEAVITT FROM PILPER

JDC 117 WRB 251.

Perlman Rome advises, (first) 150 male Polish Jews interned Cerfu being brought Ferramenti camp (second) further our WRB 97 military furnishing three additional planes carrying six tons winter army clothing to Jewish community Croatia thereby alleviating situation these 1,400 people (third) combined chiefs of staff approved clearance of funds for refugees new Palestine Port Ontario from Italy and Allied Commission prepared pay us lire equivalent when advise joint has paid refugees (fourth) volume work increasing and Perlman needs help. Perlman suggests you endeavor arrange temporary assignment Skerniklaub and Shacew until their UNRRA missions require them (fifth) Greenleigh's French visa expected today and Greenleigh leaving upon receipt.

MORWEB

KB

JVC-55

PLAIN

Lisbon

Dated November 9, 1944

Rec'd. 10:33 p.m. 10th.

Secretary of State,

Washington.

3906, Ninth, 7 p.m.

FOR LEAVITT FROM PILPER JDC 115.

WRB 249. 87 children, 28 adults, arrived Istanbul November 8 from Bulgaria proceeding Palestineward tomorrow. View present inability send food packages Theresienstadt Bergenbelsen other camps ex Lisbon and view Laura Margolis reports feasibility sending parcels ex Sweden suggest appropriate amendment license. Laura advises world Congress parcel project likely be abortive.

Laura more optimistic concerning Stockholm's Jewish community understanding of our function and congress functions and indicates Ehrenpreis aware of inadvisability his Congress connection. She visited Malmo, Goteberg, Helsingberg, meeting communities and Chalutzim and finds general interest and desire to be informed about our work. Laura desire receive regularly dozen copies digest other publicity material.

MORREB

MJF

CORRECTION

DMH-648

November 9, 1944

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

In telegram from Bern numbered 7365, dated November 6, 4 p.m. page 2 line 1 delete "(*)" insert "Italians" so as to read "Yugoslavs, Spaniards and Italians."

DIVISION OF COMMUNICATIONS AND RECORDS

MEV

Note: Correction from the Legation.

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

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Amembassy Managua reports that the following telegram was sent by Nicaraguan Foreign Office to Swiss Foreign Office on October 18:

QUOTE I have the honor to request Your Excellency to communicate to the German Government that my Government has given authority to the United States of America to negotiate the exchange of all persons who claim Nicaraguan nationality for German nationals who find themselves in this hemisphere.
UNQUOTE

The foregoing is communicated for your information in connection with earlier messages referring to the protection of claimants to Latin American nationality in Axis-controlled territory.

THIS IS WRB BERN CABLE NO. 267.

9:30 a.m.
November 9, 1944

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

BAkzintmh 11-6-44

AIRGRAM

A-540

5:35 PM

Nov. 9, 1944

AMLEBATION,

BERN.

The Department considers it necessary to add another category to the priority grouping of persons eligible for exchange given in Department's telegram no. 3082, September 6, 1944.

The priority groupings listed in telegram under reference are therefore amended by the addition of the following classification:

G. Immediate family members, regardless of the state of their documentation, of alien residents of the United States or of other American Republics.
This heading is intended to cover spouses and/or children.

Please inform the Swiss Government accordingly.

ACTING

Stettinius
Acting

BL

CABLE TO STEINHARDT, ANKARA, FOR KATZKI FROM WAR REFUGEE BOARD

Board would appreciate having list of names of people lost on the "Mefkura." It is suggested you forward same through pouch.

THIS IS WRB ANKARA CABLE NO. 126.

11:00 a.m.
November 9, 1944

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

FH:hd 11/8/44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

288
DIVISION OF
COMMUNICATIONS
AND RECORDS

LC - 656

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (SECRET 0)

Chungking

Dated November 8, 1944

Rec'd 8:59 p.m.,

CONFIDENTIAL

For security reasons the text of this message must be closely guarded.

Secretary of State,
Washington.

1795, November 8, 1 p.m.

FOR SECRETARY OF TREASURY FROM FREEMAN.

DEPARTMENT OF STATE
COMMUNICATIONS
NOV 10 1944
COMMUNICATIONS

One. During October price trend in Chungking mixed and retail prices for October is 39,740 as compared with 36,726 in September. Rice prices rose during first half of month but declined during second half approximately to level prevailing at beginning of month while prices of clothing, vegetables and coal rose steadily.

Two. Money market tight during most of month but eased towards end. Price rates between eight and ten percent per annum with some transactions at eleven and twelve percent.

Three. In Chungking United States dollar notes rose steadily during October from about 235 to 275-280; United States dollar bonds rose from 101 to 122; United States dollar savings certificates from 160 to

-2- #1795, November 8, 1 p.m., from Chungking

from 160 to 185; rupee notes from 81 to 97. Except for rupees, most of rise during last week of month and trend continues; United States dollar notes now (November 6) at 300 to 310 and United States dollar saving certificates about 200. In Kunming similar trend; United States dollar notes rose from 250 to 300 during October, United States savings certificates from 180 to 200-205; rupees from 90 to 112. Among more immediate causes for sharp rise are; naval victory in Philippines stimulated demand both in free and occupied China, reduction in supply of foreign exchange as UCB still not resumed large scale sales and United States military personnel not offering notes as means of obtaining CN dollars to buy UCB drafts and in Kunming reported scarce during early part of month that Provincial Government was going to evacuate because of military defeats in southeast. Smuggling of rupee notes and G. tolas into Kunming from India reportedly still being done on extensive scale.

Four. In Shanghai during last week in October rates for CRB were 4 CRB to 1 CN and 800 CRB to 1 United States dollar; bond at 180,000 CRB per ounce;

reports

-3- #1795, November 8, 1 p.m., from Chungking

reports here that high price for gold in Shanghai
is accelerating flow of gold from free China into
Shanghai.

GAUSS

BB

(*) apparent omission

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 364

Information received up to 10 a.m., 9th November, 1944.

1. NAVAL

On 7th bad weather prevented minesweeping Scheldt Estuary. The length restriction on ships entering the port of Rouen has been lifted. A U-boat was attacked yesterday in St. George's Channel and possibly sunk by one of H.M. Canadian Frigates and a Corvette.

2. MILITARY

WESTERN FRONT. Unconfirmed reports state U.S. Third Army has launched large-scale attack between Nancy and Metz and has captured a number of small towns. Slight progress at Moerdijk. On Walcheren organised resistance has practically ceased.

ITALY. Eighth Army began an attack 7th/8th designed to secure Forli. Fair progress made and immediately south of Highway 9 we have secured the airport while our left flank is now only two miles south of Forli. Satisfactory advances reported from Polish sector where leading troops have occupied Dovadola on road 10 miles S.W. Forli and are within 2½ miles S.E. of Medigliana.

BURMA. Our troops have advanced against opposition to positions 1½ miles west and 2½ miles S.S.E. Fort White.

3. AIR OPERATIONS

WESTERN FRONT. 8th. 136 escorted Lancasters (1 missing) dropped 655 tons in good weather on Homberg Synthetic Oil Plant - bombing concentrated. 289 escorted U.S. heavy bombers (5 missing) dropped 426 tons on Leuna Synthetic Oil Plant, 140 on Rheine Railway Centre and 44 on other objectives. Pathfinder technique employed with unobserved results. 23 Allied fighters missing but 12 believed landed safely in France. German casualties 2, 0, 2. 1,353 fighter bombers and fighters (6 missing) operated mainly over N.E. Holland and Western Germany. Railway track cut in about 70 places, 37 locomotives and many vehicles destroyed or damaged. 10 German aircraft shot down. Beaufighters attacked shipping off Norway. Two 3,000 ton ships and an 800 ton coaster set on fire.

8th/9th. 50 Mosquitoes sent to Hanover and 9 to Herford. All returned safely.

MEDITERRANEAN. 7th. 711 strategic bombers (4 missing) dropped total 1,569 tons in Austria, Yugoslavia, Italy and Albania. Main attacks railway centres Maribor - 349 tons, 2 railway targets Sarajevo total 444, Brenner Pass - 170, troop concentrations Yugoslavia - 228. 302 medium bombers attacked troop concentrations Forli area and hit 5 bridges N.E. Italy. 831 other aircraft hit 7 bridges and attacked communications Italy and Yugoslavia.